Right.
Now.

Meridian Energy Limited,
Integrated Report 2023.

Meridian.

Management commentary
(no financial statements)

Wind. Water. Sun.

Doing right cannot wait

The world has talked about doing the right thing by our environment for a long time. That talk has now shifted the world dialogue from ‘plan to’, to ‘can do’. Meridian’s action this year shows a pace and progress that we must maintain.

Let’s do. Right. Now.

Management commentary
(no financial statements)

Menu

Management commentary
(no financial statements)

Right.
By our commitment:

100%

Our target for decarbonisation through renewable electricity.

Management commentary
(no financial statements)

Now.

Through our pipeline:

We are accelerating the delivery of new renewable options.

Management commentary
(no financial statements)

Right.
In our partnerships:

1:1

Shared success starts with sharing responsibility.

Management commentary
(no financial statements)

Now.

In how we work:

We recognise that climate change is not going to be solved by one company, one person or one community.

Management commentary
(no financial statements)

Right.
Within our timeframes:

2030–2050

The window to get this right for everyone is closing quickly.

Management commentary
(no financial statements)

Now.

In terms of urgency:

This is the time to be decisive and to take ownership of the solutions available to us.

Management commentary
(no financial statements)

Right.
By our limits:

1.5°C

The highest degree of climate change we should tolerate.

Now.

Based on our controls:

Our near-term absolute emissions reduction targets are science-aligned.

Management commentary
(no financial statements)

Count the days:

2,557

2,557 days. That's the gap between the end of our 2023 financial year and the close of our 2030 financial year. In that time, if all goes to plan, we'll see seven of our own major developments consented, construction underway and several generating electricity. Key industries will have shed diesel and coal. The global demand for Green Hydrogen will have grown exponentially. Electric vehicles will be accessible and everywhere.

Benmore Power Station, Otematata. ▶

We're very clear about what we're working together to deliver:

Clean energy for a fairer and healthier world.

It may feel as if the next decade is ages away, but when you frame it in terms of what needs to change to get us all to a net-zero world, time is flying by.

Pace alone won't deliver what's needed. We'll do our fair share, but we need a national mindset, conducive legislation and genuine commitment. We need the right sites fitted with the right technology to transform how we power our economy. We need robust infrastructure. We need the backing of our investors. We need people with the best skills applying their expertise to make decarbonisation to happen faster.

We can't resolve it alone. And so, this year our drive to build meaningful and effective partnerships has gathered pace. We're now working with our customers to create energy solutions in different ways. We're working with iwi and rūnaka to better understand how we can relate meaningfully to the natural resources that our developments need. We're finalising arrangements to develop a hydrogen business. We're continuing to work with New Zealand's Aluminium Smelter and deciding what our future relationship with them might look like.

All this will take time to get right. But it can't take any more time than it needs. That's a good pressure to put on ourselves – and others. There's not a day to waste.

The right resources

NET ASSETS
$5.9b Up

FY23 REVENUE
$3.2b Down

TOTAL MARKET CAPITALISATION
$14.5b Up

FY23 EBITDAF*
$783m Up

* EBITDAF is a non-GAAP financial measure of earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairment and gains or losses on sales of assets.

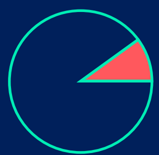
100% RENEWABLE ENERGY GENERATOR – FROM WIND, WATER AND SUN

Management commentary
(no financial statements)

KIWI
MAJORITY OWNED BY THE NZ GOVERNMENT

LISTED ON
NZX + ASX

10%
LEGISLATED MAXIMUM NON-CROWN OWNERSHIP BY ANY PERSON



We're one of Aotearoa New Zealand's largest organisations, employing over 1,000 people.

Management commentary
(no financial statements)

Shared focus

To deliver on our purpose of clean energy for a fairer and healthier world, we focus on areas where we can make a meaningful difference and that align with our values and goals of climate action.

We do this by putting our customers first and being a great place to work, and through our role as a responsible generator. We value 'being gutsy', working together by 'being in the waka' and doing the right thing by 'being a good human'. This will deliver positive outcomes for New Zealand and for our shareholders.

Our purpose

Clean energy for a fairer and healthier world

Delivering through a clear strategy

Champion	Optimise	Grow
Competitive markets	Trading	Retail
Sustainability	Asset managment	Generation
Climate action	Re-consenting	Flux earnings
	Financing	

Creating a great workplace through shared values

Kia tangata pai Be a good human	Kia maia Be gutsy	Hoea tahu te waka Be in the waka

Our commitment to the UN Sustainable Development Goals

Our primary SDG focus

Our secondary SDG focus

The power to make a difference

We harness nature to generate electricity through Wind, Water and Sun.

Generation

We generate around 30% of New Zealand's electricity through:

- 7 Hydro stations
- 5 Wind farms (2 new underway)
- 1 Grid-scale solar array underway.

Operation

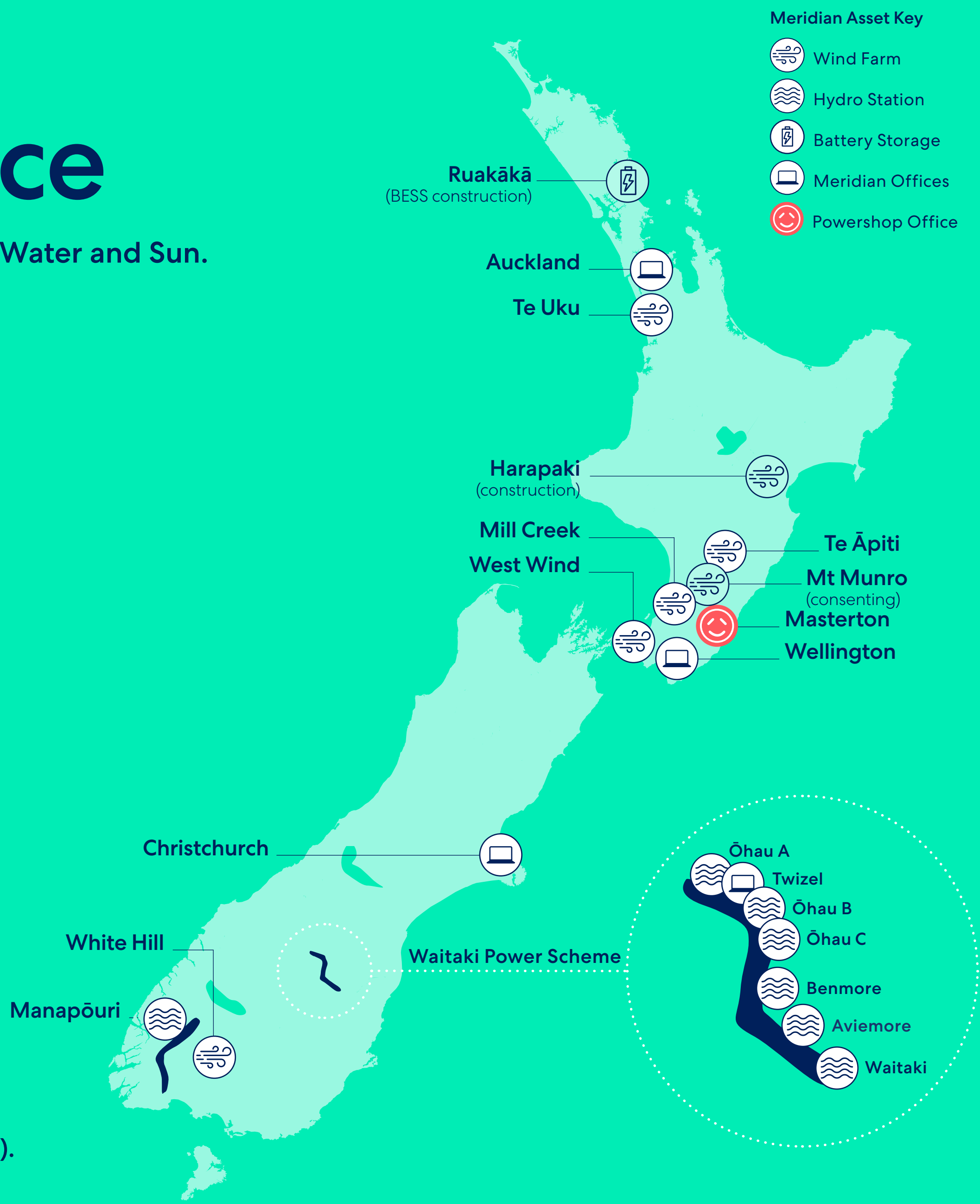
We have 1,047 employees – 92 at our power stations – throughout 5 offices across New Zealand.

Customers

We have 363k customer connections, around 15% New Zealand's households and businesses (Meridian Energy and Powershop).

Flux

A presence in 3 countries (remote workforce). 128 Employees.



Management commentary
(no financial statements)

Far-reaching changes 2022–2023

Nature

- Extended our carbon neutral targets to cover our operational and our construction-related emissions
- Set a Nature-Positive ambition
- Updated our **Biodiversity and Deforestation Commitment**, and committed to piloting the Taskforce on Nature-related Financial Disclosures framework
- Increased our co-funding of Project River Recovery, Aotearoa's longest-running conservation/business partnership with the Department of Conservation (DOC)
- 237 charge points have been added to our Zero network in 2023
- We estimate we have avoided between 15,000 and 20,000 tonnes CO2eq[1] of emissions at Harapaki and diverted 79% of waste from the site from landfill
- Over 125 companies purchased more than 640GWh of Renewable Energy Certificates

Technology

- The country's biggest supplier of retail energy with over 9,100GWh
- Harapaki and Ruakākā projects progressing well despite weather events
- Announced strategy of seven major development projects in seven years, through to 2030
- 472GWh of process heat conversion from coal to electricity for big businesses underway
- Upgraded unit capacity at our Lake Manapōuri and Lake Benmore stations
- Over 610,000 Flux customer connections
- Finalised partners for our hydrogen project
- Demonstrated the future of demand flexibility and virtual power plants through smart charging and vehicle-to-grid trials

People

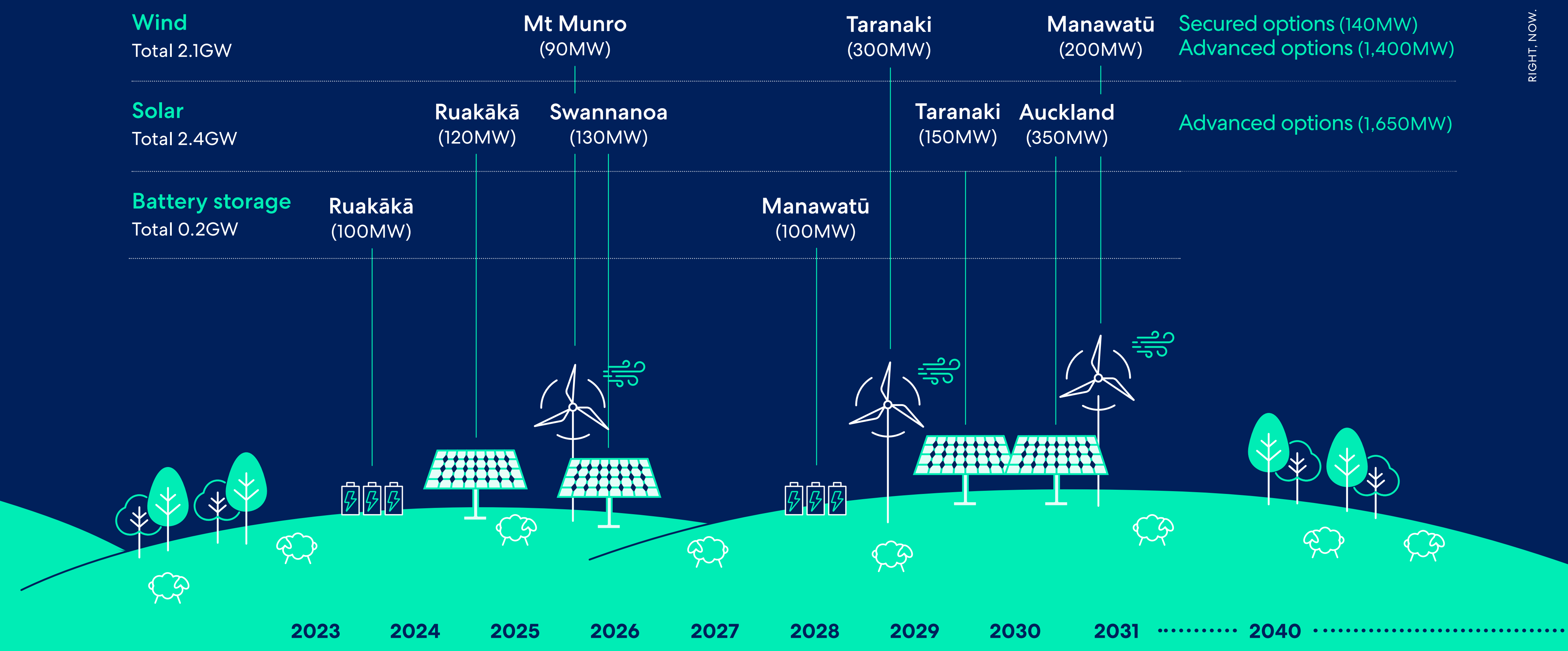
- Building a strong partnership with Waitaki Rūnaka (Moeraki, Waihao and Arowhenua) and DOC on their support for the Waitaki reconsent process
- Updated our **Group Code of Conduct**
- Launched energy wellbeing project to support 5,000 households
- Engagement increased to 73%
- Announced new universal benefits for staff, including health insurance and wellbeing leave
- Strengthened our management of the critical safety risks in our business and introduced comprehensive new safety software
- Total Decarbonisation Community Fund contribution to date of $333,310 to advance decarbonisation and energy efficiency projects nationwide

Commercial

- 10% increase in EBITDAF
- Total value of our retail brands (based on netback) increased by 17%
- Strong balance sheet to support future investment
- 3% increase in ordinary dividend
- 10% increase in operating cash flows
- BBB+/Stable credit rating maintained
- A $200 million Green Bond to continue refinancing eligible wind and hydro projects and assets closed oversubscribed

1 A carbon dioxide equivalent or CO2 equivalent, abbreviated as CO2eq is a metric measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential (GWP), by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.

A 20+ year pipeline



Management commentary
(no financial statements)

Shaping our sustainability

Sustainability means doing the right things today so our planet and people can survive and thrive. Meridian's sustainability framework work is focused on climate, environment and people initiatives, and sees us working towards a fairer and healthier world by helping to create:

A more sustainable Aotearoa and planet

Generation
Biodiversity
Water
Circular Economy

Greater sustainability for our customers

Energy Innovations
Energy Wellbeing

More sustainable communities

Community Development
Iwi Engagement

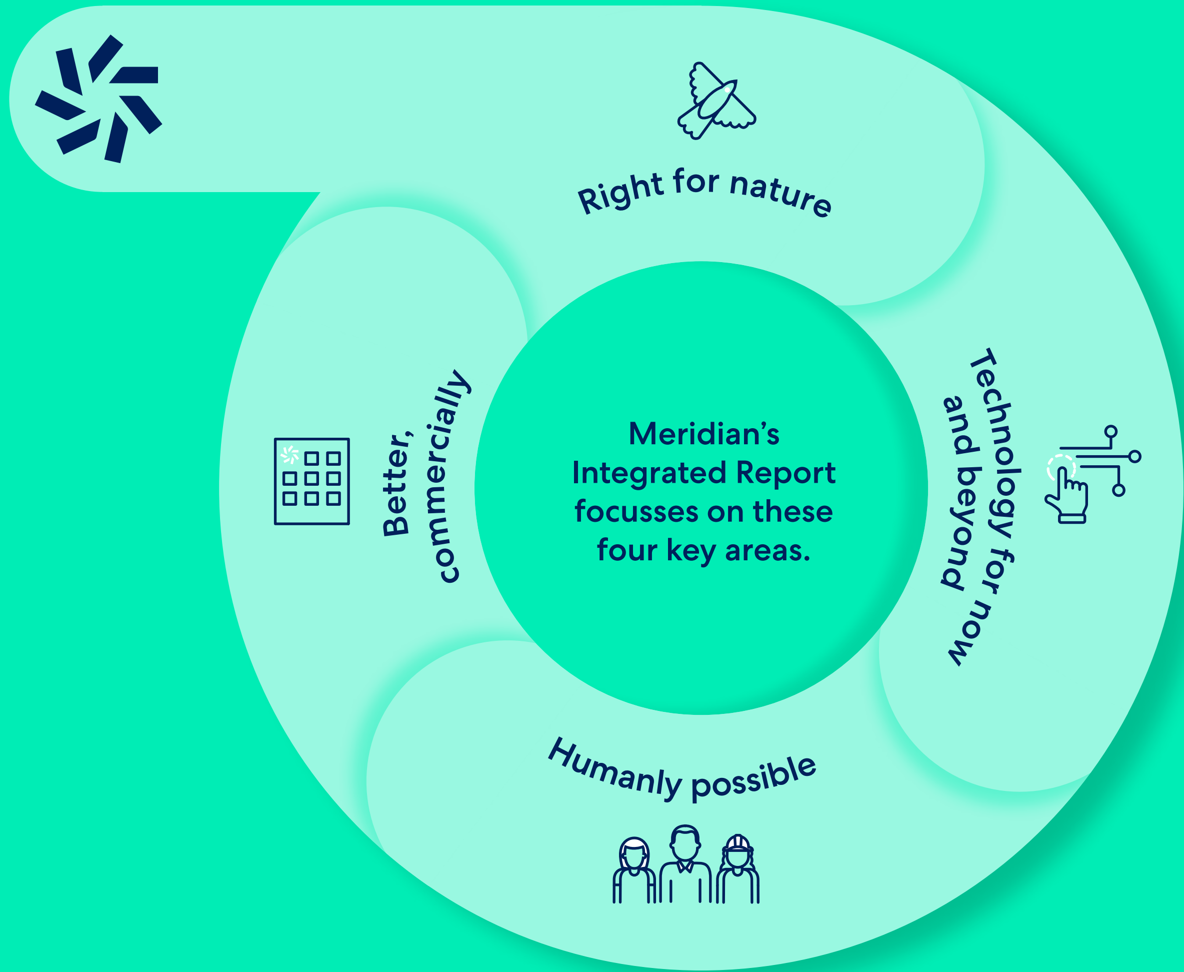
And a more sustainable company

Our Commitments & Targets
Reporting & Transparency
Sustainable Finance
Supply Chain
Ethical Business
Our People
Our Te Ao Māori Journey
Sponsorships

Management commentary
(no financial statements)

Integrated reporting

Decarbonisation is complex. It will continue to require considerable investment for many years. But it also represents game-changing potential in terms of combatting climate change and improving New Zealand's relative competitiveness on a global stage. In looking to take action right now, we believe it's critical that we keep stakeholders fully informed about what we are doing and the implications of those actions. Our long-standing commitment to integrated reporting is about providing as full a picture as possible of our strategy and operations as well as the pressures and opportunities of the environment within which we work.



Right for nature

Our Sustainability Framework guides us to make conscious decisions around our business impacts. Our long-term goal is to support biodiversity and be as circular as possible.

Technology for now and beyond

Developing and leveraging our technology solutions is proving an effective way for us to evolve our infrastructure responsibly to meet the country's energy demands.

Humanly possible

The complexities of decarbonisation are best solved by humans coming together. We report on how we are supporting our people to work safely, fairly and effectively.

Better, commercially

Shifting our commercial model to focus on energy solutions will help meet our customers future decarbonisation goals.

Management commentary
(no financial statements)

Chief Executive & Chair report

Management commentary
(no financial statements)

Our strategy is clear, our pipeline is robust, the opportunities are exciting, and urgency is a powerful motivation.

Management commentary
(no financial statements)

Acting on our purpose

This year we have been proud to put actions behind our purpose of Clean Energy for a fairer and healthier world. We are focused on decarbonisation and have several significant development projects underway and an ambitious programme for renewables-led growth through to 2050. This year we have also successfully navigated significant rainfall, and summer droughts, and finished the year strongly and ahead of last year's result.

This Integrated Report is dated 28 August 2023 and is signed on behalf of the Board by:

Mark Verbiest,
Chair

Julia Hoare,
Chair Audit and Risk Committee

Management commentary
(no financial statements)

Creating energy solutions

In the past five years we've focused on growing Meridian's retail presence and the volume of energy sold to our customers. Our commitment to a sustainable future is backed by our having strong market share. In that time, the company's retail sales volumes through our Meridian and Powershop brands have grown by 60%, from around 5,730GWh in 2017 to more than 9,100GWh today. As a result, we continue to be the country's largest retail supplier of electricity.

Our dual-brand strategy continues to be effective because it enables us to tailor our products and services to meet our customers' priorities. Powershop offers customers a savvy, digitally driven approach that enables them to buy their power their way and save money doing it. At the same time, Meridian is recognised as one of this country's most high-profile sustainable brands and offers appeal to environmentally conscious business and residential customers. We also have particularly strong propositions for our commercial, industrial and agriculture customers.

We signalled last year that we would be evolving our customer approach to concentrate on developing energy solutions focused on transport, distributed generation and storage (e.g. rooftop solar with batteries), process heat and demand flexibility. This customer strategy aligns with our company's decarbonisation agenda and will support customers to take emissions out of their own operations whilst saving money on their overall energy bills.

Our public EV charging network, Zero, continues to expand, with 237 charging points across both North and South Islands.

Sales of our Certified Renewable Energy (CRE) product have continued to grow strongly, and large business customers have purchased more than 640GWh in Renewable Energy Certificates this year. Net proceeds from the purchases of CRE have been invested back into decarbonisation projects through our Decarbonisation Community Fund we introduced this year. To date, more than $1.2 million has been raised and more than $330,000 has been contributed to projects including KidsCan (two EVs plus charger), South Island Rowing (solar), Waipuna Community, Youth and Child Services in Christchurch (solar) and EcoMatters Bike Hubs in Auckland (EV).

◄ Installation of the first turbine at Harapaki Wind Farm, Hawke's Bay.

Management commentary
(no financial statements)

A sharper focus on energy hardship

Wholesale prices remained high this year, despite high levels of rainfall. Gas uncertainty remains an issue domestically, while lingering supply chain concerns and geopolitical issues mean costs have been increasing. Whilst we have been able to absorb some of the cost pressures within our operations, we had to increase retail prices during the year. For most homes this increase was less than the overall rate of inflation, but that still added to the pressures on New Zealanders facing ongoing cost-of-living increases.

It is worthwhile noting that average prices in real terms have broadly fallen since 2015. In 2023, an average household is paying less in real terms (on a price per unit $/kWh basis) than they would have in any year since 2011.

To counter the increased cost of living impacts on our most vulnerable customers, we piloted an energy wellbeing programme. The pilot took a holistic approach to supporting customers who were in energy hardship, not only through bill credits and payment plans, but also by funding access to in-home assessments via partner services, which also utilised our co-funding to give customers appropriate interventions – from curtains right through to insulation and heat pumps.

Our pilot provided support for 130 households, and we found that by being a conduit to social support agencies and by applying our own capabilities we were able to help these customers to a point where they could afford to pay for their power and heat their homes. We have now committed to growing our Energy Wellbeing Programme with a $5.1 million investment, aimed at supporting 5,000 Meridian and Powershop households in hardship on their journeys towards energy wellbeing by the end of 2024.

Our community Power Up fund continues to support a wide range of local projects in communities close to our assets. Over the last 16 years, we have invested more than $9.6 million in more than 1,300 community-led projects.

“We’ve committed to growing our Energy Wellbeing Programme with a $5.1 million investment, aimed at supporting 5,000 households in hardship on their journey towards energy wellbeing.”

Management commentary
(no financial statements)

A sustainable approach to reconsenting Waitaki Power Scheme

In late July, we submitted a reconsenting application to secure the generation outputs from the portion of the Waitaki Power Scheme that we own and will operate for the next 35 years. The existing consent conditions expire in April 2025.

Meridian and Genesis Energy are owners and operators of the power stations making up the Waitaki and Tekapo Power Schemes. Meridian operates the Waitaki, Benmore, Aviemore and Ōhau A, B and C power stations which make up around 87% of the total scheme whilst Genesis operates the Tekapo A and Tekapo B power stations.

The Waitaki Power Scheme accounts for around 18% of Aotearoa's electricity and more importantly around 67% of average hydro-electricity storage, so the continued operation of the scheme is critical for all electricity users. The flexibility this scheme provides will play a key role in how New Zealand can help combat the impacts of climate change through continued electrification and by enabling the further growth of intermittent wind and solar electricity.

The scheme, as it was developed through much of the last century, made irrevocable changes to the Mackenzie country and the Waitaki river system. Some of the changes have been positive, especially for recreational users of the hydro lakes and the catchment fishery, but the dams and canal systems within the catchment have created significant challenges for biodiversity and cultural outcomes. So we are taking steps to build a much more sustainable mitigation programme that is consistent with our values and sustainability aspirations. As part of building this programme, we have engaged with a range of people and stakeholders. Most notably, together with Genesis, we are building a strong partnership with Waitaki Rūnaka (Moeraki, Waihao and Arowhenua), as the representatives of mana whenua Ngāi Tahu Whānui, and DOC on their support for the reconsenting application and the operation of the scheme for the next 35 years.

These relationships create a strong foundation from which we can work collectively to help improve the indigenous biodiversity and cultural outcomes throughout the catchment for the next couple of generations, and beyond.

The reconsenting process still needs to run its course, but by ensuring that we have strong endorsement and support from iwi and the key parties in the region we can be confident of a positive outcome.

Management commentary
(no financial statements)

A multi-decade commitment to renewable growth

Protecting and enhancing our existing renewable generation assets is critical and so is building to meet future growth in demand for electricity. Electrification remains the obvious catalyst for New Zealand to achieve a net-zero-carbon economy. Aotearoa's long-term target of net zero emissions by 2050 will require around $30 billion of investment in new renewable generation. For Meridian to do our share of the heavy lifting we'll need to build the equivalent of 20 large wind farms (i.e. Harapaki size) in the next 27 years.

We are investing strongly in our pipeline of new renewable generation opportunities and our capability to deliver them. Our Renewable Development Team has more than doubled in size in the past couple of years and we have also more than doubled the size of our renewable development pipeline of potential projects. We now have a deep pipeline of 4.7GW (11.1 TWh) of development options, with 1.5GW of that capacity secured and 3.2GW in advanced prospects (2.4GW solar, 2.1GW wind and 0.2GW battery storage).

The energy sector as a whole is embarking on a growth phase that will be greater than any other in New Zealand's history. There is no shortage of good renewable options in this country and no shortage of capable, well capitalised businesses wishing to develop them. Competition is strong, and we are confident the sector will drive the best outcomes at the least cost for New Zealanders.

In support of the massive capital investment needed to realise these renewable generation goals, Aotearoa needs an enabling Resource Management Framework. Specifically, consenting authorities must maintain their ability to balance localised environmental impacts and community views with the national and climate action advantages associated with large-scale renewable electricity projects. The Resource Management Act reform process is working through the legislative process right now and the outcome will be critical in ensuring that electrification keeps moving forward – and fast.

> ***" Our renewable development team has more than doubled in size over the last couple of years and we have more than doubled the size of our renewable development pipeline of potential projects."***

Management commentary
(no financial statements)

Strong progress with our projects

Last year, we translated our longer-term goal of developing our share of the new renewable generation necessary to meet our country's decarbonisation aspirations into a near term target of having seven new large-scale renewable generation projects underway in the next seven years. It's an ambitious target but one that is clearly necessary, and we have made a solid start.

Our Harapaki wind farm, currently being built in Hawke's Bay, was in the path of Cyclone Gabrielle and did suffer some damage. Despite the significant disruption, the response from Transpower, Waka Kotahi, Unison and our site team in restoring the local and national grid and roading to the site means the project is three months behind schedule. Harapaki will produce first power later this year and will be powering up to 70,000 households by September 2024. We are immensely proud of the Meridian team based in the region who were quick to support rescue services and became first responders to some of the victims directly affected by the cyclone in those first days and weeks. Those efforts were recognised by Red Cross when we were honoured for our contribution at the Disaster Response Recognition Awards event in August.

As part of our work at Ruakākā Energy Park, near Whangārei, we are developing a 100MW grid-scale Battery Energy Storage System (BESS). The BESS will support stable grid operations as it enables us to store energy during low demand times of the day then inject that energy back into the grid in the morning and evening peaks. Alongside this battery, we are planning a 120MW solar farm that will share the BESS infrastructure. The project is the third of our seven projects and is close to lodging for consent. We hope to commence building early in 2024.

The consent application we have lodged for a new 300GWh wind farm is Mount Munro in Wairarapa, the fourth of our seven projects and we plan to start construction early in 2025.

Visual simulation of Mt Munro (Boffa Miskell), Wairarapa

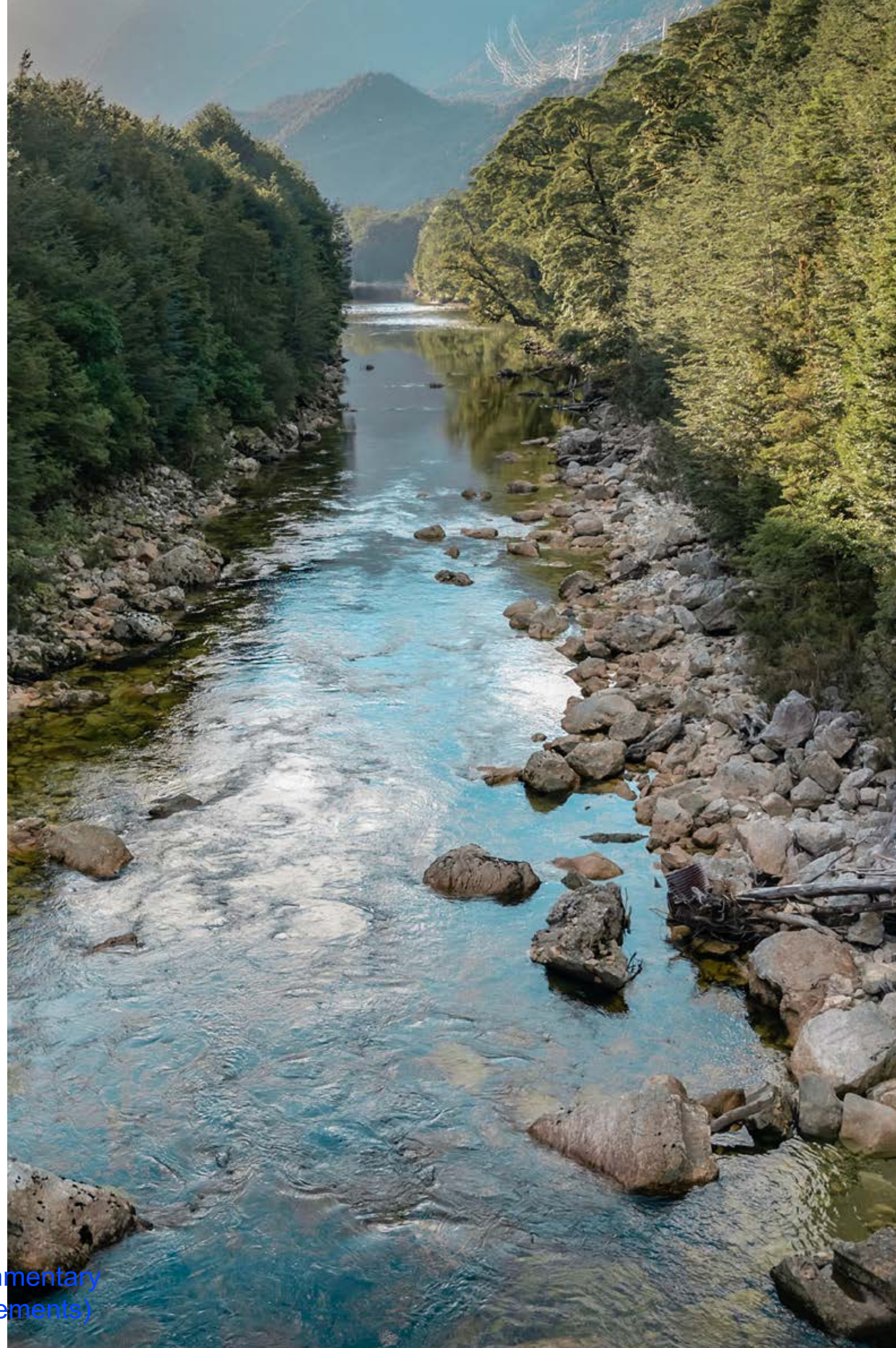
Advancing our Southern Green Hydrogen Project

Many of the world's major economies are committing huge amounts of capital to hydrogen technology as a source of clean energy. New Zealand has competitive advantages that could enable us to be an early mover and leader in this industry.

Producing green hydrogen at scale has the potential to generate significant benefits for New Zealand, including:

- valuable jobs and export earnings
- emission reductions for processes and industries that currently have limited clean fuel alternatives e.g. heavy transport, agriculture, aviation and steel production
- support our transition to a 100% renewable electricity system by providing a cost-effective method to mitigate up to 40% of dry-year risks through a flexible demand response.

We are moving forward on the Southern Green Hydrogen Project alongside our partners Woodside Energy (Woodside), Mitsui & Co Ltd (Mitsui) and Ngāi Tahu and are now moving towards detailed design.



Near Manapōuri Power Station, West Arm, Lake Manapōuri, Fiordland.

Contingencies in place for the NZAS contract

Meridian's contract for energy supply with New Zealand's Aluminium Smelter (NZAS) ceases at the end of 2024. We have been in discussions with NZAS since 2022 on the possibility of entering into a new electricity agreement, but no agreement has been reached yet.

Meridian and NZAS entered into a conditional demand response agreement in April 2023.

The demand response agreement was approved by the Electricity Authority and became unconditional in June 2023.

The demand flexibility arrangement for 2023 and 2024 allows Meridian to reduce the contract volume offered to NZAS by up to 50MW to help mitigate winter demand spikes and energy needs during dry hydro periods. Different levels of demand response are available, with Meridian compensating NZAS at a fixed price each time the demand response agreement is called. The demand response agreement will terminate on 31 December 2024 – the same day as the current NZAS contract.

We are often asked whether Southern Green Hydrogen would be able to co-exist with NZAS, if NZAS does remain operating in New Zealand beyond 2024. We absolutely believe that both industries can coexist, as can many other large industries e.g. milk powder manufacturing, which must convert from using fossil fuels in their manufacturing processes to using more renewable forms of energy.

To that end we continue to work with customers to help them convert their industrial heat processes to electric. We have contracts and Memoranda of Understanding amounting to 472GWh for new electrification projects. And, similarly to the demand response agreement struck with NZAS, our Energy Innovation Team is working with Open Country Dairy regarding a 27MW demand-flexibility arrangement. This arrangement will see energy returned to the grid during dry hydro periods or to meet peak demand for all other customers. Our assessment is that we are only just starting to tap the potential for customers to offer demand response to the electricity market and thus play a key part in ensuring overall system security.

All of this new demand for electricity will undoubtedly require a greater supply, but there are ample new renewable generation opportunities across the motu that can support sustainable industries and economic development. We also believe that, whilst like most developed nations Aotearoa is dealing with inflationary pressure right now, the cost of new renewables will continue to trend down over the long term and new demand will not drive up the costs of electricity to other consumers. In fact, we expect that most likely the opposite will occur.

We've been dealing with the whole NZAS 'will they stay or will they go?' question for a few years now. And it is very pleasing to note that many of the initiatives we put in place in 2020 to mitigate the near-term effects of a potential loss of demand from NZAS have become core to our business strategy, irrespective of whether NZAS closes at the end of 2024 or continues operating beyond that date.

Making even better use of our assets

Our Generation Team has encountered some challenges this year, most notably issues with two of the unit transformers at the Manapōuri Power Station. Both units have been taken out of service for extended periods for testing and are now operating under an enhanced monitoring regime. To date, the cause of the issue has not been established.

On the plus side, the team has made good progress in making additional capacity available from our existing portfolio of generation assets. We have lifted maximum capacity for each of the six Benmore units from 90MW to 95MW and from each of the seven Manapōuri units from 125MW to 128MW. These enhancements add a capacity to our generation portfolio that is similar to that of a a mid-sized wind farm, at a fraction of the cost.

Sustainability is hardwired into how we work and plan

As the largest 100% renewable energy company in Aotearoa, sustainability has always been core to who we are and how we operate our business. We introduced our overarching Sustainability Framework this year and continued to focus on our **Climate Action Plan**, which includes ambitious targets for renewable electricity generation growth, customer decarbonisation and managing our own resilience and emissions. This is a team effort and one that also requires us to work with communities, customers and sector peers. Whether we're working on material actions or small details, we continue to challenge ourselves to take a lead where it counts to support New Zealand and New Zealanders' transition to net zero by 2050.

It was pleasing to see our sustainability efforts recognised once again this year, as we were named in the Kantar Better Futures Report as one of New Zealand's most sustainable companies.

A great example of sustainability leadership is our approach at our Harapaki wind farm development. We estimate we have avoided construction-related emissions of between 15,000 and 20,000 tCO2eq through on-site actions during construction and the reduction in embodied carbon from the design stage. We have created dedicated sustainability roles and we continue to build intellectual property that will benefit this and future projects in our pipeline.

We continue to make great progress on Forever Forests, our afforestation programme, which is sized to sequester our remaining operational GHG emissions after our Half by 30 targets have been achieved. We currently have around 1,214 hectares of land in the programme and around 300,000 trees. We remain on track to have 700,000 trees in the ground by next financial year. The Forever Forests programme is utilising an innovative mixed planting model that ensures we can sequester carbon quickly through initially planting exotics but over time filling out with natives, ultimately leaving a native forest legacy (hence the name).

Alongside our sharp focus on emission reductions and renewable electricity growth, we've taken steps to invest in projects that contribute to biodiversity values, noting that the scope of sustainability requires us to think intelligently about what we can do to manage environmental and social impacts as a result of our operations. As mentioned earlier, we have significantly increased our support for Aotearoa's longest-running conservation programme (Project River Recovery), and as part of our reconsenting mitigation we are working more closely with local rūnaka to improve cultural and social impacts for mana whenua in our largest hydro catchment – the Waitaki. Through our Nature Positive commitment announced this year, we will continue to explore what a meaningful contribution to biodiversity looks like into the future.

Management commentary
(no financial statements)

Continuing to attract talented people

The rate of change in our industry is only speeding up and our ability as a business to anticipate and lead change whilst delivering relevant solutions for our customers is all down to our people and our culture. We've invested a lot of time and effort into ensuring that Meridian offers an attractive employee experience to ensure we continue to attract and retain talent. Our Belonging Strategy is aimed at building on our diversity and encouraging a true sense of belonging that defies ethnic, belief and gender constraints. We introduced a Te Ao Māori strategy during the year to help lift the overall cultural capability of our people and support us to better recognise Māori values in how we operate, attract and retain Māori in our workforce.

Remuneration and benefits obviously have a part to play, and with this in mind during the year we refreshed our benefits package, adding some important new features such as health insurance for all staff and wellbeing leave. We also believe we have effectively normalised hybrid ways of working and, in doing so, enhanced productivity across the company.

Teams and cultures evolve, and Meridian has plenty to work on before we can say we've got the ideal team mix from a diversity perspective, but we are making progress. We were pleased to see a 30% increase in those who identify as being of Māori origin in our workforce, and our overall gender balance remains healthy. However, we acknowledge that we still have work to do in terms of encouraging more women into parts of our business that have historically been male dominated and providing support and encouragement for more women to take on more leadership roles within the Group.

Management commentary
(no financial statements)

◀ Raewyn Goss, Health, Safety and Security Manager, Harapaki Wind Farm, Hawke's Bay.

Keeping our people safe from harm

In the years ahead, as we accelerate our construction programme, we are committed to managing the safety risks for our people, and in doing so we remain committed to working alongside other sector safety groups. This year we have reviewed and rebuilt our understanding and controls to manage critical risks. We have continued to evolve our response to harm with new training protocols and more holistic software to complement our Learning Teams and safety systems. Beyond physical safety, we're committed to protecting our people's mental health through our Care Teams.

We ended the year with a calculated total recordable injury frequency rate for employees and contractors per 200,000 hours worked of 1.76 (compared with 1.58 in FY22), which compares well with industry averages.

Changes at Executive Team level

The Executive Team has proved to be a stable and productive team in the past year.

Nic Kennedy, CEO of Flux, now reports to an independent board as we want to accelerate growth in that business. Nic remains a key member of the executive talent at Meridian.

Changes at Board level

We continue to advocate balanced and diverse views at Board level to oversee Meridian's strategy and guide the business through the years ahead. Graham Cockroft and David Carter are both experienced business leaders who joined the Board as Non-Executive Directors. We also welcomed Benjamin Bateman (Ngāi Tahu) as our next Future Director.

We said goodbye to longstanding Director Jan Dawson at our last Annual Shareholders' Meeting (ASM), and we will farewell Mark Cairns at our upcoming ASM. Our thanks to Jan and Mark for their guidance and leadership while they were with the Board.

A strong financial result

Despite a range of weather challenges, healthy generation numbers and further overall growth in retail sales and volumes, ensured a very strong financial result. We reported a net profit after tax of $95 million for the year ended 30 June 2023, the result was heavily influenced by -$375 million net change in fair value of energy hedges. EBITDAF of $783 million was up $74 million or 10% on the prior year. Underlying net profit after tax (which is a non-GAAP measure)[2] for the Group was also up 35% at $315 million.

The sale of our Australian operations in January 2022 significantly strengthened our balance sheet. We now have investment capacity to support our renewable generation and Southern Green Hydrogen Project growth strategies.

The Board is confident that the business can meet the current decarbonisation programme and continue to deliver dividends for investors for the foreseeable future. This year's final ordinary dividend of 11.90 cents per share, up 3% from the previous year, brings the total ordinary dividends declared in FY23 to 17.90 cents per share, also up 3% from the previous year. The Dividend Reinvestment Plan remains available for those investors wishing to take advantage of it.

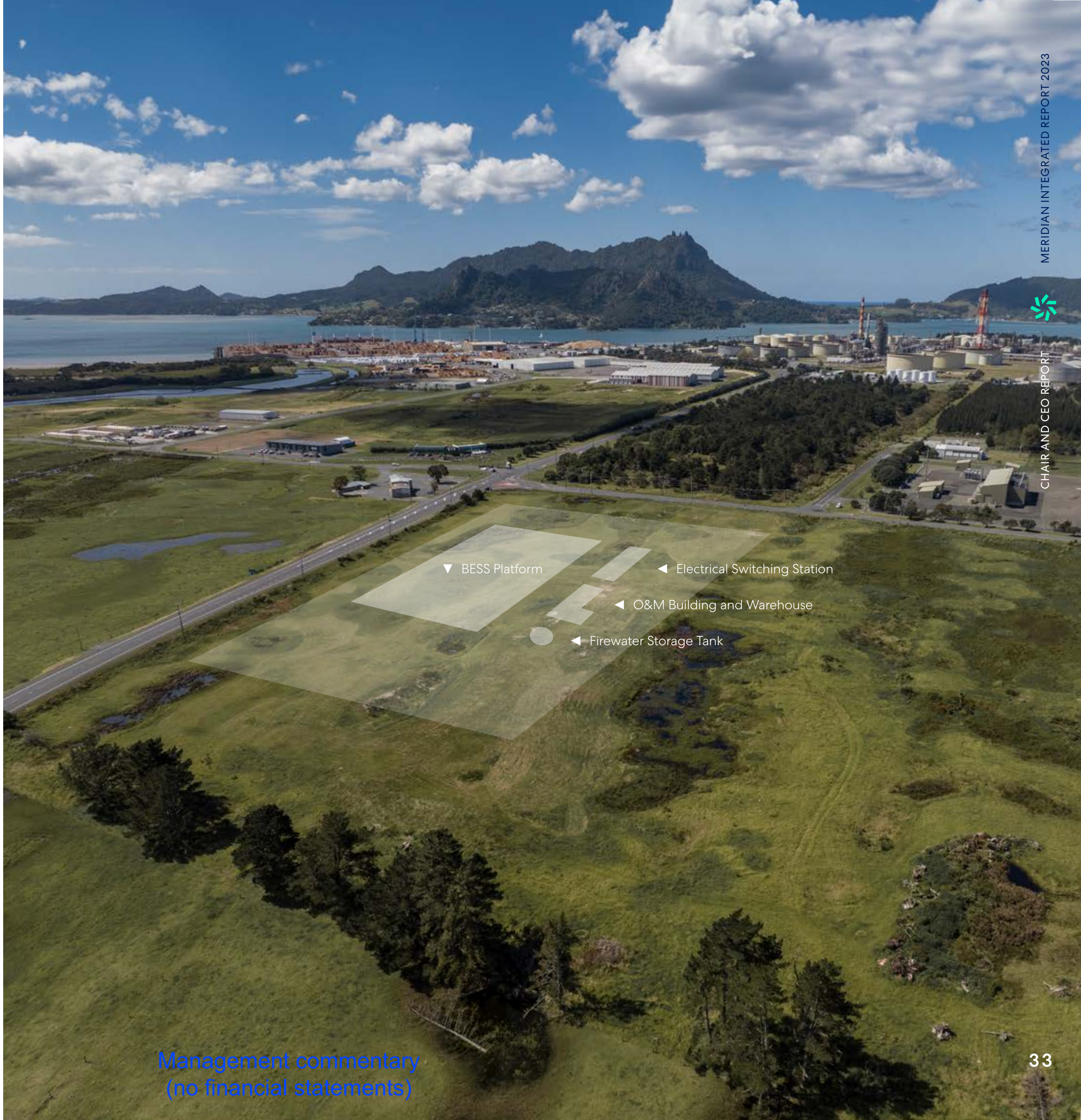
S&P Global Ratings has recently reaffirmed Meridian Energy's corporate credit rating as 'BBB+'/Stable/A-2.

2 Net profit after tax adjusted for the effects of changes in fair value of unrealised hedges, electricity option premiums and other non-cash items and their tax effects. Underlying net profit after tax is a non-GAAP financial measure.

The time is now

Decarbonising the New Zealand economy will take collective effort and will create a competitive advantage for our country. Our commitment to growing renewable electricity generation and delivering innovative energy solutions for our customers will help many Kiwis to contribute meaningfully to the permanent changes required. Long-term partnerships with iwi, industry, customers and communities will enable us to build a clear pathway and a shared future. None of us should downplay the challenges, but our strategy is clear, our pipeline is robust, the opportunities are exciting, and urgency is a powerful motivation. We are better placed to support Aotearoa's transition to a low-carbon society than we have ever been.

On behalf of the Board and the Executive Team, thanks to our customers, our partners and our investors and to everyone in our team for your hard work. Together, you are helping us advance our purpose to deliver clean energy for a fairer and healthier world.



Proposed layout for our BESS project ▶
at Ruakākā, near Whāngarei.

Right for nature

Management commentary
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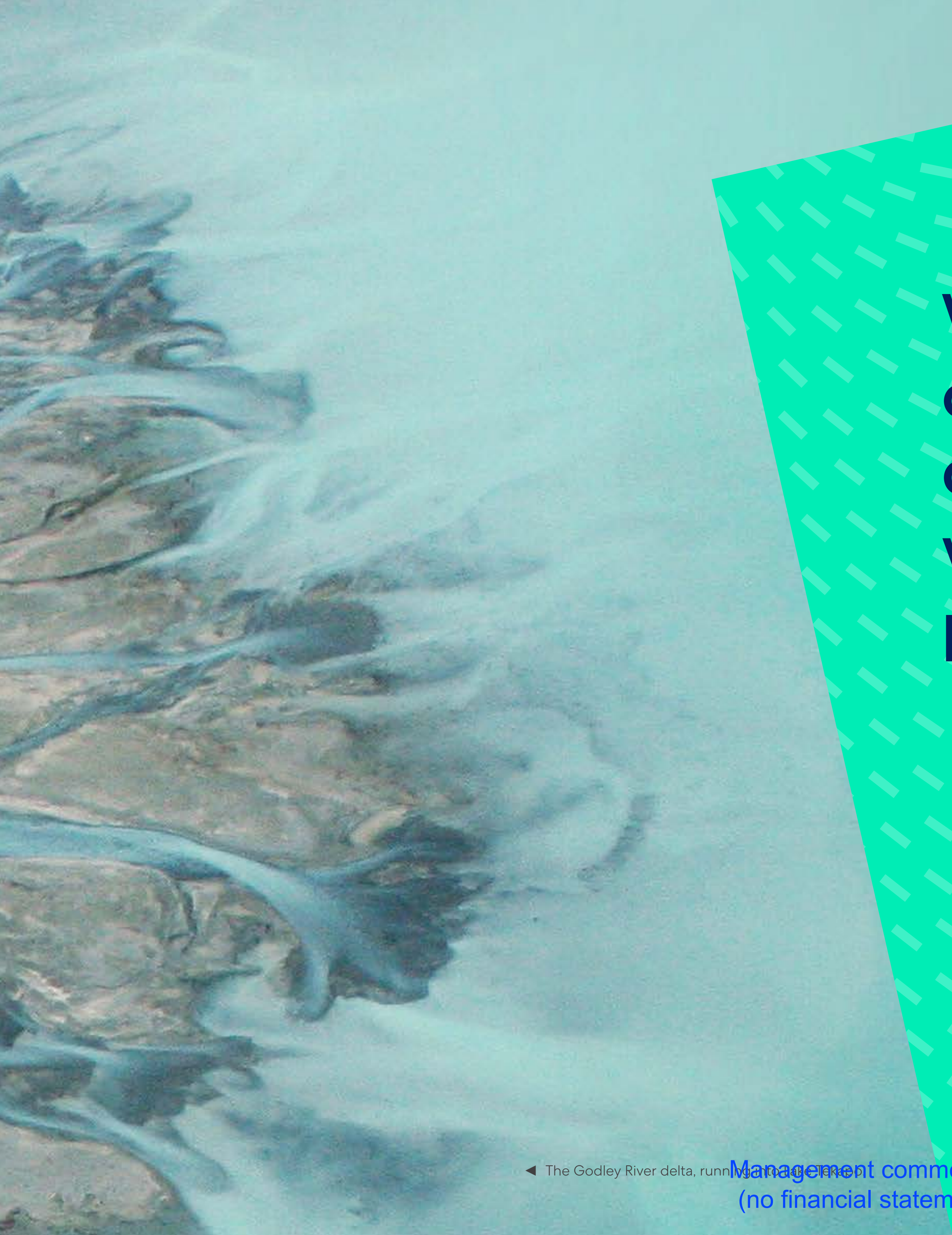


We’ve increased our focus on nature and biodiversity with a new nature-positive ambition.

◄ The Godley River delta, running into Lake Tekapo.

Our commitment

Decarbonisation is a shared responsibility. Bottom-line, doing right by our environment and resources is the best way for us to do business. To that end, we make conscious decisions on what we use and what we support. Ultimately of course, we're challenging ourselves to be as circular as possible.

In this section:

- A change in the weather
- Preserving water quality
- Hydrology this year
- Broadening our commitment to nature and biodiversity
- Law and regulations compliance
- Fully scoping our emission reductions
- Aiming for best disclosure on emissions
- Thinking full circle
- A new standard for sustainable infrastructure development
- Forever Forests continues to grow
- Sharing our views on policy and regulatory changes
- Our impacts anchored in the natural world
- Cleaner than ever

A change in the weather

Intense weather events throughout the country have been strong reminders that the conditions in which we operate are continuing to change. Increases in the volumes of rain events, for example, are making our inflows more volatile, while dry conditions elsewhere are a reminder that these shifts in weather conditions are going to affect different parts of our operation in contrasting ways.

In the case of our hydro assets, the size of our lakes doesn't change, but what feeds them – rain and snow melt – are changing over time. That affects how we operate, and of course how prices are formed in the electricity market. This year, as happens in most years, it also required us to spill water.

Meanwhile, at developments like the Harapaki wind farm our crews have been dealing with severe weather that has delayed their work and caused massive damage across whole regions. Our team have done a remarkable job in keeping the project delays limited to the effects of Cyclone Gabrielle alone, given the number of weather challenges prior.

None of these emerging challenges should be surprising. New Zealanders have known for some time that climate change will significantly affect their lives. Meridian will continue taking actions to reduce gross emissions that we create, and we must adapt to what's happening and continue to introduce greater flexibility and diversity to our energy capacity.

Preserving water quality

New Zealanders have strong feelings about water and how it's used. They're concerned about water quality and availability, who owns and has access to water, and whether the infrastructure is being managed properly. Maintaining water quality and ensuring that standards in our catchments are clearly defined and complied with is something we take very seriously.

Hydro generation doesn't change the composition of water. However, certain land uses in the catchments of the Waiau and Waitaki river systems mean they're affected by sediment and the proliferation of algae and invasive weeds.

To keep waterways as clean as possible, we look to release flushing flows into these rivers regularly to break off weed growth. Our ability to deliver these flushing flows currently requires works on the river channels. For example, there is a specific problem area upstream of the Manapōuri lake control structure, where sediment has accumulated to the point where it compromises our ability to release flushing flows effectively. Our Dam Safety Intelligence team were commissioned to advise us on the best approach to remedy this. Using lidar survey equipment, their assessment of the channel depth and water volumes necessary to deliver flushing flows is that up to 300,000 cubic metres of material needs to be removed to make flushing flows more effective while keeping the lakeshores and water quality as they should be.

Our day-to-day use of water at Lake Manapōuri is controlled by resource consent conditions that include ongoing monitoring and reporting

◄ Lake Manapōuri, Fiordland.

Management commentary
(no financial statements)

requirements. If our current or planned activities have, or could have, any impacts on freshwater quality, our resource consent conditions and stakeholder agreements provide guidance on how those impacts are to be managed.

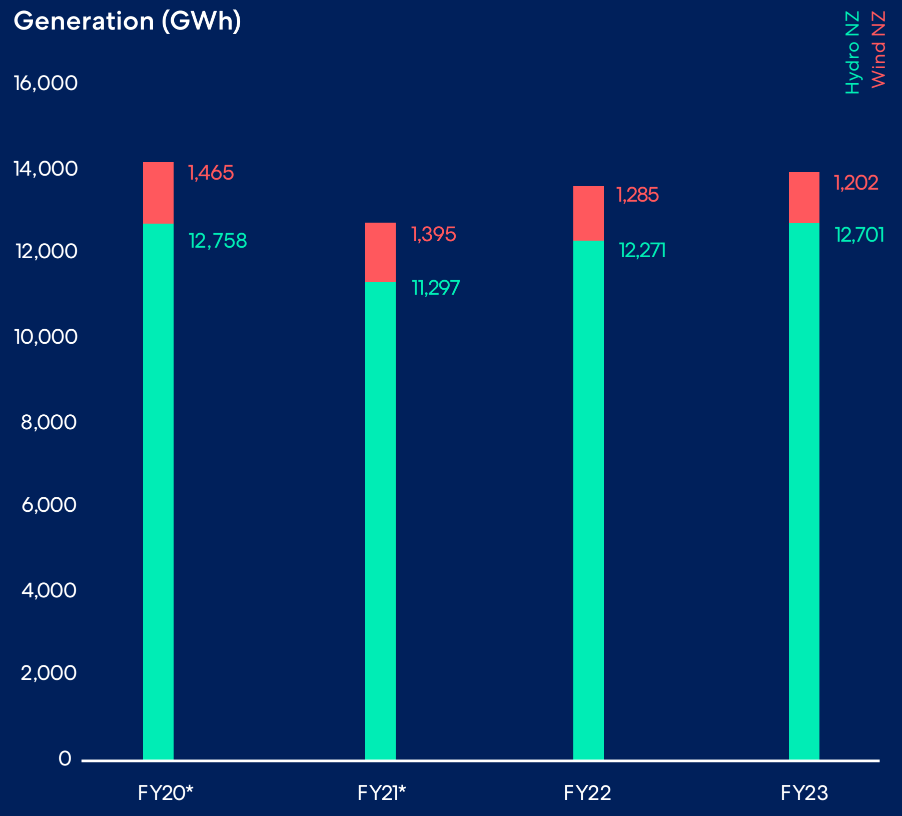
We discharge fresh water from the Manapōuri Power Station into Deep Cove, in accordance with the resource consent conditions mentioned above, and undertake regular marine environment monitoring and reporting. In the 50 years in which the station has been running, the area closest to the tailrace has become largely fresh water. Otherwise, there have been only slight changes to an environment that naturally has high freshwater inflows. Overall, the Doubtful Sound marine environment remains very healthy.

We continue to work closely with regional councils to monitor the potential for erosion in the lower Waiau and Lower Waitaki Rivers, to review our operations in the event of unexpected impacts and to minimise the risks of any contaminants entering waterways from our stations.

It's up to the Regional Council to develop a catchment plan that sets standards for water quality and freshwater management for the Waiau catchment. The proposed plan (Plan Change Tuatahi) will need to be lodged with the Office of the Chief Freshwater Commissioner by the end of 2024. Any decisions will set the framework for the subsequent reconsenting of the Manapōuri power scheme. Reconsenting of the Manapōuri scheme needs to be completed prior to consents expiring in 2031.

Hydrology this year

Generation (GWh)



* Waitaki Power Station total generation capacity updated following restoration.

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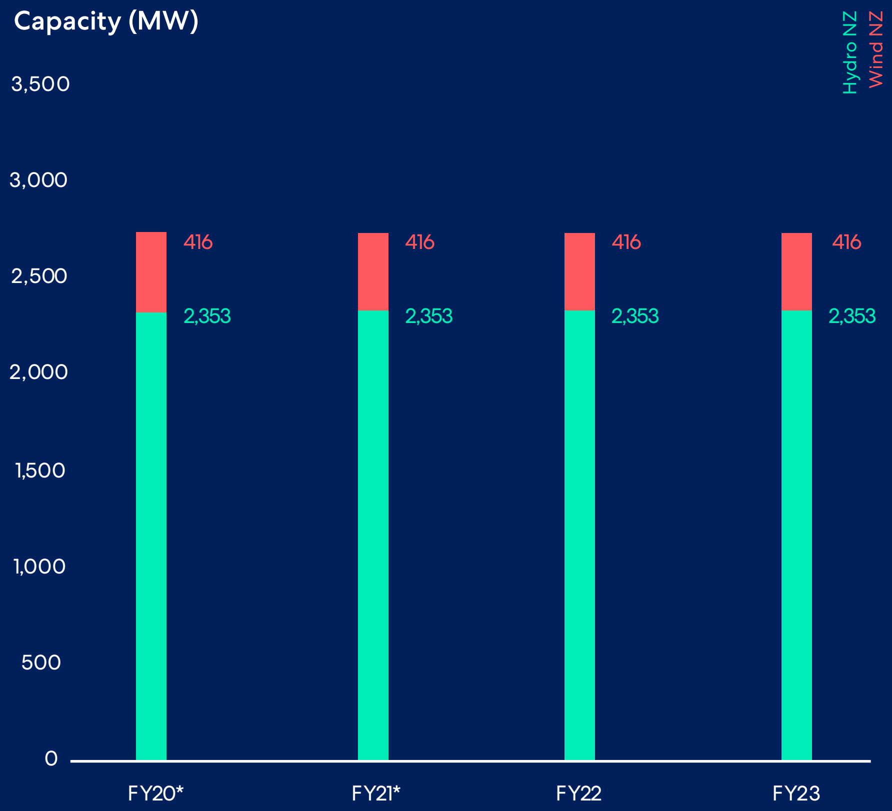
(no financial statements)

Capacity (MW)



* Waitaki Power Station total generation capacity updated following restoration.

Water consumption*

Mm³	FY19	FY20	FY21***	FY22	FY23
Fresh surface water (lakes, rivers)	74,183	85,339	66,659	76,523	81,431
Water returned to the source of extraction at similar quality	61,832	72,994	54,994	65,535	70,772
Total net freshwater consumption**	12,351	12,345	11,665	10,988	10,659

* Municipal water consumption not reported as minimal and not metered. Flows though hydroelectric turbines are calculated based on the machine ratings using headwater level, tailwater level and machine power (MW). Unit of measurement in MM3 is used to ensure precision of data is accurately represented.

** Fresh water taken from Lake Manapōuri is released into Doubtful Sound, a marine environment, and is not altered in terms of water quality

*** Restated to correct for subsequent NIWA quality assurance of data for Lower Waiau flow. Additional 225 to both fresh surface water and water returned to the source of extraction. Total net fresh water consumption not affected.

Plant availability

%	FY19	FY20	FY21	FY22	FY23*
Hydro	91.6	88.9	91.1	88.9	91.0
Wind	83.3	89.8	89.0	86.3	86.6

Outages for FY23 – Hydro: maintenance 6,370.87 hours, planned 7,317.59 hours, forced 15,809.8 hours; Wind: planned (including maintenance) 11,896 hours, forced 926 hours.

* Availability is now time-based not production-based.

Broadening our commitment to nature and biodiversity

Action on climate change is critical as is the action needed to reverse nature loss and restore biodiversity. We've increased our focus on nature and biodiversity with a new nature-positive ambition. Building on the environmental commitments we've made and the actions we take today, we have plans to pilot new nature-based frameworks and advance identified new biodiversity initiatives in the coming year.

We note the global work being undertaken by the Taskforce on Nature-related Financial Disclosures and the progress in science-based targets for nature. Locally, Te Mana o te Taiao, the Aotearoa New Zealand Biodiversity Strategy, sets out a strategic framework for the protection, restoration and sustainable use of biodiversity. In the past year, cross-business teams within Meridian have been identifying how we can incorporate a biodiversity strategy into how we work to complement our position as a sustainability leader. We also recognise the opportunity to learn from and reflect the aspirations of iwi and mana whenua in this work, with mātauranga Māori and their own connections with nature. We're very excited about taking our next steps to advance our practical choices and realise our nature-positive ambition.

Biodiversity is an issue that's close to home – literally. The catchments and other environments in which we operate and develop renewable generation contain or are in 'close proximity' to 'critical biodiversity' or 'critical habitats'. So, not surprisingly, we already do a lot to ensure that nature, including biodiversity, is top of mind for our people:

- We're committed to contributing to the United Nations Sustainable Development Goals with a focus on Climate Action, Responsible Consumption and Production, Life on Land, and Clean Water and Sanitation.
- In order to minimise any negative impacts of our operations on biodiversity, we comply with all environmental legislation, including all resource consents that we have.
- We undertake Fatal Flaw Analyses of all new land prospects to identify and avoid intolerable impacts on critical biodiversity or critical habitats where practicable.
- We monitor native bat and falcon populations near our sites at specific times.
- We undertake predator reduction work to protect the habitat of New Zealand's native falcon.
- We register covenants over land to protect ecological plantings and wetlands. For example, we've added 110 hectares to the 40 hectares of red tussock already protected at our White Hill wind farm.
- We report to specialist statutory guardians who are appointed to oversee our operations and environmental outcomes at Lakes Manapōuri, Monowai and Te Anau.

As a next step in our bid to include biodiversity considerations in everything we do, this year we publicly declared our new No Net Deforestation Commitment for our operations (excluding wilding conifers), and updated our **Biodiversity and Deforestation Commitment** as a result.

Our co-funded Project River Recovery is Aotearoa's longest-running conservation business partnership. For more than 30 years, Project River Recovery has been preserving and restoring braided river habitats in the upper Waitaki catchment through predator and weed eradication. This year, as part of discussions on the renewal of our partnership with DOC, we've agreed to increase our support significantly. Historically, this work has helped to protect the endangered black-fronted tern/tarapirohe and black stilt/kakī colonies and increase their populations, as well as increase wetland areas. The new funding arrangements will allow this work to expand dramatically.

In the Waiau catchment we continue to work closely with the Waiau Fisheries and Wildlife Habitat

Enhancement Trust to enhance stream and wetland habitats for fisheries and wildlife.

We support and fund the migration of elvers and migrant eels across our dam structures in both of our hydro catchments every year through our elver trap and transfer programme, under the guidance of Ngāi Tahu.

We note with great sadness the passing of Bubba Thompson, a rangitira of Awarua. Bubba and his wife Gail worked with us for many years and we wish to acknowledge the relationship with each of them and the deep respect that we have for their knowledge and understanding of the Waiau catchment. Among his many achievements, Bubba was involved with the elver transfer programme for a decade. We honour his memory.

As part of our partnership with Te Waiau Mahika Kai Trust, we've been developing a carbon forest to deliver carbon sequestration. This year, through Forever Forests, we've undertaken new planting at the Trust's Te Kōawa Tūroa o Takitimu property as the trust restores the site to provide mahika kai resources.

Our successful partnership with DOC and Ngāi Tahu to support the Kākāpō Recovery Programme has also continued. We renewed the arrangement this year. Our involvement helps to fund research and initiatives relating to genetics, nutrition, disease management and finding new sites. During the 2023 breeding season 55 chicks fledged. There are now 248 known birds, double the number that existed when we first signed as a partner in 2016.

Law and regulations compliance

There have been no significant instances of non-compliance with laws and regulations and we've paid no fines during the reporting period.

Meridian staff help release 42 endangered kakī/black stilt ▶
at the Tasman river near Aoraki/Mount Cook, as part of PRR.

Fully scoping our emission reductions

Decarbonisation is a day-to-day priority for us. As a major Aotearoa New Zealand company, publicly listed and with more than 1,000 people in our workforce, we're determined to lead by example. The doubling of our development pipeline options and constructing projects in parallel in the past year is the most visible sign that we mean business.

Our **Climate Action Plan** is a delivery-focused plan with three priority areas: renewable generation; customer decarbonisation; and managing our emissions and ensuring resilience. This year's plan refresh has a greater focus on climate change adaptation actions, outlines actions to minimise one-off construction emissions, and highlights our increased commitment to offset 100% of our business emissions. We've been carbon neutral in our operational emissions for a number of years, and our commitment to offsetting emissions now includes emissions from new construction activities.

This year we're also reporting on how we've performed against our FY23 targets and milestones, and what we're doing to build on our climate action momentum in FY24. This includes reporting on our Half by 30 initiative, through which we aim to halve our gross operational scope 1, 2 and 3 emissions by FY30 on an FY21 baseline.

We're encouraged by the progress we see around us. The Government's actions in the area of transport and the bolstering of the Government Investment in Decarbonising Industry (GIDI) Fund are helping to build good momentum for change. The signing of a major demand-flexibility agreement with New Zealand's Aluminium Smelter (NZAS), the take-up of our Certified Renewable Energy product and strong interest among our customers and other businesses in process heat conversion to electricity and commercial solar show that businesses are keen to engage.

The expansion of our Zero EV charging network and our charging solutions for homes and businesses will also enable households to play their part.

An important development last year was the establishment of the Energy Innovation Team within our retail business. The team is now actively working on solutions to help our customers decarbonise, from helping to deploy charging infrastructure, to helping create value from demand flexibility, to electrifying process heat. We look forward to continuing to report on its progress.

Within our own business, and alongside our development programme, we're working hard to embed decarbonisation into what we prioritise and measure for success throughout our business, and how we rethink our business-as-usual activities to make them less carbon intensive, more circular (and therefore less wasteful) and more accountable in terms of our climate-related goals.

Over 95% of our GHG emissions are scope 3 emissions that occur in our supply chain. Essentially, these emissions are beyond our direct control, coming mainly from goods and services we purchase and emissions associated with subleased farms in close proximity to our assets.

Our supply chains vary, depending on the parts of the business. Local and global suppliers provide our generation business with parts and components to build and maintain our generation assets. We also work with general engineering consumable and specialist parts' suppliers, and providers of services such as ICT (information and communications technology) and facilities' management. In contrast, we have a very short supply chain in our retail business because the physical assets used to distribute electricity and meter its use are managed by national and local lines and metering companies. Our retail operation and corporate requirements

Management commentary
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include physical facilities and ICT, sales and marketing, billing and governance functions.

In FY23 our operational emissions were measured at 33,463 tCO_2eq. In 2022 the Science Based Targets initiative validated our near-term and underlying Half by 30 targets: to reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2021 base year, and to reduce absolute scope 3 GHG emissions by 50% within the same timeframe.

Our direct scope 1 emissions are primarily driven by combustion boat emissions from road transport at Manapōuri and travel from within our own fleet and from rented vehicles. We now have a 100% light-vehicle fleet and are making good progress towards our 2025 goal of completely replacing the internal-combustion-engine utility vehicles used by our hydro and wind asset maintenance teams when manufacturers make them available in New Zealand.

Adopting the market-based approach for electricity consumption and scope 2 emissions, our reported emissions continue to be near zero. That's because we've matched our consumption to renewable energy production from Meridian's assets using Renewable Energy Certificates issued by the New Zealand Energy Certificate System. A significant addition last year was an Internal Decarbonisation Fund. Backdated to FY20, when Meridian first used Renewable Energy Certificates for our market-based scope 2 emissions reporting, the fund enables us to 'charge ourselves' the equivalent net revenue that our customers pay per Renewable Energy Certificate. The ring-fenced proceeds are then used to fund additional decarbonisation projects within Meridian's operational emissions boundary – contributing to our Half by 30 goal. This internal fund aligns with the design and purpose of our Certified Renewable Energy product, where we reinvest the net proceeds of customer-purchased Renewable Energy Certificates into business or community-based decarbonisation projects. The total Decarbonisation Community Fund contribution to date is $333,000 to advance decarbonisation and energy efficiency projects that might not yet have occurred.

The key achievements in our scope 3 emission-reduction work last year included the completion of decarbonisation initiatives at salmon farms in our canals, and the launch of a new emission-reduction package for commuting staff.

To encourage Meridian staff to play their part in reducing both their personal emissions and ours, we're looking at introducing staff incentives to reduce emissions through gamification, a points system and rewards for low-carbon commutes and using e-bikes.

In delivering these initiatives we've adopted a human-centred design

"Within our own business, and alongside our development programme, we're working hard to embed decarbonisation into what we prioritise and measure for success throughout our business..."

Fully scoping our emission reductions continued

approach to ensure the measures are fair and accessible for everyone. At the same time, we're encouraging people to think about whether they need to travel, and have given them access to an air travel calculator so they can see the carbon they could save. These changes extend all the way to our Board.

So far in our emission-reduction journey, there have been a number of key learnings. We know that Half by 2030 won't be a linear progression. There'll be periods when progress is slow as we make changes within our wider supply chain, and there'll be times when that groundwork pays off and we see noticeable gains. This year, for example, we've made significant gains internally to advance our Half by 30 agenda, with the emission-reduction results of these initiatives to come in future years – such as the achievement in having a business case approved to electrify the ferry used to get our staff and contractors to and from Manapōuri Power Station. Finally, while we have some major initiatives in play to reduce our emissions, including good progress with our resource consents at Mt Munro and Ruakākā, the real key to effective emission reductions lies in doing lots of smaller things, and doing them well. Effectiveness, in other words, is cumulative rather than dramatic, and involves a number of parties.

Our **Supplier Code of Conduct** encourages our suppliers to take climate actions that would work for their businesses and enable us to help New Zealand become a net-zero-carbon country in 2050. This year we commenced a supplier carbon engagement programme to understand how we can help suppliers to measure and reduce greenhouse gases. Doing this will be a win-win for Meridian and our suppliers.

We now record 100% of GHG emission data from all suppliers and contractors at our developments. Monthly reports let us see where current emissions are trending and we also track these annually and for the duration of projects. We've been doing this at the Harapaki wind farm for two full years, and for three months at Ruakākā Energy Park. All contractors are required to let us know what they're doing on site to reduce their emissions through scope-specific Sustainability Management Plans, and the details are recorded in the project registers. All contractors must also provide a dedicated sustainability staff member on site.

The Meridian Group Half by 30 roadmap in our **Climate Action Plan** includes six areas of focus, covering all three scopes of activity and three horizons, with targets that together form our plan to deliver on our Half by 30 commitment. See our **Climate Action Plan** for detail of our progress in these six areas.

Our analysis of the emissions associated with major maintenance projects and the one-time construction of renewable generation assets shows that those activities have the potential to generate as many emissions as our current operational activities. Recognising this, we've now built active emission reductions into our project plans for the Harapaki wind farm and Ruakākā development.

These emissions are managed and minimised through project-specific metrics for each development based on the specific challenges and opportunities at a site. For example, our Sustainability Management Plan at the Harapaki wind farm requires all parties to report on emissions and to meet key performance indicators (KPIs) for continuous improvement initiatives. So far, through thinking about sustainability issues at the design stage and implementing more sustainable practices on site, we estimate that the Harapaki team has reduced the overall emissions by between 15,000 and 20,000 tCO2eq.

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(no financial statements)

Climate Action Plan

Our purpose

Meridian's purpose of **Clean energy for a fairer and healthier world** is at the centre of everything we do on our journey to a resilient, net zero future.

Our priorities

Renewable generation

Customer decarbonisation

Managing our emissions and ensuring resilience

Our key initatives

Renewable energy development pipeline

Creating a pipeline of grid-scale projects ready for construction. First horizon '7x7' focused on 7 projects in the 7 years to 2030.

Construction of new generation assets

Beginning with Harapaki wind farm, we're building new assets to increase supply from our existing 100% renewable energy asset base.

New opportunities – hydrogen

Advancing a new partnership opportunity to develop a green hydrogen centre to support decarbonisation in Aotearoa and abroad.

Process heat

Helping businesses replace fossil fuel boilers with electrode boilers and heat pumps.

Electric vehicles and charging network

Making it easier for NZers to drive electric.

Demand flexibility

Playing our part in creating a more flexible energy system that enables smarter use of electricity and widespread electrification.

Construction emissions

Reducing emissions as we build new generation assets, and our new offsetting commitment.

Half by 30*

Our science-aligned gross emission-reduction target for Scope 1, 2 and 3 operational emissions. Halving total emissions by FY30 on a FY21 baseline.

Forever Forests

Our nature-based response to grow a permanent, and over time 100% native, emissions sink.

Climate risk and adaptation

Our continued commitment to assess and manage our climate-related risks, including adaptation.

These key initiatives align with our commitment to contribute meaningfully to the United Nations (UN) Sustainable Development Goals (SDGs) where we can have most impact – such as SDG13 Climate Action. See our **Sustainability Policy** for further detail. Where we can't reduce our operational emissions right now, we offset using Gold Standard Verified Emission Reductions and have done since FY19.

* Meridian's operational emission boundary includes all Scope 1, 2 and 3 categories, excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects. From our FY21 baseline (excluding Meridian Australia).

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(no financial statements)

Aiming for best disclosure on climate

The Government requirement for all listed companies to publicly disclose their climate-related issues is one we welcome. We've been voluntarily preparing **Climate-related Disclosures** since 2019 because, as a company publicly committed to decarbonisation, we consider it a vital part of holding ourselves responsible to stakeholders.

The Task Force on Climate-related Financial Disclosures framework has served as a robust way to show our progress in governance, risk management, strategy and our climate-related metrics and targets. Still, we believe we can go further. We aimed to substantially voluntarily align our FY23 **Climate-related Disclosure** with the Aotearoa New Zealand Climate Standards, released last year, ahead of our first full compliance year in FY24.

We continue to measure and publicly report on our full value chain emissions. Our FY23 GHG emissions inventory, including data sources and quantification methodology, has been independently assured to a reasonable level against the requirements of ISO 14064-1:2018, the Greenhouse Gas Protocol and the Corporate Value Chain Standard.

Building on our **Climate-related Disclosures** and publicly available **Biodiversity and Deforestation Commitments**, this year we plan to pilot the adoption of the Taskforce on Nature-related Financial Disclosures' framework, which has the potential to enable us to have more holistic impacts on nature.

The changes linked to these new disclosures don't stop there. As part of a change programme to further build our climate-related disclosure expertise, we've made important changes to our risk-assessment methodologies, and refreshed our climate scenarios in our latest **Climate-related Disclosure**.

For more details on what we're disclosing, refer to **Climate-related Disclosures** and **Greenhouse Gas Inventories** on our website.

Emissions progress

Meridian Group GHG emissions

tCO2eq	FY21	FY22	FY23
Scope 1	1,020	643	1,191
Scope 2	14	2	2
Scope 3 operational	29,557	32,224	32,270
Total Group operational emissions*	**30,591**	**32,869**	**33,463**
Scope 3 one-time construction and upgrades	284	8,242	14,295
Total Group value chain emissions**	**30,876**	**41,111**	**47,758**

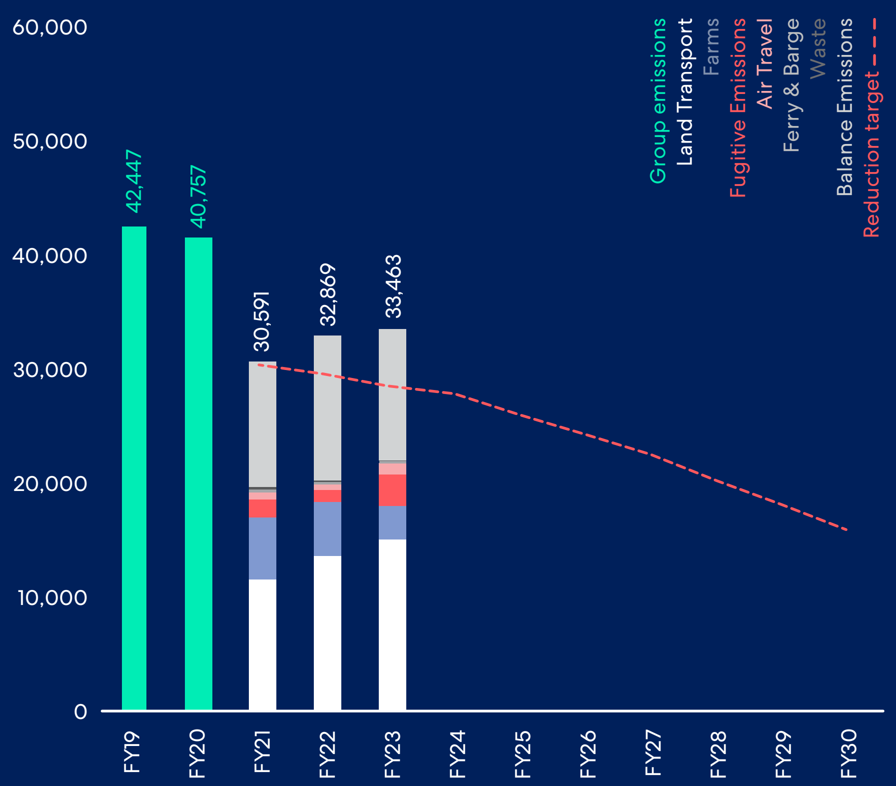
* Meridian's operational emission boundary includes all scope 1, 2 and 3 categories, excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects. Our FY21 baseline and FY22 emissions were restated in FY23 due to a change in emission factor source for purchased goods and services

** Group emissions are offset, using Gold Standard Voluntary Emissions Reductions (GS VERS) after taking into account credits cancelled by suppliers against their own emissions.

Meridian's generation emissions intensity is 0 (tCO2eq/GWh of total generation). As a generator of 100% renewable energy, the fuel source for the electricity generated has no emissions.

FY23 Total operational GHG by scope (tCO2eq)

Progress against our Half by 2030 goal (tCO2eq*)



* Meridian's operational emission boundary includes all scope 1, 2 and 3 categories, excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects. Our FY21 baseline and FY22 emissions were restated in FY23 due to a change in emission factor source for purchased goods and services.

Thinking full circle

A circular economy approach focuses on minimising the amount of finite resources consumed for economic activity by ensuring that materials have their integrity maintained and circulated within the economy for as long as possible.

As part of our zero waste ambition, we're looking to embed a framework in the business that will enable us to shift from the traditional 'linear' way of working to a 'circular' way of thinking that seeks to optimise the circulation of resources and avoid unnecessary consumption and the creation of waste.

As a large generator, developer and retailer of energy, Meridian produces waste at our assets, at our construction sites and at our corporate offices. We've identified our material waste impacts to be: reducing waste from the operation, maintenance and repowering of our assets; leading and demonstrating best practice when it comes to constructing new renewable assets; and ensuring that our corporate offices promote a culture that supports the shift to a circular economy.

Overall, Meridian is committed to being a sector leader in advancing and/or implementing circular solutions for the materials and key items we use in and at our assets. Our ambition is for zero waste when operational assets (such as solar panels, batteries, turbines, concrete and metals) reach the end of their useful lives.

We are also committed to demonstrating best-practice waste management on our construction sites and corporate offices by targeting zero waste to landfill.

Waste at our assets

The operation and maintenance of our generation assets makes up 19% of our total waste emissions (including landfill and recycling). The majority of this waste currently comes from hydro. Towards the end of the decade we'll begin a repowering programme that involves upgrading our wind assets as they come to the end of their design lives. This will start with our Te Āpiti wind farm where we know a range of decommissioned materials (such as wind turbines) will need end-of-life solutions.

Waste at our assets continued

Although further analysis is required to properly map and understand generation waste inputs, outputs and impacts, we know that asset components are difficult to reuse or recycle as a result of their complex electrical, mechanical or structural properties. What's more, receiving accurate reporting from contractors on the kilograms of waste sent to landfill or being recycled remains an ongoing challenge (especially in our more rural areas).

We are proud to have found creative end-of-life solutions for our filters and our hydraulic hoses and we are excited about a future pilot that will explore the potential of pressing oil out of oily rags. It should be noted that although this pilot will potentially help us to optimise the recycling of oil, the flammable properties of the rags themselves mean these will still need to be disposed to landfill as hazardous waste.

Waste at our construction sites

Meridian has an ambitious pipeline of renewable energy asset construction for the next decade and beyond. That's why it's important that we decouple the growth in our construction from growth in our waste production and its associated emissions. Construction waste makes up 73% of our total waste emissions (including landfill and recycling).

This year we released our first Sustainable Infrastructure Framework to support sustainability practices on major construction projects. Where waste is identified as a material impact, it requires those responsible for major projects to estimate, identify and implement initiatives to ensure that, where possible, waste is designed out and that the sustainable use of resources is optimised – following the avoid, reduce, re-use, recycle hierarchy.

Waste at our corporate offices

Our corporate offices are where our people gather in the largest numbers daily. Although our waste creation at these offices is low in comparison to that at our assets and construction sites (8% of our total waste emissions including landfill and recycling), we want to ensure that our offices fully demonstrate the best-practice commitments and decision-making processes we adhere to on waste. In FY24 we will be launching a pilot of Method InSight bins – this will allow us to receive improved real-time waste data and to analyse waste trends in our participating office.

Hazardous waste

Being 100% renewable, Meridian produces only incidental amounts of hazardous waste across our generation assets, construction sites and corporate offices. Of the incidental amounts we do create, the key outputs include asbestos (from demolishing old infrastructure), contaminated soil and oily rags (from spills at generation and construction sites), and other hazardous flammable waste (including household items like paints, thinners etc).

In FY23 Meridian went deeper into completing a waste stocktake. In all situations, hazardous material management and disposal is handled by an accredited third party. However, the exact reporting of the kilograms of hazardous material landfilled and recycled remains as an area for improvement. All sites have hazardous waste guidelines, dictated by our *Safety and Health Guidelines*. Hazardous substances and materials must be clearly identified, and Safety Data Sheets (SDSs) must be supplied. Materials must be handled, stored and disposed of in the approved manner as specified in the SDSs, and Hazardous Inventory Tracking Sheets need to be updated as required. All of these steps mitigate the risk of any hazardous waste leaking into the environment.

Management commentary
(no financial statements)

Waste*

Disposed

Metric tonnes	FY20	FY21	FY22	FY23
Non Hazardous	703	1,295	710	576
Total disposed – non-hazardous	**703**	**1,295**	**710**	**576**
Hazardous – non-flammable**	–	–	2	6
Hazardous – flammable**	–	–	–	50
Total disposed – hazardous	**–**	**–**	**2**	**57**
Total disposed	**703**	**1,295**	**712**	**633**

Recycled or reused

Cable	–	–	–	9
Cleanfill	–	–	654	6,610
Commingled	18	38	53	1,678
Organic	11	9	11	6
Paper and card	104	79	11	16
Scrap metal	–	**96**	**2**	**6**
Timber	–	–	–	1
Total reused/recycled – non-hazardous	133	222	731	8,326
Hazardous	–	10	28	14
Total reused/recycled – hazardous	–	10	28	14
Total reused/recyled	133	232	759	8,340
Total waste generated	836	1,527	1,471	8,973

* Data sourced from waste contractor reporting and invoices and is reported in metric tonnes. Where applicable evidence-based estimates are used. We expect to see reporting improvements that will limit the requirement for estimates in future. All figures reflect onsite recovery operations.

** We began reporting hazardous waste disposed separately from general waste disposed in FY22. Disposal by incineration data currently unknown.

Energy

Meridian is committed to generating only 100% renewable energy and to the purchase of Renewable Energy Certificates in respect of the electricity we consume. We calculate that our current electricity consumption is greater than 99% matched with the purchase of Renewable Energy Certificates, with the remaining consumption from charger individual connection points (ICPs) and buildings that we rent that are out of our control.

Areas that Meridian intends to advance in future years include the visibility of non-renewable and renewable energy in our value chain, especially among our suppliers.

Energy consumed*

GJ	FY20	FY21	FY22	FY23
Total energy consumption within the organsiation	67,880	70,628	67,906	67,842
Non-renewable fuel consumed	10,042	9,128	8,373	9,265
Renewable fuel consumed	–	–	–	–
Electricity purchased for consumption	57,838	61,500	59,533	58,577
Self generated electricity	51,146,884	45,629,699	48,743,908	49,992,222
Electricity sold	51,146,884	45,629,699	48,743,908	49,992,222

* All figures reported in GJ Conversion factors sourced from US Energy Information Administration as of 30.6.2023. (eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php). Renewable Energy Certificates are applied to electricity consumption where Meridian is the retailer. There is no consumption or sales of heating, cooling or steam.

Management commentary
(no financial statements)

A new standard for sustainable infrastructure development

Figures from the Ministry of Business, Innovation and Employment (MBIE) show that the building and construction sector currently accounts for around 20% of New Zealand's carbon emissions[3]. Reducing embodied carbon in large-scale projects is crucial to Aotearoa New Zealand achieving its goal of being carbon neutral by 2050.

As an active and scaled developer of energy projects, we recognise that we have a responsibility to minimise our emissions and waste in our own construction programme. Our assessments show that our forecast construction emissions this decade are likely to be the same as our total operational emissions.

As part of lowering our impacts and promoting responsible resource use, we've introduced guidance for sustainable construction throughout our business, and applied it to our Harapaki wind farm and Ruakākā battery projects.

At Harapaki we're building in carbon wins at every stage of the project. Reviews of the civil design significantly reduced the quantities of concrete and steel, lowering the project's carbon footprint before ground was even broken. Since then, we estimate on-site actions (encouraged by an 'always on' carbon mindset) have avoided emissions by a further 15,000 and 20,000 tCO2eq.

We believe that, through identifying our best practice and sharing our learnings with the wider industry, the Harapaki wind farm project will set a new standard for the low-carbon construction of wind farms, and enable the development of a new standard for the design, construction and operation of new wind farms throughout Aotearoa New Zealand that will accelerate the transition to a low-carbon future.

We also measure the wider social and economic benefits generated by Harapaki for the local community. For example:

- 55% of our workforce is currently employed locally
- we've spent more than $92 million in the local community
- we've diverted 79% of the waste from the site from landfill to re-use.

Forever Forests continues to grow

Since 2019 Meridian has invested in permanent forests in Aotearoa through the Forever Forests programme, with the aim of creating our own carbon sink and delivering broader biodiversity and social benefits.

Initially we planted a mixed model of exotics and natives on our own land, with a view to transitioning to fully native forests over time. However, we soon recognised that our own property holdings were not going to be enough, so since then we've acquired more of our own land and formed partnerships to pursue the remainder of the land required. We now have all the land we need (1,214 hectares in the programme) with an estimated 300,000 trees planted to date on 350 hectares and the remainder to follow in 2023–2025.

3 Whole-of-Life Embodied Carbon Emissions Reduction Framework, Ministry of Business, Innovation and Employment, August 2020.

Of the trees planted so far, around 20% are natives and another 15% is passive native regeneration under management by the end of FY24. Our goal is to have 700,000 trees in the ground by FY2024. We expect our plantings to transition to fully or predominantly native in 60–70 years.

So far we have 14 planting sites in total, with nine already planted and the remaining five to be planted. Five of our sites are now registered with the Ministry for Primary Industries (MPI) and are producing credits (2,500 and counting). The remaining four planted projects are awaiting MPI approval. Between now and 2030 we expect to create a cumulative stock of >50,000 credits.

One of the most satisfying aspects of Forever Forests is the opportunity to work with communities and to involve Meridian people in the programme. We've undertaken more than 12 native-only plantings involving Meridian staff since 2019, including the Tūī Corridor project in Christchurch.

We have four partnerships in place: one with The Christchurch Foundation for our Christchurch plantings; and the others with private landowners near our wind farms and iwi-based trusts.

More recently we've turned our attention to the wider biodiversity opportunities for Forever Forests. For example, in the Tūī Corridor project in Christchurch, we used to use pest control to protect the trees but not necessarily the wildlife. We've now upgraded our pest-control measures to protect both. We'll continue to do more to establish a safe home for all the inhabitants of our Forever Forests in the years ahead.

Planting native trees at West Wind Farm, Te Whanganui-a-Tara Wellington, as part of our Forever Forests programme

Sharing our views on policy and regulatory changes

We feel an ongoing responsibility to interact with regulators and public sector organisations to ensure that decisions being made on the future of the New Zealand electricity sector and the contribution it makes to the wider economy are informed and best benefit our customers and all New Zealanders. We do this through providing feedback on proposed policies, legislation and regulation and through dialogues with a wide range of organisations including the Electricity Authority and MBIE.

In our conversations we're always looking to balance the needs of our stakeholders with the perspectives of our partners and the now-urgent national need to decarbonise. Of course these conversations are just part of what must happen if Aotearoa New Zealand is to instigate effective change. A well-functioning electricity market that incentivises the construction of new renewable electricity-generation systems is also vital, as is the commitment of current and future governments to delivering policy stability, transparency and continuity on climate change.

The successful reform of the transmission pricing methodology last year saw Transpower publish final pricing for the 2023-2024 pricing year incorporating these changes. Among its significant benefits, the new pricing arrangement is expected to encourage a more efficient use of the national power grid and a more efficient investment in transmission and generation assets. It's anticipated that it will also reduce the cost of electricity at peak times, and over time lead to lower prices for all consumers. Our total annual charge for the year is $66 million, which is $12 million lower than in the previous year.

We were pleased to see the Government continuing to encourage large-scale process heat decarbonisation through the GIDI Fund. Such initiatives should further incentivise New Zealand's most energy-intensive industries to move away from fossil fuels, and the endorsement of this transition at Government level is a powerful signal. In our view, this positive step needs to be matched with other decarbonisation measures, such as a stronger encouragement of the use of the Emissions Trading Scheme (ETS), to make the transition to a low-emission future successfully.

The ETS was developed to provide a sinking cap on total net emissions and to send price signals that incentivised businesses to act. In our opinion, the current pricing isn't sending strong enough signals in that direction. As we observed last year, complementary policies may well be needed, and for us priority actions would include increasing the number of EVs on our roads and increasing total renewable energy use. In our submission to the Climate Change Commission on its emission-reduction plan for the 2025–2030 period, we noted that while the GIDI Fund and the Government's transport policy had been beneficial, the recent effective collapse of ETS prices needed to be actively addressed.

Uncertainty remains on the proposed Government investment in the New Zealand Battery Project, with cost estimates having been revised upward. Two other options are now on the table, including a portfolio bundle of hydrogen, geothermal energy and biomass. A final investment decision is now not expected until around 2026. We'll continue to monitor decisions and options in this space.

More broadly, resource management reform is underway, with the Government committed to replacing the Resource Management Act 1991 (RMA) with three new pieces of legislation. The first two pieces of legislation, the Natural and Built Environment Act and Spatial Planning Act, were recently passed into law.

These three new Acts, together with a new National Planning Framework, will set a new regulatory environment for reconsenting existing generation assets and consenting new development options. Our focus will be on ensuring that the finalised regulatory

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environment does indeed enable the renewable generation needed for a low-carbon future.

To that end, we've presented comprehensive submissions on the potential need for trade-offs to achieve the overriding targets for climate change and decarbonisation. The problem as we see it is that in order to develop the infrastructure needed to decarbonise, and ultimately avert a worse climate change outcome, there will need to be changes to existing environmental parameters. We're also concerned about the long and overlapping transition periods that could see some areas operating with the current RMA in place, and some not.

The Electricity Authority had another busy year monitoring the current state of the energy market and preparing the sector for what will be needed in the years ahead.

The Authority's review of competition in the wholesale market concluded that the market is largely working for consumers as intended, and resulted in a decision paper that included measures for facilitating new entrants to the generation market. The review considered a range of developments in the sector, including the changes to the RMA, the country's energy strategy, the New Zealand Battery Project and opportunities for overseas investment.

The Authority also released urgent amendments to the Electricity Participation Code 2010, together with a consultation paper, to address the risk of inefficient price discrimination in large electricity contracts. The amendments introduced new rules for industrial electricity contracts of 150MW or more, effectively meaning that any large contracts may need Authority approval to proceed.

This amendment was taken into account in our negotiations with NZAS on a new, more flexible demand response contract for 2023 and 2024. Under the current arrangements, we already had the ability to ask NZAS to turn down the power it used once the hydro lakes dropped to or below a certain level. The new arrangement is more flexible because it can be called upon in smaller increments and because it can be called at Meridian's option rather than when hydro lakes reach a certain level. While the new flexible demand response arrangement itself did not constitute a materially large contract under the Electricity Code, it was captured by the Authority's new rules because it was linked to our existing contract with NZAS. We applied to the Authority for approval in April 2023 and our application was processed and approved by the Authority in June 2023, well within the statutory timeframe it had set and in time for winter 2023. Any new contract with NZAS after 2024 will likely be subject to the same amendments and would potentially also go to the Authority for approval.

The Authority's Market Development Advisory Group has been looking into how the wholesale market can discover prices in a 100% renewable market. No final conclusions have yet been published. The Authority has also been looking at security of supply in terms of winter capacity and the implications for thermal load commitment. This is an important issue and one that we and other members of the electricity sector's Chief Executive Forum have been investigating. For example, we've already proposed a ripple control initiative as a short-term product to alleviate load stress.

We look forward to learning more about the intended New Zealand Energy Strategy, with consultation on that expected in the second half of the 2023 calendar year.

This year our submissions to policy agencies, regulatory agencies and select committees covered topics such as price discovery, the natural and built environment, competition, climate-related disclosures, modern slavery[4] and worker exploitation, hedge market enhancements and emission reductions. You'll find copies of these submissions on our website at **meridianenergy.co.nz/about-us/investors/reports/submissions.**

4 Modern slavery is used to describe situations where coercion, threats or deception is used to exploit victims and undermine or deprive them of their freedom. Modern slavery is an umbrella term that takes many forms, including forced labour (including the worst forms of child labour), human trafficking and slavery and slavery-like practices.

Our impacts anchored in the natural world

A summary of our nature-based impacts is provided below, including the actions we are taking to manage, avoid or mitigate the impacts.

Impact	Description	Actions to manage, avoid or mitigate this impact
Diversion and reduced river flows and water quality issues	Meridian's structures and water management can directly affect the health of river systems that are obstructed and we have reduced river flows due to hydro dams and generation activities.	To minimise any negative impacts that our operations have on river flows and water quality, we comply with all environmental legislation, including resource consent conditions across our assets. It includes ongoing monitoring and reporting requirements. In addition we: • collaborate with and report to the Guardians of Lakes Manapōuri, Monowai and Te Anau, who are the specialist statutory guardians appointed to oversee our operations and environmental outcomes • provide ongoing funding and support for Project River Recovery, which works to preserve and restore braided river and wetland habitats in the Waitaki catchment. Our **Biodiversity and Deforestation Commitment** outlines our wider commitments and initiatives.
Harm to biodiversity in water	Meridian has a direct effect on the health of aquatic biodiversity (particularly native fish species) affected by hydro dams and restricted river flows.	To minimise any negative impacts that our operations have on biodiversity in water we comply with all environmental legislation, including resource consent conditions, across our assets. In addition we: • continued to operate our elver trap and transfer programme under the guidance of Ngāi Tahu • provided ongoing funding and support to Project River Recovery, which works to preserve and restore braided river and wetland habitats in the Waitaki catchment for the benefit of its native plants and animals • continued to work closely with the Waiau Fisheries and Wildlife Habitat Enhancement Trust to enhance stream and wetland habitats for fisheries and wildlife • continued to release water from our hydro schemes in line with existing consents • worked closely with community and interest groups to identify ways to improve and add to existing mitigation initiatives. Our **Biodiversity and Deforestation Commitment** outlines our wider commitments and initiatives.
Adverse effects of generation assets and activities on cultural values	Meridian directly affects the cultural values of iwi relating to land, waterways and biodiversity because they are affected by the operational presence and use of Meridian's generation assets. This impacts iwi and their relationship with the land, water and other taonga.	Our **Group Code of Conduct** requires genuine engagement with key stakeholders and a consideration of impacts, including on iwi, as a result of business decision-making. This year we have also: • updated our **Group Code of Conduct** with a commitment to human rights that includes a commitment to the United Nations Declaration on the Rights of Indigenous Peoples and Te Tiriti o Waitangi • continued to establish and build relationships with iwi, hapu and rūnaka in relation to our Harapaki and Ruakākā development projects • negotiated a relationship agreement with Waitaki rūnaka to reflect the cultural and environmental impact of the Waitaki Power Scheme • allocated a proportion of our Cyclone Gabrielle response to Māori communities around the Harapaki and Ruakākā projects • advanced a joint venture to develop a carbon forest with Te Waiau Mahika Kai Trust.

Management commentary
(no financial statements)

Impact	Description	Actions to manage, avoid or mitigate this impact
Improving biodiversity on land	Meridian contributes to enhancing natural ecosystems on Meridian owned/managed land as well as non-Meridian owned land by supporting planting and biodiversity protection programmes.	We seek to contribute to improving biodiversity on land via a range of initiatives. These include: • the continuation of Forever Forests, our afforestation emission removal project designed to transition to 100% native over time • a new no-net deforestation commitment (excluding wilding pines) • the advancing of a joint venture to develop a carbon forest with Te Waiau Mahika Kai Trust • being the National Partner of DOC's Kākāpō Recovery Programme since 2016 • the introduction of a new nature-positive ambition to increase our focus on nature and biodiversity • plans to pilot new nature-based frameworks and advance identified new biodiversity initiatives in the coming years. Our **Biodiversity and Deforestation Commitment** outlines our wider commitments and initiatives. For more details on metrics and targets relating to Forever Forests, see our FY23 **Climate-related Disclosure**.
Disposal of waste and other emissions	Meridian causes waste-to-landfill and harmful gaseous emissions from its corporate and generation activities.	We have worked to mitigate this impact through: • delivering various initiatives related to Half by 30 and our validated near-term science-based target. Refer to our FY23 **Climate Action Plan** for more details • offsetting 100% of our emissions, including our expanded commitment to offset our one-time construction emissions • our Forever Forests programme sized to remove our FY30 operational emissions • launching a Circular Economy Framework to guide our organisation on how to embed and deliver circular outcomes • outlining requirements for suppliers to measure and disclose emissions as part of our Supplier Code of Conduct. Outside the Half by 30 boundary: • launching our Sustainable Infrastructure Framework has helped our development team to identify and mitigate the projects with the most material impacts (including construction emissions, waste and end-of-life options for assets being installed) • major projects and developments at Meridian, including targeted sustainability KPIs. For example, 100% of contractors must provide carbon data and contribute to reduction initiatives, and all contractors must achieve an increasing percentage of waste diversion from landfill for site. For more details, refer to the metrics and targets section of our FY23 **Climate-related Disclosure** and to our FY23 **Climate Action Plan**.

Our impacts anchored in the natural world continued

Impact	Description	Actions to manage, avoid or mitigate this impact
Leading and influencing change and progress on sustainability issues	Through its leadership and influence, Meridian can contribute to ambitious commitments and actions in collaboration with other companies and organisations on social and environmental issues that are most relevant to the business.	The pace, scale, level of ambition and partnership approach we adopt to drive progress on sustainability issues is what defines success in this impact area. Recent success have included: • the electrification of boilers with customers such as ANZCO Foods • the Southern Green Hydrogen Project • a commencement to move early on establishing due diligence processes on issues for modern slavery • in FY23, the completion of our first human rights risk assessment of our value chain and an update of our **Group Code of Conduct** with our new human rights commitment • the adoption of evolving best practice climate-risk assessment methodologies, with a change programme underway for early voluntary alignment with Aotearoa New Zealand Climate Standards • playing a leadership role in informing the development of the refreshed New Zealand Climate Leaders Coalition pledge announced in June 2022, with the contribution of case studies to support technical guidance developed.

Management commentary
(no financial statements)

Our native tūna trap and transfer programme, Ahuriri River, Canterbury. ▶

Management commentary
(no financial statements)

Management commentary
(no financial statements)

MERIDIAN DOING IT RIGHT. NOW.

Cleaner than ever

Mt Cook Alpine Salmon and High Country Salmon are commercial salmon-farming operations located on a canal owned by Meridian Energy at the mouth of Lake Ruataniwha, near Twizel. This year they joined forces to switch their operations fuel from diesel to electricity – slashing their combined carbon emissions by 96% and opening the door to sustainable future growth.

Despite their proximity to the Ōhau B power station, the canals and surrounding land in the Mackenzie Basin were not originally intended to support commercial activity. So even though salmon farms had operated in the canal since the 1990s, they'd never been connected to the national grid. Instead, large diesel generators had provided the power needed for hygienic production, cold chain management and operations. Together, the businesses were burning through 70,000 litres of diesel a year.

A spike in diesel prices provided the final incentive for both companies to change. Both had been wanting to stop using diesel generators for some time, but the cost and complexity of building a connection from a substation 1.5 kilometres from Lake Ruataniwha meant it hadn't been feasible.

The answer came from Network Waitaki, which worked closely with the salmon businesses and local landowners to develop a technical and commercial solution that would work for all parties. We provided encouragement, assistance and resources for the project, including engineering support and land for the new infrastructure.

Now both salmon farms owners can operate environmentally cleaner businesses in a pristine setting. We estimate that the switch from diesel to electricity will reduce the businesses' combined emissions by 224 tCO_2eq every year – the same impact as removing 77 cars from the region's roads.[5]

5 Estimated annual kilowatt hours' usage by the two businesses modelled on current diesel consumption.

◄ Mt Cook Alpine Salmon farm, Twizel.

Technology for now and beyond

Management commentary
(no financial statements)

◄ An international example of wind turbines and a solar array.

We're now operating at a greater scale than ever before, and with greater personalisation.

Management commentary
(no financial statements)

Innovating together

Development is intrinsic to our future. Progressing our portfolio and the systems that support it will underpin the way we evolve our infrastructure responsibly to meet the country's future energy demands. This year our development, retail and technology teams worked together to encourage a consistent drive for decarbonisation in supply and demand.

In this section:

- A platform for success
- Charging ahead
- Managing key assets for value
- Demand response agreement reached with NZAS
- Partners finalised for hydrogen developments
- Doubling our development ambitions
- Zero to 200 in next to no time
- Certified Renewable Energy promotes decarbonisation
- Processing big changes
- Electrification supports demand flexibility
- Infrastructure upgrades
- Informing how we stay secure
- Our impacts anchored in technology
- A new standard for low-carbon construction

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A platform for success

The successful implementation of the Flux platform throughout the Meridian Group will support our retail business to continue to drive operational improvements, deliver digital innovations and obtain data insights.

Flux itself is a stand-alone organisation within our Group, with its own governance structure, and is looking to expand its scalable and modern platform into the New Zealand, Australia and UK markets. Its goal is to provide energy retailers with quality, flexible billing solutions.

The platform also addresses a range of legacy sector issues that have hampered retail performance in many markets, including a lack of quality software and difficult and complex underlying systems. These systemic issues have been further complicated by rapid shifts in the wholesale markets and the requirements generated by increasing regulation.

One of the many benefits of the Flux platform is its sophisticated billing engine, which provides retailers with opportunities to offer their customers a wide range of pricing options and to integrate with chosen partners. The Flux platform also has strong security credentials in the form of ISO 27001 certification and PCI compliance.

We're excited by the sophistication of the solutions that Flux is developing and look forward to introducing more innovative products as part of a wider ecosystem offer.

Charging ahead

It's taken longer and cost more than we expected, but the migration of our previously diverse customer bases to the Flux platform is now complete. While it's tempting to see this as purely a technology change, a unified platform is key to offering better customer service and to implementing key decarbonisation initiatives.

Powershop has focused on optimising its inbound channel mix by transitioning from a high-cost voice/email service model to an efficient self-service/live chat customer model. During FY23 Powershop reduced inbound voice volumes by 37%, representing a reduction of over 41,000 calls. Over the same period, chat, a faster digital service channel, grew by more than 190%, taking the smallest customer service channel to what is now the largest channel by volume. In addition to improving customer care agent efficiency, chat as a channel has an exciting future, with automation and other technologies aiding service teams, creating more self-service opportunities and further improving customer experiences. The advances made with Powershop in FY23 will be replicated in Meridian, leveraging the dual-brand retail structure.

Having our full customer base – from households to the agriculture sector and commercial and industrial businesses – on one platform saves time and money, improves billing efficiency and ensures that we can engage with one person in different capacities.

◄ Flux platform on mobile app.

Management commentary
(no financial statements)

Charging ahead continued

As we alluded to last year, the migration to the Flux platform has also helped our teams to think of our customers in more holistic terms, and enabled us to leverage our multi-brand strategy. That's become increasingly important as Meridian has continued to grow – we're now operating at a greater scale than ever before, but with greater personalisation. And of course, having one platform for both our brands accelerates onboarding, lifts service levels and cuts cost per serve.

An emerging opportunity is Flux's contribution to decarbonisation. The platform will enable us to deliver new and innovative customer offers across our EV charging solutions.

Managing key assets for value

Asset-management excellence is critical to managing risks in our Generation business. As our hydro assets continue to age and new risk factors emerge, we're evolving our approach to address new considerations.

As a vertically integrated company (our Group's activities range from generation to retail), it makes commercial sense for us to generate as much of the power our customers need as we can. Inevitably that puts pressure on our more mature plant, so with this in mind, last year we began to shift our emphasis to an energy portfolio approach, placing wind and solar first, backed by flexible and highly reliable hydro generation – rather than the other way around – in order to encourage first use of non-stored, renewable energy sources. Wherever possible we'll use sun and wind, knowing we can ramp up hydro when the weather is cloudy or still.

This approach helps resolve two potential impacts. It means we have an on-demand response in the event of extreme weather events affecting output at our wind farms. And it means we can continue to optimise the power our customers need, with less reliance on cover from other generators or buying power on the spot market.

The shift is seeing us steadily run hydro, but more flexibly than we used to. As we explained last year, it's meant reorganising our maintenance and refurbishment/replacement programmes. We've done this as it enables us to better manage our assets by anticipating when we may be more constrained in taking hydro assets out of service, and to make room to introduce more assets to our generation portfolio. We're also investing more in technology and data to inform our future decision-making.

Another change has been in how our asset teams are structured. Previously our wind and hydro teams worked separately. This year we've brought all our Generation people together and reconfigured the Generation team so that it focuses on looking after existing assets. As a result our Generation (wind and hydro) teams are now combined in specialist disciplines such as engineering, maintenance and generation strategy, and are working in the entire portfolio of generation technologies.

In December we announced that we were taking the Manapōuri Unit 6 out of service for six months due to issues with the transformer core. Since then we've undertaken physical inspections and determined that Unit 6 can return to service but with additional monitoring. We're using the outage created by the transformer issue to make some mechanical

Management commentary
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repairs and get underway with an automation upgrade. This multi-million-dollar project will involve upgrading and repairing units at the site over the next three years.

We have reassessed the maximum capacity of our generating units at Manapōuri Power Station, and we believe each unit's maximum capacity can be increased by 6.5MW to 131.5MW. Working with Transpower, we have agreed an initial lift in capacity to 128MW for each unit. We have further work to do to unleash the full 131.5MW each unit is capable of producing.

To be clear, any additional unit capacity won't affect our overall station output, which must continue at 800MW to meet discharge consent limits. But it would be valuable when we have an outage in one or more of the station's seven units. Currently, if we're one unit down our maximum output is 750MW (125MW X 6 units). The dispensation would allow us to increase that by 18MW to 768MW (128MW X 6 units).

Having this capacity available could help with any tight supply and demand conditions that arise in the electricity system – for example, during winter peak periods – and therefore enable the country to continue accessing energy through renewable sources.

At Benmore we've increased the 90MW output limit for each of its six units to 95MW, enabling us to access another 25MW of capacity when we're limited to five units. Previously we could take the units up to 95MW under special circumstances, but now we can run them at this higher level more regularly in response to electricity demand.

We're also looking to upgrade the seismic resilience of Benmore's unique concrete penstocks. Improving earthquake science alerted us to a potential vulnerability with the penstocks, indicating that they would survive an earthquake but would suffer damage affecting electricity generation from this key asset. We've run two successful proof-of-concept projects and are now poised to greenlight a multi-million-dollar investment to improve significantly the penstocks' resiliency to earthquakes.

" At Benmore we've increased the 90MW output limit for each of its six units to 95MW, enabling us to access another 25MW of capacity when we're limited to five units."

Management commentary
(no financial statements)

Demand response agreement reached with NZAS

NZAS remains a significant customer, drawing the equivalent of around 36% of our total generation output and 12% of the national demand. In recent years we've introduced a number of measures to give us more flexibility in distributing some of that energy elsewhere if it's needed urgently.

During June this year we received approval from the Electricity Authority to amend the NZAS electricity supply agreement to introduce a demand response arrangement.

The enhanced agreement enables us to require NZAS to reduce consumption by up to 50MW at the Tīwai Point smelter if there is a hydro shortage or when the electricity system is under stress. Separate tranches of demand response flexibility (ranging from 15MW to 50MW) are available for us to call on, with each tranche having unique ramp-down and ramp-up requirements. We'll compensate NZAS via a fixed price for each MW reduced under the demand response agreement.

This agreement means Aotearoa will likely need to burn less coal than it previously would when a dry spell causes the hydro lakes to drop to low levels. When NZAS reduces its consumption of electricity, that power can effectively be made available to other users.

The net result is likely to be a reduction both in carbon emissions from burning less coal and in the overall cost of the electricity system, which ultimately reduces costs to customers.

As New Zealand works towards a more renewable electricity system, we need to think creatively about how we can manage winter demand and dry-period energy needs.

The demand response agreement will terminate on 31 December 2024, the same date as the current electricity agreement. Discussions about a possible new agreement post-2024 are ongoing, and at this point no decisions have been made.

However, as we have said previously, we'd only be interested in signing a new contract with NZAS if it:

- addressed with key stakeholders the need for environmental remediation of the Tīwai site
- made a long-term commitment to Aotearoa New Zealand
- committed to paying a sustainable price for the electricity it consumes
- were prepared to reduce its consumption in dry years for the benefit of the wider electricity system and other consumers of electricity.

We remain committed to working with NZAS and its owners to secure the operation of the smelter beyond 2024. We are very mindful of the value of the smelter to the Southland region and the livelihood of many Southlanders and we hope a contract extension can be agreed. But certainly the implications of a smelter exit to Meridian are far less than was the case during previous negotiations.

Management commentary
(no financial statements)

Transmission lines at Tīwai Point, Southland. ▶

Management commentary
(no financial statements)

Partners finalised for hydrogen developments

Our plans for hydrogen development have moved forward. Woodside and Mitsui are our chosen partners for the development of the Southern Green Hydrogen Project in Southland, alongside Ngāi Tahu.

This world-class collaboration will cover the full green hydrogen and ammonia supply chain. Our goal is to produce 500,000 tonnes per year of green ammonia utilising electrolysis from renewable power. The large-scale green hydrogen facility will focus initially on the export market (with Japan likely as the primary market). This will in turn help accelerate the development of a new hydrogen economy at home and strengthen New Zealand's ability to decarbonise our transport and industrial sectors.

In addition to creating new opportunities in an emerging industry for the local community, we expect the facility to contribute up to 40% of New Zealand's dry-year flexibility needs to the electricity sector at a fraction of the cost of building new power stations. Hydrogen provides us with another scaled energy development that has the flexibility to be turned down or off to manage the security of the country's energy supply. As such, it's an important addition to our demand-flexibility portfolio and the country's decarbonisation drive.

Woodside brings the technical skills and operations experience needed to develop this project at pace to meet customer demand for hydrogen. Its selection followed a competitive process in which Murihiku Regeneration, representing both Ngāi Tahu and the local rūnanga of Murihiku, was closely involved. Our other partner, Mitsui, has 50 years of experience in the ammonia business and the largest share of ammonia imports into Japan. It will participate in the development of potential markets.

Looking ahead, Meridian, Woodside and Mitsui will all work actively with Ngāi Tahu and the local rūnanga to ensure the project aligns with their energy vision for the region and supports their principles under mana whenua.

Interest in the development of green hydrogen continues to increase as the search for energy security accelerates in Europe and elsewhere. Green hydrogen in particular is recognised as having significant potential in decarbonising global industries like steel manufacturing and fertiliser manufacturing and heavy transportation (trucks, trains and shipping).

In the next stage of the project, the three parties will commence front-end engineering design, finalise commercial arrangements and assess options for domestic hydrogen and green ammonia supply and export to Asia and Europe.

While some may see a contract with NZAS and the development of hydrogen as separate paths, we don't perceive them as mutually exclusive. If the commercial arrangements make sense, our goal will be to pursue both. That will require more renewable energy in Southland, but in our view the potential for such development is real. That potential now needs to be harnessed.

Management commentary
(no financial statements)

Doubling our development ambitions

We have a bold vision for our renewable pipeline and intend to continue pushing hard and rapidly grow our renewable generation assets. During this reporting period we more than doubled the size of our renewable development pipeline options to 11,100GWh.

Our range of development options includes wind, solar and grid-scale batteries, and we're continuing to increase our investment in building our portfolio of future options. This level of expansion within such a condensed timeframe clearly shows the depth, breadth and quality of our development programme.

Harapaki is the first of seven projects we intend to have underway by 2030. Our largest single wind farm yet, it will become operational next year and will power up to 70,000 households once complete. The wind farm construction is progressing well, despite experiencing damage to access roads and SH5 from Cyclone Gabrielle which impacted the civil construction programme.

Once completed, New Zealand's second-largest wind farm will have 41 turbines generating up to 176MW of renewable energy and will increase our wind capaclty by 40%. We continue to enjoy working with local iwi Maungaharuru Tangitū hapū and Ngāti Hineuru, who, among other things, have been helping us with cultural monitoring on site.

At financial year end, over 90% of the earthworks and cabling have been completed; we've just tipped over 50% of the foundations finished; and the substation and switchyard have been commissioned. A highlight was the blessing and celebration of the completed Services Building in late May. A revised roading design on site proved mostly resilient to the huge volumes of rain that fell during January and February 2023.

New Zealand's long-term challenge is the sheer rate of decarbonisation required. Aotearoa currently produces 40TWh of electricity per year, but forecasts suggest this will need to increase to 70TWh with the electrification of transport, industrial process heat and other sectors. For the market as a whole, the consensus seems to be that we will need to build the equivalent of three to four medium-sized wind farms every year for the next 27 years.

The need to get new renewable projects up and running will only become more urgent.

Regulation will need to keep pace with these emerging challenges. Completing the reform of the country's resource management framework clearly will be critical to accelerating the massive amount of new renewable energy generation needed by 2050. We're working closely with the Government to ensure the new framework allows consenting authorities to balance local environmental impacts and the positive climate benefits of renewable energy projects.

In March 2023 we began the construction of our Ruakākā Energy Park, near Whangārei, starting with a $186 million Battery Energy Storage System (BESS).

The battery storage, which can deliver 100MW peak and 200MWh (two hours) of energy storage, will help meet peak demand and even out the distribution of supply and

“We have a bold vision for our renewable pipeline and intend to continue pushing hard and rapidly grow our renewable generation assets.”

Doubling our development ambitions continued

demand, and make a significant contribution to the reliability of the overall electricity grid by allowing more wind and solar renewable electricity generation to be accommodated efficiently within the system. This could potentially lead to the earlier retirement of fossil-fuel-fired power plants in the North Island.

The project is also notable for the speed with which it’s been consented and approved, and its use of cutting-edge technology. Meridian underwrote early procurement for long lead items to shorten timeframes to commissioning. Ruakākā will be the largest battery energy system in the country and the first large-scale battery to be connected to the national grid. We’ve engaged with local hapū Patuharakeke and they are working as cultural monitors for the project. We’ll also introduce a Community Fund as part of our ongoing commitment to be a good long-term neighbour.

Also planned for the site is a grid-scale 120MW solar farm to further speed up the transition to a productive low-carbon economy. The shared infrastructure provided by the BESS will significantly improve the economics of the future solar farm. We are engaging with a number of local hapū and iwi and the local community in our preparation for this project.

We expect to complete the construction of the grid-scale battery and start construction of the solar farm in 2024. We have also secured a second battery option site at Bunnythorpe near Palmerston North.

We’ve lodged resource consent applications for a new wind farm at Mt Munro, approximately five kilometres south of Eketāhuna, comprising 20 turbines and generating up to 300GWh of energy annually, enough to power about 42,000 average homes. The site would span three privately owned properties that would continue to operate as working sheep and beef farms. The turbines would have rotor diameters of 136 metres, a maximum height above ground level of 160 metres and an approximate capacity of 4.5MW each. Up to 14 turbines would be evenly spaced along the site’s main ridgeline, with two further groups – each comprising up to three turbines – on lower hills to the northwest of the main ridge.

Zero to 200+ in next to no time

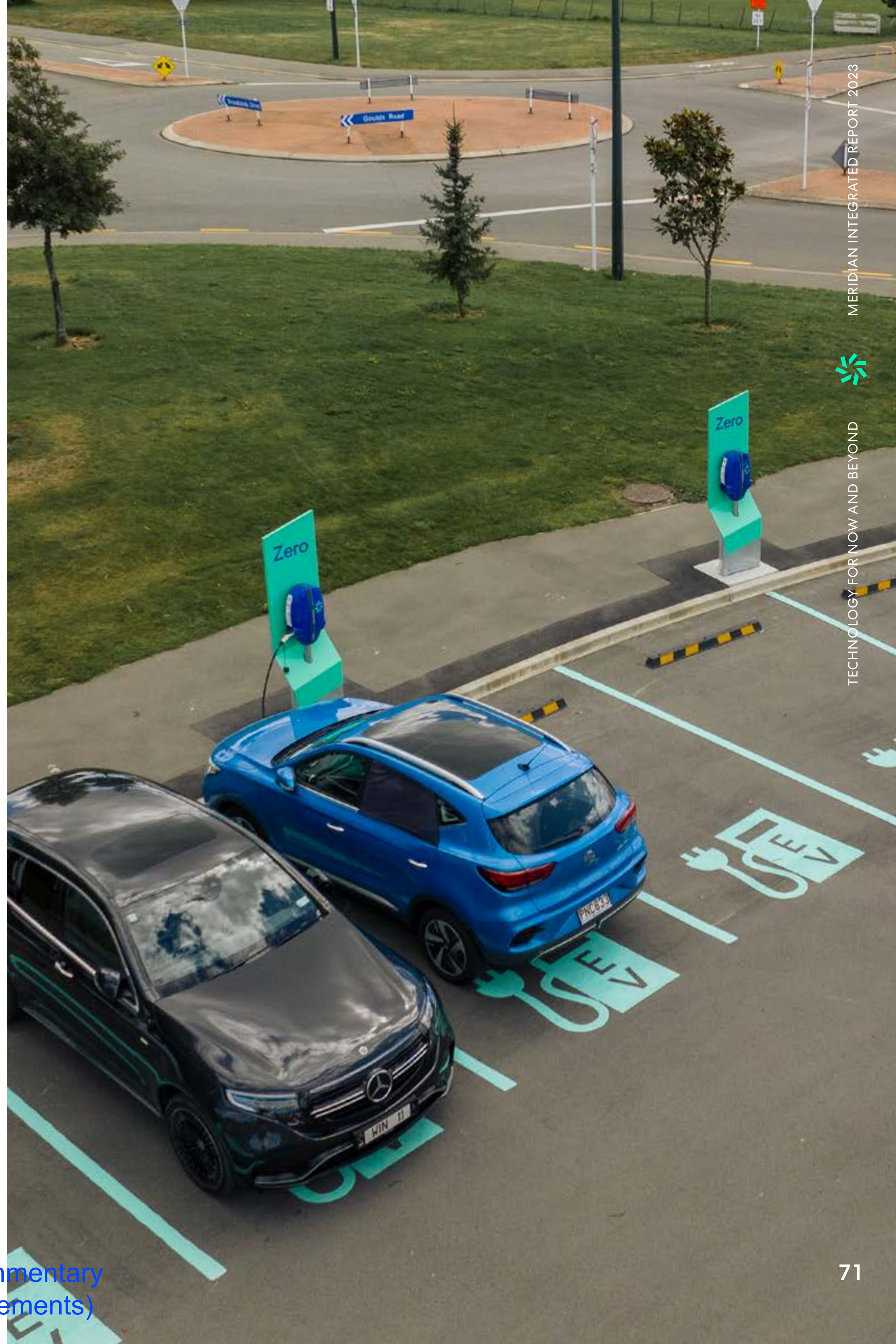
EV charging makes a critical contribution to transport electrification. Our Zero EV charging network is now one of the largest in the country, with 237 Zero charge points available and at and over 200 committed for installation, offering New Zealanders improving access to public chargers. We're also working on home and business EV charging solutions.

Sixteen charge points will be added to our South Island Zero network by early 2024 with co-funding support from EECA. The additions will help eliminate 'charging deserts' and accelerate the attractiveness of EV ownership. In Springs Junction, a BESS will make use of recycled batteries from EVs, charging them overnight so that we can supply energy to the chargers during the day. Looking ahead, we're planning to add solar panels to further increase capacity.

Chargers are also being installed at Kohatu, Haast and Hari Hari largely completing the task of providing public fast-charging every 75 kilometres along Aotearoa's State Highways.

We're also partnering with the Wellington and Hutt City Councils to increase the number of EV charging stations in the region. Currently, around one-third of Wellington city's emissions come from road transport. Alongside the shift to active and public transport, switching to EVs will help the city to achieve its goal of a 57% reduction in emissions by 2030.

As part of this partnership, at least 60 charge points are expected to be installed in Wellington city as part of the Charged Up Capital programme, which will be completed in the next few years. We've delivered 20 DC charge points and 18 AC charge points in the Lower Hutt Region. Currently there are fewer than 100 public chargers in Wellington and Lower Hutt, despite the region having the highest uptake of fully EVs in the country. Once the Zero rollout is complete, Wellington will have one of the biggest destination charging networks in Aotearoa.



One of our Zero EV charging stations in Rolleston, Canterbury.

Certified Renewable Energy promotes decarbonisation

Our Certified Renewable Energy product continues to be sought after by corporate customers looking to match the energy they use on an annual basis with an equivalent amount of electricity produced by us and certified as 100% renewable energy. Certifying energy use this way also means that some customers no longer have to pay to offset their scope 2 electricity.

So far, more than 125 companies have signed up to purchase more than 640GWh of Renewable Energy Certificates to align their electricity consumption with renewable energy generation attributes.

Also included in the Certified Renewable Energy product is electricity produced through our commercial solar business. Once again, we've seen good progress, having signed contracts that will increase our installed capacity via a Power Purchase Agreement to 1.852MWp. We now expect to generate 2.4MWh per annum.

The net proceeds from the purchase of these products have been invested back into our two decarbonisation funds – the Decarbonisation Community Fund and the Decarbonisation Business Fund, which supports our large commercial and industrial customers with their decarbonisation initiatives.

Our initial Decarbonisation Community Fund commitments were a charging station, two EVs for KidsCan and a $50,000 contribution to a solar installation for South Island Rowing. Then, in our first round of contributions, we awarded $163,000 to three recipients: Waipuna Community, Youth and Child Services/St John of God Hauora Trust (Christchurch region) for a solar installation; EcoMatters Bike Hubs to procure an EV van; and Ngā Manu Nature Reserve to convert an internal combustion engine car to an EV.

Round two of the Decarbonisation Community Fund is targeted to open in September. More than 100 groups have already registered their interest in seeking funding.

Management commentary
(no financial statements)

Processing big changes

Our market-leading Process Heat Electrification Programme is going from strength to strength, with 472GWh of process heat conversion from fossil fuels to electricity for big businesses either under signed agreements or MOUs. This level of conversion will prevent 130Kt of CO_2e being pumped into the atmosphere, the equivalent of removing around 60,000 cars from Aotearoa's roads. The programme has also paved the way for demand flexibility – our innovative flexibility product provides financial advantages for customers, alleviates strain on the grid during peak periods, and optimises our wholesale portfolio.

Among our success stories:

- In partnership with Meadow Mushrooms we have decommissioned an existing diesel-fired boiler and replaced it with an electric boiler. This project will reduce its carbon emissions by 1,300 tCO_2eq per year.
- We've partnered with Woolworks in Timaru to replace its coal-fired boiler with an electric boiler.
- Progress continues with ANZCO Foods Canterbury on reducing its coal use by reinstating electric boilers at its Ashburton facility (that had previously been retired).
- Progress continues with Alliance Group on supporting the installation of electric boilers at its Lorneville plant, near Invercargill.
- We're also supporting Mataura Valley Milk to install an electric boiler. The project will be completed later this year.

Electric boiler at Meadow Mushrooms replacing their diesel-fired boiler.

Electrification supports demand flexibility

We have established a close partnership with Open Country Dairy (OCD), the second-largest dairy manufacturer in New Zealand, to decarbonise its facility at Awarua near Invercargill. As a crucial part of this project, OCD will replace its existing coal boiler with a high-pressure electric boiler, resulting in a remarkable reduction of 41,110 tCO2eq annually. To put this into perspective, this reduction is equivalent to removing around 20,000 cars from the road each year.

Additionally, we've worked together to refine a demand flexibility solution, enabling us to request OCD to decrease electricity consumption during periods of high market stress. This collaboration not only assists us in effectively managing our portfolio, but also supports the economic viability of OCD's project.

Demand flexibility allows us to intelligently manage when and how we use electricity, ensuring a cost-effective path towards decarbonisation while still meeting our nation's electricity needs.

In addition to our work with big process heat users, we are developing flexibility products for other markets. We have an EV charging pilot underway that uses software to analyse data and customer preferences and charge EVs at the times that work best for everyone. As more assets are added to the platform we will create a 'virtual power plant' that provides financial advantages for customers, alleviates strain on the grid during peak periods, and reduces our market exposure.

Infrastructure upgrades

The upgrade of our SCADA (System Control and Data Acquisition) system is making steady progress, with an agreement signed, a partner chosen and the finalisation of the design and implementation plan underway. This critical system runs and controls our generation network, and the upgraded version, with its modern architecture and boosted capabilities, will not only be flexible enough to work with our emerging energy sources and distributed energy arrangements but also align with our commitment to extract new value from our assets through upgrades.

A much smaller, but important, project this year has been the digital upgrade of hand-held radios for our wind and hydro generation teams. This is both a communication and a safety issue. Often our people are out and about in areas that don't have good cellular cover. This upgrade ensures that we can remain in touch with all our people in the field.

Upgrades of our systems and the inclusion of more data in our decision-making throughout the business point to the rising importance of technology in enabling efficiencies, and ultimately decarbonisation, throughout our business. Our shift to more powerful technology to realise new potential is really just getting started.

Management commentary
(no financial statements)

Informing how we stay secure

As it is for all customer-focused businesses, increasing and seamless digitisation is both an expectation for those we serve and vital for the effective and profitable running of the many moving parts of our business. The finalisation of a single underlying platform in Flux will enable new levels of customer insight and relationship building in the years ahead – but with those will come an ever-on responsibility to protect our technology systems, information and people from cyber threats.

Our measures to manage our cyber risks range from a security training and awareness programme to policies and procedures, cybersecurity capabilities, continuous threat monitoring and event-detection capabilities. This year 96% of our people who engage with our systems have completed our 'being cyber safe' online security training.

The active 24/7 monitoring of our network by PwC is going well. This world-class monitoring system checks behaviours, traffic and security alerts, adding further levels of vigilance to our cyber-security measures. We also conduct regular internal exercises to test our cyber resilience and business continuity processes.

There have been no serious cyber-security or privacy breaches this year.

Our network segregation project is on the verge of completion. This project enables us to segregate any sites that become compromised, reducing the opportunities for wider contagion or damage. We've also progressed a programme to bolster security in our generation control environment.

The key to successful cyber defence is ensuring that defence is in-depth. Instead of relying on one control, we've developed a series of integrated controls, including network segregation, active monitoring and a comprehensive security awareness programme, that work together to minimise the chances of incidents and, should an issue develop, enable us to contain the threat.

The Flux platform, with its strong underlying defence characteristics and ISO 27001 and PCI DSS certification in both our brands, has further fortified our interactions.

For some time now we've been using historical data to improve our business decisions and enhance predictive asset maintenance. At Manapōuri, for example, we've been able to diagnose an issue with a transformer and work with the engineering team to address it proactively. Working together this way improves decision-making for our experts and enables us to address issues before they escalate.

Elsewhere in our generation business, we've exponentially improved our inflow forecasting model. Working in partnership with NIWA (the National Institute of Water and Atmospheric Research), our teams can now, through applying multiple new variables to better data, manage our water with much more confidence. Being able to see the quantities of water flowing through our system on each of the next seven days has positive effects for multiple parts of the business – from our maintenance teams to those managing our activities in the wholesale markets.

Until recently, analysing the state of our wind turbines has been a time-consuming process requiring examinations of thousands of high-quality pictures. This year we've developed a model, based on machine learning, that automatically scans the images and highlights any issues. As a result, our engineers can focus their expertise on specific matters based on a set of images.

Our new automation strategy will give our people simpler and faster access to meaningful data to support decisions. We've identified three areas of focus: test automation in our IT functions; robotic process automation for our office workforce; and further automation of our data to enable more informed decision-making.

Management commentary
(no financial statements)

Our impacts anchored in technology

A summary of the technology-related impacts outlined in this section is provided below, including the actions we are taking to manage, avoid or mitigate the impacts.

Impact	Description	Actions to manage, avoid or mitigate this impact
100% renewable energy generation	Meridian generates 100% renewable energy from its generation assets, generating approximately 30% of New Zealand's total electricity.	We remain committed to operating and maintaining 100% renewable energy generation and have a development pipeline designed to meet the anticipated needs of New Zealand's electricity system while retaining our approximate share of 30%.
Increasing the supply of renewable energy	Meridian can increase the amount of renewable energy available in New Zealand by having a clear development pathway for investment in new sources of renewable generation that aligns with future demand projections, and includes securing land, consents, financing and appropriate connections to the grid.	We have made good progress against our target of seven grid-scale development projects underway by 2030, and 20 new renewable projects underway by 2050. These projects include: • the ongoing construction of the Harapaki Wind Farm • obtained consent for the Ruakākā BESS, and initial project construction • lodging our application for consent of the Mt Munro Wind Farm • advancing the Southern Green Hydrogen Project • advancing the Ruakākā Solar Farm • strengthening our overall development pipeline to a point where we now have development options totalling 4.7GW For more details, refer to the metrics and targets section of our FY23 **Climate-related Disclosure**.
Reducing the emissions of others	Meridian can contribute to decarbonising commercial and residential energy use by creating products that support the increased use of electricity to replace fossil fuels and through better energy efficiency.	We have a range of commitments and active work programmes to achieve decarbonisation for our customers beyond renewable energy generation. This includes: • the electrification of customers' industrial plant through a process heat electrification offer • promoting and supporting the shift to EVs through an EV pricing offer, our home and business charging products, our commitment to installing EV chargers across the country via our Zero Charging Network and the launch of our Zero app (network map and payment) • supporting the Mevo car-sharing scheme via a business charging trial • offering a Certified Renewable Energy product, with net proceeds reinvested in community-based and business decarbonisation projects through our Decarbonisation Community Fund and Decarbonisation Business Fund • commercial-scale solar, including Power Purchase Arrangements For more details, refer to the metrics and targets section of our FY23 **Climate-related Disclosure**

Management commentary
(no financial statements)

Impact	Description	Actions to manage, avoid or mitigate this impact
Maximising the benefits of demand flexibility and virtual power plants to support increased electrification	Meridian can contribute to the creation of a more reliable, decarbonised and cost effective electricity system by maximising the potential of demand flexibility and virtual power plants.	We have made a positive contribution to this impact in the following ways: • signed an agreement with NZAS that provides access to up to 50MW of demand response from the Tiwai Point smelter • our new Energy Innovation team advanced options for distributed generation and for demand response with a number of corporate and industrial customers e.g. Open Country Dairy • we progressed plans for a trial of a virtual power plant, which will commence in early FY24 • launched an electric vehicle smart charging pilot that utilises software to analyse data and customer preferences, testing the technical capability and customer value of intelligently controlled and scheduled smart charging
Business disruption, cyber security and breach of privacy	Meridian is directly linked to the protection from cyber attack of customer and other data and access to critical systems and operating assets.	To mitigate the risk of critical systems and data being compromised by a cyber attack we have: • equipped our people with the knowledge and skills to combat cyber threats, via our security training and awareness programme • progressed our network segmentation project, which enables us to segregate sites if they are compromised, and contain intrusions • introduced active 24/7 monitoring of our network by PwC to check behaviours, traffic and security alerts. This world-class monitoring system provides us with the intelligence to know what to act on

Management commentary
(no financial statements)

Management commentary
(no financial statements)

MERIDIAN DOING IT RIGHT. NOW.

A new standard for low-carbon construction

Our Harapaki wind farm construction project is setting a new standard for reducing embodied greenhouse gases, from the initial design phase to construction and operation. We've already saved more than half the expected emissions of business-as-usual construction methods. Now we'll apply the same approach to all our future renewable-energy construction projects.

The Harapaki Sustainability Management Plan outlines our goals for sustainable practices in the project. It includes three key metrics:

- Monthly and annual reporting of the project's overall carbon impact.
- Carbon reduction initiatives implemented by contractors each month.
- A target of less than 25 kilogrammes of CO_2 emissions per 100 kilometres travelled on site.

Performance against these KPIs is reported at quarterly sustainability catch-ups, as well as six monthly sustainability audits, to ensure we stay on track.

Key changes in the way we work have included:

- embedding low carbon from the first stages of the project, which decreased the project's carbon footprint by more than 30%
- ensuring comprehensive carbon reporting from each project contractor throughout the project
- ensuring resource efficiency to minimise carbon impact
- installing EV chargers at the project site throughout the construction period.

The plan also encourages new and out-of-the-box thinking to lower our carbon footprint. We capture and share all ideas and initiatives, including information on how those ideas and initiatives have affected sustainability, any lessons learned or follow-up actions required, and overall results.

Working this way has enabled us to reduce emissions in five significant technical areas: on-site aggregate production, which has: reduced emissions by 1,000 tCO_2eq; removing cement-stabilised roading, which has reduced emissions by 2,306 tCO_2eq; reducing earthworks to remove 843 tCO_2eq; using piled foundations for turbines to save 6,985 tCO_2eq; and using on-site water sourcing and concrete batching to reduce emissions by 5,000 tCO_2eq.

Celebrating ideas and initiatives also has a positive effect on day-to-day activities as people are recognised for their carbon wins and innovation.

◄ Construction at Harapaki Wind Farm, Hawke's Bay.

Management commentary
(no financial statements)

Humanly possible

Management commentary
(no financial statements)

◄ Meridian employees at Benmore Power Station, Otematata

The complexities of decarbonisation are best solved by humans coming together in a range of ways to make powerful, cumulative change.

Empowering our people

Addressing improvements for the planet can't be separated from doing right by people. Ultimately, the complexities of decarbonisation are best solved by humans coming together in a range of ways to make powerful, cumulative change. We continue to look for ways to enable our people to work safely, fairly and effectively.

In this section:

- Our working style
- Attracting our next generation
- Our future of work
- Planning to succeed
- Focusing on our critical risks
- Building our sense of belonging
- Addressing gender injustice
- A closer look at our culture
- Doing our part to protect human rights
- Taking responsibility for behaving ethically
- Being good humans
- Connected to communities
- Expanding our productive partnerships
- Addressing energy wellbeing
- Our impacts anchored in people
- Helping KidsCan to decarbonise

Management commentary
(no financial statements)

Our working style

Increasingly we're looking for our teams to work in more agile ways. We want them to innovate quickly so that we can continue to help our customers to decarbonise and save money.

The members of our Energy Innovation team have been pioneers in this regard, showing distinct skills for trialling ideas and choosing whether to greenlight a concept or allow it to fail fast. To encourage this way of working, we've given teams throughout the business a mandate to create new products that can sit adjacent to our core business, without compromising customer service or slowing current workstreams.

The next step in creating this more agile business model will be to lift the levels of collaboration throughout the business. There are already promising examples of this happening. Our Generation and ICT teams, for example, have been working together to use data to better assess the performance of assets such as our transformers at Manapōuri Power Station.

Attracting our next generation

Developing our best overall workplace starts with recruiting and retaining the best people for the business we are and the Meridian we're becoming. This year we've invested significant time and effort into positioning our workforce to be as attractive as possible for the people we'll need going forward.

Our internal research involved a significant review of current market employment dynamics and benefits. Overall, our packages held up very well. We were already offering a competitive set of benefits[6]:

- Life, Critical Illness and Income Protection insurance.
- Paid parental leave for primary and non-primary carers.
- An employee share scheme (*MyShare*).
- Workplace stress management.
- Sports, well-being and health initiatives.
- A hybrid and flexible working programme.
- Working-from-home arrangements.
- Part-time working options.
- Other paid family leave.

However, the research revealed that many of our people were not aware of what was available to them and had therefore not applied to take full advantage of the benefits available. To help resolve that, we repackaged our employee benefits so that they were clearer and easier to access and added some new ones like health insurance[7] and wellbeing leave (see page 138). A key insight was that in the post-COVID-19 workplace, employees needed more information about their employment, particularly: their actual remuneration; the benefits they received; the opportunities that were made available to them; and how easily they could access meaningful career pathways and leadership development (if that were something that interested them).

◄ Customer care staff in Ōtautahi Christchurch office.

6 These benefits are available to Meridian and Flux employees.
7 For Meridian employees only.

Attracting our next generation continued

For Meridian, a lot of effort went into developing our Employee Value Proposition this year to ensure we continued to attract the right people for our business. A key goal was to provide prospective employees with information on what they would experience when being 'in the waka' with us.

We identified five core themes in our culture:

- We're flexible – there's a lot of 'give and take', providing individuals also give their 50%.
- Connection and community are important.
- We're caring and open.
- We're committed to maintaining a great work environment.
- We're committed to safety and sustainability.

As part of our commitment to providing a workplace that's stimulating, inclusive, balanced, and fair we made a number of important changes for existing team members this year. We acknowledged that the cost of living was a real challenge for our people, especially those in roles with the lowest pay. To help address this, in August 2022 Meridian awarded pay increases averaging 7% for our people. For the year ahead we have set aside funds for a further average increase of 6% noting that greater percentage increases will be targeted toward our lowest-paid people – who are those most affected by inflation and increases in living costs. Furthermore, in August 2022 each eligible employee received a special one-off $1,000 payment, which was given at the discretion of management and the Meridian Board.

Adding to this:

- Meridian has introduced funding for Southern Cross hospital and surgical health insurance for all permanent employees. Employees' immediate family members can also be covered at a discounted rate from FY24.
- We are recognising the key service milestones that our employees achieve.
- We have repackaged our already-generous sick leave provision as wellbeing leave, allowing people to take leave for a wide range of wellbeing reasons, with any reasonable request considered.

These new initiatives have enabled us to address potential social inequalities across people with different financial circumstances. We offer a wide range of benefits and now ensure that, regardless of pay levels, all permanent employees have access to benefits that are of value and useful to them.

We have also increased our support for the longer-term financial wellbeing of our people on lower income bands. From FY24 we will increase the minimum company contribution to KiwiSaver to 4% of earnings, which directly boosts the savings of those people who may only be able to afford to contribute 3% of their earnings to KiwiSaver.

We also wanted to support those members of our workforce choosing to become parents by extending the pay top-up to match the Government's 26 weeks' paid leave from FY24.

You can read the details of the benefits we've already introduced and those due to begin on 1 July 2023 in the 'Our remuneration' section of this report[8].

8 Part-time employees are entitled to the same benefits as full-time employees but pro-rated based on FTE when relevant. Temporary employees have access to some benefits but not *MyShare*. Only some temporary employees have access to insurance. New benefits from 1 July 2024 apply only to Meridian.

People of Meridian

Meridian Group workforce by gender

	Female	Male	Total
Casual and contractor	5	10	**15**
Fixed-term full time	21	18	**39**
Fixed-term part time	3	1	**4**
Permanent full time	390	488	**878**
Permanent part time	89	18	**107**
Total*	**508**	**535**	**1,043**

The region is defined as New Zealand and also includes three employees based in the UK (all male).

* 125 of these employees work for Flux Federation New Zealand. In FY23 the employee headcount increased, largely due to growth in Development. NZ Retail and the People team areas saw decreases in headcount; all other business units saw small increases.

Meridian Group workforce turning age 65

	FY19	FY20	FY21	FY22	FY23
Corporate centre					
In 10 years	4.0%	4.6%	5.8%	6.6%	10.6%
In five years	1.7%	2.3%	2.9%	3.1%	4.7%
Retail					
In 10 years	7.0%	8.0%	6.7%	7.2%	8.2%
In five years	3.6%	4.3%	2.6%	2.0%	2.6%
Technical business units					
In 10 years	20.5%	20.4%	20.7%	25.5%	23.1%
In five years	8.5%	9.3%	9.8%	11.7%	10.3%

The common retirement age in New Zealand is 65. In both tables, the region is defined as New Zealand.

Technical business unit workforce turning 65 by role

	5 years	10 years
Admin/support	8.0%	20.0%
Analyst/planning	–	8.6%
Engineer	15.1%	28.3%
Generation controllers/traders	11.1%	22.2%
Health & safety/environment	21.1%	31.6%
Maintenance/operator	13.1%	24.2%
Manager	5.9%	23.5%
Project management	5.0%	25.0%
Total	**10.3%**	**23.1%**

The region is defined as New Zealand.

Parental leave

	Female	Male	Total
Employees entitled to parental leave	534	561	1,095
Employees who took parental leave	38	2	40
Employees who returned to work in FY23 after parental leave ended	27	1	28
Employees who returned to work after parental leave ended still employed 12 months after their return	17	–	17
Return-to-work rates of employees who took parental leave	71.0%	100.0%	
Retention rates of employees who took parental leave	61.0%	0.0%	

Management commentary
(no financial statements)

New hires, leavers and turnover by age

	Under 30		30–50		Over 50		Total
	Headcount		Headcount		Headcount		
New hires	61	29.7%	115	56.4%	28	13.7%	**204**
Leavers	67	31.9%	118	56.2%	25	11.9%	**210**
Turnover		36.2%		19.3%		11.1%	**20.3%**

New hires, leavers and turnover by gender

	Female		Male		Total
	Headcount		Headcount		
New hires	108	52.7%	96	47.3%	**204**
Leavers	104	49.5%	106	50.5%	**210**
Turnover		20.5%		20.0%	**20.3%**

New hires, leavers and turnover rates includes everyone who started and left in FY23.
If no age was available in the data an average age of 40 was used.

Training by gender

	Training hours per headcount	Headcount
Female	13.1	508
Male	16.2	535
Total	**14.7**	**1,043**

Table does not include Flux UK.

Training by career level

	Training hours per headcount	Headcount
Executive	12.0	11
Senior manager	7.6	86
Mid manager	12.6	104
Mid non-manager	8.9	328
Junior manager	11.0	48
Non-manager	17.0	578
Unidentifiable*	0.8	9
Total	**14.7**	**1,043**

* Includes Casuals and Contractors. Table does not include Flux UK.

Our future of work

As the specific demands of working through a pandemic subside, we've turned our attention to how we can best help the different generations of our workforce to do their best work. The goal is to encourage a workplace where people feel fulfilled in themselves and have the time and engagement within their teams to tackle issues that require a collective focus.

The new normal for many is a hybrid way of working that combines time working from home and time together. These arrangements work in different ways for different teams, and that's as it should be. But now that a large percentage of our people have amended their employment agreements to work in this way, we've turned our attention to structuring our business, systems and processes to also allow people to move into areas of future growth for them, actively supported by learning and development.

This isn't a 'set and forget'. We're committed to reviewing our structures and arrangements to best align them with the future of work as we see it – for our people, our teams and the business.

When our people are together, it's critical that we cultivate an environment where they feel safe. This year we piloted a new, internally developed programme called 'Guiding the Waka'. The programme weaves through elements of Brene Brown's *Dare to Lead* research and is focused on building trust and psychologically safe environments for our people. It's also focused on ensuring our leaders see vulnerability as a core leadership strength.

Supportive leadership is crucial. We want our leaders to support their people throughout their time with us and to provide them with tailored support when needed. At the same time, we want people to take ownership of their work and their careers within our organisation. Retaining people who have accumulated experience in areas of our business relies on our providing the right mix of stability and growth opportunities.

Our most popular personal development programme is Dr Stephen Covey's 7 *Habits of Highly Effective People*, Signature Edition 4.0, which we're accredited to run in-house. We've been running it for four years and have had more than 200 people complete it. The programme supports personal effectiveness in planning, communication and teamwork, both at work and at home.

Last year we established *People Hub*, our learning management system, to enable us to concentrate in one place everything to do with learning and development. We've continued to evolve the digital experience for our people by adding performance management to *People Hub*. We have work underway to streamline our on- and off-boarding and to improve access to people data and insights.

All Meridian employees take part in the performance appraisal process, which contributes to incentive and pay outcomes.

"Retaining people who have accumulated experience in areas of our business relies on our providing the right mix of stability and growth opportunities."

Planning to succeed

Succession planning is vital to preparing our organisation for ongoing changes within the energy sector. While there have been no changes within our Executive Team this year, our focus on growing the Flux customer base means that Nic Kennedy (Flux CEO) now reports to a separate Board with specialist industry experience. There have been a number of changes at the Meridian Board level: David Carter and Graham Cockroft have joined the Board as Non-Executive Directors, while long-standing Director Jan Dawson retired at the last Annual Shareholders' Meeting and Mark Cairns will retire at the next one.

We have also welcomed Benjamin Bateman (Ngāi Tahu) as our next Future Director. The Future Directors programme is administered by the Institute of Directors and is designed to help identify and grow the next generation of directors in Aotearoa. This includes recognising talented executives who are interested in developing governance skills.

We have developed an 'Accelerate Leaders Pool' aimed at our tier 3 leaders (we've identified as having executive potential). It offers them access to advanced leadership training including executive mentorship. The programme offers an opportunity for us to specifically encourage more women to take up leadership roles within the business and to prepare such leaders.

A restructuring of our Generation business during the year opened up new roles and enabled us to develop opportunities to welcome new people into the team. Nevertheless, in our hydro teams in particular the percentage of people over 55 is relatively high. Their skills and knowledge are invaluable. We continue to attract young professionals to join our graduate programme, and offer opportunities for people to complete their trade apprenticeships with us, so that those who choose to retire can transition smoothly out of their current work arrangements. In FY24 we will also be starting retirement planning modules.

The wind generation side of our business requires technicians with particular expertise. Not surprisingly, this pool of talent needs to grow substantially as our generation growth opportunities are delivered. Attracting talent to this industry will be key for our industry as the transition to zero carbon takes place.

▲ Future Director Benjamin Bateman (Ngāi Tahu).

Management commentary
(no financial statements)

Focusing on our critical risks

Our commitment to safety stems from our responsibility to protect the welfare and wellbeing of our people and our supplier community at all times. Our people work in environments that can be isolated and technically challenging, and they can work on large and tall structures and be close to large volumes of water. Other risks include the physical risks of slips and trips and confronting weather conditions and physical situations, as well as the risks associated with the challenges of poor mental wellbeing.[9]

As our development programme progresses, the onus is on us to identify and address these risks head-on. Doing so requires us to constantly analyse and mitigate potential hazards, which can range dramatically in frequency, consequence and probability.

Our comprehensive Safety and Wellbeing Management System includes role-specific health and safety training plans and site-specific Health and Safety Committees as part of a layered response to changing safety needs. We continue to improve the system to ensure that hazard-identification processes are thorough and that we think about and manage critical risks to the best of our abilities.[10]

This year we focused on reviewing and rebuilding our critical risks by applying the 'Bow Tie' method – an industry-standard approach for risk identification, analysis and management. We use it in working through the stages of a potential event, from cause to consequences.

Working with our front line people, we actually increased our identified risks from eight to 16. We then engaged with them to simplify our controls, so that everyone dealing with hazards would be aware of the four or five things they needed to get right. Having identified these critical controls, our next programme of work will focus on bringing them alive within the business.

A priority risk control is targeted training. One of the difficulties with traditional health and safety training is that much of it takes place in a classroom. As a result, it can be difficult for people to recall what they must do as first responders in actual work environments. We've been working with Vertical Horizonz New Zealand (VHNZ), the country's largest workplace health and safety training provider, to deliver life-saving emergency response training to reduce serious workplace injuries. A recent training scenario, for example, required Meridian staff, contractors and other agencies at our Te Āpiti wind farm to perform a difficult rescue of a seriously injured worker followed by a traumatic traffic incident with multiple casualties.

We'd already adopted the best-practice Global Wind Organisation (GWO) training requirements as a foundation. This meant that anyone working in a wind turbine had had to meet minimum standards of practice in Working at Height, First Aid, Manual Handling and Fire Awareness/Extinguisher, or a higher or equivalent standard. In working with VHNZ, we built on the GWO training course by adding our own targeted approach to the modules. Specifically, we honed in on the unique set of problems posed by wind farms and wind turbines, from extreme weather conditions to long response times, limited communications, unviable pain medication and much more. This is now a five-day targeted refresher course that takes place every year.

We're still looking for a safety leadership model that specifically delivers the right balance between good leadership behaviours and the ability to get great engagement and involvement in our safety processes at the front line.

At this stage we're very much of the view that safety leadership is inherent in strong business leadership.

9 External contractors participate in all our safety management processes but any issues, events or injuries are reported back through the Meridian work owner. IT-based systems are restricted to employees and internal contractors for IT security reasons.

10 Workers can report hazards and incidents directly into our software tool (Mesh) via their computers or mobile phones. They can also raise any issues at the daily prestart or toolbox meetings or directly with their leaders. There is no formal process for protecting people from reprisals as we have a positive culture around reporting and it is encouraged. The Health and Safety team who administer the system are independent of the operational part of the business. Everyone is actively encouraged to exercise their right to stop work at any time if it is considered unsafe. If a worker stopped work for reasons of safety they would be commended.

Focusing on our critical risks continued

During the year we changed our overall health and safety management system to Mesh, which we configured to enable us to better capture information, report events, make observations and identify hazards. The new software means we're now able to align events, critical risks and the lessons from events, and better share those lessons with our workforce. In the next year we'll look at building on the capacity within the software to instigate shared learning libraries and to enable workplace observations via mobile.

Our Learning Team process, with its focus on learning and improving, is now well embedded and helps us understand how to improve our systems and processes when things don't go well. By involving those doing the work, including of course our contractors, in understanding how issues arise and in developing safety improvements, our goal is to normalise reporting as a safe and natural process within our culture. The introduction of Mesh will make it easier in future to to capture and share the information we've gathered through Learning Teams.

Our site committees continue to meet every month to identify hazards and review incidents. This year we brought together committee representatives from a range of sites to workshop how we could improve our risk identification and controls. They told us they needed better information available, which led us to revamp the relevant pages on our intranet.

We remain an active member of StayLive, an electricity industry forum focused on working together throughout the sector to improve safety. In addition, because our development programme will see us increase our construction projects in coming years, we've started working more closely with other sector safety groups.

Outlined previously has been our early, voluntarily adoption of climate-relate disclosures, which include a focus on risk management. We are committed to continuous improvement in this area, and over the year implemented a change programme focused on this, including aiming for substantial voluntarily alignment with the new Aotearoa New Zealand Climate Standards. During the year we modified our risk-assessment methodology to align it with evolving best practice – for example, we are now considering the exposure to and vulnerability of elements subjected to physical climate risks. We also built on our existing Revolution and Evolution models to develop three climate scenarios that are used in our risk-assessment process: Net Zero Revolution, Adaptive Evolution, and Hot House. Please see our publicly available FY23 **Climate-related Disclosure** for full details on this work.

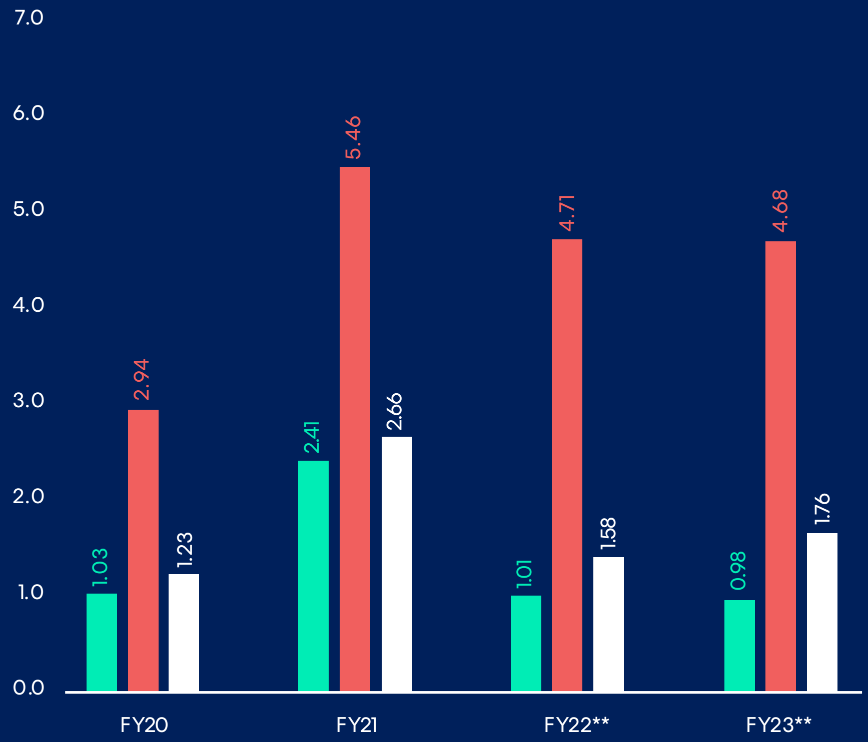
Towards the end of last year, MBIE announced a nationally consistent approach to dam safety, which will come into force in May 2024. Prior to the announcement, Aotearoa New Zealand had been one of the few countries in the OECD that didn't have an operative dam safety framework. The lack of a consistent framework posed risks to people, property and the environment. The new dam safety regulations will require the owners of dams that meet the height and volume requirements to confirm the potential risks those dams pose, put in place safety plans and undertake regular dam inspections.

Dams that fall within the scope of the regulations could be given impact classifications based on their potential to cause harm in the event of failure. The owners of medium- and high-potential-impact dams will be required to have dam safety assurance programmes that include regular monitoring and surveillance practices. The new dam safety regulations will also require dam owners to review their dams against flood performance criteria every five years as part of comprehensive safety reviews.

Management commentary
(no financial statements)

Injuries

Total recordable injury frequency rate (TRIFR*)



* The TRIFR is calculated per 200,000 hours and includes all lost-time, medical treatment and restricted work injuries for Meridian New Zealand employees and contractors only. While we have incident numbers for Powershop New Zealand and offsite contractors, the TRIFR cannot be calculated, as the number of hours worked for those periods has not been recorded.

** FY22 and FY23 data excludes Flux and offsite contractors.

Lost time injury frequency rate (LTIFR*)

* The LTIFR is calculated per 1,000,000 hours and includes all lost-time work injuries for Meridian New Zealand employees and contractors only. While we have incident numbers for Powershop New Zealand and offsite contractors, the LTIFR cannot be calculated, as the number of hours worked for those periods has not been recorded.

** FY22 and FY23 data excludes Flux and offsite contractors.

Management commentary
(no financial statements)

Focusing on our critical risks continued

Our Dam Safety Assurance Programme is enabled by our in-house Dam Safety and Civil team (supported by Dam Safety Intelligence for dam condition-monitoring services) and is recognised as best practice in dam safety management in New Zealand.

We continue to improve our *Healthy Minds* programme. It's good to see more people taking up the resources available through the programme as we strive to normalise the conversation that it's OK not to be OK all the time. In the past two years we've helped 180 people to shift from struggling to thriving. Our Care Teams work with people who might need support and/or rehabilitation to get back to work. We also have our Employee Assistance Programme available for those who need access to psychological services.

A comprehensive programme of occupational health checks and wellbeing support is provided through an external occupational health practice. The services include annual hazard-related health checks as required, the provision of general health information and occupational hygiene services as required, and bookable consultations for those with specific concerns.

Our reportable injuries held steady this year. Our calculated total recordable injury frequency rate for employees and contractors per 200,000 hours worked was 1.76 (compared with 1.58 in FY22), with 17 people hurt (nine contractors and eight employees). The main types of injury were once again sprains, strains and superficial injuries.[11] There were no significant instances of non-compliance with health and safety laws and regulations and we paid no fines during the reporting period. We determined significant instances of non-compliance with reference to the severity of impacts and sectoral benchmarks. There were also no significant instances of injury that required reporting.

We have had no cases of fatalities or recordable events with respect to work-related ill health or what is classified in New Zealand legislation as occupational disease. We have included harmful contaminants in our list of critical risks and developed a Bow Tie risk assessment accordingly. The most significant risk identified was exposure to asbestos, as there is still some Asbestos Containing Material within our structures. As required by regulation, five yearly asbestos surveys were completed in FY23. Any asbestos-related work is undertaken by specialist removal companies. Occupational Health monitoring is conducted annually and includes checks for the effects of exposure to work-related health risks such as poor lung function or disease, hearing damage and muscular pain and discomfort. Occupational Health Nurses are also on site at regular intervals to provide education on both work-related and general health risks.

Flux also has a strong health and safety and wellbeing programme, driven by a core set of principles and legal responsibilities.[12]

Flux is a remote-first organisation where staff predominantly work from home, reducing our overall health and safety risk profile. We have mitigations in place for ergonomic hazards. While Flux also has a team of trained mental health first-aiders, access to EAP (Employee Assistance Programme) services is available to all permanent employees. Information on how to access these services is provided in on-boarding activities and available in the Flux wiki.

You'll find more detail on how we organise ourselves to stay safe at **meridianenergy.co.nz/about-us/investors/governance/policies**.

11 While our critical risk programme identifies the significant hazards that could cause serious harm, hazard management generally is built in to our safety management system. All locations have developed hazard registers that undergo reviews, and all work being undertaken must have a worksite safety plan or procedure in place that has identified any hazards and risks and their mitigations. We have prestart meetings and work-in-progress boards that alert workers to other activities that might affect them.

12 Flux's permanent employees and contractors are fully covered by Flux's health and safety management system The information and policies are available for all staff to access at any time. All aspects of health and safety are managed by the Flux people team, with a clearly defined escalation process if required.

Equipment safety checks at West Wind Te Whanganui-a-Tara Wellington. ▶

Management commentary
(no financial statements)

Building our sense of belonging

We want our company's culture to be one that's inclusive, respectful and supportive as well as representative of the society and communities in which we live and operate. It's all about creating a workplace where all our people can go to work being their true, whole, authentic selves and feeling safe to be so.

A highly integrated business like ours requires diverse skills and a workforce that's highly collaborative. Our Belonging programme recognises that diversity is a key requirement in solving current and emerging issues for our business, and that, in order for diversified teams to perform well, everyone must feel recognised, welcomed and valued for their experiences and perspectives.

This year we've refreshed our Belonging Strategy and reviewed our Belonging Policy to reflect this.

◄ Customer care staff in Ōtautahi Christchurch office.

Management commentary
(no financial statements)

Specifically, we've identified seven focus areas for Belonging in the years ahead:

- Te Ao Māori – to encourage increased cultural competence.
- Accessibility – to welcome people with disabilities and neurodiversity.
- Gender – to achieve general balance.
- Rainbow – to encourage LGBTQIA+ diversity.
- Ethnicity – to encourage ethnic diversity.
- Inclusion – in our culture, people, systems, processes and procedures.
- Wellbeing – to nurture our people and enable them to blossom.

We continue to be aware of the different employee age profiles in different parts of our business.

Our retail business and our service centres have the highest number and proportion of those in the under-20 to 29 age bracket.

Our technical areas – Generation, Development, Dam Safety Intelligence and Wholesale – have the highest proportion of those aged 60+.

However, all parts of the business have employees at different age-stages of their lives, and we welcome this generational diversity.

We continue to make steady progress on better understanding te ao Māori and actively factoring Te Tiriti o Waitangi into our actions and decisions. Last year we introduced a new role – Kaihautū Māori, or Head of Māori Culture – to support us in growing our understanding and to boost our ability to build effective, authentic and enduring relationships with mana whenua so that we can achieve greater success together. We continue to train our people in tikanga and the proper pronunciation of te reo to reflect our commitment to respecting te ao Māori and connecting with our stakeholders. We were pleased to see a 30% increase this year in those who identify as being of Māori origin in our workforce.

More broadly, under the guidance of our Kaihautū Māori, we're actively monitoring our employment of Māori in our business and continue to look for ways to celebrate and educate our people on issues of importance to Māori. We're also developing a Māori strategy – starting with raising the cultural awareness of our Executive Team. This commitment is also reflected at the Board level, with our People and Remuneration Committee being renamed the People, Remuneration and Culture Committee. This new name acknowledges culture as an important input area at governance level.

Our overall employee engagement increased slightly this year, with engagement scores in Meridian and Powershop at 73%. This score means we remain firmly in the top quartile of the Large Industrial category; however, some divergence in scores among different teams mirrors the different levels of change taking place throughout the business and a need for us to continue to focus on teamwork and collaboration. In particular, we were pleased to see strong growth in people's sense of our having a safety culture, that people felt leadership teams were generally highly engaged and that development planning and the perception of development opportunities continued to trend upwards. Stay commitment also climbed this year, increasing by 3% between April 2022 and April 2023.

Addressing gender injustice

We recognise that there is a significant underlying bias against women achieving their potential in the workplace. As part of our commitment to diversity and inclusion, we want to encourage more women into leadership roles, close the ethnicity gap that exists for Māori and Pasifika women and speed up pay equity at all levels of our organisation.

We have reached our aim of a gender representation balance overall of 40% men, 40% women and the remaining 20% of any gender. We know from the number of females moving through our recruitment process that, while we have fewer female applicants than male, we tend to appoint more females. We also track non-binary and transgender applicants, but at this stage numbers are too low for us to pinpoint progress patterns.

We note that, within those overall ratios, some parts of our business remain over-balanced in men or women. Specifically, we have a greater proportion of females at lower levels of the business and a higher proportion of males at senior levels. This demographic spread means that the overall salary for men in all roles in the organisation is higher than for women, resulting in a gender pay gap of 35.4% (on median salaries), or 26.1% (on average salaries).

Our gender representation balance varies according to parts of the business. Employees in our contact centre roles are predominantly female, whereas a higher proportion of men than women tend to fill our engineering and electrical roles. As part of our Belonging strategy, our goal is to bring more females into STEM (science, technology, engineering and mathematics) roles, continue the upward trend of women in leadership roles and ensure we're not biased towards females in corporate and retail roles.

Gender pay gaps for those in similar-sized roles have improved, with the gap in most of our pay bands for the median male salary and the median female salary now less than 4%. Increasing the number of women in higher pay bands, enabling women to move through the bands to leadership more quickly, and improving the seniority of women within our organisation overall will help close the gaps and address gender injustice. We disclose our gender and ethnicity pay gaps on the external MindTheGap website, and on our website.

As an accredited member of the GenderTick programme, we're committed to achieving gender balance in leadership and senior roles. At our most senior levels, women are well represented, with 57.1% of Board Directors and 36.4% of our Executive Team being women. We have a three-part strategy in place to lift the number of women in leadership: increase the number of women recruited; increase upward mobility for women; and increase our retention of female talent.

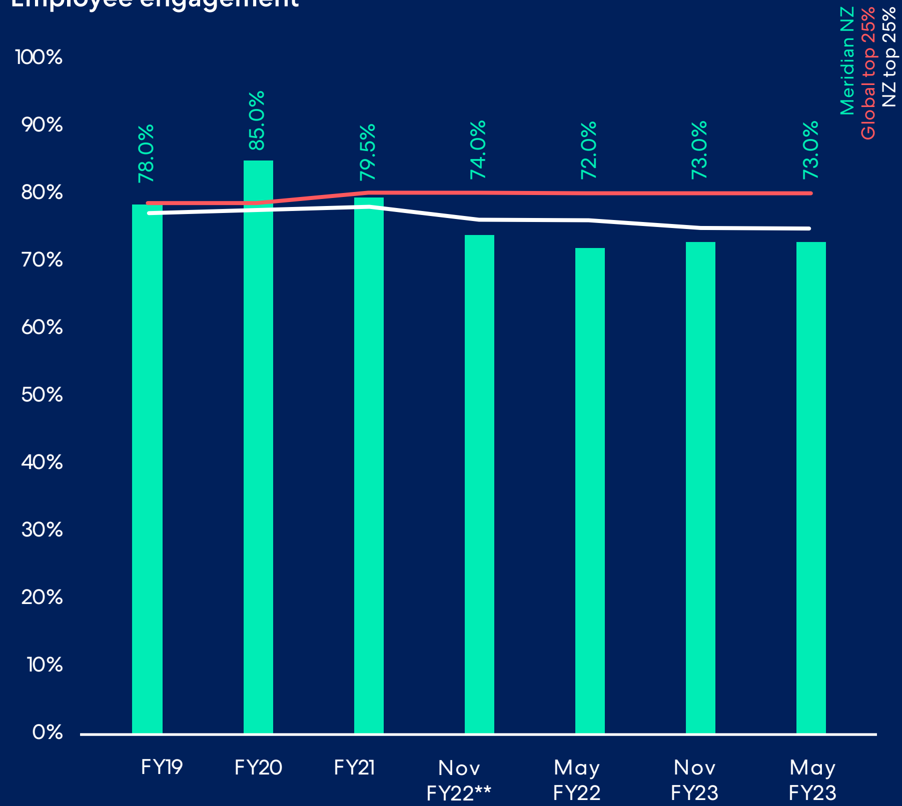
Management commentary
(no financial statements)

Staff in our Te Whanganui-a-Tara Wellington office. ▶

Management commentary
(no financial statements)

A closer look at our culture

Employee engagement*



* Measured by 'level of agreement' – the percentage of staff who 'agree' or 'strongly agree' with the five questions that collectively determine our Engagement Index (previously calculated as a weighted mean).

◄ Employees checking machinery at Benmore Power Station, Otematata.

Diversity by ethnicity by functional area

	Māori	Pacific Peoples	Asian	Middle Eastern/ Latin American/ African	European	Other	No information stored
Board	14.3%		14.3%	–	71.4%	–	–
Corporate (HR, Legal, H&S, Corporate affairs)	2.4%	2.4%	2.4%	–	78.1%	4.9%	9.8%
Customer support	9.0%	2.9%	5.7%	1.8%	67.0%	1.8%	11.8%
Energy trading	–	–	–	3.4%	86.2%	–	10.3%
Engineering & Electrical	4.6%	1.5%	5.6%	4.1%	69.2%	6.7%	8.2%
Finance	2.5%	3.7%	11.1%	–	71.6%	3.7%	7.4%
Information technology	2.0%	0.7%	12.8%	3.4%	31.8%	1.4%	48.0%
Marketing	2.7%	–	2.7%	8.1%	81.1%	2.7%	2.7%
Sales	4.8%	11.1%	22.2%	–	55.6%	–	6.3%
Senior leadership	3.8%	–	5.1%	2.5%	76.0%	1.3%	11.4%
Strategy, project management & delivery	4.4%	2.2%	3.3%	2.2%	73.6%	11.0%	3.3%
Total	**5.0%**	**2.4%**	**7.5%**	**2.5%**	**64.9%**	**3.5%**	**14.3%**

Diversity by ethnicity by career level

	Māori	Pacific Peoples	Asian	Middle Eastern/ Latin American/ African	European	Other	No information stored
Executive	9.1%	–	9.1%	–	72.7%	–	9.1%
Senior manager	2.4%	–	3.7%	2.4%	67.1%	4.9%	19.5%
Mid manager	3.9%	1.3%	5.3%	5.3%	75.0%	1.3%	7.9%
Mid non-manager	2.4%	1.4%	8.3%	2.8%	63.1%	3.8%	18.3%
Junior manager	2.8%	5.6%	2.8%	2.8%	66.7%	5.6%	13.9%
Non-managers	6.8%	3.3%	8.3%	2.0%	64.5%	3.5%	11.5%
Unidentifiable*	–	–	–	–	–	–	100.0%
Total	**5.0%**	**2.4%**	**7.5%**	**2.5%**	**64.9%**	**3.5%**	**14.3%**

* Includes Casuals, contractors and Flux UK.

A closer look at our culture continued

Diversity by gender by functional area

	Female	Male
Board	57.1%	42.9%
Corporate (HR, Legal, H&S, Corporate Affairs)	85.4%	14.6%
Customer support	76.3%	23.7%
Energy trading	13.8%	86.2%
Engineering & Electrical	26.2%	73.8%
Finance	54.3%	45.7%
Information technology	32.4%	67.6%
Marketing	70.3%	29.7%
Sales	46.0%	54.0%
Senior leadership	38.0%	62.0%
Strategy, project management & delivery	30.8%	69.2%
Total	**48.8%**	**51.2%**

Diversity by gender by career level

	Female	Male
Executive	36.4%	63.6%
Senior manager	28.0%	72.0%
Mid manager	38.2%	61.8%
Mid non-manager	31.0%	69.0%
Junior manager	72.2%	27.8%
Non-managers	62.1%	37.9%
Unidentifiable*	–	100.0%
Total	**48.8%**	**51.2%**

* Includes Casuals, Contractors and Flux employees.

Female representation

	FY19	FY20	FY21	FY22	FY23
Female share of total workforce (%)	46.6%	47.9%	49.2%	47.6%	**48.8%**
Females on the Board	28.6%	50.0%	50.0%	71.4%	**57.1%**
Females in management positions (as % of total management workforce)	35.9%	34.5%	40.0%	39.3%	**40.0%**
Females in junior management positions, i.e. first level of management (as % of total junior management positions)	41.4%	40.6%	46.7%	45.2%	**49.1%**
Females in top management positions, i.e. maximum two levels away from the CEO or comparable positions (as a % of total top management positions)	23.9%	24.2%	27.7%	30.2%	**29.0%**
Females in management positions in revenue-generating functions (e.g. sales) as a % of all such managers (i.e. excluding support functions such as HR, IT and Legal.)	33.0%	30.1%	38.2%	37.5%	**39.1%**

Management commentary
(no financial statements)

Ratio of basic salary and remuneration of women to men

Career level – base and total remuneration*

	Female	Male	FY23 ratio Base salary	FY23 ratio Total rem
Executive	4	6	0.96:1	0.96:1
Senior manager	23	59	0.96:1	0.92:1
Mid manager	29	47	0.98:1	0.98:1
Mid non-manager	89	199	0.98:1	0.98:1
Junior manager	26	10	0.97:1	0.96:1
Non-managers	332	200	0.86:1	0.86:1
Unidentifiable	–	3		
Total	**503**	**524**		

* Excludes, CEO, Board members and Casuals/ Contractors, but includes Flux employees

Functional area – base and total remuneration*

	Female	Male	FY23 ratio Base salary	FY23 ratio Total rem
Corporate (HR, Legal, Corporate Affairs)	35	6	1.13:1	1.10:1
Customer Support	212	66	0.91:1	0.92:1
Energy Trading	4	23	1.03:1	1.03:1
Engineering & Electrical	48	138	0.81:1	0.80:1
Finance	44	37	0.83:1	0.81:1
Information Technology	48	100	0.89:1	0.90:1
Marketing	25	11	0.91:1	0.89:1
Sales	29	34	1.01:1	1.01:1
Senior Leadership	30	47	0.83:1	0.81:1
Strategy, Project Management & Delivery	28	62	0.80:1	0.78:1
Total	**503**	**524**		

* Excludes CEO, Board members and Casuals/Contractors.

Group definitions

Corporate (HR, Legal, Corporate Affairs): HR functions, Legal team, Corporate Affairs and Sustainability team

Customer Support: Call centres/customer service teams

Energy Trading: The Wholesale team, which is made up mainly of analysts and traders

Engineering & Electrical: Teams involved in generating electricity and maintaining assets

Finance: Accounting/financial, procurement, and contract management teams

Information Technology: The ICT team, product development and tech support in Flux Federation

Marketing: Marketing team

Sales: Meridian Sales team, Sales functions in Flux Federation

Strategy, Project Management & Delivery: Teams working on business strategy, large scale projects, or business improvement

Senior Leadership: Leadership team or Executive team.

Management commentary
(no financial statements)

A closer look at our culture continued

Diversity by age by functional area*

	Under 30	30–50	Over 50
Board	–	14.3%	85.7%
Corporate (HR, Legal, H&S, Corporate affairs)	19.5%	51.2%	29.3%
Customer support	35.8%	48.4%	15.8%
Energy trading	6.9%	51.7%	41.4%
Engineering & electrical	14.9%	48.2%	36.9%
Finance	9.9%	63.0%	27.2%
Information technology	10.8%	69.6%	19.6%
Marketing	13.5%	81.1%	5.4%
Sales	15.9%	65.1%	19.1%
Senior leadership	–	60.8%	39.2%
Strategy, project management & delivery	5.5%	60.4%	34.1%
Total	17.4%	**56.6%**	**26.0%**

* If no age was available in the data, we used an average age of 40.

Diversity by age by career level

	Under 30	30–50	Over 50
Executive	–	18.2%	81.8%
Senior manager	–	64.6%	35.4%
Mid manager	3.9%	67.1%	28.9%
Mid non-manager	4.5%	64.1%	31.4%
Junior manager	19.4%	66.7%	13.9%
Non-managers	29.6%	50.5%	20.0%
Unidentifiable*	–	57.1%	42.9%
Total	**17.4%**	**56.6%**	**26.0%**

* Includes Casuals, Contractors and Flux employees.

Doing our part to respect human rights

It's essential that the global transition to a decarbonised economy powered by renewable energy, is a just transition that's underpinned by respect for human rights. The speed and urgency of this transition means that Meridian is engaging with complex and distant supply chains in an unprecedented way. All of this makes it more important than ever that we take steps to protect the rights of people at every stage of our supply chain. In our own Group, we work within the framework of New Zealand's human rights legislation, prohibitions of discrimination, and New Zealand's labour laws, which include protections for the right to collective bargaining, equal opportunities and preventing unfair treatment on the basis of irrelevant personal characteristics.

In addition, Meridian is committed to respecting internationally recognised human rights, in line with the *United Nations Guiding Principles on Business and Human Rights*. These include all rights under the United Nations International Bill of Human Rights and the principles concerning fundamental rights in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Given our unique place in the world, we also recognise the indigenous rights of iwi, which is consistent with the United Nations Declaration on the Rights of Indigenous Peoples and Te Tiriti o Waitangi. Our board-approved **Group Code of Conduct**, updated in FY23, reflects this focus.

Our participation in the United Nations Global Compact means we're committed to continually aligning our strategies and operations with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. In FY23 our Sustainability team participated in the United Nations Global Compact Business & Human Rights Accelerator programme, putting us in touch with the latest thinking and initiatives in the area of human rights. This year we focused on commencing and developing our assessment and due diligence process. This involved working with an internal group of stakeholders from throughout the business to identify and prioritise actual and potential human rights risks to four key cohorts of stakeholders (Meridian's workers, workers in the value chain, local communities and end-users/customers). The impacts were then assessed against severity and likelihood criteria using a victim-centred approach. This assessment took into account the scale, scope and irremediability of the impacts as well as considering the operating context (e.g. geography), the presence of known vulnerable groups (women, children, indigenous peoples, LGBTQIA+, ethnic minorities and migrants), relevant business relationships and the mitigation controls we have in place.

In FY24 our initial focus will be on improving the certainty of our risk assessments to ensure that the adopted process is fit for purpose for our organisation and integrates with our Group Risk Enterprise approach. From there we'll identify our salient risks and establish a human rights framework that covers governance, risk assessments, due diligence, grievance and remediation, training and monitoring.

Our focus on human rights builds on the actions we're already taking to assess and mitigate the risks of modern slavery to our business and supply chain. This reflects the behaviours and expectations outlined in our **Group Code of Conduct** and **Supplier Code of Conduct**. In December 2022 we released our third **Modern Slavery Statement**. This annual disclosure summarises the steps we've taken to assess, manage and continue to improve our approach to modern slavery risks[13].

13 The term modern slavery is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. It is an umbrella term and takes many forms including human trafficking, forced labour, slavery and slavery-like practices, debt bondage, and the worst forms of child labour.

Doing our part to respect human rights continued

Meridian's employment conditions meet and in many cases exceed the requirements of New Zealand labour law, which are of a standard far beyond that which would allow a risk of modern slavery to exist. Therefore, the focus of our Modern Slavery Framework is on Meridian's supply chain where we have less direct control over employment conditions and increased risk.

In accordance with Meridian's Modern Slavery Framework, we review our procurement categories every two years to identify those that have the highest risks of modern slavery and warrant further due diligence and other actions to help reduce those risks. The assessed risk categories include high-risk geographies (including countries subject to United Nations sanctions), vulnerable populations (including work that involves base-skilled workers) and high-risk raw materials, services and/or business models (such as where there is outsourcing of significant labour needs). We have actions in place to mitigate those risks, including requiring all Tier 1 suppliers[14] from these categories to complete our Modern Slavery Questionnaire on a two-yearly basis and as part of initial supplier-selection processes. Due diligence on modern slavery is required as part of supplier engagement and all our agreements now spell out what we expect in terms of preventing modern slavery. More detail is available in our **Modern Slavery Statement** 2022.

Taking responsibility for behaving ethically

This year we've taken action to further enhance and embed ethical practices in our business, following our FY21 ethical practices audit and resulting improvement plan created in FY22. Our **Group Code of Conduct** has been updated with a new focus area outlining our ethical standards, what they mean for our people, and where our people can go for further guidance if they face ethical dilemmas. We've refreshed our **Group Code of Conduct** training for our people and look forward to rolling this out throughout the business during FY24. Our ethical standards include ensuring that we have genuine consideration for anybody materially affected by our business decisions, ensuring we use and manage natural resources responsibly, avoiding engagement with high-risk industries (or seeking Executive Team approval first) and evaluating those with whom we enter business relationships to ensure they act consistently with our purpose and values, including taking action on climate change and upholding human rights.

We apply our ethical standards and commitment to respect human rights in our procurement process, for example through checking companies against anti-modern slavery measures when sourcing materials for solar panels, and making sure that we use reputable companies as we look for new ways to reduce our emissions.

In the past year, 95% of our annual spend on goods and services has been from local suppliers within Aotearoa.[15]

14 Tier 1 suppliers are those who directly provide services/products to Meridian.
15 'Local' is defined as any Tier 1 supplier located in Aotearoa New Zealand.

Management commentary
(no financial statements)

Being good humans

We have multiple measures in place to ensure we live our value of being good humans.

Every person joining Meridian must confirm that they understand our **Group Code of Conduct** and agree to work according to its principles. The members of our Executive Team are responsible for ensuring that those working in their teams meet the requirements of our internal policies, including the **Group Code of Conduct**. As part of our Compliance Policy, Executive Team leaders must provide monthly compliance statements to the CEO.

Individuals can seek advice and/or raise any concerns about our responsible business conduct policies and practices. A range of channels, outlined in our **Group Code of Conduct** and **Whistleblowing Policy**, is available to do this, including contacting a line manager, the People team or the Legal team or speaking directly with a member of the Executive Team. This year there were no reports of people raising concerns about our responsible business conduct policies and practices.

All our team members undertake legal training through our online People Hub to ensure they understand their legal obligations and that they remain familiar with key policies. 100% of our people completed this training this year.

Last year we extended this legal oversight to include our suppliers with the launch of our Procurement Hub and online sustainable procurement e-learning module. These tools are designed to assist our people in advocating confidently for sustainable practices throughout our supply chain and to ensure we source ethically and uphold human rights. Due diligence on modern slavery is required as part of supplier engagement and all our agreements now spell out what we expect in terms of preventing modern slavery. We also use a range of other actions to embed our Group commitments and policies throughout the company. These include: measures on Meridian's Executive Team scorecard related to the company's impacts on the economy, the environment and people; the development of our Sustainable Infrastructure Framework to support sustainability practices on major infrastructure projects; regular sustainability audits at our development sites (e.g. Harapaki); and the integration of impacts on people and the environment with our Risk Management Policy.

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◄ Sir Alan Mark KNZM CBE, inaugural Chair of Guardians of Lake Manapōuri, Monowai and Te Anau, and Madeleine Peacock, a former Chair of Guardians.

Connected to communities

Our community fund Power Up continues to support local projects in Te Āpiti, Mill Creek, Manapōuri, West Wind, White Hill, Te Uku and Waitaki. Each year we have $557,333 available for allocation to Meridian's *Power Up* community fund. In the 16 years to 30 June 2023 in which *Power Up* has been running, we've contributed $9,698,281 towards 1,323 community-led projects. We've been putting our support where it's needed the most, working with and empowering community groups and projects to promote environmental, cultural, volunteer, education and health initiatives. To encourage communities to make the most of *Power*
initiated *Power Up* Drop In sessions in Tuatapere and Te Anau to enable people to meet face to face and find out more about how the fund might help them.

Since 2020 we've sponsored school leavers through Meridian Energy Scholarships – two school-leaver scholarships at Wairau Area School and one at Fiordland College, and a scholarship for the Dux at Fiordland College. Congratulations go to Zesen Liu (Dux – Meridian Energy Excellence Award, Fiordland College), Maggie Knowles (Values Scholarship, Fiordland College) and Malakai Mangion (Values Scholarship and Power Up Scholarship, Waiau Area School). We're now looking to widen this programme to include schools associated with all our generation communities and trades associated with our generation business.

As part of the 50-year anniversary celebrations at Manapōuri Power Station, we hosted current and former Guardians of Lake Manapōuri, Monowai and

Te Anau and family representatives at Manapōuri Station in May. The Guardians of Lake Manapōuri, Monowai and Te Anau is a statutory body appointed to make recommendations to the New Zealand Minister of Conservation on any matters arising from the environmental, ecological and social effects of the operation of the power station on local townships and their shorelines and the rivers flowing in and out of those lakes. It was established in 1972 by the Prime Minister of the day, Norman Kirk.

Our team of Community Relationship Managers has expanded to eight – meaning we now have a greater presence in our asset communities. We continue to engage with people, groups and communities near to where we work.

An increasing number of our community-related activities are linked to the environment. For example, community groups are involved with planting around the country for Forever Forests, and we support the Capital Kiwi Project, an initiative to make the whole of the west of Wellington predator free. As part of that programme, 60 kiwi were set free in Mākara and are now running around the hills of the capital. Through the Power Up programme, we've also supported a full range of grassroots initiatives such as predator trapping, riparian planting and improving water quality.

A significant area of growth in the years ahead will be the Decarbonisation Fund. The fund is a key proof point in demonstrating the value of Certified Renewable Energy by showing how we're taking action to decarbonise the country. So far, at the end of our initial contributions and our first round of funding, we've contributed over $333,000 to advance decarbonisation and energy-efficiency projects.

Increasingly, we're seeing the support we provide to communities – from Power Up to the Decarbonisation Fund and the Energy Hardship Fund – as a family of funds that we can apply to advance people and communities in more holistic ways. Our thinking about community funding is mirrored in a broader approach to ethical practice, where we're looking at how we can most effectively bring together our Māori, people, Belonging and ethnicity strategies to be better humans, inside and beyond Meridian.

Looking ahead, we're planning to research our social impacts with the community. By gathering data from a range of sources, we hope to understand better how we're perceived and the impacts our activities are having. That feedback will shape our future engagement programme.

Expanding our productive partnerships

Our journey to building the best relationships we can with our partners continues. In particular, in our relationships with iwi, we want to be a respectful and constructive partner, recognising their concerns and priorities and doing our best to resolve them together.

Our relationships with Ngāti Hineuru and the Maungaharuru-Tangitū Hapū at the Harapaki wind farm continue to strengthen. Their involvement in the project, which has included employing a number of locals, has grown over time – and with it has grown our understanding of the benefits of adopting a strong Te ao Māori approach. We look forward to deepening our partnership and to learning more from local rūnaka.

Four Murihiku rūnaka, who collectively are the Murihiku Hapū, hold mana whenua and mana moana over the Murihiku/Southland region. Each of the Murihiku rūnaka hold mana whenua in their own right and have kaitiaki responsibilities for their respective lands and seas. Murihiku Regeneration, the Awarua rūnaka and the Hokonui rūnanga are part of our Southern Green Hydrogen partnership investigating new industries and opportunities for renewable energy alongside the Tīwai Point smelter. This year we signed a Memorandum of Understanding to work together on a number of green energy projects in the Murihiku/Southland region.

The key principles of the Memorandum of Understanding are that we:

- apply Ngāi Tahu mana whenua as the basis for our approach
- recognise that Te Rūnanga o Ngāi Tahu will act to ensure Ngāi Tahu aspirations of tino rangatiratanga are realised
- use kotahitanga to build unity and togetherness
- use matāuranga Ngāi Tahu to help build a regenerative economy that will support future generations through innovation, a focus on protecting the environment and effective decision-making
- actively work together to support and nourish the te ao tūroa ki Murihiku
- develop a long-term reinstatement and regeneration plan
- actively support the development of a green energy ecosystem that enables Murihiku Hapū aspirations and works in the national interests of Aotearoa.

The Southern Green Hydrogen Project itself is progressing well, with partners chosen and project workstreams currently being stood up and commercial arrangements in negotiation. We'll establish a local office for the project in Invercargill later this year.

We recognise the mana whenua of Ngāi Tahu, particularly in relation to our hydro schemes in the Ngāi Tahu takiwā. We also benefit from having a Ngāi Tahu presence on our Board.

We also recognise and respond to the kaupapa of ki uta ki tai (from the mountains to the sea) and work closely with local Murihiku rūnunga (Awarua, Hokonui, Ōraka Aparima and Waihōpai) through Te Ao Marama and Manapōuri. We work closely with Waitaki rūnanga (Arowhenua, Moeraki and Waihao) through the Waitaki Governance Group, as well as trusts, to protect mahinga kai and native fish in the Waitaki and Waiau catchments.

Consents for the Waitaki catchment expire in April 2025. Our negotiations with local rūnaka Arowhenua, Moeraki and Waihao, who exercise mana whenua in the area, on the Waitaki reconsenting process are progressing very well. A relationship agreement is close to being finalised that will span more than three decades and will enable us to operate the Waitaki hydro plan and work jointly with rūnaka to address environmental and cultural impacts.

It's anticipated that this will support the delivery of cultural and economic opportunities for Ngāi Tahu whānui in Waitaki.

Through this process we developed a better understanding of the impacts of the development for Ngāi Tahu and how we could

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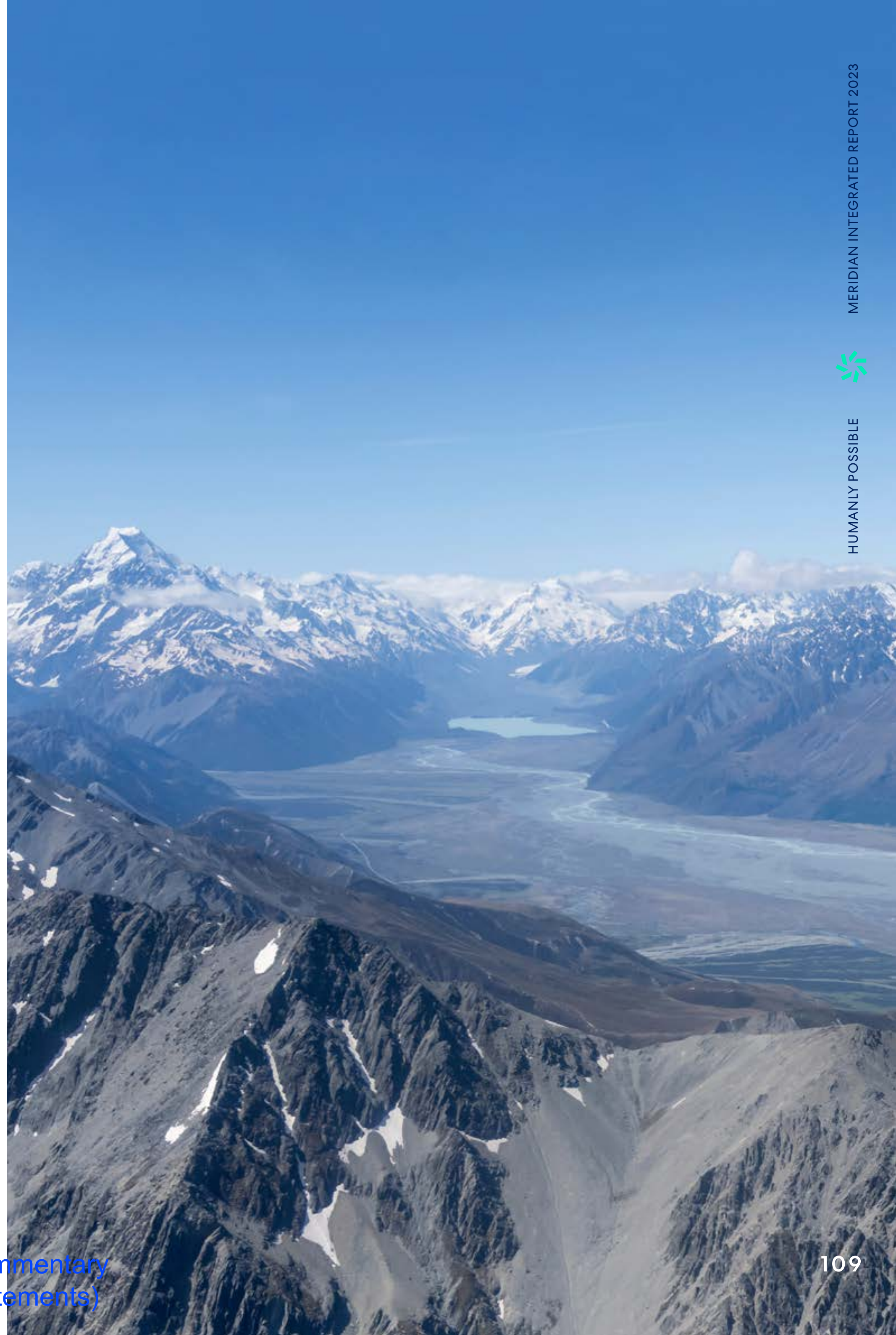
achieve a rebalance. The commercial details remain confidential, but the important news for investors is that we have support for consenting based on current conditions from all the key stakeholders. The signing of these agreements has ensured the long-term continuation and development of New Zealand's largest renewable scheme. As the country's largest storage reservoir, this catchment has a key role in the country's renewable energy capability, sustaining vital storage, hydro flexibility and the important levels of generation output.

We lodged our resource consent application in late July 2023.

We've also signed a new agreement for the Waitaki catchment biodiversity mitigation programme with DOC. Alongside co-funder Genesis Energy, a significant increase in funding will see the scope of our programme expand dramatically.

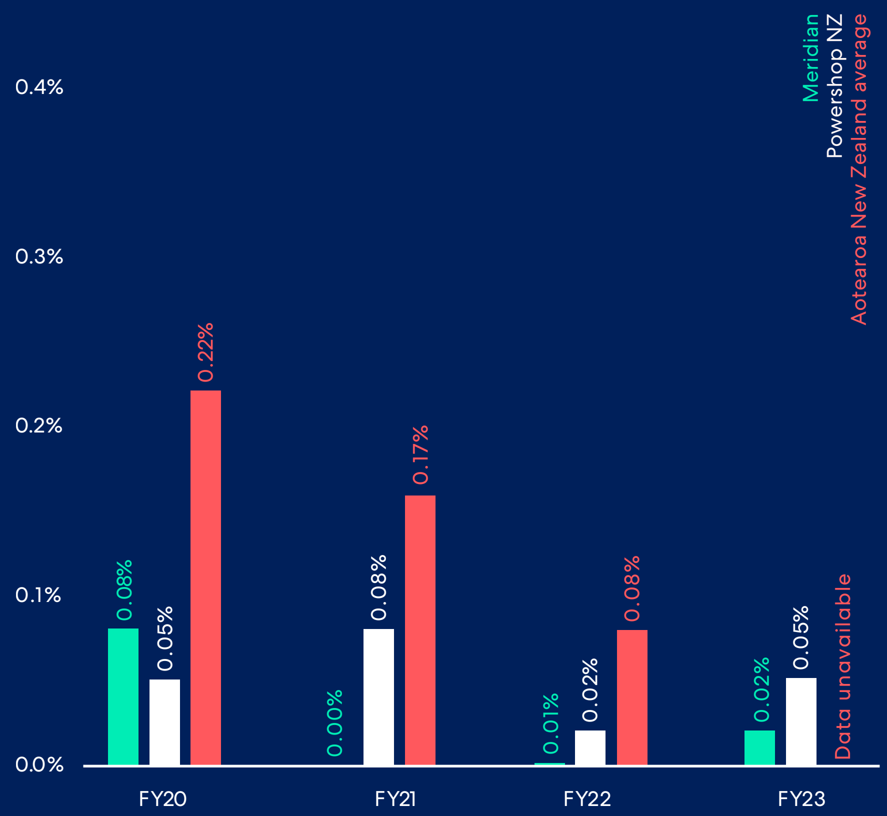
At Lake Manapōuri, there's still some time to run on existing resource consents, but a planning process regarding water allocation, water quality and reconsenting standards is under development by Environment Southland (the Southland Regional Council) as Plan Change Tuatahi. The current plan was notified in 2015 with interim rules put in place. After appeals, these were finalised this year. Plan Change Tuatahi will be a more detailed plan that sets out flow limits, allocations and water quality for all catchments in the Waiau and all Southland catchments. This is due to be notified in 2024.

We have science work underway to better understand the impacts of flows and flushing flows, allocations and water quality, changes in land use over 20 years and the introduction of didymo. Once we have this understanding, we'll work with our partners to find the best approach given differing aspirations and values.



Aoraki Mt Cook, Tasman Lake and the Tasman river. ▶

New Zealand disconnections*



* Data on Aotearoa New Zealand average disconnection rates from the Electricity Authority (emi.ea.govt.nz/Datasets/Retail/Disconnections).

Addressing energy wellbeing

New Zealand's electricity retail prices remain among the lowest in the Organization for Economic Cooperation and Development (OECD). Data from MBIE shows New Zealanders are benefiting from the range of retail choices available to them. However, the rising costs of living mean more New Zealanders are finding it hard to pay for essentials like power.

As an essential services provider, we want all people to have access to the energy they need for wellbeing in their lives. 87% of our meters are now smart, enabling us to understand better how energy is being used. We've committed to taking a leadership position on energy wellbeing – advocating for customers who are facing difficulties affording energy and providing funding to help people out of hardship.

We're committed to complying fully with the voluntary Consumer Care Guidelines issued by the Electricity Authority. These are the strongest guidelines yet for helping those who are vulnerable and we're very much of the view that they should be mandatory.

Our goal has always been, no disconnections for payment reasons. In the past five years our disconnection rates have fallen by at least 80%. We continue to offer customers products like LevelPay, and our trained Credit team offers customers alternative payment options and access to assistance through a range of agencies.

Stepping back, achieving a long-term, sustainable use of energy in this country requires us to solve a trilemma between energy sustainability, energy supply and energy equity. The last of these is about not leaving people behind, and assistance isn't just about money. Addressing energy hardship often means helping people to get themselves back on track and enabling them to access the energy they need. To do this, we look at four things: energy supply; housing quality; energy efficiency; and financial situation.

In the last calendar year we introduced our pilot Energy Wellbeing Programme, aimed at helping customers obtain and afford adequate energy services to support their wellbeing in their homes.

The pilot focused on supporting customers in around 130 house-holds experiencing hardship. We were very pleased with the tangible difference the programme made for Kiwi families who were struggling. We saw reductions in debt and usage where we wanted to see them, and increases in use where we were looking for them. On the basis of that success, in December 2022, the Board agreed to expand the Energy Wellbeing Programme to help 5,000 Meridian and Powershop households by setting aside $5 million over two years.

The new programme incorporates key findings from the pilot. The first of these was that energy wellbeing needed to include include wraparound, holistic support considering all aspects of energy hardship. The second learning was that we could use the data we already had to identify those who might need assistance. For example, households that use unusually low amounts of energy in winter could be struggling to pay their bills. By partnering with others, we can encourage them to become part of the Energy Wellbeing Programme.

The enlarged programme involves building partnerships with communities that enable us to offer different levels of energy-efficiency interventions. We've started slowly, so that we can build the robust foundations needed to scale the programme effectively. At year end we'll have provided support to 430 households. That should ramp up to 1,500 by the end of this calendar year and double in the following six months.

As a company, we've started bringing teams together to think about how we can resolve decarbonisation and hardship together. For example, giving people 'energy sovereignty' could involve providing customers in hardship with access to batteries or solar and virtual power plants or demand-response-flexibility products. We have multiple teams thinking about this right now.

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(no financial statements)

Our impacts anchored in people

A summary of our people-related impacts is provided below, including the actions we are taking to manage, avoid or mitigate the impactss.

Impact	Description	Actions to manage, avoid or mitigate this impact
Some New Zealanders experience energy hardship	As a retailer of electricity, Meridian is directly linked to the affordability and accessibility of electricity which affects residential and business customers.	The actions we are taking to mitigate the impacts of energy hardship being experienced by some New Zealanders include: • the commitment of a $5 million to support our Energy Wellbeing Programme, targeting 5,000 households over two years • continued connection for customers in debt who are actively engaging with us in line with our Consumer Care Policy • full alignment with the Electricity Authority's Consumer Care Guidelines • funded membership to ERANZ (Electricity Retailers Association) and associated activities: – Energy Mate programme – Connect Me pilot – Low Fixed User Removal Credit – Energy Hardship working group • specific funding and support to customers in financial need in the wake of cyclones and flooding, including dedicated support available through our Energy Wellbeing team in collaboration with other retailers In late FY23 we commenced a social impact analysis of our Energy Wellbeing programme. We expect to report findings in FY24.
Address inequality of access to new energy technologies	Meridian can contribute to a just transition and greater energy equity by supporting people's access to, and education on, the opportunities and risks of distributed generation (rooftop and small scale solar), storage (batteries) and EVs, especially where these options can reduce costs for electricity users over the longer term.	We are managing how we can contribute to greater energy equity by: • expanding the mandate of our Energy Innovation team to include an additional focus on equitable transition, affordability and access to new technology • ensuring our Energy Wellbeing Programme sees Meridian working in collaboration with external groups to progress co-funding opportunities with universities, electricity distribution businesses and non-profit organisations • making it easier for customers to purchase EV chargers by making it possible for them to pay back the costs through their energy bills.

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Impact	Description	Actions to manage, avoid or mitigate this impact
Impacts of supply chain/ ethical sourcing	Meridian may contribute to procurement practices that have the potential to have negative impacts on the environment, people and human rights, and affect the reputation of Aotearoa.	We are working to mitigate this impact through a number of policies, frameworks and mitigation initiatives. For example: • in FY23 selected staff completed the United Nations Global Compact Business & Human Rights Accelerator programme and commenced our first human rights risk assessment of our value chain • Meridian continues to complete modern slavery due diligence across our supply chain, consistent with our Modern Slavery Framework. We are currently focusing on Tier 1 suppliers that have been identified as high risk. In future years we will work on maturing and merging our modern slavery and human rights due diligence processes • we updated the **Group Code of Conduct** during FY23 to include an updated Human Rights commitment, an ethical practices focus area and a specific 'responsible procurement' focus • all Meridian staff have completed annual **Group Code of Conduct** e-training, and targeted business units have completed sustainable procurement and modern slavery training • Meridian has begun a supplier engagement programme that focuses on improving the greenhouse gas reporting capabilities and carbon-reduction ambitions of our top tier suppliers
Supporting opportunities for local communities	Meridian is directly linked to supporting various initiatives and groups that foster the wellbeing of communities living close to generation assets and more widely across Aotearoa. Creating employment and career opportunities for local communities.	We have a range of commitments and initiatives in place to support the local communities in which we operate. These include: • Power Up, our community fund that supports local projects at our hydro and wind sites, including Te Āpiti, Mill Creek, Manapōuri, West Wind, White Hill, Te Uku and Waitaki • our Decarbonisation Community Fund has invested more than $325,000 into community decarbonisation projects • engaging with our asset communities via a national network of dedicated Community Engagement Managers • ensuring that our major development projects have specific local employment and investment KPIs and targets • working with schools to provide scholarships promoting tertiary education • providing career pathways for students into STEM roles • providing recreational opportunities such as angling and rowing to local communities around our generation assets • several sponsorships to support local events where funding goes back into emergency services or community assets like cycle/running trails. For example, we sponsor the Meridian Hydro Half Marathon, the Meridian Twizel Hard Labour Weekend and the Meridian Milford Mountain Classic • local staff volunteering to support community projects and those in need, and lending expertise and equipment to support community initiatives

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Our impacts anchored in people

Impact	Description	Actions to manage, avoid or mitigate this impact
Business performance: diversity and equal opportunities	Meridian continues to focus on increasing equal opportunities for everyone, irrespective of factors like age, gender, ethnicity, country of origin, disability and sexual orientation. Diversity encourages new thinking and innovation that can support Meridian's future business success.	We mitigate the impacts we can have on diversity and equal opportunities by investing in our diversity and inclusion programme, which centres on seven focus areas: Te Ao Māori, Accessibility, Gender, Rainbow, Ethnicity, Inclusion and Wellbeing. Relevant mitigations include: • being an accredited member of the Gender Tick programme • providing pay gap data on both gender and ethnicity to MindTheGap • being a member of the Accessibility Tick programme • being certified by Rainbow Tick as a workplace where people are free to be their authentic selves and proud Pride Pledge members • refreshing our Te Kete Tikanga Māori programme and launch of a pilot of Education Perfect 'Te Ao Māori for Professionals' Our refreshed Belonging Policy has a range of KPIs that include a focus on: • achieving gender balance with a focus on leadership and senior roles • our goal to increase the recruitment and retention of diversity across our workforce • working to embed a culture of inclusiveness through vulnerable leaders that create psychologically safe work environments.

Management commentary
(no financial statements)


Meridian.
TEAM UNICORN

MERIDIAN DOING IT RIGHT. NOW.

Helping KidsCan to decarbonise

Meridian has been the proud Principal Partner of KidsCan since 2013. This amazing charity provides essentials to children affected by poverty so they can participate in learning. KidsCan supports more than 1,000 schools and early childhood centres throughout Aotearoa. As Principal Partner, our $1 million annual investment includes $500,000 to provide thousands of Kiwi kids with essentials such as food, raincoats, shoes, socks and basic hygiene and healthcare items, and $500,000 to go towards helping to fundraise.

At the same time, we want to accelerate decarbonisation throughout the nation and help others to do the same. Our Decarbonisation Fund takes net proceeds from our Certified Renewable Energy product and reinvests them into community group decarbonisation projects throughout Aotearoa.

To be eligible for funding, a community-based decarbonisation project must involve electrification or lead to the creation of new renewable generation that results in a reduction in GHGs and contributes directly to communities throughout Aotearoa. The Decarbonisation Fund specifically funds projects either that wouldn't occur without the funding or that funding would help to realise more quickly.

This year we brought the objectives of our principal partnership and our Decarbonisation Fund together, installing an EV charging station and replacing two of KidsCan's vehicles with electric ones.

The KidsCan team spends a lot of time shuttling between their Auckland premises and the schools and early childhood centres they support in the regions. Now they can continue doing their great work in a more climate-friendly way.

"We're delighted that Meridian is giving us the incredible opportunity to go electric," KidsCan Chief Executive and founder Julie Chapman says. "Our programme's team spends a lot of time on the road supporting schools and early childhood centres, and it's great to be able to do this more sustainably."

◄ A KidsCan school visiting Matiu/Somes Island, Te Whanganui-a-tara Wellington.

Better, commercially

◄ A campaign image from the latest television advertising – Nature

Management commentary
(no financial statements)

Our ambitious programme to decarbonise the country is affordable alongside attractive shareholder returns.

Strong performance

After five years of remarkable retail brand growth, we've turned our attention to investing in energy solutions that empower New Zealanders to live more sustainably, enable the country to tackle decarbonisation practically, and deliver returns that endorse investors' faith in what we're looking to achieve.

In this section:

- Earnings were strong
- Wholesale change for the better
- Dividend for the year
- Retail pricing increases
- Customer connections and volumes
- Fulfilling different needs through our retail brands
- Maintaining our credit rating
- Our impacts anchored in our commercial activities
- Enthusiastic response to our bond issue

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Earnings were strong

Below-average storage in Lake Pūkaki at the beginning of the year gave way to the highest winter inflows on record in our Waitaki catchment in July and August 2022, when a series of large storms lifted storage significantly. This was followed by three dry months at the beginning of 2023, particularly in the Waiau catchment.

Overall, the dominance of El Niño for most of the year meant rainfall was well above average, resulting in a high usage of our hydro assets and even spills. The good news for the country was that thermal generation was at its lowest level in six years.

Sales volume growth, particularly in our small-to medium-enterprise (SME) business and agricultural and large business sectors, combined with higher net average prices and good management of hedge positions by our wholesale team through the dry months, meant a good year financially. Mass-market sales volumes were up 5% on the prior year, which helped support an 10% increase in operating earnings (EBITDAF).

At year end, our balance sheet was in a strong position, buoyed by proceeds from the Australian business last year. This gives us flexibility to fund our investments, and the Board is confident that our ambitious programme to decarbonise the country is affordable alongside attractive shareholder returns.

Wholesale change for the better

Other factors outside hydrology, including thermal costs, ongoing concerns about gas availability, and supply pressures caused by the growing global demand for renewables, have continued to put upward pressure on wholesale prices. The cumulative effect has seen wholesale prices at above long-term averages, albeit generally lower than they've been in recent years.

With $2.5 billion in new generation investment across the whole sector now under construction and due to be delivered to the market from 2023, we anticipate the trend towards more moderate wholesale pricing will continue.

One of the key reasons for prices having remained above long-term averages, in our view, is that a market previously regarded as energy constrained is now regarded as capacity constrained.

Because thermal plant takes some time to fire up, there's sometimes not enough capacity in the system to handle sudden peaks. Large volumes of water from plentiful rainfall led to a general prevalence of low pricing for much of the year, but then, when demand does exceed capacity, pricing on the peaks can feel extreme.

Having greater flexibility would help in managing that gap, and it's something we've been actively addressing this year. Our response plays out on two fronts: directly addressing the overall capacity challenge; and ensuring we have access to the energy we need for all our customers' needs.

◄ Electricity in use – at work and play.

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Wholesale change for the better continued

In terms of the capacity challenge, we have five initiatives underway:

1. Bringing the 100MW Ruakākā battery online will help with peak challenges in the North Island. It is due to be commissioned by the third quarter of 2024.
2. We're piloting virtual power plant capacity that can be turned on quickly and for short periods of time to meet demand and bring down the overall load. This includes potentially using household EV chargers to manage peaks.
3. We're working to get more out of our existing generation assets – for example at Manapōuri, where we've applied to generate another 39MW to support demand. 18MW of this potential has so far been approved through Transpowers dispensation process.
4. Our retail team has been working with our bigger customers to encourage demand-response arrangements like the one we recently negotiated with Open Country Dairy.
5. We've supported various industry-wide solutions to manage peak risk through the Chief Executives Forum and with the Electricity Authority directly.

In terms of improving the energy we can access for our customers, there have been two important changes this year:

1. We've changed the nature of our swaptions to be more consistent with our decarbonisation philosophy. Arrangements with Nova and Contact commenced in 2023 following the expiration of the Genesis swaption at the end of 2022.
2. We now have a contract in place with NZAS for a 50MW demand-response product that we can call on if needed. This arrangement is a robust solution for events with long notice periods, such as a dry season, and brings balance to the wider system. We're proud of the work that teams from both parties did to make this happen.

Dividend for the year

Our ordinary dividend policy has set distributions at 80%–100% of free cash flow, subject to approval by the Board. The sale of the Australian business and ongoing growth in operating earnings throughout the Group are reflected in another rise in dividend. The final dividend for the year will be 11.90 cents per share, 3% higher than for the same period last year. This latest dividend brings the total payout to investors this year by way of dividend to 17.90 cents per share. The Dividend Reinvestment Plan remains in place.

Retail pricing increases

Inflationary pressures this year meant that changes to our retail pricing were inevitable. As always, we did our best to keep increases to a minimum, but there were two price movements for our retail brands. In total: Meridian's residential customers saw a 3% increase in their bills; Meridian SME and agri-business customers saw a 3.3% increase; and Powershop customers received a 2% increase. This year also saw a further phase-out of the low-fixed-charge/high-variable-charge tariff option, which once entirely gone will remove a long-standing distortion in retail pricing.

We continued to encourage residential customers to buy our LevelPay product in order to keep household prices consistent throughout the year and avoid high bills in winter. As a member of the Electricity Retailers' Association of New Zealand, we were also able to offer households access to credits as part of the phase-out of the low-fixed-charge tariff option. At the same time we continued to offer business customers access to long-term contracts that effectively hedged their exposure.

Management commentary
(no financial statements)

A campaign image from Meridian's latest television commercial – 'Nature'. ▶

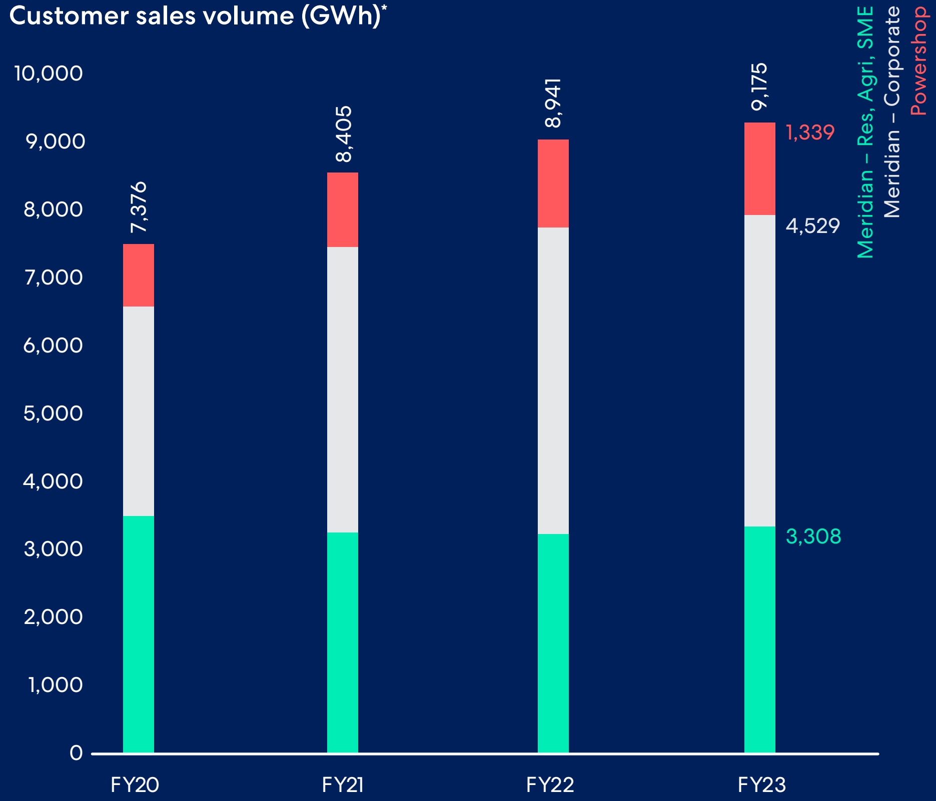
Management commentary
(no financial statements)

Focus on customers

Customer connections* (ICPs)

* Excludes the Tiwai Point aluminium smelter; <10 of the above ICPs are connected to the transmission network; around 4,700 customer connections have distributed generation metering.

Customer sales volume (GWh)*



* Electricity energy volumes only, and excludes the Tiwai Point aluminium smelter.

Management commentary
(no financial statements)

Switching rates*

	FY19	FY20	FY21	FY22	FY23
Powershop New Zealand	30.35%	24.97%	25.81%	25.07%	24.74%
Meridian	16.94%	14.18%	14.45%	11.98%	12.79%
New Zealand combined	20.08%	16.98%	17.76%	16.10%	16.64%
New Zealand industry	20.64%	18.91%	20.77%	18.35%	18.75%

* Data from the Electricity Authority (emi.ea.govt.nz) and Meridian analysis.

Customer satisfaction*

Net Promoter Score**	FY19	FY20	FY21	FY22	FY23
Powershop New Zealand	61	64	66	62	60
Meridian	28	30	28	32	33
New Zealand industry average***	18	22	21	19	N/A

* Powershop New Zealand and Meridian New Zealand residential customers only.

** Calculated from a survey asking customers using a 0–10 scale "How likely is it that you would recommend Meridian/Powershop to a friend or colleague?" then subtracting the percentage of detractors from the percentage of promoters. A positive value indicates that more customers are promoters versus detractors (and vice versa). Results are a 12-month moving averages from July to June each financial year.

*** Perceptive Group Limited: New Zealand NPS Industry Benchmarks. FY22 updated since last report. FY23 data currently unavailable.

Fulfilling different needs through our retail brands

In the past four years our residential brands have grown by 70% in value and 43% in volume (kWh). This year that trend continued, with total value (based on netback) increasing by 17%.

We remain the country's biggest supplier of retail energy, with sales in excess of 9,100GWh. In total we've added 75,930 new connections through our successful multi-brand strategy, with connections for Powershop rising by 32,060 and connections for our Meridian brand rising by 43,870.

Our two brands have distinct audiences. The Meridian brand appeals to business and environmentally conscious consumers, with growth coming mainly from the SME and large-business sectors. A key characteristic of the brand is high customer commitment, with Meridian having a very low churn rate of just 13%.

Powershop continues to experience strong mass-market growth, thanks to a service proposition in which pricing and brand positioning centre on residential and small business customers who want to engage on a digital platform. The brand has built a reputation as an innovator, with a shop model that encourages customers to seek out the best deals that suit them.

Again this year, growth came without compromising on profitability, with both brands exceeding their targets. The market itself was the most competitive it's been in some time, with Powershop slipping from the #1 retail brand to #2 and Meridian going from being the #2 gentailer to #4 according to its Customer Satisfaction Score.

◀ A campaign image from Powershop television commercial.

We increased the amount of solar deployed commercially under our Solar Power Purchase Agreement offer, from 720kWp (kilowatts of installed capacity) to 1,852kWp, with seven new rooftop systems built. These included five new systems at Sylvia Park with Kiwi Property – making the combined solar generation at the mall one of the largest in the country – and a rooftop and solar façade system on the new Waimarie science facility at Lincoln University. We also increased our solar buy-back rates to one of the leading market offerings of 17c/kWh (cents per kilowatt hour) for homes and 12c/kWh for businesses.

In terms of external endorsement, Meridian was recognised, again, as a sustainable New Zealand brand in the Better Futures 2023 report. We remain one of New Zealand's top 10 sustainability leaders according to that report. In addition, the Kantar Corporate Reputation Index 2023 placed Meridian in the top 10 for responsibility leaders.

In the Customer Leadership section of the index, Meridian was singled out as making the largest jump in the rankings, from 52nd in 2021 to 13th in 2022, and for developing a clear brand promise, backed up with strengthening customer service. That survey also positioned us as #1 for supporting worthwhile causes such as the community or the environment.

Our Meridian brand campaign continues to be one of the most popular TV campaigns in the country.

Maintaining our credit rating

In April 2023 international ratings agency Standard & Poor's reaffirmed our BBB+/Stable/A-2 credit rating. The rating for the Group includes a one-notch uplift from the company's stand-alone rating of 'BBB', reflecting the majority ownership by the New Zealand Government.

The rating aligns with our Board's view of what our credit rating should be and confirms that we have headroom for ongoing investment.

"Again this year, growth came without compromising on profitability, with both brands exceeding their targets."

Management commentary
(no financial statements)

Our impacts anchored in commercial activities

A summary of our business-related impacts is provided below, including the actions we are taking to manage, avoid or mitigate the impacts.

Impact	Description	Actions to manage, avoid or mitigate this impact
Erosion of public and customer trust (market behaviour and pricing)	Meridian is directly linked to public and customer trust levels related to a fair and competitive process for electricity pricing.	Meridian has a number of key policies designed to ensure ethical conduct and uphold public trust. These include: • audits that incorporate Professional and Ethical Standards • a **Group Code of Conduct** updated to reflect our policy on ethical practices • an Electricity Hedging Policy and pricing plans with clearly assigned responsibilities to ensure we shield Meridian and our customers from electricity price volatility • compliance with Electricity Authority requirements • full compliance with the Energy Authority's consumer care guidelines We also make an effort to respond to enquiries from media and political and regulatory stakeholders, and have supported ERANZ's Powering Change campaign to raise public awareness of the positive work that energy companies are doing.
Risks created by a changing climate	Meridian is directly linked to physical risks for the economy, the environment and people as a result of climate change impacts on its generation infrastructure.	To mitigate this impact, Meridian has voluntarily disclosed the financial impacts of climate-related issues since 2019. In FY23 we established a change manager role, working alongside our Sustainability team, to accelerate Meridian's maturity and seek an early alignment with the Aotearoa New Zealand Climate Standards. For more details, refer to our FY23 **Climate-related Disclosure**.

Management commentary
(no financial statements)

Meridian EVs charging outside the offices in Twizel. ▶

Management commentary
(no financial statements)

Management commentary
(no financial statements)

MERIDIAN DOING IT RIGHT. NOW.

Enthusiastic response to our bond issue

In August 2020, Meridian implemented a Green Finance Programme that covered both existing and future issuances of debt instruments. The programme recognises Meridian's commitment to the leadership of and investment in renewable energy generation and will be used to finance or refinance sustainable projects and assets such as new and existing renewable energy assets.

The programme enables Meridian to connect its company strategy and vision to its financing requirements, and provides investors with opportunities to invest in a range of accredited debt instruments. The proceeds of these have been allocated (directly or notionally) to refinance eligible wind and hydro projects and assets that meet the following market standards:

- The International Capital Market Association Green Bond Principles.
- The Climate Bonds Standard.
- The Asia Pacific Loan Market Association Green Loan Principles.

This year, to support the finance/refinance of eligible wind projects, we issued a new $200 million Green Bond, which received an enthusiastic response from investors.

Further information on the Green Finance Programme, including the programme framework document, opinions from DNV GL Business Assurance Australia Pty. Ltd, Climate Bonds Standard and Certification and Green Asset and Debt registers, is available on Meridian's website at **meridianenergy.co.nz/about-us/investors/reports/green-finance.**

Page 222 provides detailed information on the Green Debt included in the programme for FY23.

◀ View north at West Wind, Te Whanganui-a-Tara Wellington.

The right remuneration

Management commentary
(no financial statements)

◄ Staff at Te Whangnanui-a-Tara Wellington office.

Matching our remuneration to the challenging economic conditions, and refocusing our employee benefits to attract and retain good people.

Management commentary
(no financial statements)

Encouraging everyone to deliver value

Attracting, retaining and motivating talented people, and rewarding them for delivering desired business performance and long-term shareholder value, is key to Meridian's success.

Our remuneration philosophy is guided by the principles that remuneration will:

- be clearly aligned with our company values, culture and strategy
- support us to attract, retain and engage employees
- be fair, equitable and flexible
- appropriately reflect market conditions and the -organisational context
- recognise and reward high performance
- align with creating shareholder value.

Management commentary
(no financial statements)

The People, Remuneration and Culture Committee regularly reviews Meridian's **Remuneration Policy** and practice and provides recommendations to the Board. The Board approves the **Remuneration Policy** two-yearly, and the Executive balanced scorecard objectives, company financial performance targets and outcomes on an annual basis.

Fixed remuneration

Fixed remuneration includes base salary and matched KiwiSaver contributions of up to 4%. It is benchmarked to independent market remuneration data obtained from multiple external sources. As a minimum, Meridian pays the Living Wage for all permanent and fixed-term employees.

The People, Remuneration and Culture Committee of the Board reviews and approves proposed remuneration packages for the Executive Team. Remuneration for the remainder of the organisation is determined and reviewed by managers in accordance with the **Remuneration Policy** and framework, and is subject to one-up approval.

Salaries are reviewed annually, with the budget and parameters for the company's annual remuneration review approved by the Board. Market information from independent remuneration providers informs these remuneration decisions.

Variable pay

Both the Short-term Incentive (STI) scheme and Long-term Incentive (LTI) plan are variable, performance-based incentives awarded only if specific financial and non-financial performance hurdles are met, and at the discretion of the Board.

STI

Permanent employees may participate in variable pay via the STI scheme at the discretion and invitation of the Board. The STI is an at-risk incentive that may be offered for a specific year, by invitation from the Board. Potential STI payments reflect the achievement of certain company profit levels and individual performance objectives aligned to business strategy and goals, and are wholly discretionary. The STI is paid subject to a behaviour gate (employee behaviour complies with the Meridian **Group Code of Conduct**) and company financial performance hurdles, and at the discretion of the Board.

The STI opportunity within total remuneration reflects the complexity and levels of the roles. In FY23 the CEO had an STI opportunity of 50% of salary, and the Executive Team STI opportunity was 30%.

LTI

The CEO, Executive Team and selected Tier 3 leaders also have the opportunity to participate in the LTI. The LTI is offered at the discretion of the Board, to align senior management and shareholders' interests and optimise long-term shareholder returns.

◄ Team briefing at Benmore Power Station, Otematata.

Management commentary
(no financial statements)

LTI continued

The LTI opportunity is 40% of salary for the CEO, 30% of salary for the Executive Team, and 15% of salary for eligible Tier 3 leaders. Vesting of the LTI is contingent on the company meeting absolute and relative Total Shareholder Return (TSR) performance hurdles at the conclusion of a three-year period.

Under Meridian's LTI, the company issues rights to acquire ordinary shares in the company (Share Rights) to eligible participants who accept an offer to participate in the LTI. Each Share Right entitles the holder to one ordinary share in the company and an additional number of shares equal to the value of the gross cash dividends per share that would have been paid to a New Zealand tax resident who held a share for the duration of the vesting period, and is calculated using a 10-day volume-weighted average price.

The number of Share Rights that vest is dependent on the following Vesting Conditions:

- Meridian's total shareholder return over a three-year performance period (Performance Period) relative to Meridian's cost of equity and the total shareholder return over the Performance Period of a defined group of NZX Main Board and ASX listed peer companies (Performance Hurdles).
- If the participant continues to be employed by Meridian during the vesting period (Employment Condition).

Performance hurdles

Share Rights are granted in two tranches:

- Absolute Return Share Rights.
- Relative Return Share Rights.

For Absolute Return Share Rights to vest, the company's TSR must be greater than the absolute TSR benchmark that is set at the beginning of the vesting period with regard to the company's cost of equity (Absolute TSR Benchmark) on a compounding annual basis over the Performance Period. If the company's TSR is equal to or lower than the Absolute TSR Benchmark, no Absolute Share Rights will vest. If the company's TSR is greater than the Absolute TSR Benchmark, 100% of the Absolute Return Share Rights will vest.

The number of Relative Return Share Rights that vest is determined by the company's TSR over the Performance Period relative to the peer group. For any of the Relative Return Share Rights to vest, the company's TSR must be greater than or equal to the 50th percentile/median TSR of the peer group. 100% of the Share Rights will vest on meeting the 75th percentile TSR of the peer group, with vesting on a straight-line basis between these two points.

For each three-year plan, an independent external expert measures the TSRs of Meridian and the peer group of companies along with the outcome on the progressive vesting scale. Share Rights will lapse if the Vesting Conditions are not satisfied (although this is subject to the Board's discretion in relation to the Employment Condition).

For the LTI Performance Period to the end of 2023, the level of vesting was 0% (2022: 48.8%). Therefore no shares will be transferred to the eligible participants for that LTI (2022: 251,565).

Management commentary
(no financial statements)

Merdian staff on site at Forever Forest planting day in Ōtautahi Christchurch. ▶

Management commentary
(no financial statements)

Employee Value Proposition

During FY23, work was undertaken to define and document Meridian's Employee Value Proposition (EVP) – the 'secret sauce' that makes Meridian attractive to current and potential employees. Meridian's employee experience is influenced by four interlinking elements – Culture, Career, Pay and Benefits, outlined opposite.

Employee benefits

As just one element of our EVP, Meridian offers a wide range of other benefits and provisions to employees, including an employee share scheme, employee insurance, enhanced parental leave provisions, three days' company leave, the ability to purchase additional leave, access to purchasing discounts, and part-time and hybrid working arrangements.

In the FY23 year, following input from employees on what employment aspects matter to them, Meridian further enhanced these benefits. We renamed our existing generous sick leave provisions as wellbeing leave, and extended it to include leave for other wellbeing-related purposes. Starting in FY24, we will fund a baseline of healthcare insurance for all permanent employees, extended our parental leave top-up to 26 weeks and increased our company KiwiSaver contributions to 4% for all our lower remuneration band employees who contribute 3% or more to their KiwiSaver accounts. This will help them to save for their first homes and retirement. We've also reiterated the availability of volunteer leave for our employees to participate in Meridian's volunteering or other worthy community volunteering initiatives, and introduced a new initiative to recognise employees who attain notable service milestones.

Our benefits help us to attract and retain our 'good humans' – and this 'icing on the cake' is a way of showing just how much we value our people.

"Starting in FY24, we will fund a baseline of healthcare insurance for all permanent employees..."

Management commentary
(no financial statements)

CEO remuneration

CEO remuneration for Performance Periods ending 30 June 2023 and 30 June 2022

Year	Base salary	Taxable benefits[16]	Fixed remuneration[17]	*MyShare*[18]	Pay for performance			Total remuneration
					STI[19]	LTI[20]	Subtotal	
FY23	$1,136,250	$45,450	$1,181,700	$2,500	$690,467	$0	$690,467	$1,874,667
FY22	$1,092,548	$43,702	$1,136,250	$2,500	$637,209	$358,413	$995,622	$2,134,372

The CEO is entitled to receive a matching employer KiwiSaver contribution of 4% of gross taxable earnings. The company's KiwiSaver contributions for the CEO, paid within the FY23 period, were $71,507.

The ratio of CEO salary to median Meridian Group employee salary[21] in FY23 is 11.2:1 (using $101,631 median employee salary and FY23 CEO salary). The salary ratio in FY22 was 12:1.

Other employment arrangements

Meridian has written agreements with the CEO and executives setting out the terms of their employment.

Neal Barclay will be employed as CEO until his employment is terminated in accordance with his employment agreement. Pursuant to the employment agreement, the CEO and Meridian have mutual rights of termination on the provision of six months' written notice. Meridian may also terminate the CEO's employment on the grounds of redundancy or serious misconduct or where an act of bankruptcy is committed.

Termination payments

Redundancy compensation is payable to permanent employees whose employment is terminated as a result of redundancy.

No 'clawbacks' are required except if salary overpayment occurs.

No retirement benefits are payable.

No sign-on bonuses or recruitment incentive payments are offered.

The ratio of CEO total remuneration to median Meridian Group employee total remuneration paid in FY23 is 16:1 (using $116,266 as the median employee total remuneration and the FY23 CEO total). The total remuneration ratio in 2022 was 20.5:1.

The CEO's salary increased by 4% in FY23. The median employee salary increased by 11.7% between FY22 and FY23, resulting in a ratio of 0.34:1 (CEO to median employee salary increase).

The CEO's total remuneration decreased by 12.17% in FY23, due to the FY21 LTI not vesting. Median employee total remuneration increased by 11.7% from FY22 to FY23. This resulted in a ratio of -1.04:1 (CEO to median employee total remuneration increase).

16 Taxable benefits are 4% company KiwiSaver contributions on salary.
17 Fixed remuneration is salary plus company KiwiSaver contributions.
18 *MyShare* is the gross value of award shares received in the applicable period.
19 STI is the potential payment based on performance achieved for the applicable period and includes 4% company KiwiSaver contributions.
20 The vesting period for the FY21 LTI ends on 31 October 2023. Share rights lapse if the holder ceases to be employed by Meridian during the vesting period subject to the Board's discretion.
21 Median employee salary and total remuneration excludes Flux-UK and casual employees.

Management commentary
(no financial statements)

Five-year remuneration summary

Year	Single-figure remuneration	% STI against maximum	% vested LTIs against maximum	Span of LTI Performance Period
FY23	$1,874,667	82.3%	0%	FY21–FY23
FY22	$2,134,372	78.99%	48.8%	FY20–FY22
FY21	$2,308,446	66.75%	100%	FY19–FY21
FY20	$2,039,841	78.69%	100%	FY18–FY20
FY19	$1,695,195	90.91%	100%	FY17–FY19

Breakdown of CEO pay for performance (FY23)

Description		Performance measures	% achieved
STI	50% of base salary. Combination of company result and a scorecard of financial and non-financial company measures.	60% weighting on company performance (company profit, which comprises Group EBITDAF minus capital charge).	**148.1%**
		40% weighting on performance against a Board-approved scorecard comprising financial and non-financial objectives, as shown in the table below, and other aspects of individual performance.	**70%**
LTI	Conditional award of share rights under LTI. 40% of base salary.	50%: Absolute TSR over the relevant assessment period: • Must be greater than the company's cost of equity benchmark on a compounding basis.	**Hurdle not met**
		50%: Relative TSR against the peer group[22]: • Below the 50th percentile, 0% vests • 50th percentile TSR of peer group, at least 50% vests • ≥ 75th percentile TSR, 100% vests • Between the 50th and 75th percentile TSRs of peer group, 50–100% vests, calculated on a straight-line pro rata basis.	**0%** The sum of both LTI measures gave an outcome of **0%**

22 Peer group comprises AGL Energy, Origin Energy, Contact Energy, Mercury NZ, Manawa Energy (previously Trustpower) and Genesis Energy. The vesting period for the FY21 LTI scheme ends on 31 October 2023. Share rights lapse if the holder ceases to be employed by Meridian during the vesting period subject to the Board's discretion.

Pay for performance scorecard measures for FY23

For FY23, the Board-approved scorecard, comprising up to 40% of the STI for the CEO and 30% for the Executive Team, was measured as follows. This mix of measures demonstrates that a large proportion of the remuneration of the CEO and Executive Team is directly impacted by their management of the organisation, and Meridian's impacts on the economy, environment and people.

FY23 scorecard

Performance area	Description	Targets (achievement = 75%)	Range threshold to maximum (50–100%)	Results achieved	Board-approved outcome relative to target	Weighting
NZAS closure mitigation	Find new sources of demand to mitigate the impacts of potential NZAS closure	• Secure agreed level of new consumption • Achieve other South Island energy consumption initiatives	Partial achievement through to full delivery of targets, exceeding expectations	Partially achieved	Threshold to target	20%
Decarbonisation-led growth	Develop a high-quality, diverse suite of renewable energy options	• Land Harapaki wind farm to plan • Ruakākā consenting completed, milestones for six other developments on track • North Island battery plans on track		Partially achieved	Threshold to target	20%
Customer	Customer satisfaction and growth	• Retail EBITDAF • Market retention rate • EV chargers contracted, installed • # active EV customers • Demand flexibility • Powershop New Zealand digital customer experience		Achieved	Achieved target	20%
Optimise business performance	Execute options and optimise portfolio needs while reducing risk	• Process changes for 100% renewable energy • Business operational improvements		Partially achieved	Threshold to target	20%
Sustainability	Grow a clear sustainability leadership position through purposeful action	• DJSI ranking improvement • FY23 milestones for 'Half by 2030' emissions target		Achieved	Achieved target	10%
Investment stability	Regulatory, legal and government relations accelerate and improve New Zealand's decarbonisation transition	• Help drive decarbonisation of economy at speed • Land another key initiative that clearly underpins the 'fair' element of our purpose, clean energy for a fairer and healthier world • Contribute to New Zealand's 100% renewable electricity target, working with the Electricity Authority to ensure market settings are appropriate to support the transition to this future state • Waitaki consenting on track		Achieved	Achieved target	10%

The sum of the above may also be varied based on workplace safety culture, overall workplace engagement and individual performance.

Overall approved Executive Scorecard STI outcome: 70%

Exceeded target · Achieved target · Threshold to target · Below threshold

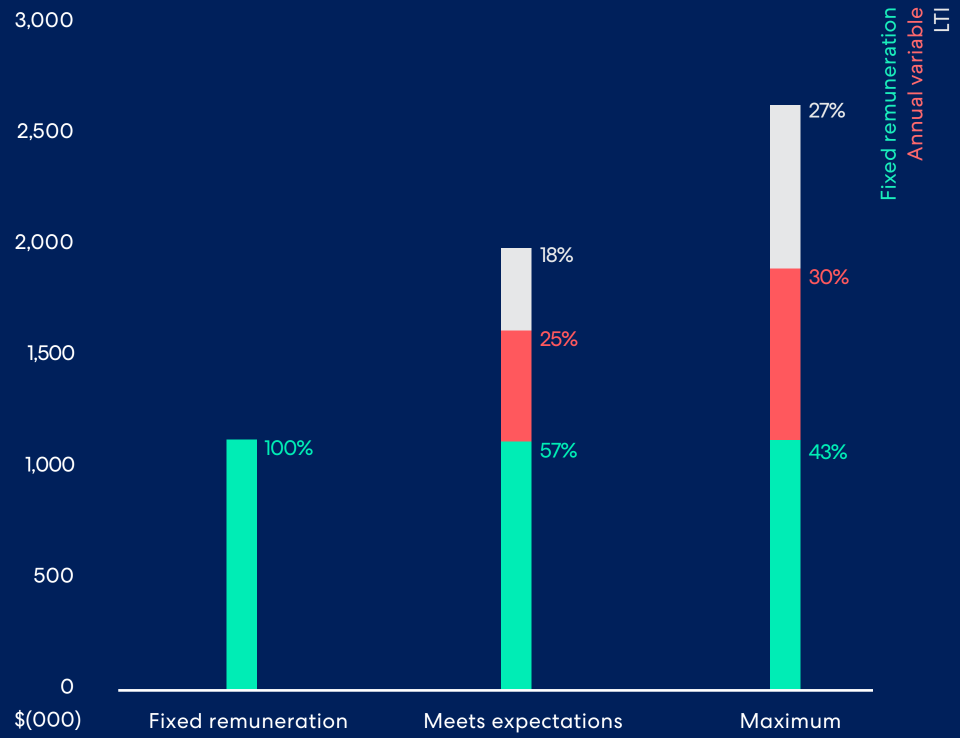
Measuring performance

Five-year summary – three-year rolling TSR performance (Meridian Energy vs peer group*)

* Peer group comprises AGL Energy, Origin Energy, Contact Energy, Mercury NZ, Manawa Energy (previously Trustpower) and Genesis Energy. The vesting period for the FY20 LTI ends on 7 October 2022. Share rights lapse if the holder ceases to be employed by Meridian during the vesting period, subject to the Board's discretion.

The TSR summary above illustrates the performance of Meridian's shares against a peer group of companies between 30 June 2019 and 30 June 2023. TSR performance outcomes are independently validated by external experts.

CEO performance pay scenarios for FY23



The chart above depicts elements of the CEO's remuneration design under various scenarios for the year ended 30 June 2023, as a proportion of total remuneration.

Management commentary
(no financial statements)

Employee share ownership

Employees are invited to join Meridian's employee share ownership plan, *MyShare*. Under *MyShare*, Meridian shares are purchased for participating employees, and funded by monthly pay deductions of between $500 and $5,000 per annum. After three years, participants may be eligible for award shares subject to ongoing employment (Tenure Award Shares) and the company TSR outperforming a peer group of competitors (Performance Award Shares). In FY23, 55% of employees participated in *MyShare*.

Meridian has a policy to ensure that the participants in the Executive LTI Plan are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the plan.

CEO and Executive Team – Meridian Share ownership

	Number of shares owned (excludes performance share rights)	Value of shares as at 30 June 2023	Value of shares as a % of FY23 fixed remuneration
CEO	529,768	$2,966,701	251%
Executive Team	804,169	$4,503,346	96%

Meridian does not have a share ownership requirement for the CEO and Executive Team.

Employee remuneration range

The number of employees and former employees of Meridian and its subsidiaries (not including directors) who during the year ended 30 June 2023 received cash remuneration and other benefits (including at-risk performance incentives, KiwiSaver contributions and redundancy compensation) exceeding $100,000 is outlined below:

Band	Total Group
100,000–109,999	66
110,000–119,999	48
120,000–129,999	64
130,000–139,999	42
140,000–149,999	64
150,000–159,999	41
160,000–169,999	36
170,000–179,999	27
180,000–189,999	26
190,000–199,999	17
200,000–209,999	19
210,000–219,999	19
220,000–229,999	13
230,000–239,999	6
240,000–249,999	7
250,000–259,999	5
260,000–269,999	1
270,000–279,999	3
280,000–289,999	3

Band	Total Group
290,000–299,999	1
300,000–309,999	5
310,000–319,999	4
320,000–329,999	3
330,000–339,999	2
340,000–349,999	1
350,000–359,999	3
400,000–409,999	2
420,000–429,999	3
470,000–479,999	1
480,000–489,999	2
650,000–659,999	1
700,000–709,999	2
800,000–809,999	2
810,000–819,999	1
990,000–999,999	1
2,200,000–2,209,999	1
Total	**542***

* This includes 27 employees who are no longer employed by Meridian Energy Limited or its subsidiaries.

Approved director remuneration for FY23

We are an NZX-listed company, directors' fees (Board remuneration) must be approved by a majority of shareholders voting at a share-holders' meeting. Meridian amended its **Remuneration Policy** to include how the remuneration of directors is set. A copy of the **Remuneration Policy** can be found on our website and share-holders are kept informed of any changes in the way the company allocates the pool of approved director fees. Refer to the **Corporate Governance Statement.**

Director remuneration is paid from the total director fee pool that was last approved by shareholders at the Annual Meeting on 6 October 2021. Prior to the meeting and vote, Meridian had consulted a number of shareholder representatives to gain their input, and engaged independent consultancy PwC to prepare a benchmarking report of Meridian's director fees against those of comparable companies.[23]

Prior to 2021, the last previous change to directors' fees was in 2016.

In November 2022, Meridian established an independent board for one of its subsidiary companies Flux Federation Limited. The directors of Meridian resolved, in accordance with Listing Rule (LR) 2.11.3, to increase the overall director fee pool by the amount necessary to pay the new Flux directors no more than the average paid to the current directors of Meridian. As at the time of writing, consistent with LR 2.11.3 and the resolution, the director fee pool has been increased by the amount necessary to pay Kenneth Tunnicliffe and Jodi Mitchell as set out below. Mike Roan is the other director of Flux Federation (appointed by Meridian) and does not receive additional remuneration for that role.

Annual director fee pool

	FY22	FY23
Board fees	1,090,000	1,090,000
Committee fees	109,000	109,000
Flux Board fees	–	134,000
Total pool	**1,199,000**	**1,333,000**

Individual Meridian Board-approved annual fee breakdown

Position held	FY22	FY23
Chair	$212,000	$212,000
Deputy Chair	–	–
Director	$116,750	$116,750
Audit and Risk Committee Chair	$25,000	$25,000
Audit and Risk Committee member	$10,500	$10,500
Safety and Sustainability Committee Chair	$21,000	$21,000
Safety and Sustainability Committee member	$9,500	$9,500
People, Remuneration and Culture Committee Chair	$21,000	$21,000
People, Remuneration and Culture Committee member	$9,500	$9,500

23 www.nzx.com/announcements/378714

Management commentary
(no financial statements)

Flux Board annual fee breakdown

Position held	FY22	FY23
Flux Chair	–	$84,000
Flux independent director	–	$50,000

Director remuneration received in FY23

Name of director	Board fees	Audit and Risk Committee	Safety and Sustainability Committee	People, Remuneration and Culture Committee	Total remuneration
Mark Verbiest[24] (Chair)	$212,000	–	–	–	$212,000
Mark Cairns	$116,750	–	$21,000 (Chair)	–	$137,750
Graham Cockroft[25]	$108,729	$9,779	–	$8,847	$127,355
Jan Dawson[26]	$34,945	$3,143	–	$6,286	$44,374
Michelle Henderson	$116,750	$10,500	$9,500	–	$136,750
Julia Hoare[27]	$121,750	$25,000 (Chair)	–	–	$146,750
Nagaja Sanatkumar	$116,750	–	$9,500	$9,500	$135,750
Tania Simpson[28]	$116,750		$9,500	$18,125 (Chair)	$144,375
Total	**$944,424**	**$48,422**	**$49,500**	**$42,758**	**$1,085,104**

Directors are reimbursed for all reasonable and properly documented expenses incurred in performing their duties as Meridian directors. No additional payments or benefits were received by directors in FY23.

Flux director remuneration received in FY23

Name of director	Total remuneration
Kenneth Tunnicliffe (Chair)	$49,000
Jodi Mitchell	$29,167
Mike Roan (Meridian-appointed director)	–
Total	**$78,167**

Meridian employees appointed as directors of Meridian subsidiaries do not receive any directorship fees.

24 Does not receive additional fees for committee membership.
25 Appointed to the Board effective 26 July 2022 and also appointed to the Audit and Risk Committee, and People, Remuneration and Culture Committee on the same date, so fees do not represent a full year.
26 Ceased to be a director on 18 October 2022, so fees do not represent a full year.
27 Additional fees paid for participation in the Green Bond Due Diligence Committee.
28 Appointed as Chair of the People, Remuneration and Culture Committee, effective 17 October 2022, so fees do not represent a full year.

Preparing this report

Management commentary
(no financial statements)

◄ Meridian technicians at West Wind, Te Whanganui-a-Tara Wellington.

We undertake an objective assessment of all the impacts arising from our business activities that affect the environment, society and economy.

Clear intentions

We have a duty to effectively manage a wide range of resources, including our physical assets, our technology platforms, our financial capital, our people and their knowledge, our many relationships and the natural resources we use to generate electricity and value.

We recognise that our business activities can have both positive and negative impacts on the environment, society and economy, including human rights.

In addition, we are committed to contributing to the Sustainable Development Goals (SDGs) and, through this, the United Nations Sustainable Development Agenda 2030.

Last year, Meridian adopted the updated 2021 Global Reporting Initiative (GRI) Standards. These have moved away from evaluating materiality based on the issues that immediately influence stakeholders, and instead require an objective assessment of the positive and negative impacts of a company's business activities that affect the environment, society and the economy, including human rights.

In FY23 we refreshed our FY22 materiality assessment.

We assess our impacts for their significance, considering the size of the impacts, how widespread they are and how likely they are to happen. Our activities could have caused these impacts, contributed to the impacts or have links to the impacts.

Meridian reports on the highest-scoring impacts above a threshold, including our progress in managing these impacts over time.

As a result of the updated GRI approach, some issues that are immediately important to some stakeholders may be ranked lower than issues that score highly for severity and likelihood.

The GRI standards recommend that companies review their material topics for each reporting period to take account of any changes in their operations or approaches that may alter the way they affect the environment, society, the economy or people's human rights.

To identify our FY23 material impacts, we have:

- carried out a comprehensive review of our sustainability impacts assessment relating to our activities with external support (including an annual review of the new sustainability context, business activities and business relationships)
- reviewed and assessed impacts relating to Meridian's previously reported material topics
- reviewed and assessed the activities, impacts and annual reports of peer group companies
- used a representative group of experts across our business to identify the company's most material impacts
- engaged with a range of external stakeholders to discuss and assess these impacts. The stakeholders included customers, customer insights researchers, tangata whenua, community groups, regional economic development agencies, energy industry experts and researchers, environmental regulators and equity analysts.

Ultimately, the Meridian Board has the authority to approve material topics, and this is done annually through the Safety and Sustainability Committee and then at a subsequent Board meeting.

Management engages with the Safety and Sustainability Committee to identify and manage impacts on the economy, environment and people at an aggregate level, at least annually. In addition, specific positive and negative impacts receive focused attention by the whole Board, or one of the subcommittees, during the year.

This can include the directors engaging directly with key relationship representatives to understand the impacts we have on others and ensure the steps we take as an organisation to amplify the positive, or mitigate the negative, have appropriate governance oversight. For example, the Safety and Sustainability Committee visited the Harapaki wind farm to meet our civil contractors and cultural monitors from Hineuru Iwi Trust and Maungaharuru Tangitū Trust. More broadly, the committee reviews progress against a range of sustainability initiatives quarterly, including benchmarking against relevant targets – such as our progress with supporting vulnerable customers and the development of our emission-reduction programme.

◄ Turbines at Mill Creek Wind Farm, Te Whangnanui-a-Tara Wellington.

Management commentary
(no financial statements)

Material topics and impacts

Having adopted the GRI process for material impacts, our FY23 material topics feature below in order of their degree of impact:

1. Renewable energy generation
2. Customer decarbonisation
3. Ngā whakaaweawe o Te Ao Turoa – impacts on the natural world
4. Ethics, governance and trust
5. Climate-related impacts
6. Access to affordable energy
7. Supply chain
8. Business emissions and waste
9. Sustainability thought leadership
10. Supporting communities
11. People
12. Cyber security

There were no material changes to the material topics this year other than the introduction of cyber security.

Each of our material topics has an impact or an associated group of impacts. We have prioritised these impacts relative to each other based on the use of a significance score, the weightings of which have been determined based on consultation with relevant internal and external stakeholders.

Actual negative impacts are assessed by severity, which is the sum of their scale (how grave an impact is), scope (how widespread the impact is) and irremediable character (how hard it is to counteract the harm of the impact).

Actual positive impacts are determined by scale and scope only.

The significance of a potential negative or positive impact is determined by the severity of the possible impact multiplied by the likelihood of that impact occurring.

We applied a materiality threshold to the resulting significance of impacts, and those that exceeded this threshold informed the determination of a material topic.

Impacts below the materiality threshold still have some content disclosed in this annual report – for example our commitment to have a positive impact on policy change which is enabling the rapid transition to a low carbon energy future. This impact slipped below the threshold this year – influenced by stakeholder feedback that, despite our best efforts, we have not had the positive impact we intended (a downgrade in the likelihood and overall significance score resulted).

Throughout this report, we reference the actions taken to manage a topic and related impacts in more detail, with a summary provided at the conclusion of sections: our natural impacts, technology impacts, people impacts and commercial impacts.

Many material impacts have specific processes made in place to track the effectiveness of actions taken and progress against relevant targets and indicators. For example, at a project level the Harapaki wind farm development, which contributes to the material impact of increasing the supply of renewable energy and 'disposal of waste and other emissions', has project-specific governance in place and a range of targets that are measured and reported on to track progress.

At a more aggregated level, at the quarterly Safety and Sustainability Committee meetings, management provide assurance on the progress made on a range of initiatives relating to material impacts – for example, our Certified Renewable Energy product and delivery against our Half by 30 commitment.

The Board delegates responsibility for managing impacts on people, the planet and the economy via our Delegation of Authority Policy, which applies to the Board, staff of Meridian and subsidiaries.

Management commentary
(no financial statements)

Delegation activities include financial activities, risk management, people and culture and legal. Delegation of the responsibility for some impacts to employees beyond senior executives also occurs through accountability in job descriptions and impact-specific performance incentives.

We recognise that the new GRI approach to impact identification and assessment is one evaluation methodology, and that other philosophies and value systems exist. In particular, adopting a te ao Māori approach could result in a different expression and prioritisation of impacts.

We believe there is more we can do through learning from other possible frameworks. As we continue our journey to build our cultural understanding, we may find real benefits in adopting a different way of thinking about materiality and the impacts we have on people, the planet and the economy.

Identified key relationships

The updated GRI standards emphasise the importance of consulting stakeholders who are able to provide expert and objective evaluations of impacts. In addition, we look to engage with stakeholders who can have significant impacts on our business, and those on whom we can have significant potential impacts through our activities. These stakeholders include:

- customers
- investors
- the Crown
- Ngāi Tahu and other iwi
- New Zealand public (and their elected officials)
- regulators
- the electricity sector
- asset communities
- local government
- employees
- suppliers
- youth

Our vision and strategy to manage our impacts

Our purpose of clean energy for a fairer and healthier world, and our drive to contribute to the UN SDGs, inherently embody a commitment to achieving positive impacts for people, the planet and the economy, and preventing or mitigating negatives.

Our business model is anchored in creating short-, medium- and long-term value by generating electricity from renewable energy sources (wind, water and sun) and retailing electricity to customers to support their decarbonisation.

Together, our purpose and business model ensure we adopt a balanced view of our impacts as we strive to deliver value.

We're committed to executing our strategy in ways that continually optimise our positive material impacts, mitigate potential negative impacts and remediate actual negative impacts.

We recognise that achieving this will require an ongoing focus, planning and commitment. In FY24 we plan to develop an approach to impact measurement and management for priority impacts, including outcomes and targets on which to focus our efforts.

We'll formalise our existing internal impact management group to oversee the design of impact outcomes and to ensure goals, targets and indicators are used to evaluate progress and the effectiveness of actions. This will include communicating lessons learnt along the way.

Alongside this, we'll integrate the work we have been doing on assessing potential and actual human right impacts throughout our value chain. This will include formalising our approach to human rights due diligence, tracking, communicating and grievance and remedy processes.

The table on the following pages details our FY23 material topics and impacts. We have not included the small number of impacts that fell below the materiality threshold.

Material topics and impacts

FY23 material topics	Material impacts	Material impact definition	What we are doing about it (including key policies and commitments)	Deep dive section
Renewable energy generation	**100% Renewable energy generation**	Meridian generates 100% renewable energy from its generation assets, generating approximately 30% of New Zealand's total electricity.	• We remain committed to only generating electricity from 100% renewable sources – wind, water and sun	Technology
	Increasing the supply of renewable energy	Meridian can directly increase the amount of renewable energy available in Aotearoa New Zealand by having a clear development pathway for investment in new sources of renewable generation that aligns with future demand projections and includes securing land, consents, financing and appropriate connection into the grid.	• 7x7: our commitment to have seven grid-scale projects underway in the seven years to 2030 and 20 new renewable projects underway by 2050 • Harapaki wind farm (New Zealand's second largest), currently under construction • Ruakākā Solar and Battery project. Currently under construction, the latter will be New Zealand's first grid-scale battery • Mt Munro wind farm (currently in the consenting process) • Commitment to establishing and maintaining good relationships with iwi and hapu in relations to assets and development projects • Internal Sustainable Infrastructure Framework established to identify a project's most material impacts and ensure effective mitigation strategies are in place • Advancing a new partnership opportunity to develop a green hydrogen centre to support decarbonisation in Aotearoa and abroad	
Customer decarbonisation	**Reducing the emissions of others**[29]	Meridian can contribute to decarbonising commercial and residential energy use by creating products that support the increased the use of electricity to replace fossil fuels and through better energy efficiency.	• Advancing a new partnership opportunity to develop a green hydrogen centre to support decarbonisation in Aotearoa and abroad • Meridian has expanded the resource and remit of our Energy Innovation team, whose work is focused on transport, distributed generation and storage, demand flexibility, process heat and Certified Renewable Energy • Deployed 1,852kWp of commercial solar in partnership with our business customers • Committed to making it easier for NZers to drive electric by supporting the shift to EVs through an EV pricing offer, our home charging product and our commitment to install EV chargers across the country via our Zero Charging Network • Launched our Zero App (EV charging network map and payment) • Provided our Certified Renewable Energy offer to 130 customers against a total of 640 GWh • Launched our community and business decarbonisation funds – reinvesting the net revenue of our Certified Renewable Product into external decarbonisation projects	Technology
	Maximising the benefits of demand flexibility and virtual power plants to support increased electrification.	Meridian can contribute to the creation of a more reliable, decarbonised and cost effective electricity system by maximising the potential of demand flexibility and virtual power plants.	• Committed to creating a more flexible energy system that enables smarter use of electricity and widespread electrification in our Climate Action Plan • Demand-flexibility agreement (50MW) secured with New Zealand's Aluminium Smelter (NZAS) • Entered into other demand flexibility memorandum of understanding for 40MW of demand response that will support the removal of fossil fuels from industrial processes • Launched a smart charging trial that connects 50 customer EVs to our virtual power plant, testing the technical capability and customer value of intelligently controlled and scheduled smart charging	

29 In FY23 the FY22 impact 'Certified Renewable Energy' impact was removed. This is now covered within 'Reducing the emissions of others'.

FY23 material topics	Material impacts	Material impact definition	What we are doing about it (including key policies and commitments)	Deep dive section
Ngā whakaaweawe o Te Ao Turoa the impacts on the natural world	**Diversion and reduced river flows and water quality issues**	Meridian's structures and water management can directly affect the health of river systems which are obstructed and have reduced river flows due to hydro dams and generation activities.	• A commitment to minimising our impact on biodiversity by applying avoidance, remediation, mitigation, restoration and compensation approaches, in line with all environmental legislation and resource consent conditions • Project River Recovery • Collaboration with Guardians of the Lake (Manapouri)	Natural
	Harm to biodiversity in water	Meridian has a direct effect on the health on aquatic biodiversity (particularly native fish species) affected by hydro dams and restricted river flows.	• **Biodiversity and Deforestation Commitment** – our commitment to minimise our impact on biodiversity by applying avoidance, remediation, mitigation, restoration and compensation approaches, in line with all environmental legislation and resource consent conditions • Elver trap and transfer programme • Confirmed intention to commence pilot of TNFD and investigate Science Based Targets for Nature in FY24 • Completed intial biodiversity 'next horizon' discovery work	
	Adverse effects of generation assets and activities on cultural values	Meridian can directly affect the cultural values of iwi relating to land, waterways and biodiversity because they are affected by the operational presence and use of Meridian's generation assets. This can create a negative impact on iwi and their relationship with the land, water and other taonga.	• Engagement with Rūnaka in Waitaki and Manapouri catchments, including signing a 35-year agreement with Waitaki Rūnaka to address the cultural and envionmental impacts of the Waitaki Power Scheme • Elver trap and transfer programme • Partnership commitment to the Te Waiau Mahika Kai Trust	
	Improving biodiversity on land	Meridian can contribute to enhancing natural ecosystems on Meridian owned/managed land as well as non-Meridian owned land by supporting planting and biodiversity protection programmes.	• **Biodiversity and Deforestation Commitment** – our commitment to minimise our impact on biodiversity by applying avoidance, remediation, mitigation,restoration and compensation approaches, in line with all environmental legislation and resource consent conditions, and to meet our new no net-deforestation commitment (launched FY23) • Confirmed intention to commence pilot of the Taskforce on Nature-related Financial Disclosures and investigate Science Based Targets for Nature in FY24 • Continuation of Forever Forests – our afforestation emission removal project • Te Waiau Mahika Kai Trust joint venture for carbon forest • Renewed commitment to Kākāpo recovery programme • Completed intial biodiversity 'next horizon' discovery work	
Ethics, governance and trust	**Erosion of public and customer trust (market behaviour and pricing)**	Meridian is directly linked to public and customer trust levels related to a fair and competitive process for electricity pricing.	• Audits that incorporate the Professional and Ethical Standards • Meridian ethical practices review completed – update to FY23 **Group Code of Conduct** • Electricity Authority code trading rules amended (positive code amendment) • Electricity hedging policy and pricing plans to shield Meridian and customers from price volatility • Compliance with Electricity Authority requirements – advertising Powerswitch as a pricing comparison tool • Retail energy hardship commitments	Commercial

FY23 material topics	Material impacts	Material impact definition	What we are doing about it (including key policies and commitments)	Deep dive section
Climate-related impacts	Risks created by a changing climate (e.g. to our generation assets)	Meridian is directly linked to physical risks for the economy, the environment and people as a result of climate change impacts on its generation infrastructure.	• Committed to the annual assessment, management and disclosure of climate-related risks and adaptation planning- aligned with the Aotearoa New Zealand Climate Standards • Climate-related issues change programme advanced, including Climate Risk and Opportunity Framework 2023, which outlines Meridian's evolved approach to climate-related risk assessment and management. Refer to FY23 **Climate-related Disclosure** for details of material risks and opportunities identified, and management actions adopted	Commercial
Access to affordable energy	Some New Zealanders experiencing Energy Hardship Addressing inequality of access to new energy technologies[30]	As a retailer of electricity, Meridian is directly linked to the affordability and accessibility of electricity which affects residential and business customers. Meridian can contribute to a just transition and greater energy equity by supporting people's access to, and education on, the opportunities and risks of distributed generation (rooftop and small scale solar), storage (batteries) and electric vehicles. Especially where these options can reduce costs for electricity users over the longer-term.	• Committed to continued connection for customers in debt, who are actively engaging with us in line with our Consumer Care Policy (full alignment to Electricity Authority Consumer Care Guidelines) • Launched a $5 million Energy Wellbeing Programme which aims to support 5,000 households experiencing energy hardship over the next two years • Wholesale social hedge offers to retailers focused on energy hardship • Funded membership to ERANZ (Electricity Retailers Association) & associate activities: Energy Mate programme; Connect Me pilot; Low Fixed User Removal Credit; Energy Hardship working group • Dedicated in house Credit Team focused on supporting customers in debt with plans and options to get back on track • Availablity of a Level Pay Payment Option (customer control on fixed amount and frequency) • Referral service to FINCAP (free financial mentoring service) and MoneyTalks Financial Services • Connection with WINZ and Ministry of Social Development (MSD) • Support of governmental efforts to support energy hardship work	Natural
Supply chain	Impacts of supply chain/ethical sourcing	Via its business relationships Meridian may contribute to or be linked to procurement practices that have negative impacts on the environment, people and human rights; and affect the reputation of Aotearoa.	• **Group Code of Conduct** – commitment to new ethical practices and to aligning practice with the UN Guiding Principles on Business and Human Rights. This includes all rights under the UN International Bill of Human Rights and the principles concerning fundamental rights in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work • **https://www.meridianenergy.co.nz/about-us/investors/governance/policies** – multiple relevant UN SDGs of focus • Meridian **Supplier Code of Conduct** • Meridian Modern Slavery Framework (including application of supply chain due diligence) • **Whistleblowing Policy** • Meridian Sustainable Infrastructure Framework (including ethical practices/human rights considerations) and application of Sustainabiltiy Management Plans for all development projects • Anti Money Laundering guidelines • United Nations Global Compact member	Natural

30 In FY23 we added the impact 'Addressing inequality of access to new energy technologies' to the topic 'Access to affordable energy' to reflect stakeholder feedback and ensure the impact management and mitigations were not conflated.

Management commentary
(no financial statements)

FY23 material topics	Material impacts	Material impact definition	What we are doing about it (including key policies and commitments)	Deep dive section
Business emissions and waste	Disposal of waste and other emissions	Meridian directly causes waste to landfill and harmful gaseous emissions from its development, generation and corporate activities.	• Half by 30 commitment, including waste reduction targets and numerous others – refer to **Climate Action Plan** • The Science Based Targets initiative approved our absolute near-term emission reduction target. We have also committed to set long-term emission-reduction targets with the SBTi in line with reaching net-zero by 2050 • Committed to offsetting 100% of business emissions – refer to FY23 **Greenhouse Gas Inventory** for details • Continuation of Forever Forests – our afforestation emission removal project • Committed to applying RECs (CRE) to all of our electricity consumption • Launched an annual Internal Decarbonisation Fund (IDF) to finance additional decarbonisation within our business operations • Launched our internal Sustainable Infrastructure Framework – identifying a projects most material impacts and ensuring mitigation strategies are set in Sustainability Management Plans for major projects • Sustainability KPIs for major projects (e.g. waste and emission targets for Harapaki wind farm construction) • Internal Circular Economy Framework developed and waste-practices stocktake completed	Human
Sustainability thought leadership	Leading and influencing change and progress on sustainability issues	Through its leadership and influence, Meridian can contribute to ambitious commitments and action in collaboration with other companies and organisations on social and environmental issues that are most relevant to the business.	• Adoption of evolving best practice climate risk assessment methodologies. Change programme underway for alignment with Aotearoa New Zealand Climate Standards • Ambitious, leading commitments such as supporting process heat electrification and virtual power plant technology • Proactive media communications • Member of NZ Climate Leaders Coalition – CEO recent member of the steering committee • CEO and senior management presenting at numerous forums • Internally – Biodiversity 'next horizon' discovery work commenced advancing pilot opportunities to align with a nature positive ambition • First Human Rights Risk Assessment commenced. Commitment to Human Rights updated in **Group Code of Conduct** • Updated our 7 x 7 renewable development commitment	Natural
Supporting communities	Supporting opportunities for local communities	Meridian is directly linked to supporting various initiatives and groups that foster the wellbeing of communities living close to generation assets and more widely across Aotearoa. Creating employment and career opportunities for local communities.	• Power Up fund – our commitment to an annual fund that supports local projects in the areas near our wind turbine farms and hydro stations • The Decarbonisation Community Fund reinvests the net revenue from our Certified Renewable Energy product into community-based emission-reduction projects • Ongoing work with schools, provide scholarships to promote tertiary education • Pathways for students to get into STEM employment • Recreational opportunities provided for local communities near assets (e.g. angling and rowing) • Sponsorships for community events which support emergency services or community assets such as biking and running trails (e.g. Hydro Half Marathon, Meridian Milford Mount Classic) • New Head of Stakeholder Engagement Role established	Human

Management commentary
(no financial statements)

FY23 material topics	Material impacts	Material impact definition	What we are doing about it (including key policies and commitments)	Deep dive section
People	**Business performance: Diversity and equal opportunities**	Meridian can directly impact on diversity and equality by continuing to focus on increasing equal opportunities for everyone irrespective of factors like age, gender, ethnicity, country of origin, disability and sexual orientation. Greater diversity encourages new thinking and innovation that can support Meridian's future business success.	• Meridian's Belonging Policy – designed to ensure Meridian recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture • Meridian's Belonging strategy – ensuring we are inclusive, respectful, supportive and representative of the society and communities we operate (refreshed for FY24–FY26) • Accredited with the Rainbow tic and have implemented Gender Identity Expression and Sexual Diversity Guidelines • Member of Pride Pledge • Initiatives within the Gender and Team Rainbow groups • Accessibility commitment • Accredited with the Accessbility Tick • Member of Mind the Gap – committed to providing pay gap data for both gender and ethnicity • Accredited member of the Gender Tick programme • Refreshed our Te Kete Tikanga Māori programme • Launched pilot of 'Education Perfect" a Te Ao Maori education platform	Human
Cyber security[31]	**Business disruption, cyber security and breach of privacy**	Meridian is directly linked to the protection of customer and other data and access to critical systems and operating assets from cyber attack.	• Our Information Security Policy and Security Strategy (Refreshed for FY23-25) • The FY23 Security Awareness programme resulted in great feedback and measurable improvement in our security culture across the business • Completed the rollout of our network segmentation project that enables us to segregate sites if they are compromised and to detect and contain internal intrusions • Our Information Security Policy and Security Strategy (Refreshed for FY23-25) • The FY23 Security Awareness programme resulted in great feedback and measurable improvement in our security culture across the business • Completed the rollout of our network segmentation project that enables us to segregate sites if they are compromised and to detect and contain internal intrusions • PwC's 24x7 Managed Cyber Defence (MCD) service was tightly integrated, enhancing our security incident detection and response capability and processes	Technology

31 Cyber Security is a new material topic reported on in FY23 due to it scoring above our significance threshold in FY23.

United Nations Sustainable Development Goals

Our contribution to the Sustainable Development Goals (SDGs) in the pursuit of achieving the UN SDG Agenda 2030, matter.

We focus on the UN Sustainable Development Goals (SDGs) that relate to our impacts on the economy, environment and people (including human rights).

By mapping the SDGs to the material impacts we have identified throughout our value chain and business relationships, we believe that the greatest contribution we can make as an energy company in a time when significant global, national and multi-sector decarbonisation is required is to:

- enable the expansion and access to affordable, efficient and clean energy. This includes enabling the decarbonisation of other sectors, our customers and our communities
- ensure we consume and manage resources responsibly in both our operations and development activities
- ensure we decarbonise our own operations meaningfully while adapting and building resilience to the risks posed by climate change
- ensure we contribute meaningfully to social wellbeing, fair commercial actions and respecting human rights in our operations and throughout our value chain.

Our four priority SDGs that reflect this are:

- SDG7 Affordable and Clean Energy
- SDG8 Decent Work and Economic Growth
- SDG12 Responsible Consumption and Production
- SDG13 Climate Action.

The other goals that are significant to us in relation to the way that we manage our impacts, or are important to stakeholders include:

- SDG5 Gender Equality
- SDG6 Clean Water and Sanitation
- SDG9 Industry, Innovation and Infrastructure
- SDG10 Reduced Inequalities
- SDG15 Life on Land.

You can read more about how we are contributing to our priority SDGs in the table following.

In addition, as a participant in the United Nations Global Compact, we have committed to aligning our strategies and operations with 10 universally accepted principles (unglobalcompact. org/what-is-gc/mission/principles) in the areas of human rights, labour, environment and anticorruption. Our annual public communication on progress demonstrates our progress against the principles and how we are taking action in support of UN goals and issues embodied in the SDGs.

Further information on the role of the Board and Executive Team in relation to setting and achieving our SDGs can be found in our **Board Charter**, Safety and Sustainability Committee Charter, **Sustainability Policy** and **Corporate Governance Statements**.

> ***"We focus on the UN Sustainable Development Goals (SDGs) that relate to our impacts on the economy, environment and people (including human rights)."***

Management commentary
(no financial statements)

SDG	SDG Target	How we contribute	Learn more
Affordable and Clean Energy	7.2 Increase global percentage of renewable energy	We continue to operate our renewable generation assets representing 30% of NZs electricity supply and are committed to increasing the supply of renewable energy via our ambitious development pipeline.	• pg 26–27: A multi-decade commitment to renewable growth • pg 69–70: Doubling our development ambitions
		Advancing our Southern Green Hydrogen Project.	• pg 28: Advancing our southern green hydrogen project • pg 68: Partners finalised for hydrogen developments
	7.3 Double the improvement in energy efficiency	We are maximising demand flexibility so that we can help our electricity system to be used efficiently to manage peak loads – creating a more reliable, decarbonised and cost effective system.	• pg 64: Managing key assets for value • pg 66: Demand Response Agreement reached with NZAS • pg 68: Partners finalised for hydrogen developments • pg 73: Processing big changes • pg 74: Electrification supports demand flexibility
		We are working with our customers to improve energy efficiency via the Energy Hardship team's Energy Well being programme.	• pg 110–111: Addressing Energy wellbeing
Decent Work and Economic Growth	8.4 Improve resource efficiency in consumption and production	We are baking resource efficiency into the design of our new assets via procurement settings and collaboration and engagement with our supply chain – guided by our Sustainable infrastructure Framework (SIF)	• pg 50: A new standard for sustainable infrastructure development
	8.5 Full employment and decent work with equal pay	We are ensuring that all our workers are paid a living wage.	• pg 135: Our approach to remunerating our people/ fixed remuneration
		We have relaunched our Belonging strategy – a strategy for ensuring we are inclusive, respectful, supportive and representative of the society and communities we operate.	• pg 31: Continuing to attract talented people • pg 94–96: Building our sense of belonging
		We have received accrediatation via the Gender Tick programme, the Accessibility Tick programme and Rainbow Tick as a workplace where people are free to be their authentic selves.	• pg 94–96: Building our sense of belonging • pg 96–102: Addressing gender injustice
	8.6 Promote youth employment, education and training	We are providing career pathways for students into STEM (Science, Technology, Engineering and Mathmatics).	• pg 96: Addressing gender injustice
		We are working with schools to provide scholarships promoting tertiary education.	• pg 106: Connected to communities
	8.7 End modern slavery, trafficking, and child labour	We have committed to aligning our practices with the UN Guiding Principles on Business and Human Rights including all rights under the UN International Bill of Human Rights and the principles concerning fundamental rights in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. We commenced our first Human Rights risk assessment in FY23 and will be focused on maturing our Human Rights due diligence, grievance and remediation processes in the future.	• pg 103-104: Doing our part to respect human rights
		We have an internal Modern Slavery Framework and release annual **Modern Slavery Statements**. We ensure that procurement categories deemed to be high risk of modern slavery have mitigation measures in place.	• pg 104: Doing our part to respect human rights
	8.8 Protect labour rights and promote safe working environments	We are committed to world class performance in safety, health and wellbeing. We provide safety and health standards, procedures and systems to reduce risk and prevent incidents, occupational illnesses and injuries.	• pg 32: Keeping our people safe from harm
		We require that all high risk procurement categories in our supply chain complete a Modern Slavery Questionnaire that includes asking suppliers about their policies relating to health and safety and labour rights.	• pg 104: Doing our part to respect human rights

Management commentary
(no financial statements)

SDG	SDG Target	How we contribute	Learn more
Responsible Consumption and Production	12.2 Sustainable management and use of natural resources	We are baking resource efficiency into the design of our new assets via procurement settings and collaboration and engagement with our supply chain. Guided by our Sustainable infrastructure Framework (SIF)	• pg 50: A new standard for sustainable infrastructure development
	12.4 Responsible management of chemicals and waste	We have developed our internal Circular Economy Framework, designed to help us start delivering on circular outcomes including minimising the generation of hazardous waste and ensuring that all hazardous waste is managed in accordance with agreed international frameworks.	• pg 47–48: Thinking Full Circle
	12.5 Substantially reduce waste generation	We have developed an internal Circular Economy Framework (as above) – this includes a focus on minimising our production of hazardous and non-hazardous waste, and maximising the amount of waste re-used, and recycled.	• pg 47–48: Thinking Full Circle
		Our Half by 30 commitment – includes a focus on waste reduction – refer to **Climate Action Plan** for our waste targets and initiatives.	
		We use our Sustainable Infrastructure Framework (SIF) to identify and manage the waste impacts of our development projects. Those responsible estimate, identify and implement initiatives to ensure that waste is either designed out or that reduction is optimised following the avoid, reduce, re-use, recycle hierarchy.	• pg 50: A new standard for sustainable infrastructure development
Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related disasters	We have voluntarily disclosed the financial impacts of climate-related issues since 2019. In FY23 significant effort was made to align reporting with the Aotearoa New Zealand Climate Standards, this included a greater focus on adaptation. This includes assessment of actual/potential risk to elements: Financial, People, Strategic, Reputation, Environment. Of note – we consider the risks of the built environment, impacts from Meridian assets, and impacts on assets owned by others which we depend on.	• pg 46: Aiming for best disclosure on climate
	13.2 Integrate climate change measures into policy and planning	We are taking action on our Half by 30 and near term Science Based Target. We are ensuring these targets are integrated into our strategy, risk management, planning and project management processes. You can read more in our **Climate Action Plan** – our road map for achieving our climate targets.	• pg 46: Fully scoping our emission reductions • pg 71: Zero to 200+in next to no time • pg 72: Certified renewable energy promotes decarbonisation • pg73: Processing big changes
		A key priority in our **Climate Action Plan** is decarbonising our customers. This includes helping businesses to electrify process heat, investing in EV infrastructure and supporting demand flexibility.	
Gender Equality	5.5 Ensure full participation in leadership and decision-making	We have set a goal to achieve gender balance in diversity with a focus on leadership and senior roles.	• pg 96: Addressing Gender injustice
Clean Water and Sanitation	6.6 Protect and restore water-related ecosystems	We have a **Biodiversity and Deforestation Commitment** which outlines our commitment to comply with all environmental legislation including resource consent conditions across our assets. In addition, we have our avoidance, remediation, mitigation restoration and compensation programmes designed to mitigate our impact on water catchments and the extent of change to water-related ecosystems over time. Highlights include – Project River Recovery, and Collaboration with Guardians of the Lake.	• pg 37–39: Preserving Water Quality • pg 40–41: Broadening our commitment to nature and biodiversity

Management commentary
(no financial statements)

SDG	SDG Target		How we contribute	Learn more
Industry, Innovation & Infrastructure	9.4	Upgrade all industries and infrastructures for sustainability	We are contributing to the increase in the amount of renewable energy needed for the expanded electrification of Aotearoa's energy grid via our ambitious development pipeline.	• pg 26: A multi-decade commitment to renewable growth • pg 28: advancing our southern green hydrogen project • pg 68: partners finalised for hydrogen developments
			We have a range of commitments and active work programmes to achieve decarbonisation for our customers beyond renewable energy generation. Our Energy Innovation work programme focuses on: Transport, Distribution and Storage, Process Heat and Demand Flexibility.	• pg 28: Advancing our Southern Green Hydrogen Project • pg 29: Contingencies in place for the NZAS contract • pg 66: Demand Response Agreement reached with NZAS • pg 71: Zero to 200+in next to no time • pg 72: Certified renewable energy promotes decarbonisation • pg73: Processing big changes
			We have launched our Sustainable Infrastructure framework - designed to help our asset development projects to identify and mitigate their most material impacts via a Sustainability Management Plan. This includes, but is not limited to, setting KPIs on the reduction of embodied emissions and waste.	• pg 50: A new standard for sustainable infrastructure development • pg 79: A new standard for low-carbon construction
Reduced Inequalities	10.3	Ensure equal opportunities and end discrimination	We have relaunched Meridian's Belonging strategy - a strategy for ensuring we are inclusive, respectful, supportive and representative of the society and communities we operate. Our diversity and inclusion programme centres on seven focus areas: Te Ao Maori, Accessibility, Gender, Rainbow, Ethnicity, Inclusion and Wellbeing. We are also members of the Mind the Gap programme which means we are committed to providing pay gap data for both gender and ethnicity.	• pg 31: Continuing to attract talented people • pg 94–95: Building our sense of belonging • pg 96–100: Addressing gender injustice
Life on Land	15.2	End deforestation and restore degraded forests	We are contributing to afforestation via our Forever Forests planting programme – an emission removal commitment with biodiversity and social benefits based on adopting a mixed exotic/native forest model, transitioning to 100% natives over time.	• pg 40–41: Broadening our commitment to nature and biodiversity • pg 50: A new standard for sustainable infrastructure development
			We have launched our no net deforestation commitment for our operations (excluding wilding conifers).	
	15.5	Protect biodiversity and natural habitats	We are committed to the Kākāpo recovery programme – a partnership with the Department of Conservation and Ngāi Tahu, to bring the Kākāpo back from the brink of extinction via a breeding programme and predator free islands.	• pg 37–39: Preserving water quality • pg 40–41: Broadening our commitment to nature and biodiversity • pg 108: Expanding our productive partnerships
			We are contributing to the Project River Recovery project in partnership with DOC. This project focuses on intensive weed control, predator control, wetland construction, and research and monitoring programs in order to protect the birds, fish and invertebrates reliant on the rivers which are under threat from declining water quality, introduced predators and habitat loss.	
			In the Waiau catchment we continue to work closely with the Waiau Fisheries and Wildlife Habitat Enhancement Trust to enhance stream and wetland habitats for fisheries and wildlife.	
			We are committed to the Elver Trap and Transfer programme - a mitigation programme designed to manage the impacts our hydro dams have on Elver (young Tuna) – providing a sustainable population of eel in the Waiau and Waitaki catchments by moving thousands of tuna each year in partnership with Ngāi Tahu and other local stakeholders.	
	15.8	Prevent invasive alien species on land and in water ecosystems	We are contributing to the Project River Recovery project in partnership with DOC. This project focuses on intensive weed control, predator control, wetland construction, and research and monitoring programs in order to protect the birds, fish and invertebrates reliant on the rivers which are under threat from declining water quality, introduced predators and habitat loss.	• pg 37–39: Preserving water quality • pg 40–41: Broadening our commitment to nature and biodiversity

Management commentary
(no financial statements)

GRI Standards

Again this year, we're included in the Dow Jones Sustainability™ Asia/Pacific Index, which adopts a robust and structured Environmental, Social, and Governance framework to assess performance. We were particularly proud to gain recognition in the 2023 S&P Global Sustainability yearbook as an "Industry Mover" which recognises participating companies in the top 15% of each industry who achieved an improvement in their ESG score of at least 5%, and achieved the strongest improvement in their industry.

Since 2019 Meridian has voluntarily adopted the Task Force for Climate-related Financial Disclosures (TCFD) framework to identify our climate-related risks and opportunities, and where those are transitional or physical. In December 2022 the New Zealand XRB (External Reporting Board) released new climate standards that are compulsory for publicly listed companies (and other specified organisations). Meridian's FY23 disclosure is in substantial early voluntary alignment with these standards a year before required in our FY24 report. While the Aotearoa New Zealand Climate Standards do strongly align to TCFD, they go further with a number of specific requirements. Our climate related disclosure (CRD) describes how climate-related issues are governed, how risks are managed, any impacts or influences of these on our strategy and what associated metrics and targets we set for ourselves. During the year, we have assessed our climate-related risks and opportunities and ensured mitigation/action plans are in place to address them. The key climate-related risks and opportunities for each category (where quantified) are summarised below. Please refer to our FY23 **Climate-related Disclosure** for additional analysis/discussion on the other climate-related risks and opportunities identified.

Annually we submit our communication on progress to the United Nations Global Compact against the 10 principles in the areas of human rights, labour, environment, and anti-corruption and the sustainable development goals. We are completing this for the first time, following our participation of the United Nations Global Compact in FY22.

We also prepare the Annual Report to meet integrated reporting framework whilst aligning to the 2021 GRI Standards. Both frameworks and standards ensure we communicate concisely how our strategy, governance and performance work together, in the context of our external environment, to enable us to step up together and deliver balanced, sustainable value creation. The relevant director committees review our reported information at a quarterly Committee meeting, and recommend that information be approved at the subsequent monthly Board meeting. For example, the Annual Report and its alignment with the GRI Standards is reviewed by the Safety and Sustainability Committee and the FY23 CRD is reviewed by the Audit and Risk Committee. Both Committees subsequently recommend that reported information be approved by the Board.

Category title	Financial impacts	Management actions
Physical risk – More intense, extreme rainfall events in hydro catchments	FY23 nil; Potential future \$10–\$15 NZ million per annum annualised	Dam Safety Hydrology Group (DSHG) work; 10 yearly probable maximum precipitation (PMP)/probable maximum flood (PMF) review; Insurance in place.
Transition risk – Power system flexibility	FY23 actual: \$20 NZ million; Future potential \$20–\$80 NZ million per annum	Mature commodity risk framework in place with allowable exposure limits; Investment in assets and strategies to increase flexibility; Asset management and outage planning.
Physical opportunity – Annual and seasonal hydro inflow profiles improving generation and demand alignment	FY23: nil; Future potential: \$10–\$60 NZ million per annum annualised	Wholesale market team application of market optimisation approach – informed by forecasts and analysis of weather patterns.
Transition opportunity – Electrification of transport and process heat, and virtual power plant	FY23: \$1 NZM; Future potential: \$10–\$40 NZ million per annum annualised	Pursuing alternative forms of electricity demand focused on electrification of industrial heat and transport, and scaling of a Virtual Power Plant.

Management commentary
(no financial statements)

Balancing our risks

The Board sets Meridian's overall appetite for risk and its approach to risk management. A summary of our key risks and the role of the Board and Audit and Risk Committees in risk management reviews can be found in the FY23 Corporate Governance Statement.

12 key risks

- Health and safety
- Market supply
- Adverse hydrological conditions
- Demand risks
- Catastrophic event
- Critical equipment or technology failure
- Access to water
- Legislative and regulatory risks
- Competitor behaviour
- Cyber security
- Peak Capacity
- Economic Climate

Three priority risks

Health and safety

There is always a risk that an incident will lead to a fatality or serious injury for a staff member, contractor, customer or member of the public given Meridian's technically challenging operating environment. Meridian has a broad control framework to manage these critical health and safety risks and a strategy to continually improve and strengthen our health and safety systems. With the current cost of living challenge, we are seeing an increase in customer-related concerns and have well-embedded customer care processes and training to ensure our customer services representatives appropriately assist our customers alongside the Energy Hardship Programme we have recently implemented. Meridian also has a programme in place to support the mental wellbeing of our staff to manage both risks within our workplace and those that are generated externally through our customer interactions.

Market supply

There is a risk of a disorderly transition to meet the government's renewable electricity generation target, which is also identified in Meridian's FY23 **Climate-related Disclosure** under risk Power system flexibility. One key risk is the premature retirement of thermal generation prior to new renewable electricity being in place – specifically the risk of early retirement of gas generation given its role as a transition fuel. Another key risk is market interventions impacting the potential returns from new renewable electricity projects which would likely have a detrimental impact on investment in new generation. In response, Meridian has adapted its strategy which flows through to preparation for and accelerated delivery of new generation and flexible demand response investments, operating practices and how the company engages with stakeholders and the messages it shares. Meridian's range of development options has more than doubled during FY23 and includes wind, solar and grid-scale batteries with the Harapaki Wind farm, due to be completed in FY24.

Adverse hydrological conditions

Dry periods or drought conditions in the Waitaki or the Waiau catchments may reduce water levels and significantly affect our generation capability. Meridian has a number of mitigations in place to manage water during a dry period, including wholesale hedge products and a demand response agreement with NZAS to enable demand response flexibility through to the end of 2024. One of the potential benefits of an investment in hydrogen production in the lower South Island is the potential for demand response during future dry periods. Additionally, through Meridian's Process Heat Electrification Programme, we have been working with South Island Industrial customers to decarbonise and electrify their industrial plant which will further improve dry year demand response availability.

Our FY23 **Climate-related Disclosure** also highlights the risk of Increased hydro inflow volatility due to changing seasonal weather patterns (rain and drought) connects to this risk.

◄ Meridian flag at Benmore Power Station, Otematata.

Management commentary
(no financial statements)

Directors' statement

Management commentary
(no financial statements)

◄ Te Whanganui-a-Tara Wellington's first electric ferry Ika Rere

Management commentary
(no financial statements)

Our Board closely monitors how the company is managing aspects of our business that we consider long-term drivers of value.

The standards we report to

This Integrated Report reviews our financial, economic, social and environmental performance for the year ended 30 June 2023 (FY23). It has been prepared using the International Integrated Reporting Framework, and the 2021 Global Reporting Initiative (GRI).

The Report covers the performance of all members of the Meridian Group, including our Meridian Energy and Powershop brands, Dam Safety Intelligence in New Zealand and Flux Federation (Flux), our electricity retailing software business that operates in New Zealand and the United Kingdom. We also have a Flux branch in Australia.

For the most part, the focus is on Group performance. Many of the topics discussed also centre on the parent company, mainly because the other businesses are smaller (representing less than 10% of the Group's overall revenue).

The Report reflects the responsibility we feel to help New Zealand continue to decarbonise and to take care of our customers, our people, our local communities, iwi relationships and the environment. We believe adopting this approach strengthens our ability to deliver attractive shareholder returns and value to all our stakeholders.

About the Meridian Group

The Meridian Group is listed on the NZX and the ASX. We are one of New Zealand's largest companies on the NZX, with a total market capitalisation in excess of $14.5 billion, operating revenue in FY23 of $3.2 billion, EBITDAF of $783 million and net assets of $5.9 billion.

We're majority owned by the New Zealand Government, with legislation that specifically precludes Meridian having any other significant shareholders (i.e. with more than a 10% holding).

Our workforce of around 1,000 people is directly employed by, or contracted to, us. In FY23 we engaged around 620 people who were not employees.[32] These were mostly ICT technical support whom we contract directly.

How we prepared this report

The Board has established processes to ensure the quality and integrity of this Integrated Report and has entrusted Management with preparing and presenting it. To ensure all data is as accurate as possible, the financial information has been prepared in accordance with appropriate financial reporting standards (see page 196) and audited by Mike Hoshek for Deloitte Limited on behalf of the Auditor-General (see the Independent Auditor's Report on pages 243–246).

The non-financial information has been prepared in accordance with the 2021 GRI Universal Standards requirements of the GRI Sustainability Reporting Standards. Limited assurance over the sustainability content has been provided by Deloitte Limited (see the Independent Assurance Report on pages 247–248).

The Meridian Group **Greenhouse Gas Emissions Inventory Report** FY23 is summarised on pages 46–47 of this report. Reasonable assurance over the GHG Report has been provided by Deloitte Limited.

Our commitment to effective governance

Our Board closely monitors how the company is managing aspects of our business that we consider long-term drivers of value. These include retaining access to water, building employee engagement, investing in new assets, enhancing environmental performance, advancing climate-related opportunities, satisfying customers and building our reputation and brand.

Strategy days and regular meetings allow Board members to share their thoughts and to question and challenge Management on the direction it wishes to take the business. These occasions also provide opportunities to advance the Board's collective knowledge on sustainable development, which is highly relevant to Meridian operations and strategy, given our commitment to helping shift Aotearoa to a net zero future.

◀ White Hill Wind Farm, Southland.

32 Information on workers who are not employees is compiled from our Contractor Support Database (contractors) and information gathered from internal stakeholders. Total rounded to the nearest 10 by headcount. In FY22 the number of people engaged who were not employees was around 1,100. The decrease this year was driven by fewer volunteers being used for Forever Forest planting and fewer maintenance/construction contractors at our wind farms.

Management commentary
(no financial statements)

Our commitment to effective governance continued

Our commitment to sustainable development is embedded at a governance level through the Group **Sustainability Policy**, which guides all associated choices and behaviours for the business, and also outlines the United Nations Sustainable Development Goals (UN SDGs) through which we believe Meridian can have the most impacts. Our approach to managing our impact on economy, environment and people is evident throughout this report.

The Board also sets Meridian's overall appetite for risk and approach to risk management. Our FY23 **Corporate Governance Statement** summarises our key risks. We've also included information on our risks and how we manage them in this report.

Meridian complies with the NZX Corporate Governance Code recommendations in all material respects (with the exception of recommendation 3.6 – see page 187 for more details).

Processes to prevent and mitigate conflicts of interest are found in the **Board Charter** and supported by the Meridian **Whistleblowing Policy**. The number of **Group Code of Conduct** breaches is disclosed annually through our **Corporate Governance Statement**.

Our Board structure

Meridian recruits Board members with a range of skills and experience. There are currently four female members and three male members, meaning we have a healthy gender balance. While the company's constitution does not specifically require it, Meridian's Board has a collective view that the relationship with Ngāi Tahu, which has mana whenua (authority over the land) over the majority of the South Island where most of our assets are located, is so important that a position on the Board for someone with connections to Ngāi Tahu should always be considered. This role is currently undertaken by Tania Te Rangingangana Simpson.

Biographies of our directors and the Executive Team are available at **www.meridianenergy.co.nz/about-us**. All directors are independent.

Further information about the skills, composition and tenure of Board members can be found in the FY23 **Corporate Governance Statement**. More information on the nomination and selection process, including criteria used, for Board and committee appointments is outlined in the Meridian Constitution and **Board Charter**.

Management commentary
(no financial statements)

Our Board

Michelle Henderson Independent Director
Mark Verbiest Chair
Tania Simpson Independent Director
David Carter Independent Director
Nagaja Sanatkumar Independent Director
Mark Cairns Independent Director
Benjamin Bateman Future Director
Julia Hoare Independent Director
Graham Cockroft Independent Director

Diversity of perspective is important. Meridian recruits Board members with a range of skills and experience.

Management commentary
(no financial statements)

View our directors' biographies at **meridianenergy.co.nz/about-us/board-of-directors**.

Our Executive Team

Neal Barclay Chief Executive
Lisa Hannifin Chief Customer Officer
Mike Roan Chief Financial Officer
Bharat Ratanpal Chief Information Officer

Nic Kennedy Chief Executive, Flux Federation Limited
Tania Palmer General Manager, Generation
Jason Stein Chief People Officer
Chris Ewers General Manager, Wholesale

Claire Shaw General Manager, Corporate Affairs & Sustainability
Guy Waipara General Manager, Development
Jason Woolley General Counsel & Company Secretary

View our Executive Team's biographies at **meridianenergy.co.nz/about-us/management-team**

Management commentary
(no financial statements)

The role of committees

Committees support the Board by providing detail on specific issues and inviting subject-matter experts to offer insights and advice. The committees, and the Board as a whole, cover the spectrum of resources on which we depend for our business success, contribute to the Company's overall strategy and direction and keep the Board well informed of day-to-day operations.

The Board and committees also oversee our alignment with the UN SDGs. UN SDGs are approved by the Board through its approval of the Meridian **Sustainability Policy**, which provides the framework to embed sustainability leadership across our business. The Safety and Sustainability Committee has responsibility for maintaining a safe workplace culture and for actions that contribute to the most relevant UN SDGs for our business.

The Board as a whole oversees our progress as a responsible generator, particularly as it pertains to the Waitaki reconsenting process. Our People and Remuneration Committee oversees how Meridian acts to remain a great place to work. Our Audit and Risk Committee assists the Board in fulfilling its responsibilities in matters related to risk management, including climate-related risks, and financial accounting and reporting.

The role of people and culture

Our people are critical to the successful delivery of our strategic goals, policies and processes.

The Board has approved a wide range of policies that are incorporated in the Company's operations and to which Management must adhere. These include our **Group Code of Conduct**. The Code, which all employees agree to honour, provides guidance on the behaviours that are expected and how to handle the issues and challenges team members may face.

Our approach to remunerating our people is on page 132.

If you would like further information

As a business with a significant retail shareholder base, we want to be as accessible and open as possible. If you're a shareholder, please feel free to ask questions, request information or comment on this report via Meridian's website or by directly contacting the Investor Relations Manager at **investors@meridianenergy.co.nz**.

We hope you will be able to join the 2023 annual shareholder meeting. It will again be a hybrid meeting and there will be a link to a live webcast on our website. We will provide you with more information closer to the time in the Notice of Meeting.

Further disclosures

Further disclosures required by the NZX Listing Rules, the Companies Act 1993 and other legislation and rules.

Management commentary
(no financial statements)

Meridian Energy

The table opposite outlines the current directors of Meridian Energy Limited. During FY23 there were two changes to the directors of Meridian Energy Limited: Jan Dawson ceased to be a director; and Graham Cockroft was appointed as a director.

Company name	Directors
Meridian Energy Limited	Mark Cairns, Graham Cockroft, Michelle Henderson, Julia Hoare, Nagaja Sanatkumar, Tania Simpson, Mark Verbiest.

The Board has determined that, as at 30 June 2023, all Meridian directors are independent. The factors relevant to this determination are that no director:

- is currently, or was within the last three years, employed in an executive role by the issuer or any of its subsidiaries;
- is currently deriving, or within the last 12 months derived, a substantial portion of their annual revenue from the issuer;
- is currently, or was within the last 12 months, in a senior role in a provider of material professional services (other than an external auditor) to the issuer or any of its subsidiaries;
- is currently, or was within the last three years, employed by the external auditor to the issuer or any of its subsidiaries;
- currently has, or did have within the last three years, a material business relationship (e.g. as a supplier or customer) with the issuer or any of its subsidiaries;
- is a substantial product holder of the issuer, or a senior manager of, or person otherwise associated with, a substantial product holder of the issuer;
- is currently, or was within the last three years, in a material contractual relationship with the issuer or any of its subsidiaries, other than as a director;
- has close family ties or personal relationships (including close social or business connections) with anyone in the categories listed above; and
- has been a director of the entity for a period of 12 years or more.

Current Board and Executive Team gender composition

In accordance with NZX Listing Rules, the gender make-up of Meridian's directors and officers as at 30 June 2023 is:

	As at 30 June 2023			As at 30 June 2022		
	Female	Male	Gender diverse	Female	Male	Gender diverse
Number of directors	4	3	–	5	2	–
Percentage of directors	57%	43%	0%	71%	29%	0%
Number of officers	4	7	–	4	7	–
Percentage of officers	36%	64%	0%	36%	64%	0%

◄ Charging an EV at one of Meridian's Zero charging stations.

Management commentary
(no financial statements)

Meridian subsidiaries

The following tables list the subsidiaries of Meridian Energy Limited during the accounting period, and any changes to those subsidiaries and among the people who held office as directors.

New Zealand subsidiaries

Company name	Company number	Directors	Further information
Dam Safety Intelligence Limited	6152623	Neal Barclay, Jason Stein	No changes
Flux Federation Limited	6292491	Michael Roan, Kenneth Tunnicliffe, Jodi Mitchell	Neal Barclay ceased to be a director on 1 December 2022 Kenneth Tunnicliffe and Jodi Mitchell were appointed directors on 1 December 2022
Meridian Energy Captive Insurance Limited	1612020	Neal Barclay, Michael Roan	No changes
Meridian Energy International Limited	1114014	Neal Barclay, Michael Roan	No changes
Meridian Limited	863312	Neal Barclay, Michael Roan	No changes
Meridian LTI Trustee Limited	4644639	Jan Dawson	Removed from the Companies Office register on 12 October 2022
Powershop New Zealand Limited	8184062	Neal Barclay, Michael Roan	No changes

UK subsidiary

Company name	Directors	Further information
Flux-UK Limited	Kenneth Tunnicliffe, Nicola Kennedy	Kenneth Tunnicliffe appointed as director 20 March 2023 Nicola Kennedy appointed as director 20 March 2023 Tania Palmer resigned as director 22 March 2023 Guy Waipara resigned as director 22 March 2023

Management commentary
(no financial statements)

Particulars of entries in the interests register made during the accounting period.

Shareholders can review Meridian Energy Limited's full interests register on request.

In accordance with sections 140 and 211(1)(e) of the Companies Act 1993, the table opposite lists the general disclosures of interest by directors of Meridian Energy Limited and its subsidiaries.

Name	Position	Disclosures
Mark Cairns	Director, Meridian Energy Limited	Auckland International Airport Limited, Director Freightways Limited, Chair Sanford Limited, Director**
Graham Cockroft	Director, Meridian Energy Limited (appointed as a director on 26 July 2022)	AGL Energy Limited, Director* Tuatahi First Fibre Limited, Director* UFF Holdings Limited, Director* First Fibre Midco Limited, Director* First Fibre Bidco Limited, Director*
Jan Dawson	Director, Meridian Energy Limited and Meridian LTI Trustee Limited (ceased to be a director on 18 October 2022)	Ports of Auckland Limited, Chair Serko Limited, Director
Michelle Henderson	Director, Meridian Energy Limited	Fulton Hogan Limited, Director Fulton Hogan Land Development Limited, Director Fulton Hogan Australia (Management) Pty Ltd, Director Fulton Hogan Australia Pty Ltd, Director Fulton Hogan Construction Pty Ltd, Director Fulton Hogan Industries Pty Ltd, Director Fulton Hogan Quarries Pty Ltd, Director Fulton Hogan Transport Pty Ltd, Director Fulton Hogan Utilities Pty Ltd, Director South Port NZ Limited, Director Awarua Holdings Limited, Director
Julia Hoare	Director, Meridian Energy Limited	The a2 Milk Company Limited, Deputy Chair** Auckland International Airport Limited, Director Comvita Limited, Director* Port of Tauranga Limited, Director Northport Limited* PrimePort Timaru Limited*

* Entries added and effective during the year ended 30 June 2023.
** Entries removed by directors during the year ended 30 June 2023.

Management commentary
(no financial statements)

In accordance with sections 140 and 211(1)(e) of the Companies Act 1993, the table opposite lists the general disclosures of interest by directors of Meridian Energy Limited and its subsidiaries, continued.

Name	Position	Disclosures
Nagaja Sanatkumar	Director, Meridian Energy Limited	Cawthron Institute, Director
		Tuatahi First Fibre Limited, Director
		First Fibre Midco Limited, Director
		First Fibre Bidco Limited, Director
		UFF Holdings Limited, Director
		Foodstuffs North Island Limited, Director
		Groov Ltd, Director*
		Imagen8 Limited, Director
		Mediaworks Investments Limited, Director**
		New Zealand Post Limited, Director
Tania Simpson	Director, Meridian Energy Limited	Auckland International Airport Limited, Director
		Tainui Group Holdings Limited, Director
		Ukaipo Limited, Director
		Waikato Tainui Fisheries Limited, Director
Mark Verbiest	Director, Meridian Energy Limited	ANZ Bank New Zealand Limited, Director**
		Summerset Group Holdings Limited, Chair
		Willis Bond & Co Limited, adviser to Property Income Fund Limited

* Entries added and effective during the year ended 30 June 2023.
** Entries removed by directors during the year ended 30 June 2023.

Management commentary
(no financial statements)

During FY23, the following disclosures were made in accordance with section 148 of the Companies Act 1993:

Director	Nature of relevant interest	Date	Acquisition/Disposal	Class	Number acquired*	Consideration received per share
Graham Cockroft	Legal interest	25 August 2022	Acquisition	Shares	15,000	$5.10
					5,000	$5.09
	Legal interest	29 July 2022 – initial disclosure	Acquisition	Shares	20,000	n/a
Jan Dawson	Beneficial interest	23 March 2023	Acquisition – Dividend Reinvestment Plan	Shares	546	$5.21
	Beneficial interest	23 September 2022	Acquisition – Dividend Reinvestment Plan	Shares	1,065	$4.98
Michelle Henderson	Legal interest	14 April 2023	Acquisition	Shares	2,861*	$5.23
					949*	$5.25
Julia Hoare	Legal interest	23 March 2023	Acquisition – Dividend Reinvestment Plan	Shares	42	$5.17
	Legal interest	16 March 2023	Acquisition	Shares	4,000	$5.05
	Legal interest	23 September 2022	Acquisition – Dividend Reinvestment Plan	Shares	81	$4.98
Tania Simpson	Beneficial interest	22 May 2023	Acquisition	Shares	1,654*	$5.43
	Beneficial interest	30 September 2022	Acquisition	Shares	626*	$4.77
Mark Verbiest	Beneficial interest	23 March 2023	Acquisition – Dividend Reinvestment Plan	Shares	548	$5.22
	Beneficial interest	23 September 2022	Acquisition – Dividend Reinvestment Plan	Shares	1,080	$4.98

* Rounded to the nearest whole number.

Management commentary
(no financial statements)

Directors' indemnity and insurance

Pursuant to section 162 of the Companies Act 1993, as permitted by Meridian's Constitution, Deeds of Indemnity have been given to directors for potential liabilities and costs they might incur for actions or omissions in their capacity as directors. From 1 May 2023, Meridian's directors' and officers' liability insurance was renewed to cover risks normally covered by such policies. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

Donations

The Meridian Energy Group made donations totalling $517,085.22 during FY23. Meridian does not make donations to political parties. All donations must be approved by the Board. Donations do not include sponsorships, community funds, and contributions to environmental and cultural enhancement programmes.

Auditor

The Auditor-General has appointed Mike Hoshek of Deloitte as auditor of the Company. Meridian and its subsidiaries paid $0.7 million (2022: $0.7 million) to Deloitte as audit fees in FY23.

The fees for other services undertaken by Deloitte during FY23 totalled $0.2 million (2022: $0.2 million). These related to other assurance activities including reviews of carbon emissions, climate-related disclosure gap analysis, securities registers, vesting of the executive LTI plan, solvency return of Meridian Energy Captive Insurance Limited and trustee reporting.

Interests in Meridian securities

In accordance with NZX Listing Rule 3.7.1(d), as at 30 June 2023 Meridian Energy Limited directors had the following relevant interests in Meridian Energy Limited Quoted Financial Products:

Director	Number of shares*	Number of bonds
Mark Cairns	239,861	–
Graham Cockroft	40,000	–
Michelle Henderson	7,335*	–
Julia Hoare	8,164	–
Nagaja Sanatkumar	8,769*	–
Tania Simpson	4,291*	–
Mark Verbiest	48,198	–

* Rounded to the nearest whole number.

Executive Team equity holdings

As at 30 June 2023, the following Executive Team had relevant interests in Meridian Energy Limited shares as follows:

Executive Team	Number of shares	Unvested performance share rights
Neal Barclay	529,768	445,907
Chris Ewers	40,819	118,727
Lisa Hannifin	19,133	131,222
Mike Roan	252,525	175,840
Jason Stein	120,347	106,166
Guy Waipara	303,756	147,381
Tania Palmer	19,209	145,017
Bharat Ratanpal	17,646	41,064
Claire Shaw	12,037	98,999
Jason Woolley	–	98,999
Nic Kennedy	18,697	–

Management commentary
(no financial statements)

Twenty largest registered holders of Quoted Financial Products as at the balance date

The table opposite lists the Company's 20 largest registered shareholders as at 30 June 2023:

Names	Number of shares	% of issued shares
The Sovereign in Right of New Zealand, acting by and through their Minister of Finance and Minister for State Owned Enterprises	1,318,674,646	51.01
HSBC Nominees (New Zealand) Limited*	134,200,064	5.19
HSBC Nominees (New Zealand) Limited a/c State Street*	131,215,044	5.07
JPMorgan Chase Bank NA NZ branch-segregated clients acct*	104,306,858	4.03
Custodial Services Limited	90,181,847	3.48
Citibank Nominees (New Zealand) Limited*	86,115,703	3.33
BNP Paribas Nominees (NZ) Limited*	66,593,881	2.57
Accident Compensation Corporation*	42,654,442	1.65
JBWere (NZ) Nominees Limited	27,773,506	1.07
HSBC Nominees a/c NZ Superannuation Fund Nominees Limited*	25,001,814	0.96
National Nominees Limited*	24,148,624	0.93
TEA Custodians Limited Client Property Trust Account*	20,372,387	0.78
New Zealand Depository Nominee Limited	19,858,839	0.76
BNP Paribas Nominees (NZ) Limited*	18,109,718	0.7
ANZ Wholesale Australasian Share Fund*	17,973,148	0.69
FNZ Custodians Limited	15,275,661	0.59
Forsyth Barr Custodians Limited	13,079,241	0.5
Simplicity Nominees Limited*	10,552,966	0.4
HSBC Custody Nominees (Australia) Limited	9,110,245	0.35
PT (Booster Investments) Nominees Limited	8,720,848	0.33

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

Management commentary
(no financial statements)

The table opposite lists the Company's 20 largest registered holders of MEL040 retail fixed-rate bonds as at 30 June 2023:

Names	Number of bonds	% of issued bonds
Custodial Services Limited	33,715,000	22.47
BNP Paribas Nominees (NZ) Limited*	29,344,000	19.56
Citibank Nominees (New Zealand) Limited*	11,337,000	7.55
FNZ Custodians Limited	8,919,000	5.94
Forsyth Barr Custodians Limited	7,491,000	4.99
HSBC Nominees (New Zealand) Limited*	7,060,000	4.7
NZPT Custodians (Grosvenor) Limited*	4,065,000	2.71
Hobson Wealth Custodian Limited	3,958,000	2.63
BNP Paribas Nominees (NZ) Limited*	2,500,000	1.66
BNP Paribas Nominees (NZ) Limited*	2,420,000	1.61
Adminis Custodial Nominees Limited	2,397,000	1.59
TEA Custodians Limited Client Property Trust Account*	1,939,000	1.29
FNZ Custodians Limited	1,503,000	1
Forsyth Barr Custodians Limited	1,463,000	0.97
Woolf Fisher Trust Incorporated	1,300,000	0.86
ANZ Custodial Services New Zealand Limited*	1,080,000	0.72
Investment Custodial Services Limited	1,075,000	0.71
HSBC Nominees (New Zealand) Limited a/c State Street*	1,000,000	0.66
MT Nominees Limited*	1,000,000	0.66
Public Trust	1,000,000	0.66

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

Management commentary
(no financial statements)

The table opposite lists the Company's 20 largest registered holders of MEL050 retail fixed-rate bonds as at 30 June 2023:

Names	Number of bonds	% of issued bonds
Custodial Services Limited	36,328,000	18.16
FNZ Custodians Limited	23,963,000	11.98
Forsyth Barr Custodians Limited	19,657,000	9.82
BNP Paribas Nominees (NZ) Limited*	14,793,000	7.39
BNP Paribas Nominees (NZ) Limited*	11,900,000	5.95
Hobson Wealth Custodian Limited	9,566,000	4.78
TEA Custodians Limited Client Property Trust Account*	7,065,000	3.53
ANZ Fixed Interest Fund*	5,500,000	2.75
HSBC Nominees (New Zealand) Limited*	4,877,000	2.43
Citibank Nominees (New Zealand) Limited*	4,400,000	2.2
Bank of New Zealand – Treasury Support	4,238,000	2.11
MT Nominees Limited*	4,000,000	2
ANZ Wholesale NZ Fixed Interest Fund*	4,000,000	2
Investment Custodial Services Limited	3,755,000	1.87
Mint Nominees Limited*	3,719,000	1.85
JBWere (NZ) Nominees Limited	3,675,000	1.83
Forsyth Barr Custodians Limited	3,152,000	1.57
NZX WT Nominees Limited	2,027,000	1.01
FNZ Custodians Limited	1,594,000	0.79
Forsyth Barr Custodians Limited	1,367,000	0.68

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

Management commentary
(no financial statements)

The table opposite lists the Company's 20 largest registered holders of MEL060 retail fixed-rate bonds as at 30 June 2023:

Names	Number of bonds	% of issued bonds
Custodial Services Limited	42,745,000	21.37
Forsyth Barr Custodians Limited	29,020,000	14.51
JBWere (NZ) Nominees Limited	19,234,000	9.61
FNZ Custodians Limited	17,570,000	8.78
National Nominees Limited*	9,300,000	4.65
BNP Paribas Nominees (NZ) Limited*	8,510,000	4.25
Generate KiwiSaver Public Trust Nominee Limited	6,430,000	3.21
Queen Street Nominees ACF PIE Funds*	4,800,000	2.4
Hobson Wealth Custodian Limited	4,748,000	2.37
Investment Custodial Services Limited	4,362,000	2.18
Southland Building Society*	3,800,000	1.9
HSBC Nominees (New Zealand) Limited*	3,000,000	1.5
Forsyth Barr Custodians Limited	2,591,000	1.29
ANZ Wholesale NZ Fixed Interest Fund*	2,500,000	1.25
Mint Nominees Limited*	2,130,000	1.06
ANZ Fixed Interest Fund*	1,825,000	0.91
JBWere (NZ) Nominees Limited	1,800,000	0.9
HSBC Nominees (New Zealand) Limited a/c State Street*	1,720,000	0.86
MT Nominees Limited*	1,700,000	0.85
JBWere (NZ) Nominees Limited	1,500,000	0.75

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

Management commentary
(no financial statements)

Substantial security holder

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to notice given pursuant to section 280 of the FMCA, the substantial security holder in the Company and its relevant interests as at the date of the notice are noted opposite. The total number of voting products in the class as at 30 June 2023 was 2,584,734,122.[33]

Name	Relevant interest in number of shares	% of shares held at the date of notice	Date of notice
Ordinary shares			
The Sovereign in Right of New Zealand, acting by and through their Minister of Finance and Minister for State Owned Enterprises	1,318,674,646	51.01	6 July 2015

Distribution of shareholders and holdings as at 30 June 2023

The table opposite provides information on the distribution of shareholders and holdings of Meridian Energy Limited ordinary shares as at 30 June 2023:

Size of holding	Number of holders	%	Number of shares	Holding quantity %
1–1,000	8,181	18.62	5,602,498	0.22
1,001–5,000	21,321	48.54	57,955,415	2.24
5,001–10,000	8,130	18.51	62,340,427	2.41
10,001–50,000	5,654	12.87	113,481,708	4.39
50,001–100,000	411	0.94	28,845,308	1.12
100,001–500,000	163	0.37	30,470,723	1.18
500,001–9,999,999,999,999	66	0.15	2,286,038,043	88.44
Total	**43,926**	**100**	**2,584,734,122**	**100**

33 As at 30 June 2023, the total number of ordinary shares was 2,584,734,122, which includes [illegible] ordinary shares held by Meridian as treasury stock.

The table opposite provides information on the distribution of MEL040 retail fixed-rate bonds as at 30 June 2023:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	34	5.5	170,000	0.11
5,001–10,000	107	17.31	991,000	0.66
10,001–50,000	365	59.06	9,703,000	6.47
50,001–100,000	59	9.55	4,466,000	2.98
100,001–500,000	28	4.53	6,494,000	4.33
500,001 to 9,999,999,999,999	25	4.05	128,176,000	85.45
Total	**618**	**100**	**150,000,000**	**100**

The table opposite provides information on the distribution of MEL050 retail fixed-rate bonds as at 30 June 2023:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	32	5.63	160,000	0.08
5,001–10,000	89	15.67	832,000	0.42
10,001–50,000	314	55.28	8,719,000	4.36
50,001–100,000	77	13.56	5,952,000	2.98
100,001–500,000	25	4.4	6,298,000	3.15
500,001 to 9,999,999,999,999	31	5.46	178,039,000	89.02
Total	**568**	**100**	**200,000,000**	**100**

The table opposite provides information on the distribution of MEL060 retail fixed-rate bonds as at 30 June 2023:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	76	13.31	485,000	0.24
5,001–10,000	363	63.57	6,899,000	3.45
10,001–50,000	53	9.28	3,199,000	1.6
50,001–100,000	46	8.06	8,989,000	4.49
100,001–500,000	8	1.4	5,334,000	2.67
500,001 to 9,999,999,999,999	25	4.38	175,094,000	87.55
Total	**571**	**100**	**200,000,000**	**100**

Management commentary
(no financial statements)

Waivers from NZX

On 31 January 2020, NZX Regulation published a waiver decision in respect of Listing Rules 5.2.1 and 8.1.5 which re-documented a prior waiver decision dated 18 September 2013. A copy of this waiver decision, and a summary of all waivers granted and published by the NZX or relied on by Meridian during the 12 months preceding 30 June 2023, is available on Meridian's website at **meridianenergy.co.nz/about-us/investors/governance/nzx-waivers.**

Non-standard designation

In New Zealand, Meridian Energy Limited has a 'non-standard' (NS) designation on the NZX Main Board. This is due to particular provisions of the company's Constitution, including requirements that regulate the ownership and transfer of Meridian securities. The NS designation is also required as a condition of any NZX waivers and approvals.

Credit rating as at 30 June 2023

S&P Global Ratings reaffirmed Meridian Energy Limited's credit rating of BBB+/stable/A-2 on 11 April 2023.

Registration as a foreign company

Meridian has registered with the Australian Securities and Investments Commission as a foreign company and has been issued with an Australian Registered Body Number of 151 800 396.

ASX disclosures

Meridian holds a foreign exempt listing on the ASX. As a requirement of admission, Meridian must make the following disclosures:

- Meridian's place of incorporation is New Zealand.
- Meridian is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

Shareholding restrictions

The Public Finance Act 1989 was amended in June 2012 to include restrictions on the ownership of certain types of security issued by each mixed-ownership model company (including Meridian) and the consequences of breaching those restrictions. The constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of shares under the Public Finance Act and the constitution is set out below. If the company issues any other class of shares, or other securities confer voting rights, in the future, the restrictions summarised below will also apply to those other classes of shares and voting securities.

51% holding

The Crown must hold at least 51% of the shares on issue.

The company must not issue, acquire or redeem any shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

10% Limit

No person (other than the Crown) may have a 'relevant interest'[34] in more than 10% of the shares on issue (10% Limit).

The company must not issue, acquire, redeem or transfer any shares if it has actual knowledge that such issue, acquisition, redemption or transfer will result in any person other than the Crown exceeding the 10% Limit.

Ascertaining whether a breach has occurred

If a holder of shares breaches the 10% Limit or knows or believes that a person who has a relevant interest in shares held by that holder may have a relevant interest in shares in breach of the 10% Limit, the holder must notify the company of the breach or potential breach.

Meridian may require a holder of shares to provide the company with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include,

34 In broad terms, a person has a 'relevant interest' in a share if the person (a) is the registered holder or beneficial owner of the share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that share. A person may also have a 'relevant interest' in a share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

Management commentary
(no financial statements)

where applicable, details of all persons who have relevant interests in shares as a result of the shares held by or on behalf of that holder.

Determining whether a breach has occurred

The company has the power to determine whether a breach of the 10% Limit has occurred. In broad terms, if:

- the company considers that a person may be in breach of the 10% Limit; or
- a holder of shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the company,

Meridian is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The company must give the affected shareholder the opportunity to make representations to the company before it makes a determination on these matters.

Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice that they receive from the company requiring them to dispose of shares or their relevant interest in shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding to below the 10% Limit.
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, the company may arrange for the sale of the relevant number of shares on behalf of the relevant shareholder. In those circumstances the company will pay the net proceeds of sale, after the deduction of any other costs incurred in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant shareholder as soon as practicable after the sale has been completed.

If a relevant interest is held in any shares in breach of the 10% Limit, then, for as long as that breach continues:

- no votes may be cast directly by a shareholder in respect of any of the shares in which a relevant interest is held in excess of the 10% Limit
- a registered holder of shares in which a relevant interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the shares in which a relevant interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, the restrictions on voting and entitlement to receive dividends and other distributions described in the preceding paragraphs will apply in respect of all of the shares (as applicable) held by the relevant shareholder or holder (and not just the shares in which a relevant interest is held in excess of the 10% Limit).

The Board may refuse to register a transfer of shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within 14 days of the date on which the company gave notice to the transferee to provide such statutory declaration.

Crown directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the constitution. For example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach, the Crown may require the company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant share that has arisen as described under the heading 'Effect of exceeding the 10% Limit' above.

Management commentary
(no financial statements)

Trustee corporations and nominee companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions are satisfied.

Share cancellation

In certain circumstances shares can be cancelled by Meridian through a reduction of capital, share buyback or other form of capital reconstruction approved by the Board and, where applicable, shareholders.

NZX Corporate Governance Code

Meridian complied with the NZX Corporate Governance Code recommendations in all material respects during FY23 other than in respect of recommendation 3.6 as the Board has determined, given Meridian's status as a mixed-ownership model company, it is not appropriate nor necessary for Meridian to adopt a takeover protocol, although there are protocols to ensure compliance with Meridian's Constitution. Meridian has a separate **Corporate Governance Statement**. The **Corporate Governance Statement** outlines in detail Meridian's compliance with the NZX Corporate Governance Code and is current as at 29 August 2023.

Membership associations

- Electricity Engineers Association
- Business Leaders' Health and Safety Forum
- Drive Electric Incorporated
- Electricity Retailers' Association of New Zealand
- EV100
- New Zealand Hydrogen Association Incorporated
- New Zealand Wind Energy Association
- Engineering New Zealand
- New Zealand Society on Large Dams
- BusinessNZ
- Sustainable Business Council (SBC) and Climate Leaders Coalition membership
- StayLive
- Power Engineering Excellence Trust

Trade associations	FY23 (NZD)
Largest contributions	
Value to electicity customers (BRANZ, The Energy Charter)	$58,500
Sustainable business (SBC, SBN)	$91,040
Clean energy advocacy (Clean Energy Council, NZ Wind Energy Association, NZ Hydrogen Association, Drive Electric, Climate Leaders Coalition, Melbourne Energy Institute)	$96.950
Other large expenditures (BusinessNZ, Business Energy Council, Australian Energy Council)	$93,406
Total spent (NZD)	**$339,896**

Management commentary
(no financial statements)

Climate-related Disclosure

Meridian Energy Limited FY23

Prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures, and in substantial early voluntary alignment with the Aotearoa New Zealand Climate Standards.

Meridian.

AUGUST 2023

Management commentary
(no financial statements)

How to read this report

Governance

Pages 2-3

A summary of the governance and management structures in place to manage climate-related risks and opportunities.

In this section:

- Roles, responsibilities and processes in place to enable Board and Board Committees' oversight of climate-related risks and opportunities.
- Management's role in assessing and managing climate-related risks and opportunities.

Risk Management

Pages 4-7

An outline of the methodologies applied to assess climate-related risks and opportunities.

In this section:

- Process and scope for identifying and assessing climate-related risks and opportunities.
- Short, medium and long-term time horizons considered.
- Meridian's risk assessment criteria and climate risk scoring approach.

Strategy

Pages 8-23

An overview of Meridian's business strategy and plan to manage climate-related risks and opportunities.

In this section:

- Meridian's business model and strategy
- Resilience of Meridian's strategy and business model
- Business planning and the influence of climate-related impacts on financial planning
- Transition plan to a net-zero emissions future
- Climate scenarios: Net Zero Revolution, Adaptive Evolution, Hot House
- Climate impacts on Meridian assets
- Meridian's climate-related risks and opportunities:
  - Physical risks (Table 3)
  - Transition risks (Table 4)
  - Physical opportunities (Table 5)
  - Transition opportunities (Table 6)

Metrics and Targets

Pages 24-31

Climate-related metrics and targets to assess performance and progress.

In this section:

- Meridian's Greenhouse Gas (GHG) emission reduction targets and inventory.
- Climate-change alignment to Executive performance and remuneration.
- Performance against metrics and targets in place to manage climate-related risks and opportunities.

Disclaimer

Quantifications in this report on the financial impacts of climate change (both risks and opportunities) are estimates only and are not intended to constitute earnings guidance. No representation is made as to their accuracy, completeness or reliability. These risks and opportunities may not eventuate and if they do the actual impacts may differ materially from these estimates.

A message from the Chief Executive

I am proud to mark the fifth consecutive year Meridian Energy has released a Climate-related Disclosure report, leading Aotearoa's corporate sector to be open and transparent about climate-related risks and opportunities.

As the myriad of extreme weather events through 2022 and 2023 shows, climate action has never carried more urgency than it does today. Businesses have a significant responsibility to understand how the changing climate impacts their operations and to proactively communicate these impacts to investors, stakeholders and the wider community.

We continue to see climate-related risks and opportunities for Meridian driven by two factors: physical impacts such as storms and floods and more gradual climatic changes, and the transitional effects as the world moves towards a lower-carbon future. While risks remain firmly on our radar, we also see great potential in transition opportunities such as greater electrification of transport, process heat, and catalysing the hydrogen opportunity.

Our reporting journey over the past five years has strengthened trust with our investors and stakeholders, and we acknowledge the growing number of other New Zealand businesses who have joined us in reporting their own climate-related disclosures. The more of us that take on the responsibility of assessing and taking action on these risks and opportunities, the more informed our collective decision-making will be to help address the challenges of climate change.

– Neal Barclay, Chief Executive

"Climate-related disclosures are no longer just a corporate obligation. By being transparent about our climate risks and opportunities, we empower ourselves, our investors and stakeholders to make informed decisions. It speaks to our commitment to responsible stewardship of the environment and to the resilience of all the communities we serve in Aotearoa."

– Mark Verbiest, Chair

Management commentary
(no financial statements)

Governance

Board oversight of climate-related risks and opportunities

Meridian is on a journey to build maturity in the way climate change is incorporated into strategic and operational decision making. As we build in capability, this disclosure will evolve.

Meridian's Board of Directors is responsible for the management of risks and opportunities for the organisation, including those related to climate change. Two Board committees support the Board in this function for climate change:

1. The Audit and Risk Committee has oversight of climate related risks and opportunities. It assists the Board in fulfilling its responsibilities in all matters related to identifying, assessing, monitoring, and managing risk (including climate risk).
2. The Safety and Sustainability Committee exists to support the Board in all matters related to safety and sustainability, including performing reviews of Meridian's primary sustainability impacts and performance, its **Climate Action Plan**, and its Sustainability Policy.

Both committees meet on a quarterly basis, where they review progress against goals and targets for addressing climate-related issues. For example, a standing Safety and Sustainability Committee agenda item is the 'Sustainability update', which contains a summary of the Group sustainability initiatives including progress and outcomes per initiative for the quarter to date (tracking against targets where relevant), and plans for the quarter ahead. The Audit and Risk committee monitors progress made to embed climate-related risk into business practices, and reviews key climate-related risks annually, or when statuses change. Both Committee proceedings are reported back to the Board. Additional Committee and Board disclosures occur for specific issues as required – for example, as climate-related policy changes.

The Board sets objectives and targets for climate-related issues annually and holds Management accountable for implementing these via:

- Policies – including annual reviews of Meridian's Risk Management Policy, Remuneration Policy, and Sustainability Policy.
- Strategic objectives and performance incentives that are set in the Executive Scorecard each financial year – objectives are set for both short and long-term.
- Oversight of key risks.

Board Skills & Competence

The Board ensures appropriate skills and capability are available to provide oversight of climate-related risks and opportunities through the maintenance of a director skills matrix. Meridian's FY23 **Corporate Governance Statement** shows the Director skills matrix and attendance at various Committee meetings.

When there are significant changes to climate-related risks, relevant regulation, or Board membership, the Board may hold a session to upskill members on latest requirements, good practice, and the implications for Meridian. The most recent of these sessions was held in May 2023.

The Board accesses climate-related expertise from within Meridian, and from external specialists when required. For example, Meridian seeks independent external climate scientific advice for the purposes of informing short, medium and long-term assumptions about the physical impacts of climate change on its operations, such as hydro inflows. A number of Meridian Board members are also actively involved in Chapter Zero New Zealand (chapterzero.nz) a global network of board directors committed to taking action on climate change and hosted in Aotearoa by the Institute of Directors.

Monitoring Progress

The Executive Scorecard is the mechanism used to monitor performance of strategic objectives and embed performance against climate-related goals into the remuneration of the Executive Team. The scorecard is set against the key initiatives in Meridian's business plan and defines the criteria for adequate, good, and excellent performance on each. The Executive Scorecard is built by the Chief Financial Officer and the Chief People Officer and is agreed by the People, Remuneration and Culture Committee on behalf of the Board. The initiatives that make up the scorecard are the key initiatives in the Business Plan for the financial year. They are defined through the business planning process by considering strategic goals and risks – including climate-related elements. The People, Remuneration and Culture Committee reviews progress on behalf of the Board twice a year. Details of the elements that make up the Executive Scorecard are provided in the Metrics and Targets section.

Management's role in assessing and managing climate-related risks and opportunities

The Board assigns climate-related responsibilities to management using mechanisms such as policy and the Executive Scorecard. Management reports to the Board Committees on a quarterly basis.

As an example of how Management tables climate-related issues with the Board, during FY23, Management tabled papers with the Safety and Sustainability Committee – such as the electrification of Meridian's Manapōuri Power Station staff boat – the Mararoa (as a part of the Half by 30 emissions reduction programme).

Meridian Executive Team members are responsible for ensuring the business is identifying, assessing and monitoring climate-related risks and opportunities. Meridian's annual climate-related disclosure process is facilitated by the Sustainability and Risk functions with a primary governance pathway via the Audit and Risk Committee to the Board. Furthermore, during FY23 sustainability-related guidance was added to the Investment Committee initiative card template regarding a range of criteria, including climate risk. This template is the basis for all initiatives that go to Meridian Investment Committee.

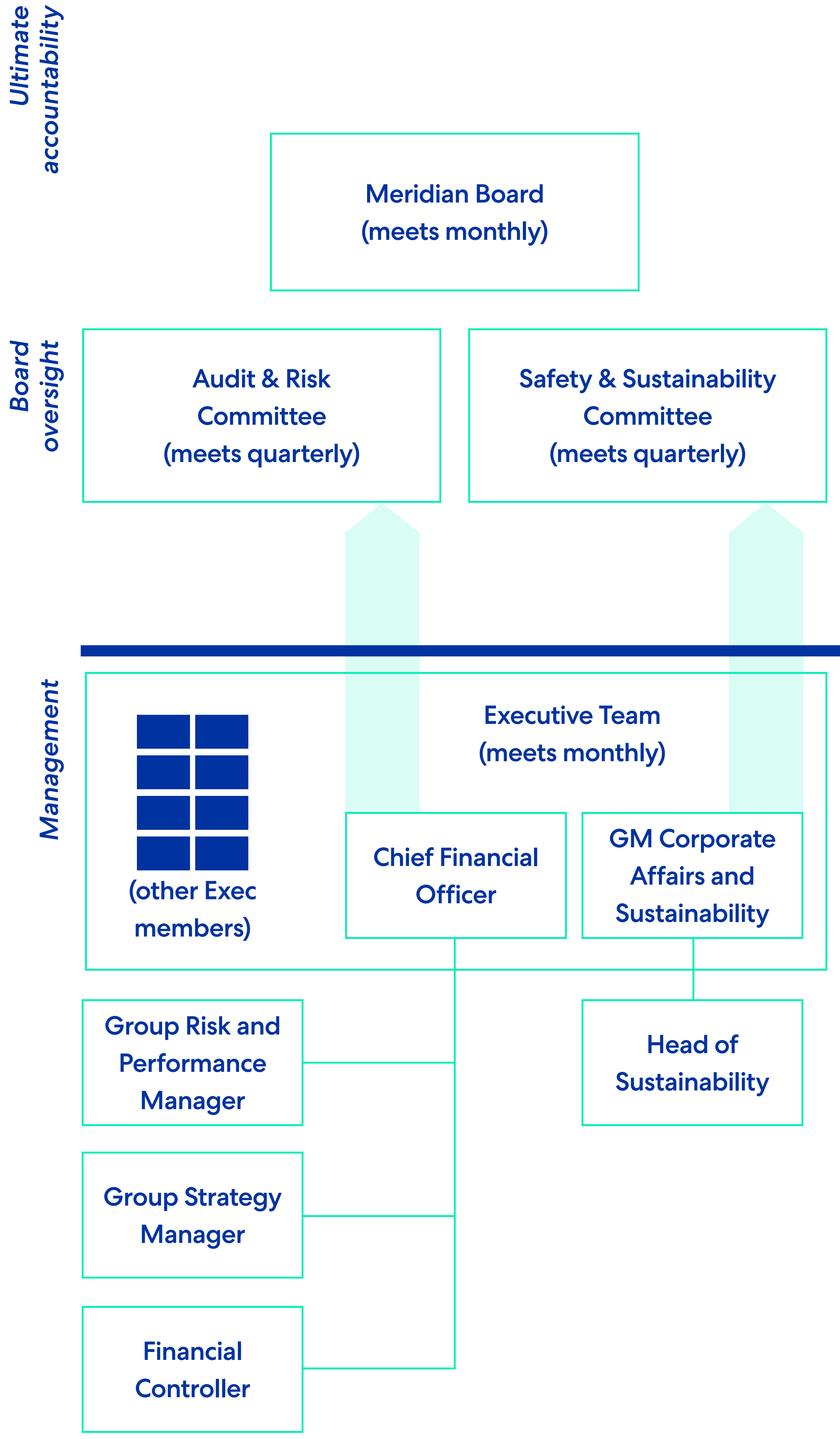
The Sustainability and Risk functions work with a cross-business management group to complete an annual update of climate-related risks and opportunities. This review considers significant context changes that could create new risks or opportunities, or change the materiality of existing ones.

Progress on management actions associated with climate-related risks and opportunities are reported to the Board, or one of the Committees, depending on the topic. For example, progress on the Renewable Development Pipeline is reported to the Board; action against the **Climate Action Plan** is reported to the Safety and Sustainability Committee and the Audit and Risk Committee receive updates on enterprise level risks and progress to embed climate risk and opportunity management into business processes.

An outline of key climate-related risk and opportunity responsibilities and processes at both Board and Management level is provided in Figure 1.

Governance continued

Figure 1. Governance and management of climate-related issues at Meridian Energy Limited.



Ultimate accountability

Meridian Board

- Ensures Meridian has appropriate and effective risk and opportunity management practices in place, including for climate-related issues
- Ensures Board skills, size and composition are fit for purpose
- Assigns climate-related goals and targets to Management annually via the setting of an Executive Scorecard and agreed strategic objectives
- Approves the Executive Scorecard, Sustainability Policy, Risk Management Policy and the annual Greenhouse Gas Inventory

Board oversight

Audit & Risk Committee

- Ensures risks are managed in accordance with Meridian's Risk Management Policy. Reviews top risk reports twice a year, and new and escalating risk reports from Management quarterly, as well as the annual review of climate risks and opportunities
- Reviews and updates Meridian's Risk Management Policy (ISO 31000) annually

Safety & Sustainability Committee

- Ensures Meridian has an effective sustainability strategy and reporting and supporting processes, and monitors Management's execution of that strategy
- Reviews Meridian's annual Greenhouse Gas (GHG) Inventory, emissions reduction initiatives, and Meridian's Climate Action Plan
- Reviews Meridian's Sustainability Policy annually

Management

Executive Team

- Responsible for ensuring Business Units are identifying, assessing and monitoring climate-related risks and opportunities in accordance with Meridian's Risk Management Policy, Sustainability Policy and other relevant targets set in the annual Executive Scorecard
- Implements appropriate risk-mitigation strategies as approved by the Audit and Risk Committee
- Implements sustainability initiatives aligned with performance targets and agreed strategic initiative

Chief Financial Officer

- Owns the implementation of the Risk Management Policy and associated processes
- Facilitates the business planning processes and ensures climate-related opportunities and risks are considered
- Ensures financial decisions are made giving appropriate consideration to climate resilience
- Co-accountability for Meridian's annual climate-related disclosure
- Reports to the Audit and Risk Committee on a quarterly basis
- Responsible for preparation of the annual Greenhouse Gas Inventory

GM of Corporate Affairs and Sustainability

- Owns the setting of the Sustainability Policy and ensuring resourcing and capability exists to effect it
- Co-accountability for Meridian's annual Climate-related disclosure
- Reports to the Safety & Sustainability Committee on a quarterly basis

Key Management roles reporting to Executive Management

- Head of Sustainability – responsible for Group climate-related issues processes and disclosure, and quarterly assurance reporting
- Group Risk and Performance Manager – responsible for the Group Risk Management Policy and oversight and alignment of climate-specific risk processes to the Group Risk Management Policy
- Group Strategy Manager – accountable for ensuring the Board is engaged on strategic planning and choices, including climate-related issues, and Group scenario analysis and modelling - via the Modelling Team
- Financial Controller – responsible for the organisation's budget setting process including ensuring that the right level of climate consideration is included. Responsible for processes relating to financial decision making
- Each operational Business Unit also has a Commercial Manager who will ensure the right consideration has been given to financial decisions, and a risk champion responsible for maintaining the Business Unit risk register and ensuing agreed actions are progressing

Risk Management

Identifying and assessing climate-related risks and opportunities – methodology

Meridian evolved its climate risk and opportunity assessment methodology this year, informed by methodologies outlined by the Intergovernmental Panel on Climate Change (IPCC) and Aotearoa New Zealand's National Climate Change Risk Assessment (NCCRA) method report. A change programme is also underway to further embed climate considerations into business processes and decision making.

Meridian management adopted a new approach to the annual exercise of identifying and assessing climate-related risks and opportunities this financial year. The process applies its newly adopted climate scenarios, and aligns with Meridian's updated Risk Management Policy and Risk Management Framework. The new process has three steps:

1. **First Pass:** In this step a team including a scenario subject matter expert (SME), sustainability SMEs and risk SME reviewed a matrix of physical and transition climate hazards against Meridian elements that could be impacted (e.g. assets or business activities). A list of risks and opportunities was generated and these were consolidated and cross referenced with existing company risks to generate a first pass list. The list of risks was validated in a workshop with owners and functional SMEs[1] from across the business to determine which risks would progress to the next stage of assessment. This workshop was also used to share relevant changes to context (including regulatory considerations), and scenario detail.
2. **Detailed Assessment:** This step involved workshops with the risk/opportunity owners and functional SMEs. In these sessions the impacts of the risks were captured, and physical risks were assessed for vulnerability and exposure. Transition risks were assessed using likelihood and consequence scales consistent with other risk assessments at Meridian. If these sessions identified that further analysis was required, then the third step is completed in a different session once all relevant data is available.
3. **Action Planning:** The final step confirms what management action is required.

Once the annual review is completed, the risks and opportunities are transferred to the Business Units for actioning and monitoring. If a risk aligns with a key corporate risk, or becomes one in its own right, the corporate risk register is updated for tracking in accordance with the Risk Management Policy.

All value chain stages were included in the scope of the assessment outlined above, and Meridian identified items that are customer/demand driven through to potential supply chain impacts (focused on tier 1 suppliers, with some extension to tier 2[2]). While all value chain stages are in scope, Meridian acknowledges that many of our suppliers are early in their maturity journey and, as a result, data and information is limited in some areas. Meridian's procurement process includes undertaking due diligence on a range of areas, including sustainability. Meridian plans to extend this to include greater climate-specific content to promote action and increase access to climate-related information to those Meridian works with.

Outside the annual review process of climate-related risks and opportunities, management actively responds to emerging issues, including regulatory issues. For example, any climate-driven policy announcements or consultations (such as consultation on New Zealand's second Emissions Reduction Plan), prompt a review of impacts and implications for Meridian, which is escalated to the Board if required. Individual and material risks and opportunities also have more frequent management action(s) and reporting requirements beyond the annual process, including to the Board. This includes the advancement of Meridian's Southern Green Hydrogen project and new assets from the Renewable Development Pipeline.

1 SMEs included representatives from across the business such as: Generation (engineering and strategy), Retail (new energy solutions), Renewable development and Wholesale (financial trading, and portfolio strategy).
2 Tier 1 suppliers refer to those who directly supply Meridian with goods or services. Tier 2 suppliers refer to those who supply Meridian's tier 1 suppliers. Furthermore, Meridian considers direct suppliers to be those providing goods and services that input directly to electricity generation, and indirect suppliers those who provide goods and services not directly related to the production of electricity. Meridian has defined its assessment supplier scope based on a 'tier' categorisation basis.

Risk Management continued

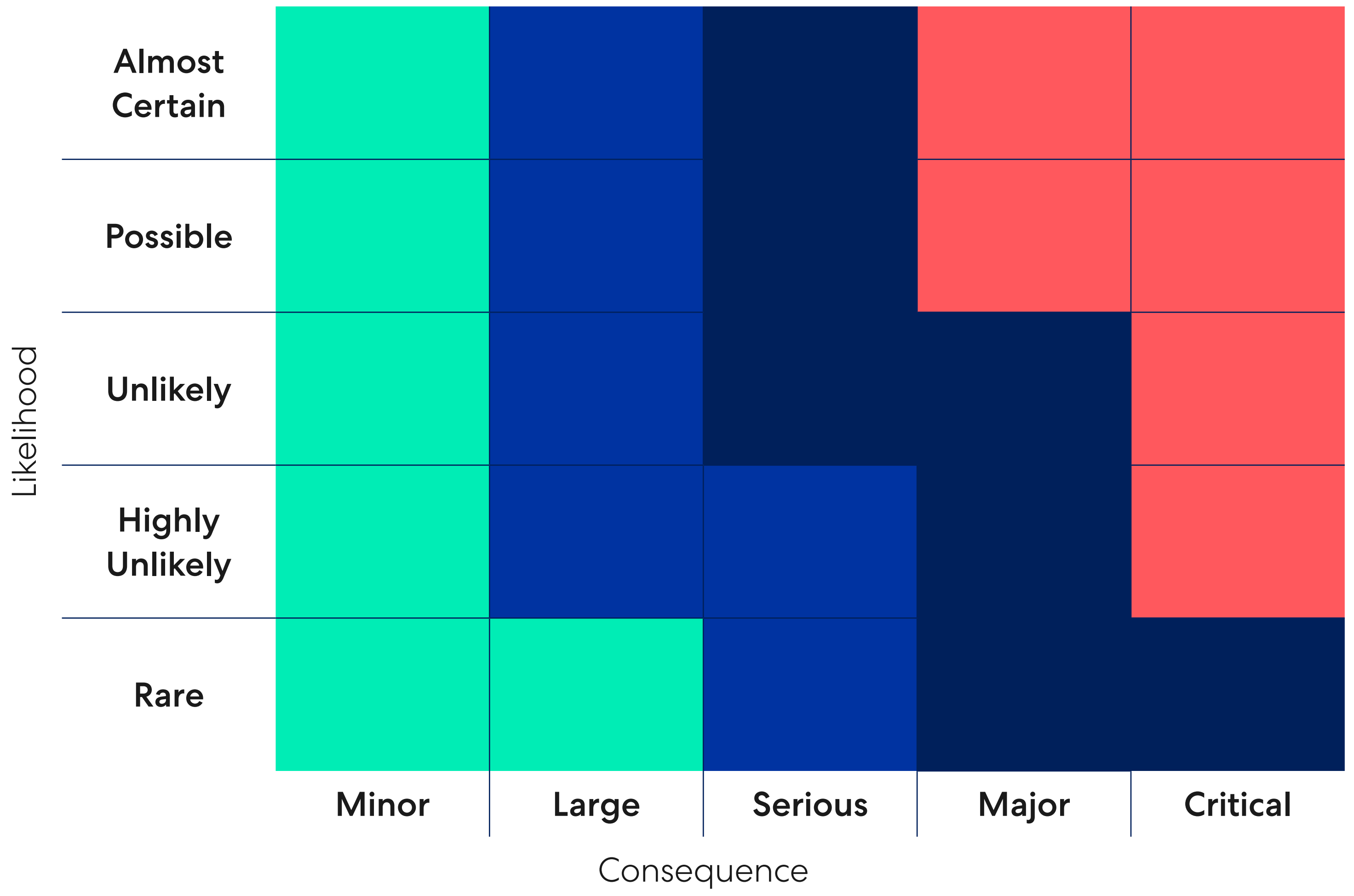
Time horizons and risk scoring

Meridian's climate-related disclosure process considers scenarios across three time horizons. This year Meridian has adopted longer time horizons that align with the climate-related scenarios, and can take into account the useful life of assets (beyond a typical business case horizon). These horizons will continue to be reviewed based on emerging and relevant context, including climate science. The time horizons are as follows:

- Short term:
  from today through 2030
- Medium term:
  from 2030 to 2050
- Long term:
  from 2050 to 2100

Transition risks are assessed using the same likelihood/consequence framework used to assess other risks within the business (see Figure 2). These risks tend to consider a short-to-medium time horizon as extremely high uncertainty exists on transition impacts beyond a mid century time horizon.

Figure 2. Climate-related risk/opportunity heat map.

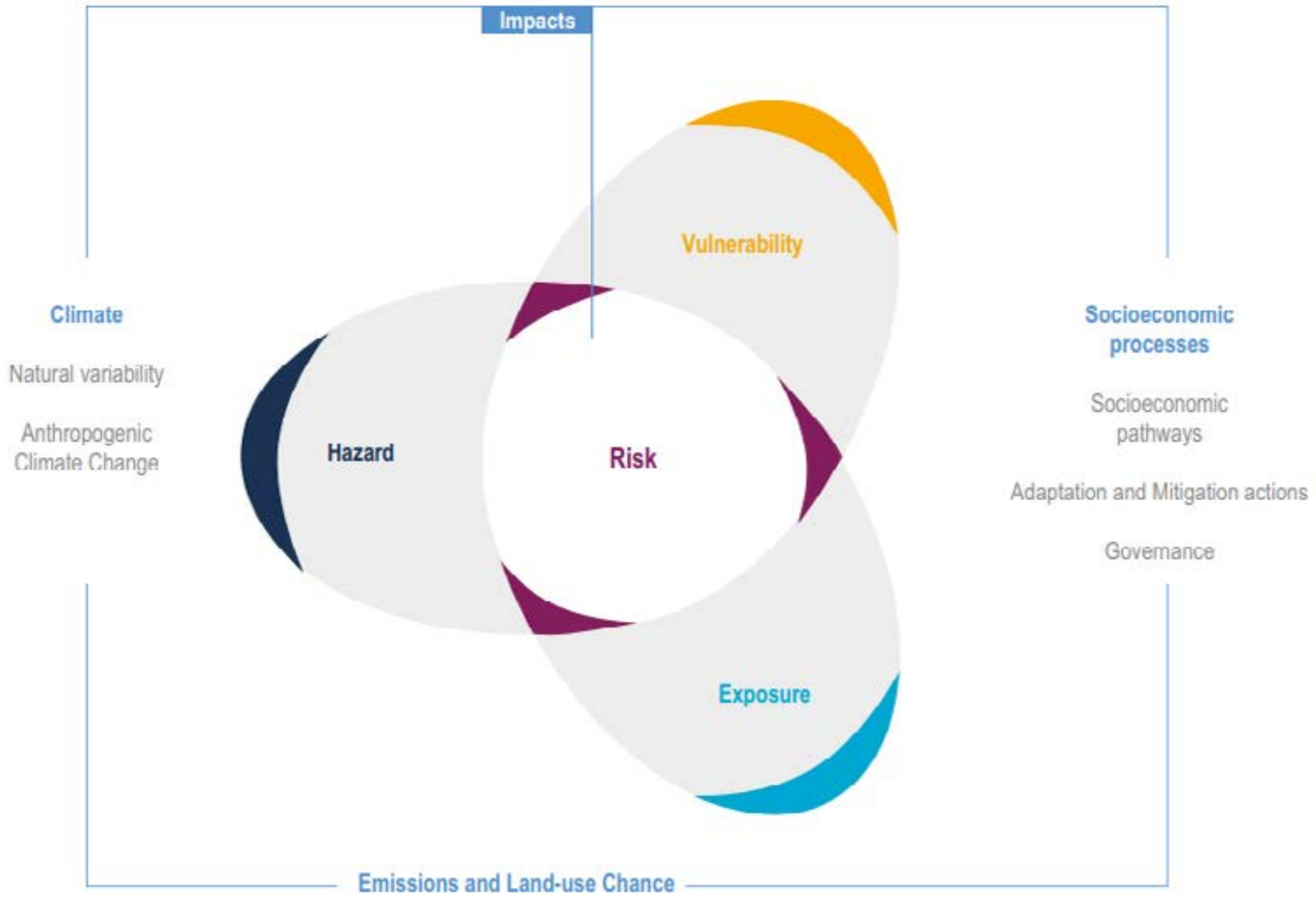


Note: Extreme = Red , High = Dark Blue, Medium = Blue, Low = Green.

In Meridian's case, physical risks need to be considered using a longer time horizon as its core business relies on assets that have useful lives over that period.

Under Meridian's new climate risk assessment process for physical risks, the exposure/vulnerability assessment was used for the first time this year (informed by IPCC AR5 – refer Figure 3), its application is expected to evolve as maturity develops.

Figure 3. IPCC AR5 risk graphic – reproduced here from IPCC AR6 Working Group II report.



Risk Management continued

Table 1. High level risk assessment criteria for physical risks.

Low	Medium	High	Extreme
Local interest or moderate regional interest. Can be handled via Business as usual.	Moderate interest nationally or significant regional interest. Moderate impact on the way Meridian will operate.	Substantial reduction to the value of Meridian or ability to achieve Meridian's strategic objectives. High interest nationally due to prolonged or significant disruption to people, environment or communities.	Impacts so significant they would impact Meridian's viability as a business or be of significant interest nationally due to permanent disruption to multiple groups.

The overall risk rating assessment is defined by the risk owner by considering all of the information gathered through the process including an assessment of the urgency of action. The assessment uses the Low, Medium, High, Extreme scale to be consistent with other Meridian risks. The high level definitions for each risk rating level are shown in Table 1. A check for consistency is applied after all risks have been assessed.

Managing climate-related risks and opportunities

The impacts of risks are quantified as part of Meridian's annual climate-related disclosure process (completed via initial group workshops and further risk/opportunity-specific meetings). This process also includes the assessment and recording of any management actions completed and/or required to manage these risks.

The use of the Low-Medium-High-Extreme rating scale to indicate the relative significance of climate-related risks and opportunities is primarily driven by their potential/actual impacts on enterprise value.

Meridian has adopted a conservative approach for climate-related disclosures, disclosing some risks and opportunities that are well below what would be considered material by New Zealand Stock Exchange requirements. For climate-related disclosure purposes, inclusion is based on guidance from the NZ Climate Standards and considers whether the matter would be of interest to Meridian's current and potential stakeholders or investors. It involves answering a key question – would this impact a decision to invest in or do business with Meridian? Some of the guidance considerations to answer this question include:

- Risks and opportunities should be considered individually and in combination.
- A well-managed risk or a lack of a process may count as relevant.
- Is there information from a sector perspective that readers would want to compare across organisations?
- If in doubt, disclose it.

An overview of the most material physical and transitional financial impacts are outlined in the Strategy section of this disclosure.

To determine whether the risk should be incorporated into Meridian's enterprise risk register, the thresholds described in Meridian's Risk Management Framework are applied. Those risks assessed as "High" or "Extreme" will feature in the enterprise risk register which is regularly reviewed at Board level. Decisions to mitigate, transfer, accept or control are made on a risk-specific basis and are informed by:

- Viable mitigation and/or control options.
- Views on the most appropriate entity and/or individual to take mitigation action(s).
- Materiality and likelihood.

Decisions regarding the public disclosure of a risk or opportunity, having taken into account Meridian's materiality threshold guidance, require consultation with the risk or process owners. The Risk and Sustainability teams recommend disclosure content to the Chief Financial Officer and GM of Corporate Affairs and Sustainability. Audit and Risk Committee has final approval on behalf of the Board.

Construction at of Meridian's sixth wind farm, Harapaki, in the Hawke's Bay.

Risk Management continued

Climate-related risks and integration with Group risk management approach

Meridian's Risk Management Policy provides the overarching framework for assessing, monitoring and managing risks, including climate-related risks. The policy meets ISO 31000:2018 Risk management – Guidelines (Second edition).

An overview of the policy, which is available on Meridian's website[1], outlines the categories of risk considered, such as people, financial, environmental, reputational and strategic risks.

At an operational level, Meridian's Executive Team assesses and monitors climate-related risks and opportunities in accordance with the levels of risk assigned through the Risk Management Policy (risk response categorisations are shown in Table 2).

Meridian's climate-related risks are assessed with the same Low, Medium, High, Extreme categories as the Group Risk Management approach. Climate-related risk that form part of other High or Extreme company risks are embedded in those risks, and those that are stand-alone risks are added to the company register to be monitored through governance levels as described by the Risk Management Policy.

Table 2. Level of risk categorisation and response as determined by Meridian's Risk Management Policy.

Risk rating	Low	Medium	High	Extreme
Ownership	Manager or subject-matter expert	General Manager together with their direct report	General Manager	Chief Executive
Resourcing	Staff and resources applied based on risk/reward assessment	General Manager together with their direct report	Priority focus of staff and resources reducing risk and building mitigation in response	High-priority focus with significant organisational effort directed at moving risk out of the Extreme rating
Reporting	Business units oversee and review actions	Risk-review process with GM and their direct reports to ensure adequate assessments of risk and treatments are in place	Biannual formal reporting to Audit and Risk Committee meeting	Monthly reporting to the Board
Monitoring	Business units monitor improvement initiatives via quarterly reviews.	Monitoring undertaken by peers or self-monitoring as appropriate	Risk owner (GM) to select most appropriate monitoring (peer or external) to ensure the steps Meridian is taking are necessary and sufficient	Risk owner (CE) needs to consider whether Meridian needs independent advice to provide assurance that the steps being taken are necessary and sufficient

1 meridianenergy.co.nz/about-us/investors/governance/risk-management

Strategy

Meridian's business model and strategy

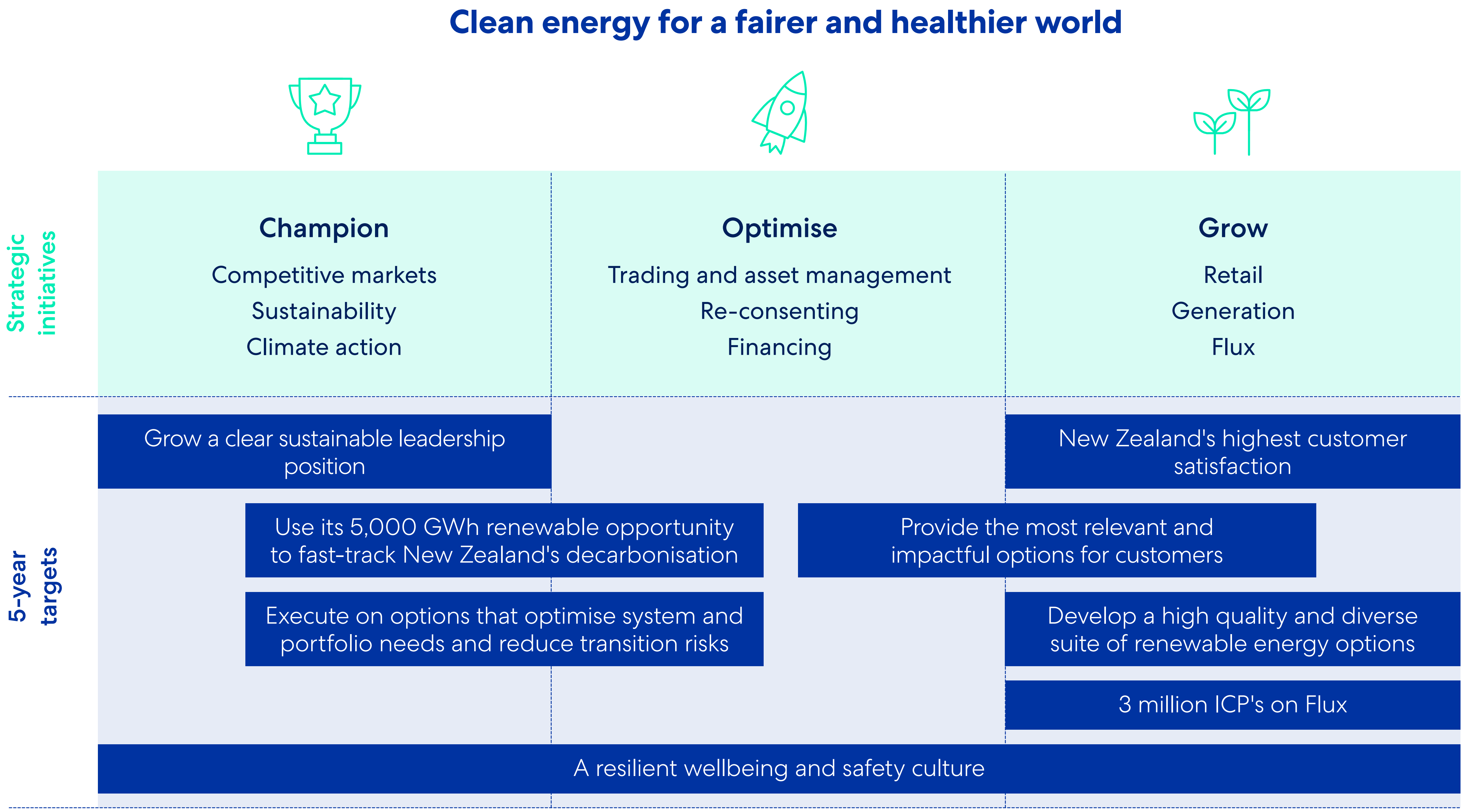
Meridian's purpose, Clean Energy for a Fairer and Healthier World, inherently means it is in its DNA to contribute meaningfully to the transition to a net-zero and climate-resilient future. Meridian's business model is anchored in creating short, medium and long-term value by generating electricity from renewable energy sources (wind, water and sun) and retailing electricity to customers. Meridian has started to build on its electricity generation heritage with further generation investment, and provide targeted decarbonisation offers in sectors such as transport and process heat.

The Meridian Group undertakes the following activities:

- **Meridian New Zealand** – 7 large hydro power stations and 5 large wind farms contributing 30% of national electricity generation, sitting alongside a retail business with two brands (Meridian Energy and Powershop) that sell electricity to 15% of residential customers in NZ (excluding New Zealand's Aluminium Smelter [NZAS])
- **Flux** – a subsidiary that offers highly configurable energy software, operating in three countries (New Zealand, Australia and the United Kingdom)
- **Dam Safety Intelligence** – a subsidiary company that offers dam-management expertise to dam owners in New Zealand and internationally.

Meridian's strategy delivers value by integrating the activities above. It presents this strategy internally using the framework shown in Figure 4.

Figure 4. Meridian Energy strategy – summary.



Strategy continued

Meridian's modelling work

Meridian has utilised two central models that explore the strategic and operational implications of climate change for its business focussing on hydrological implications – Evolution and Revolution.

Meridian's modelling uses historical weekly hydro inflow sequences – this historic data represents a distribution of possible hydro inflow profiles for a given year. These hydro inflow distributions are then applied to future years, but with adjustments applied for climate change effects (intensifying seasonality and volatility). The scenarios each use an average hydro inflow profile from the distribution of future climate-change-adjusted hydro inflow sequences. Extreme future climate-change-adjusted hydro inflow sequences may be used for targeted analysis if needed.

Meridian is awaiting the first update on global temperature and rainfall projections since 2014, with Coupled Model Intercomparison Project 6 results, to be released. NIWA is working on these outputs, and the first downscaled temperature and rainfall projections for New Zealand since 2014 are due to be released imminently. River-flow projections will follow this, and will be used in Meridian's modelling to explore out to 2060.

The resilience of Meridian's strategy and business model to climate scenarios

The Meridian Board and Management hold an annual strategy review that includes outside-in and forward-looking strategic planning, taking into consideration any changes to climate scenarios. Meridian's climate scenarios describe plausible and distinct futures with different assumptions of the potential climate-related impacts, as outlined earlier. The annual strategy review informs choices for Meridian's existing strategic initiatives and targets, and the adoption of any shifts from here. Core to the review is ensuring that the strategy is resilient to plausible futures, including different climate-related impacts.

Overall, Meridian is in a unique position to benefit from the transitional impacts of climate change – its strategy, business model and capability is anchored around a focus on climate action. The products and services Meridian offers can be enablers for businesses and individuals across Aotearoa to decarbonise, with potential for us to enable decarbonisation abroad through the hydrogen opportunity.

Meridian has implemented a number of changes to the organisation's structure over the last two years which have been driven by the need to support New Zealand's decarbonisation goals.

The physical impacts of climate change present notable opportunity as hydro-generation potential better aligns with the seasonal electricity demands unique to New Zealand. Meridian must ensure its assets, and those of its local and international partners, are resilient, particularly to acute weather events. Meridian has not yet identified a climate-related physical issue that materially affects its business model and strategy today, but Meridian notes that it will become increasingly affected by the physical impacts of climate change over the longer term.

Based on the assessment of climate-related actual and potential impacts at both the individual risk and opportunity level outlined further below, Meridian has assessed its business model and strategy to be resilient to the climate scenarios assessed. Mitigating actions at the individual risk/opportunity level are outlined in Tables 3–6.

The management actions Meridian is taking to maximise resilience of its strategy and business model to the climate-related risks and opportunities identified are also outlined.

Risk and opportunity summary

Meridian has categorised climate-related risks and opportunities as being driven by either:

- **physical impacts** arising from climate impacts such as floods and other climate system changes. Physical impacts can be acute (extreme weather event) or chronic (sea-level rise and other gradual changes); or
- **transition impacts** that arise as the economy and people transition to a lower-carbon future, such as changes to policy and customer demand that are primarily motivated by climate interests.

There are several climate-related risks and opportunities that in combination may make it easier or harder to support New Zealand's decarbonisation, or represent different types of challenges in how we adapt to the impacts of climate change.

Meridian's identified physical risks are dominated by impacts on water / hydroelectricity generation, asset damage from extreme weather events, and/or impacts on the goods and services procured through its global supply chain. Identified physical opportunities also exist for potential water seasonality changes and also electricity demand increases from its customers for applications such as irrigation or summer cooling.

Meridian's identified transition risks feature in the shorter term due to the combined effect of significant renewable energy generation build underway (bringing new capacity over time), alongside growing electricity demand, with a likely increasing carbon price impacting thermal generation in the New Zealand electricity system. The net effect expected is some impact on power system flexibility due to more scarce flexible energy products in the shorter term and until new builds and flexible demand products become available at increased scale. Transition opportunities are very significant for Meridian, driving growth and investment to support the electrification of transport and process heat at scale and catalysing the hydrogen opportunity.

A summary of our climate-related risks and opportunities, including assessment outcome, financial quantification where feasible, and management actions in place, is provided in Tables 3–6.

Refer to the Metrics and Targets section to identify which climate-related risks and opportunities Meridian's metrics and targets connect to.

Strategy continued

Meridian's planning horizons

Meridian's climate-related scenarios, risks and opportunities consider three time horizons: short term (up to 2030), medium term (2030 to 2050) and long term (2050 to 2100). Each climate-related risk and opportunity disclosed here is aligned with the time horizon that has the actual or potential greatest financial impact on Meridian.

Meridian's business planning and capital allocation timeframes are currently defined as: short 1–5 years; medium 5–10 years; and long term 10–30 years. Transitional climate impacts strongly influence short term business planning and capital allocation decisions (such as investment in a renewable energy generation pipeline). Meridian's climate-related scenarios inform physical climate risks and opportunities which increase in impact (and uncertainty) over longer time horizons. We use this information to inform business planning and capital allocation decisions today such as land purchases and design of new assets.

Climate-related impacts and influence on financial planning

Meridian undertakes financial planning annually, taking into consideration Meridian's five-yearly strategic targets, 10-year Wholesale Market Outlook (WMO) model and climate scenarios that extend to a 2100 time horizon. Major investment decisions have typically been made on a 30 year time horizon, but we are starting to consider this longer time frame.

Climate-related risks and opportunities are factored into financial planning and capital allocation by accounting for climate-related transitional impacts in Meridian's WMO and longer-term climate scenarios. For example, factoring in plausible demand increases over time for electricity driven by policy impacts and customer demand for transport electrification. These demand pathways then inform things like the scope of Meridian's renewable energy generation pipeline and its assumptions for the planned allocation of capital over time for future investments. Climate-related risks and opportunities are also factored into funding decisions on a project-by-project basis.

For example, as a part of embedding its evolved climate risk assessment methodology during FY23, Meridian started to consider potential impacts from combined climate hazards for site evaluations for Renewable Development pipeline projects under different climate scenarios.

Meridian also has an established Green Finance Framework[1] which is aligned with Market Standards: International Capital Markets Association Green Bond Principles (GBP), Climate Bonds Standard version 3.0 (CBS), and the Asia Pacific Loan Market Association Green Loan Principles (GLP). The Framework sets out the process, criteria and guidelines under which Meridian intends to issue and/or manage existing and future bonds and loans under the Programme which contribute towards achieving Meridian's sustainable objectives. The Framework enables Meridian to connect company strategy and vision to financing requirements and provide investors who want an investment that aligns with the Market Standards with a mechanism to make that investment.

Tekapo A, with snow-capped Southern Alps behind, at the start of the Waitaki Hydro Scheme.

1 www.meridianenergy.co.nz/about-us/investors/reports/green-finance

Strategy continued

Transition and adaptation in Meridian's strategy

Meridian's contribution to the transition to a net-zero emissions future is outlined in its Climate Action Plan (CAP) which details three climate priorities, and the key initiatives underpinning each – summarised in Figure 5 opposite.

Key initiatives such as the construction of the Harapaki wind farm and process heat and transport electrification offers, are all opportunities that provide value for Meridian and support its customers and others to decarbonise. Meridian has developed a roadmap to halve our FY21 operational business emissions by FY30, and has completed a range of practical initiatives to reduce one-off construction emissions. More detail on progress against these key initiatives is provided in the Metrics and Targets section. Meridian's Safety and Sustainability Committee gets quarterly progress updates on the advancement of all of these initiatives and our financial plans capture the impacts of our committed and likely transition activities.

Meridian's approach to adaptation is to ensure that its assets and services remain resilient to the physical impacts of climate change. Meridian does this by assessing risks in its current operations and putting in place mitigations (refer to the 'More intense extreme rainfall events in hydro catchments' risk in Table 3, for example), and completing due diligence on business growth activities where relevant. Meridian's financial plans, and any project-specific requirements, allow for associated assessment and mitigation costs.

Figure 5. Meridian ***Climate Action Plan****.*

Strategy continued

Meridian's climate scenarios, methodology and assumptions

During FY23, Meridian developed three scenarios to help identify potential climate risks and opportunities and inform its strategic planning more broadly. Two of these built on Meridian's prior long-standing Evolution and Revolution models. The purpose of this scenario refresh is to incorporate broader considerations (such as additional international context), extend the time horizon to better consider Meridian's longer-life assets, and aid comparability of its in-house scenarios with recognised international and local scenarios.

Meridian recognises that many plausible futures exist with differences in global temperature pathways, and changes in climate motivated regulations, or changing consumer preferences. It is also plausible that climate action in New Zealand occurs at a different pace to that elsewhere in the world, potentially creating unique transition impacts for us.

Meridian's chosen three scenarios are not forecasts but aim to provide sufficiently distinct and plausible futures to help Meridian test the resilience of its business model and strategy, and identify and assess climate-related risks and opportunities. The scenarios were developed by Meridian with expert, independent peer review and advice from a climate scientist. Meridian's Executive team and Board, both reviewed and endorsed these scenarios.

Meridian began by identifying the list of transitional and physical variables captured in the context of its unique business – for example, changes in the frequency/intensity of storm events, precipitation, carbon pricing and policy intervention levels in New Zealand and abroad. Meridian also developed scoring criteria to benchmark international and local scenarios against. As a result of this review, Meridian concluded it could best access the necessary variables by sourcing data and information from a combination of: the Network for Greening the Financial System (NGFS), Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways, New Zealand – Climate Change Commission (CCC) and New Zealand – National Institute of Water and Atmospheric research (NIWA) Representative Concentration Pathway scenarios. Meridian is able to complement this more widely accessible work with additional bespoke work it had already completed, to help understand possible hydro catchment specific impacts from climate change.

Of note, Meridian's prior Revolution and Evolution models extended to 2050 and were anchored on respective 1.5°C-2°C and 4°C pathways - they assumed the same level of temperature increase between now and 2050. This was due to similar physical impacts of climate change occurring over that time period (including the availability of water and wind energy) regardless of the temperature-increase scenario chosen from the Intergovernmental Panel on Climate Change, that is, the 1.5°C–4°C warmer worlds are not significantly different.

However, Meridian noted a 4°C warmer world in 2100 would present significant challenges, in terms of both its potential physical impacts on Meridian's dam structures and the uncertainty about how society would function in those circumstances and what an electricity business would look like as a result. Transition impact assumptions had been the primary drivers of distinction between these scenarios (models) in the past. Meridian has chosen to align its existing Revolution and Evolution scenarios with its new overarching scenarios that extend out to 2100, based on the transition impacts they represented up to the 2050 time horizon. This means that Meridian's Evolution scenario has served as an input to its Adaptive Evolution scenario below, which assumes a 2.6°C temperature rise outcome this century.

A summary is provided over the page.

West Wind Farm at dusk, Te Whanganui-a-tara Wellington

Strategy continued

Meridian's climate scenarios

Net Zero Revolution

The world reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels.

Globally, some countries achieve net-zero targets faster and easier than others, gross emissions are lower but remain a problem addressed by offsets, and nationally, some sectors face higher burdens to cut emissions than others, while other sectors are protected from policy pressures.

However, accelerated uptake of consumer electrification and industrial decarbonisation is rapid, broad, and well-supported. New investment in renewable energy generation is required with a phase-out of fossil fuels occurring rapidly.

Emissions are in line with a climate goal limiting global warming to 1.5°C by the end of the century, with low overshoots (<0.1°C) of 1.5°C in earlier years. This leads to high transition risks, but lower physical climate risks. Hydro inflows favourable in the medium term.

Key scenario assumptions include:

Global response

Policy ambition	Policy reaction	Technology change	CO2 removal approaches	Regional policy variation
1.4°C (SSP/RCP2.6)	Immediate but divergent	Fast change	Low-medium use	Medium variation

NZ Response & Physical Risk

Risks to assets	Risks to generation	Ease of development	Government intervention	Market response
Small increase	Small increase	Easier	Medium	High demand; High competition

Data sources:
- Global – to 2050 – NGFS Divergent Net Zero
- Global – to 2100 – IPCC Shared Socioeconomic Pathway SSP1-2.6
- New Zealand – to 2050 – CCC Headwinds
- New Zealand – to 2100 – NIWA Representative Concentration Pathway RCP2.6
- Meridian Revolution model

Adaptive Evolution

A lack of international coordination of the climate response occurs and each region operates independently. Globally, existing climate policies are delayed or postponed and new climate policies are not introduced until 2030. The level of action differs across countries and regions based on currently implemented policies, leading to a "fossil-fueled recovery" out of the economic crises of the early 2020s as countries rely on coal, oil, and gas developments to underpin energy security and drive economic growth at the expense of climate goals.

In New Zealand, subsidies in place today are wound back, slowing the rate of electrification and decarbonisation. While these processes do still occur, financial and reputational incentives are lower.

Globally, annual emissions do not begin to decrease until after 2030. Stronger policies are then needed to limit warming but take time to be implemented. Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks. Hydro inflows favourable in the medium term are impacted by drought. Transition risks are relatively low.

Key scenario assumptions include:

Global response

Policy ambition	Policy reaction	Technology change	CO2 removal approaches	Regional policy variation
2.5°C (SSP/RCP4.5)	NDCs	Slow change	Low-medium use	Medium variation

NZ Response & Physical Risk

Risks to assets	Risks to generation	Ease of development	Government intervention	Market response
Moderate increase	Moderate increase	Same	Low-medium	Medium demand; High competition

Data sources:
- Global – to 2050 – NGFS Nationally Determined Contributions (NDCs)
- Global – to 2100 – IPCC SSP2-4.5
- NZ – to 2050 – CCC Current Policies
- NZ – to 2100 – NIWA RCP4.5
- Meridian Evolution model

Hot House

Globally, only currently implemented policies are preserved, leading to high physical climate risks.

The economic costs of climate change impacts are strong, making finance for new investments more expensive, which in turn limits new renewable investment. Demand growth is muted but still occurs. The national and global economy is battered by increasing physical risks.

Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. Significant drought impacts hydro generation.

Key scenario assumptions include:

Global response

Policy ambition	Policy reaction	Technology change	CO2 removal approaches	Regional policy variation
3°C+ (SSP/RCP8.5)	No change	Slow change	Low use	Low variation

NZ Response & Physical Risk

Risks to assets	Risks to generation	Ease of development	Government intervention	Market response
Large increase	Large increase	Harder	Low	Low demand; High competition

Data sources:
- Global – to 2050 – NGFS Current Policies
- Global – to 2100 – IPCC SSP3-7.0
- NZ – to 2050 – CCC Current Policies
- NZ – to 2100 – NIWA RCP8.5*

* When available, NIWA RCP7.0 will be used – expected in 2024.

Strategy continued

Climate considerations in asset management

An overview of Meridian's assets and a summary of regional climate change impacts is provided in Figure 6. The ranges represent the variation across the three scenarios.

Meridian's hydroelectric generation assets have in place comprehensive dam safety assurance plans which include a Probable Maximum Flood (PMF) load case which sets the basis to ensure infrastructure is resilient to an inflow event up to this level. The PMF values are highly conservative and were last updated in 2016 for the Waitaki catchment and 2017 for the Waiau catchment – these are reviewed every 10 years. Meridian looks forward to advancing the committed Dam Safety Hydrology Group collaboration to have the Probable Maximum Precipitation (PMP) methodology updated to increase robustness in the context of climate change. PMP is a key input to PMF load case estimate to inform extreme flood hazards for Meridian reservoirs and dams. The resulting tool from this work will enable us to better assess future climate hazard projections considering a number of different climate scenarios.

Meridian's existing wind assets, and soon also grid scale solar and battery assets, have a typical design life of 30 years. Meridian also has assets on these sites with longer lifespans, such as sub stations. When making new investments in land/renewable generation infrastructure, Meridian has started to consider longer time horizons for these assets as a part of its updated risk assessment methodology (outlined in the Risk Management section). This includes consideration from factors such as sea level rise, land stability or more severe storm events. This process is helping us to understand the choices available to us to maximise resilience against potential future climate hazards.

Figure 6. Meridian generation assets and potential climate change impacts.

Climate impacts to existing assets, all scenarios with a long-term view to 2100.

Waikato

Storm events will become more likely, we can expect more hot days per year and 0–15% increase in average precipitation.

Hawke's Bay

Storm events will become more likely, we can expect more hot days per year.

Lower North Island

There may be a 0-15% increase in average precipitation and the risk of storm events will increase.

Waitaki catchment

We expect an increase in winter precipitation of 5–20% and a decrease in summer precipitation of 0–10%. There would be a greater risk of drought or prolonged dry periods as well as a risk of more frequent flood events.

Southland and Manapōuri catchment

There may be an increase in winter precipitation of 5–20% and decrease in summer precipitation of 0–10%. There would be a greater risk of drought or prolonged dry periods as well as a risk of more frequent flood events.

Impact to Meridian assets

Hydro

Periodic review of probable maximum inflows to Meridian catchments will inform its dam safety processes and procedures ensuring physical climate resilience of the assets.

Wind

A 30-year design life for equipment means more frequent upgrades to the latest technology. At these points Meridian tests continued viability of the site and ensures that the new equipment will be resilient to likely changes over their lifetime.

Strategy continued

Table 3. Physical risks.

Risk	Assessment summary	Current impacts (FY23)	Future impacts	Management actions
PR1 – More intense, extreme rainfall events in hydro catchments Risk of increased costs or reduced generation capacity from the current probable maximum flood (PMF) increasing, or damage to assets or dam failure if the current estimate of PMF is incorrect and exceeded.	New Zealand dam safety guidelines specify estimation of PMF using a conservative assessment of probable maximum precipitation (PMP) that Meridian plans for. Climate change means the estimates of PMP and PMF need to be kept up to date with the latest climate science. **Type:** Physical risk assets and to operations **Time horizon:** Medium term (2030–2050) **Risk Rating** · Hazard: Extreme rainfall (inflow event) · Exposure[1]: Low (% revenue) · Vulnerability[2]: Medium · Overall risk rating: Medium **Materiality:** Following commitment to Dam Safety Hydrology Group (DSHG) revision of PMP process, and establishing a process to incorporate climate change impacts, this risk is downgraded at an enterprise level and is no longer a key enterprise risk. Risk disclosed here to demonstrate the risk is being actively managed, and for comparability to prior year disclosures.	Meridian has had no events where inflow rainfall has exceeded the PMP for a catchment. To improve Meridian's confidence that the PMP is set accurately in the context of potential future climate impacts, Meridian is contributing to work by the DSHG. This work will provide a new tool to better update the PMP and PMF inflow estimates for Meridian's catchments, and will allow estimates of climate change impacts to be included in the estimates forecasts to set of PMP used levels. **Actual financial:** nil	Projected increases in intensity of extreme rainfall events may result in larger estimates of extreme inflow events to Meridian's reservoirs. As there is little margin in the available flood storage or spill capacity for Meridian's catchments, this would most easily be mitigated by reducing the maximum storage level in its main storage reservoir (Pukaki), and changes to the flood management operating rules. Or, in the longer term, by making physical modifications to the dam structures to increase flood storage capacity, and/or to increase spill outlet capacity. The first option would reduce the net water storage capacity of the Waitaki Scheme, reducing the amount of energy the system can produce annually. The second option would require investment of hundreds of millions and take many years to implement. Thus, if PMP updates indicate an increase in PMP and PMF this would most likely be managed through changes to the operating range in the main storage reservoir (Pukaki), and flood management operating rules. If managed as above, there is unlikely to be any change to the risk of actual damage to dam structures causing business interruption (restriction on generating) from passing extreme floods. Significant increases to PMP/PMF in a longer term horizon may require the business to consider structural changes to its dams and spill outlets to mitigate, but regular (10 yearly) review of PMP to consider climate change forecasts with a 20-30 year time horizon will allow this to be added to Asset Management and Business plans. **Potential financial:** $10-$15 NZ million per annum annualised over the medium term period. This represents exposure less than 1.5% of average forecast generation revenue.[3] **Quantification methodology:** Estimated potential financial impact is an annualised figure over a 20-year time horizon of estimated civil construction costs and negative revenue impacts. Damage to dam structures and the cost of business interruption from an extreme event of sufficient scale is not included in the quantification as it is not practical to assess the additional risk of damage to the dams and spillways from passing extreme spill events made larger by climate change.	Contribute to industry DSHG work to update PMP methodology and ensure it can incorporate projections of climate change impacts to ensure PMP can be assessed based on contemporary climate change projections. This will inform the ongoing 10-year reviews. Implement ongoing programme of 10 yearly PMP/PMF reviews, incorporating current projections of climate change impact. Last reviews: · 2016 for Waitaki Valley catchments · 2017 for Waiau catchments. Meridian's current Waitaki Valley flood rules are being updated to reflect the updated PMF estimate. Also, as part of Meridian's Resource Consent Renewal submission it is proposed that Flood Management is made a management process rather than specified as consent conditions. This will allow changes to PMP estimates and make any necessary changes to reservoir operations and flood rules simpler to implement. Insurance is in place for both physical damage and business interruption after 30 days, resulting from damage to generation assets.

1 Risk rating exposure refers to how much of the asset, business activity or other element is exposed to the hazard when it occurs.
2 Vulnerability assesses how much damage could happen to the elements exposed to the hazard – it considers sensitivity and adaptive capacity.
3 Forecast total generation revenue - annual average over 20-year outlook, as stated in FY23 valuation report.

Strategy continued

Table 3. Physical risks continued.

Risk	Assessment summary	Current impacts (FY23)	Future impacts	Management actions
PR2 – Increased hydro inflow volatility due to changing seasonal weather patterns (rain and drought) Risk to electricity generation and wholesale prices from unpredictable weather and greater likelihood of drought.	Whilst Meridian expects average annual and seasonal hydro inflow profiles to cause improved generation and demand alignment (see opportunity table 3), Meridian also expects increased volatility in the weather such as prolonged dry periods and larger inflow events when they occur. This will make it harder to manage lake levels to balance reducing the need to spill when it is wet, and retaining enough water to last a dry season. **Type:** Physical risk to operations **Time horizon:** Long (2050-2100) **Risk rating** · Hazard: Drought and rain · Exposure: Low (% revenue) · Vulnerability: High · Overall risk rating: High **Materiality:** This risk is not a key risk to Meridian in the short term, but does connect to existing Enterprise Risk Adverse hydrological conditions. The potential impacts of climate change will be managed for this long term risk via annual review, to ensure any additional mitigation actions needed in the short term are adopted, also informing the assessment of the existing Enterprise Risk.	Meridian is experiencing increased weather volatility. However, it is challenging to isolate the impact of climate change from other seasonal variation (e.g. El Niño, and La Niña) and so the short term financial impacts have not been calculated. Meridian has not incurred direct material costs or investments in FY23 as a result this risk, but investment in the construction of new renewable generation assets, over time, will result in an increased generation capacity and peak time flexibility. **Actual financial:** Not feasible to quantify as there are a considerable number of non-linear interactions in the current market between inflows and prices. It is also difficult to assess the current climatic influence on inflow volatility within the same year.	Meridian expects increasing weather volatility over time, the degree of which is dependent on the climate scenario. Our Hot House scenario presents the most weather volatility. It is becoming more difficult to accurately predict patterns therefore harder to determine the ideal lake level. If the level is too high, Meridian increases the risk of needing to spill, while if too much water is used during the wet season, Meridian risks not having enough to get through a prolonged dry season. Meridian is investing in increasing capacity and peak time flexibility to be able to better manage this. The potential financial impact to Meridian is on average neutral, with some notable range. The reputational and strategic risk is more significant as it could impact its ability to deliver Meridian's strategy of supporting New Zealand's decarbonisation. **Potential financial:** Not yet quantified due to significant uncertainty associated with the basis for any potential financial quantification. Meridian sees potential for both a negative, and positive financial impacts.	Management actions which contribute to mitigating this risk include: · Increasing generation capacity through new wind and solar · Grid level battery storage to help balance peak capacity · Virtual power plant which also helps peak capacity by allowing EV/battery users to sell back to the grid when demand is high · Negotiating flexibility into the contract with Tiwai Point aluminium smelter (NZAS) · Incorporating flexibility into future projects like Southern Green Hydrogen As noted in the Transition opportunities table, many of the above actions, are actually opportunities for Meridian, which also have the benefit of mitigating this risk.

Strategy continued

Table 3. Physical risks continued.

Risk	Assessment summary	Current impacts (FY23)	Future impacts	Management actions
PR3 – Damage to assets from extreme weather Risk to assets from extreme weather events (extreme rainfall impact on hydro operations treated separately).	Meridian's climate scenarios highlight the potential range of impacts across its asset base. Meridian expects climate change to bring more frequent and intense storms for example (refer Figure 6). There is a risk that one or a number of such events strikes one of Meridian's assets, potentially doing damage to some wind turbines, solar farms and batteries, including access infrastructure (e.g. slips prevent road access to site). Cyclone Gabrielle demonstrated that while Meridian's assets themselves might have adaptive capacity during extreme weather events, damage to the surrounding land and infrastructure can also significantly disrupt its operations. **Type:** Physical risk to operations **Time horizon:** Long (2050-2100) **Risk rating** · Hazard: Storms · Exposure: Extreme · Vulnerability: High · Overall: Medium **Materiality:** The risk of natural disaster is a key risk being actively monitored at Meridian Board level. Meridian notes impacts on a third party's infrastructure which it depends on/has less control over, could increase the overall risk rating.	During cyclone Gabrielle, Meridian's Harapaki wind farm site in Hawke's Bay suffered damage to access roads and associated infrastructure, and to a lesser extent a number of erosion channels. Overall the project site held up reasonably well, in part due to the limestone road construction methodology. Impacts to Meridian included a minor project delay (one quarter) and remediation costs from damage. **Actual financial impact:** Damage $5-$10 NZ million - will largely be covered by contract works insurance. **Quantification methodolog**y: Actual costs incurred from site repair and recovery.	Extreme weather events will become more frequent over time. Meridian's hydro assets have comprehensive dam safety plans that apply very conservative thresholds, which mean short term risks are low (refer to risk 'extreme rainfall in hydro catchments'). Meridian's existing wind assets, and soon also grid scale solar and battery assets, have a typical design life of 30 years. Meridian also has assets on these sites with longer lifespans such as sub stations. NIWA is expected to deliver updated national climate projections for Aotearoa New Zealand in 2024. Meridian plans to use these outputs when available to assess the impact on all of its assets. **Potential financial impact:** not yet quantified – to be considered as a part of the asset climate impact assessment. Potential impacts will vary by asset type and location.	Meridian is awaiting the NIWA data update to reassess the likely impact on assets. Meridian continues to work with local government and the National Emergency Management Agency on hazard analysis and applying lessons learned. The risk of a natural disaster continues to be a material risk reviewed on a regular basis by the Executive and the Board. Mitigation includes insurance cover of $1.2bn for asset damage and business interruption. The climate related factor is small compared to the earthquake risk. The chance of a flood or storm event impacting all assets is low. When making new investments in land/ renewable generation infrastructure, Meridian has started to consider longer time horizons for these assets as a part of its updated risk assessment methodology (outlined in the Risk Management section). This includes consideration of factors such as sea level rise, land stability or more severe storm events. This process helps Meridian to understand choices available to maximise resilience against potential future climate hazards.

Strategy continued

Table 3. Physical risks continued.

Risk	Assessment summary	Current impacts (FY23)	Future impacts	Management actions
PR4 – Physical supply chain risks – reliable access to global supply chain goods and services Risk to Meridian's supply chain due to global climate changes.	Climate change will impact the operations of Meridian's suppliers globally and potentially impact their ability to supply materials. Meridian needs a better understanding of where its suppliers source key materials to confidently know how exposed and vulnerable Meridian is to climate change in its supply chain. Meridian has completed an initial mapping exercise to identify where some of its critical components are sourced from, and has an understanding of alternative suppliers/source locations if needed. **Type:** Physical risks to supply chain **Time horizon:** Long (2050-2100) **Risk rating** · Hazard: Multiple potential climate hazards · Exposure: Extreme · Vulnerability: Medium · Overall: High **Materiality:** This climate-specific risk is not currently identified as a key risk to Meridian. This risk has been included to demonstrate to the audience of this disclosure that Meridian has information gaps relating to its supply chain vulnerability that Meridian wishes to address.	Meridian is not aware of any material supply chain challenges this FY related to its suppliers as a result of physical impacts from climate change. Meridian has a complex range of suppliers who in turn source key materials from across the globe. **Actual financial impact:** Nil material. *Note: Meridian has a separate Transition supply chain risk.*	Meridian expects its current and future suppliers to be exposed and vulnerable to physical impacts from climate change. As climate change becomes a greater focus for companies around the world, Meridian expects greater visibility of these risks and its suppliers are able to provide more transparency. **Potential financial impact:** Not yet quantified. Requires increased visibility of Meridian's global supply chain to form a stronger basis for reasonable quantification.	Meridian has started a project to implement new technology over the next 2-3 years that will allow more centralisation and improvement of data collection regarding its supply chain. Furthermore, Meridian will be implementing an enterprise Supplier Relationship management (SRM) framework which broadly sets in place the governance, roles, category management plans and connection to the contracted reporting and disclosures between the parties. This will drive the expectation that the 'owners' of the relationship are working to lift either one or both of supplier capability and disclosures of their supply chain to manage this risk. Investigation planned to secure long-term agreement with wind turbine supplier to further mitigate supply chain risks (including geopolitical, pandemic, climate-related).

Strategy continued

Table 4. Transition risks.

Risk	Assessment summary	Current impacts (FY23)	Potential future impacts	Management actions
TR1 – Power system flexibility There is a risk to earnings due to increasingly scarce flexible energy products, and increased volatility of wholesale electricity prices (from intermittent generation).	Thermal generation in New Zealand currently plays a significant role in responding to periods of reduced renewable supply, such as dry periods in the hydro catchments. It is likely that much (or all) of this thermal plant will be replaced by renewable energy options over time. In the short-to-medium term, whilst new renewable generation build is underway, and thermal energy is limited and with alternate flexible products at scale on the way, it is likely that this will lead to: higher levels of electricity spot price volatility, and increasing demands on flexible elements within the existing power system, such as hydro. This risk has significantly influenced Meridian's strategy and decision making to ensure Meridian is contributing to a resilient, efficient and flexible energy supply for New Zealand. **Type:** Transition risk to earnings **Time Horizon:** Short term (now to 2030) Risk rating · Hazard: Other (multiple drivers) · Likelihood: Almost certain · Consequence: Large · Overall: Medium **Materiality:** This risk is not a key risk to Meridian, but is linked to the company risk – market supply. This risk has been included to demonstrate that the risk is being actively managed.	Improved 'outage' or scheduled works on the Ōhau hydro chain maintenance, minimises outage time. Introduction of flexible outages that will go ahead based on market situation (e.g. wind / NZ demand). Swaption portfolio change – new swaption arrangement provides greater flexibility and a stronger fit to Meridian's generation asset profile. Negotiated peak demand flexibility with the Tiwai Aluminium Smelter Demand flex contracts for large Retail customers. **Actual financial**: $20 NZ million **Quantification methodology:** approximate current annual spend for availability of flexibility products.	This risk will reduce over time. The short to medium term impacts relate to the advancement of identified management actions (right), and continued security of flexible options to manage supply. Ruakākā battery operational mid decade. **Potential financial:** $20–$80 NZ million annualised over the short term. Represents exposure of less than 7% of average forecast generation revenue.[1] **Quantification methodology:** High-level estimate of annual costs, and informed by the actual costs of current risk instruments and internal views on the magnitude of potential changes to electricity spot price volatility and investments that may be required to provide flexibility.	Mature commodity risk framework in place (Electricity Hedging Policy) that includes specific limits on allowable exposure to spot electricity price risk. Within that framework the cost of mitigation is traded off against the impacts of accepting the risk. Continue to invest in assets and strategies that increase flexibility including outage planning, battery and virtual power plan solutions. Asset management and outage planning to deconflict with any source constraints i.e., plan some outages whilst windy so wind generation provides outage generation cover. Actively investigating new options to provide flexibility in place of that provided by thermal, such as hydrogen and large-scale batteries. Virtual Power Plant (VPP) initiative will enable greater access to demand flexible products such as industrial heat processes, solar, batteries, hot water cylinders etc. See Metrics and targets section for performance against relevant actions above.

1 Forecast total generation revenue - annual average over 20-year outlook, as stated in FY23 valuation report.

Strategy continued

Table 4. Transition risks continued.

Risk	Assessment summary	Current impacts (FY23)	Potential future impacts	Management actions
TR2 – Carbon price uncertainty Risk to earnings due to higher wholesale market prices caused by carbon price rise during a period when Meridian is supply constrained (key drivers being dry winter period and where shorter term capacity constraints exist).	This risk is directly correlated to Power system flexibility due to carbon price benchmarking in some financial derivative product arrangements, associated with meeting our commodity risk framework requirements. This represents Meridian's most significant exposure to carbon price escalation. Meridian is also exposed through price offers of thermal generators particularly through winter. This year has seen peaky prices due to a combination of plenty of hydro capacity meaning thermal generators have been needed to cover peaks but setting prices high through peaks and low offpeak in order to be dispatched. **Type:** Transition risk to earnings **Time Horizon:** Short term (now to 2030) **Risk rating** · Hazard: Carbon pricing · Likelihood: Possible · Consequence: Large · Overall: Medium **Materiality:** This risk is not a key risk to Meridian, but is linked to Power system flexibility. This risk has been included to demonstrate this disclosure that carbon price risk is considered and managed.	Negligible impacts during FY23 with minimal calling on financial derivative products. More widely, the price for NZ ETS collapsed from late 2022 as the NZ Government did not adopt the Climate Change Commissions (CCC) recommendations. In late July 2023 following a legal challenge, the Government has changed approach and affirmed the CCC's recommendations. This has seen prices recover and set expectations for higher prices. Meridian recently submitted on discussion documents for a review of the NZ Emissions Trading Scheme (ETS), and a redesigned NZ ETS Permanent Forest Category. The potential for changing Government policy settings are likely to continue. The potential for changing Government policy settings are likely to continue to remain a risk for long-term pricing and investment.	This risk will reduce over time, consistent with the Power system flexibility risk. **Potential financial:** Meridian has not yet quantified the carbon price component of the risk through exposure in the security of financial derivative products, this is likely to be a small part of the Power System Flexibility potential financial impact, based on ensuring the availability of financial derivative products over the next 5-10 years.	Management actions outlined under Power system flexibility apply here, which ultimately reduce dependency on flexible products priced from a carbon price benchmark. See Metrics and targets section for performance against relevant actions above.
TR3 – Transition supply chain risks –affordable and timely access to global supply chain goods and services There is a risk of renewable energy asset development/maintenance costs increasing, and timely access to goods being impacted, due to increased global demand for associated goods and services because of international policy and market demand for low carbon products.	As the world is decarbonising there will be global competition for the same products and materials. Meridian is a small purchaser on a global scale so it has to be strategic in how it secures the goods and services required. Meridian has completed an initial mapping exercise to identify where some of its critical components are sourced from, and have an understanding of alternative suppliers / source locations if needed. At the same time, Meridian is committed to ethical sourcing and recognises that its suppliers having growing businesses in a range of countries with differing employment standards. There is opportunity to increase Meridian's visibility of its global supply chain, and increase its assessment quality for this risk. **Type:** Transition risk to supply chain **Horizon:** Short term (to 2030) **Risk rating** · Hazard: Supply chain · Likelihood: Almost certain · Consequence: Large · Overall: Medium **Materiality:** This climate-specific risk is not a key risk to Meridian, but it does have a related Enterprise risk Economic climate, driven by a range of factors such as COVID-19, the Russian-Ukraine conflict and growing global demand for renewables. This risk has been included to demonstrate that the risk is being actively managed.	Meridian has been experiencing increasing lead times and increasing prices, however, the impact of increased competition from climate-motivated demand is negligible compared to the impact of geo-political factors, inflation, and COVID-19 related supply chain disruptions. **Actual financial impact:** Nil material or specifically attributable to this risk (other factors dominated) *Note: Meridian has a separate Physical supply chain risk.*	Over time Meridian expects the installed capital cost of wind and solar generating technology to fall, however, in the short term, global demand may mean these savings are not realised. Furthermore, this demand surge introduces possible environmental and social standard risks requiring investments in supply-chain transparency, and possible cost premiums from sole sourcing where required to mitigate the risks. **Potential financial impact:** Not yet quantified due to significant uncertainty associated with the basis for any potential financial quantification. Supply chain impacts influenced by multiple factors beyond climate-specific.	Meridian ensures all development contracts are negotiated at the beginning of a project and are incorporated into the financial investment decision. Meridian is building supply chain capability including technology that allows more centralisation and functionality to support increased visibility of its supply chain. Today Meridian completes Modern Slavery due diligence across its high risk procurement categories, and targeted additional due diligence for major developments, to aid in its ethical sourcing commitment. This includes seeking visibility of mineral re-purposing, recycling and recovery initiatives. Investigation planned to secure long-term agreement with wind turbine supplier to further mitigate supply chain risks (including geopolitical, pandemic, climate-related).

Strategy continued

Table 5. Physical opportunities.

Opportunity	Assessment summary	Current impacts (FY23)	Potential future impacts	Management actions
PO1 – Annual and seasonal hydro inflow profiles improving generation and demand alignment	Projected changes to Meridian's inflow profiles in the Waiau and Waitaki catchment areas are likely to better match anticipated changes in New Zealand's electricity demand profile. **Time horizon:** Long term (2050-2100) **Alignment to TCFD:** Energy source, Resilience **Opportunity rating** · Exposure: Medium · Benefits: Large · Overall rating: Medium **Materiality:** This is not a key opportunity for Meridian but is a noteworthy benefit of potential interest to its stakeholders. This opportunity has been included for visibility that Meridian has identified and assessed the potential future impact.	Meridian is not yet seeing an increase it can attribute to climate change. El Niño and La Niña weather patterns tend to have a more immediate impact which may mask long term climate patterns. **Actual financial impact:** nil	Meridian expects to see margin uplift as a result of price-participation improvement. This would be a result of Meridian's electricity supply and demand better aligning during wholesale market trading – largely hydroelectricity assets would be expected to achieve higher returns as a result of the changes to the hydro inflow profile from climate change. **Potential financial impact:** $10–$60 NZ million annualised. Represents exposure of less than 5% of average forecast generation revenue.[1] **Quantification methodology:** Estimated potential financial impact is an annualised figure modelled over a 30-year time horizon. This is calculated using an assumed increase in price participation of 2%–10% by 2050 for Meridian generation assets and the relative margin uplift under Revolution and Evolution modelling demand outlooks (representative of Net Zero Revolution and Adaptative Evolution scenarios). There is significant uncertainty in this calculation.	Wholesale market team manages the changing inflow profile using a market optimisation approach informed by weekly inflow forecasts and analyses of short- to medium-term weather patterns.
PO2 – Increased electricity demand from agriculture irrigation and summer cooling load	Changing weather patterns mean Meridian's customer base may increase electricity consumption as a result of physical climate change impacts, mainly for agricultural irrigation or for summer cooling. **Time horizon:** Long (2050-2100) **Alignment to TCFD model:** Resilience, Markets **Opportunity rating** · Exposure: Low · Benefits: Large · Overall rating: Medium **Materiality:** This is not a key opportunity for Meridian but has been included for visibility that it has identified and assessed the potential future impact of electricity use changes customers may experience as a result of changing weather patterns due to global warming.	Meridian is not yet seeing a material increase in electricity demand it can directly attribute to the physical impacts of climate change (i.e., irrigation / summer cooling needs). **Actual financial impact:** nil	As the number and intensity of hot days and periods of drought increases, Meridian would expect demand from agriculture, residential and commercial cooling to increase. The scale of demand increase is highly dependent on our climate future. For example, between Meridian's Adaptive Evolution and Hot House scenarios, hot days per year could increase by 5–50 in some regions. Hydro assets could be used more to manage peaking capacity. Planned increase in solar generation capacity will align well with potential electricity demand increase from physical climate impacts. **Potential financial impact:** $5–$10 NZ million per annum. Represents exposure of less than 1% of average forecast generation revenue.[1] **Quantification methodology:** Annualised financial impact range over the long term based on potential electricity demand difference between an Adaptive Evolution and Hot house scenario future.	To respond to the potential requirement for new renewable generation Meridian maintains a pipeline of development options. See Metrics and targets section for performance against relevant actions above.

1 Forecast total generation revenue - annual average over 20-year outlook, as stated in FY23 valuation report.

Strategy continued

Table 6. Transition opportunities.

Opportunity	Assessment summary	Current impacts (FY23)	Potential future impacts	Management actions
TO1 – Electrification of transport and process heat, and virtual power plant	Increased electricity demand through transport and process heat electrification is an opportunity for business growth. These use case applications also create additional potential benefit through demand flexibility – offering a new market opportunity through a Virtual Power Plant (VPP). By working smartly with EV chargers, industrial heat processes, solar, batteries, hot water cylinders and Meridian customers, a VPP will make things simple for customers to maximise uptake. **Time horizon:** Medium (10-30 years) **Alignment to TCFD:** Resource efficiency, resilience, markets, products/services. **Opportunity rating** · Likelihood: Possible · Benefit: Significant · Overall rating: High **Materiality:** This opportunity is a central part of Meridian's Retail Strategy with progress reporting and governance oversight at Board level. The opportunity is a feature in the shared Executive Scorecard.	During FY23 Meridian's efforts have focused on the continued roll out of its Zero charging network, additional commitments from customers secured for process heat electrification with demand response provisions included, and the piloting of a Virtual Power Plant. **Actual financial:** $1 NZ million **Quantification methodology:** Accounts for costs and revenue associated with Zero charging network roll out, process heat electrification work during FY23 and minor early VPP pilot costs.	Revenue upside most significant over the medium term. Potential effects of transport and process heat electrification, and VPP uptake based on Evolution and Revolution modelling (linked to Meridian's Net Zero Revolution and Adaptive Evolution scenarios). **Potential financial impact:** $10-$40 NZ million. Represents exposure of less than 3.5% of average forecast generation revenue.[1] **Quantification methodology:** Estimated potential financial impact is an annualised figure modelled over a 30-year time horizon. This is calculated using assumed new electricity demand profiles for these use cases under Evolution and Revolution models and applying a possible margin range. There is significant uncertainty to this calculation.	Meridian is pursuing alternative forms of electricity demand across workstreams focused on the electrification of industrial heat and transport, and the scaling of a Virtual Power Plant. Initiatives include: · Certified Renewable Energy (CRE) offer and decarbonisation fund · Process heat electrification offer · Zero EV charging network · EV pricing plan offer · Virtual power plant · Meridian's development pipeline to underpin generation capacity growth for multi-sector decarbonisation See Metrics and targets section for performance against relevant actions above.
T02 – Sustainability leadership and ESG performance	Meridian has an established focus on sustainability and ESG performance. As this has become a key criteria for investors (among other stakeholders), Meridian could maintain an advantage over organisations not relatively as mature. **Time horizon:** Short term (now to 2030) **Alignment to TCFD:** Markets **Opportunity rating** · Likelihood: Possible · Benefit: Major · Overall rating: High **Materiality:** This opportunity is potentially material to Meridian with performance reporting and improvement plans having oversight up to Board level, via the Safety and Sustainability Committee, and measures in the shared Executive Scorecard.	**Potential financial:** major **Quantification methodology:** with significant uncertainty associated with any quantification method, Meridian has opted not to disclose a specific indicative figure.	Attractive investment proposition through sustainability leadership. **Potential financial:** Major. **Quantification methodology:** with significant uncertainty associated with any quantification method, Meridian has opted not to disclose a specific indicative figure.	Develop and deliver new climate-focused initiatives such as the renewable development pipeline and the new Harapaki wind farm currently under construction. Deliver and disclose progress against business emission reductions – Half by 30. Maintain wider ESG performance to retain inclusion in the S&P Asia Pacific Dow Jones Sustainability Index. See Metrics and targets section for performance against actions outlined above.

1 Forecast total generation revenue – annual average over 20-year outlook, as stated in FY23 valuation report.

Strategy continued

Table 6. Transition opportunities continued.

Opportunity	Assessment summary	Current impacts (FY23)	Potential future impacts	Management actions
TO3 – New markets – green hydrogen/ammonia (Southern Green Hydrogen)	Meridian is pursuing an opportunity to produce green hydrogen/ammonia at scale to meet growing international demand, and potential domestic use for hard to abate use cases. It is anticipated the green hydrogen/ammonia plant will be designed to ramp down to support the NZ electricity sector during years of low inflows or high demand. **Alignment to TCFD:** Markets, products/services, resilience. **Time horizon:** Medium term (2030-2050) **Opportunity rating** · Likelihood: Possible · Benefit: Major · Overall rating: High **Materiality:** This opportunity is potentially material to Meridian with performance reporting and improvement plans having oversight up to Board level.	Meridian completed an RFP during FY23 to confirm development partners Woodsite and Mitsui & Co., Ltd., to advance the Southern Green Hydrogen opportunity. Murihiku Regeneration, representing Ngāi Tahu and local rūnanga of Murihiku, are working closely with the project team to ensure alignment with their local vision for the region. Work this year has continued with a focus on establishing a Joint Venture, and finalising the workstreams required, to advance toward a Final Investment Decision (FID) by 2026. **Actual financial:** $3 NZ million **Quantification methodology:** Meridian SGH project expenses for FY23	Meridian FTEs will continue to advance specific workstreams up to FID in 2026. Progress beyond this point would include construction efforts and transition to an operating facility and supply to ammonia market(s). **Potential financial:** Not quantified. **Quantification methodology:** At this stage of the Project there remains significant underlying uncertainties that mean the potential future financial impacts remain unquantifiable. The uncertainties include: tenure of existing large demand, MW size of SGH plant, ammonia offtake price and terms, capex for plant and underlying project opex. The pre-FID development period aims to confirm these underlying uncertainties in an effort to build a compelling business case.	Complete the establishment of a SGH Joint Venture and begin work on workstreams Meridian is responsible for. Final Investment Decision planned for 2026. See Metrics and targets section for performance against relevant actions above.

Metrics and Targets

Greenhouse gas emissions

- Meridian prepares an annual GHG Inventory, including scope 1, 2 and 3 emissions. Its FY23 GHG Inventory is available on the Meridian website, and a summary of these emissions are reproduced from its GHG Inventory in Table 7, of note:
- Emissions for the base year (FY21) were restated, as a result of a change in emission factor methodology impacting base year emissions, greater than our significance threshold of 5%. New spend-based emission factors were published in FY23, and have been applied.
- The largest absolute increase compared to FY22 for operational emissions was in upstream transportation and distribution (2,397 tCO2e) due to increase in scope 3 distribution emissions.
- One-time construction emissions have increased associated with the construction of a wind farm (see action taken to avoid)
- 100% of business emissions (including one-time construction) are now offset.

Meridian's GHG Inventory is stated in accordance with the requirements of International Standard ISO 14064-1:2018: Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Meridian applies the operational control and consolidation approach to its emissions and its GHG Inventory outlines how it has derived its facilities and operations within the boundary. This consolidation approach allows Meridian to focus on those emission sources over which it has control and for which it can therefore implement management actions, consistent with Meridian's corporate responsibility objectives. Facilities included in Meridian's GHG Inventory boundary include:

- **Meridian NZ:** comprised of legal entities: Meridian Energy Limited, Dam Safety Intelligence Limited
- **Flux NZ:** comprised of legal entities: Flux Federation Ltd, Flux UK Ltd

Emission factors used in the preparation of Meridian's GHG Inventory are outlined in section 11, page 22 of its GHG Inventory. In summary, emission factors used were sourced from Ministry for the Environment (MfE, New Zealand)[3] or Department for Business, Energy & Industrial Strategy (DBEIS, United Kingdom)[4].

Meridian's GHG Inventory is subject to independent reasonable assurance by Deloitte Ltd in accordance with International Standard on Assurance Engagements (New Zealand) 3410: Assurance Engagements on Greenhouse Gas Statements ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board.

Table 7. FY23 GHG emissions.

Business activity	Scope	FY23 Total Emissions tCO_2e	Offsets**	FY21 tCO_2e (base year)	FY22 tCO_2e	FY23 remaining tCO_2e
Operational	Scope 1	1,191	1,191	1,020	643	0
	Scope 2 (market based)	2	2	14	2	0
	Scope 3 operational	32,270	32,270	29,557	32,225	0
	Subtotal	33,463	33,463	30,591	32,870	0
Energy purchased and on-sold*	New Zealand electricity	0	0	0	0	0
One-time construction	Scope 3 one-time construction	14,295	14,295	284	8,242	0
		14,295	14,295	284	8,242	0
Total Group value chain emissions (S1, 2 & 3 (market based))* **		47,758	47,758	30,875	41,112	0

Additional indicators	FY21	FY22	FY23
Electricity generation (kWh) Meridian NZ	12,692	13,557	13,903
Emissions from fuel used to generate electricity (tCO2e)	0	0	0
Generation emissions intensity (tCO2e.GWh of generation)****	0	0	0

* Emissions of Meridian's retailed electricity using the market-based methodology. In New Zealand we use the annual netting off methodology.

** Offsets include credits cancelled by suppliers against their own emissions, and Gold Standard Voluntary Emission Reductions for the balance.

*** Total emissions are calculated using the market-based methodology for Scope 2 emissions. All emissions exclude historical Meridian Australia emissions (business sold end January 2022).

**** Meridian's generation emissions intensity is calculated using an industry accepted metric. The GHG emissions included are those from the fuel used in generation. As Meridian uses only renewable energy to generate electricity, this is 0%.

3 Ministry for the Environment. 2022. Measuring emissions: A guide for organisations: 2023 detailed guide. Wellington: Ministry for the Environment. environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2023-detailed-guide/

4 UK Government GHG Conversion Factors for Company Reporting: 2023 full set v1.1 www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023

Metrics and Targets continued

Meridian has a GHG reduction target of halving FY21 operational emissions by FY30 – which includes a 50% scope 1 and 2 reduction, and a 50% scope 3 reduction (excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects).

Meridian has had approval from the Science Based Targets initiative (SBTi) that its commitment to reduce absolute scope 1 and 2 GHG emissions by 50% by FY30 from a FY21 base year is in line with a 1.5°C trajectory, with its further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe[5].

Meridian has also committed to set long-term emission-reduction targets with the SBTi in line with reaching net zero by 2050, and it's excited to be part of the Business Ambition for 1.5°C campaign. Meridian publicly discloses on its Half by 30 initiatives, and progress towards this commitment annually. Meridian's **Climate Action Plan**, which includes its Half by 30 roadmap (and interim targets to FY30), is publicly available on the Meridian website.

Meridian's Half by 30 target is also included in the summary Metrics and targets table below.

Meridian's **Climate Action Plan** also outlines one of its top priorities – renewable energy generation – which includes the construction of new assets to increase capacity in New Zealand. Meridian is pleased to have begun construction at two sites – Harapaki wind farm and Ruakākā Energy Park. How Meridian builds matters. Meridian can bring significant reductions to the emissions from its construction activities and it is important to Meridian to decouple the growth of its development pipeline with growth in associated emissions – both during construction and the operational life of its assets. Refer to Table 10 for detail on associated one-off construction project targets.

Key risks that may affect Meridian's ability to reduce business emissions include:

- decoupling business growth from emissions growth. As Meridian looks to invest in and build further renewable generation facilities, it must continue to proactively minimise one-off construction emissions and 'design out' future operational emissions. Meridian sets Sustainability Management Plans for all new renewable generation projects, with KPIs including emissions reporting and reduction requirements. Meridian will continue to report on the actions taken to minimise these emissions, and demonstrate its commitment to continuous improvement over time.
- addressing the large proportion of operational emissions (>95%) in its supply chain. Meridian is committed to addressing these emissions, and is approaching this in a targeted way where its efforts will create impacts that would not yet otherwise occur. There is an inherent risk in addressing supply-chain emissions based on the independent organisations in Meridian's supply chain, and the number and size of the organisations involved.
- some emission sources are in the 'hard to abate' sectors, such as those involving air travel and heavy vehicles and machinery. Meridian does not track a GHG emission-intensity metric. As a generator of 100% renewable energy, the fuel source for the electricity generated has no emissions. Therefore, GHG emission intensity is not the most relevant metric for Meridian to adopt to track emission reductions.

5 Excluding Meridian Australia FY21 emissions from the baseline after its sale in January 2022.

Ika Rere electric ferry, Days Bay, Te Whanganui-a-tara Wellington

Metrics and Targets continued

Remuneration

Meridian's annual report provides a detailed description of its approach to remuneration. Pay for Executives includes a 30% Short term incentive (STI) component and 50% for the Chief Executive. Up to 40% of the STI is based on performance against a Board-approved scorecard. Table 8 describes alignment to climate-related issues within each performance area.

Table 8. Executive Scorecard Summary FY23.

Performance Area	Description	Climate change alignment	Weighting
Decarbonisation Led Growth	Develop a high quality diverse suite of renewable energy options	Focus is on leveraging opportunities to support New Zealand and international decarbonisation efforts	20%
Customer	Customer satisfaction and growth	Includes adding power system flexibility which directly addresses one of the transition risks	20%
Optimise Business performance	Execute options and optimise portfolio needs while reducing risk	Includes operational changes that support NZ's move to 100% renewable energy	20%
NZ Aluminium Smelter (NZAS) Closure Mitigation	Find new sources of demand in the South Island to mitigate the impact of potential NZAS closure	N/a	20%
Sustainability	Grow a clear sustainability leadership position through purposeful action	Strong ESG performance including emissions reduction goals	10%
Investment Stability	Regulatory, legal and government relations accelerate and improve NZ's decarbonisation transition	Includes industry and other external influence to support NZ's decarbonisation	10%

The sum of the above may also be varied based on workplace safety culture, overall workplace engagement, and individual performance.

As described in the Governance section, when annually setting and assessing performance against the Executive Scorecard, the Board considers key initiatives that are designed to address material risks, opportunities and to execute Meridian's strategy.

Exposure to Risks and Opportunities

Physical Risks

100% of Meridian's generation assets are exposed to the physical risks of climate change to a degree – impacts vary by asset type, location, and time horizon (as summarised in the Strategy section). Meridian's hydro assets have lower relative vulnerability and any potential negative financial impact from extreme inflow events (physical risk) is mitigated by improving average annual alignment (physical opportunity) between New Zealand electricity demand and the outlook for wetter winters and drier summers. Meridian is implementing mechanisms to factor 30 year forecasts into hydro generation asset planning that will inform any investments required to further mitigate risks. For example, Meridian is working with Dam Safety Hydrology Group on revised precipitation forecasts to accommodate climate change more accurately.

The vulnerability of wind, solar, and battery is influenced by geographic location and potential impacts to land and surrounding infrastructure.

The lifecycles of the assets are 30 years, after which time Meridian typically plans for these to be replaced with new, more efficient, technology. Cyclone Gabrielle demonstrated that damage to roading and transmission outside of our control can slow projects, impact its ability to generate, and slow maintenance. The financial impacts for events such as this are largely mitigated by insurance.

Specific physical risks to our assets from exposure to potential climate-related impacts include those in the Strategy section: PR1, PR2 and PR3.

Transition Risks

As presented in the Strategy section, Meridian uses hedging to manage the power system flexibility risk that is created by a reduction in thermal generation. Meridian's investment of $20m equates to 2% of forecast generational revenue.[6] Supply chain impacts are difficult to estimate but the impact of delays to its renewable pipeline could be significant to the timeframe or revenue of a delayed project.

Climate-related opportunities

Meridian's strategy has been anchored on climate action and supporting New Zealand's decarbonisation. Meridian's current renewable generation capacity is 2.8GW and it has a pipeline to start projects that will increase by 786MW (or 30% of current capacity) by 2030 and a deep pipeline of 4.7GW (or 170% of current capacity) of advanced prospects that might start by 2050. This does not include grid scale battery projects which would provide 200MW.

6 Forecast total generation revenue – annual average over 20-year outlook, as stated in FY23 valuation report.

Metrics and Targets continued

Capital Deployment

Most asset maintenance that builds resilience to climate change will be drawn from operational budgets. Table 9 describes the capital expenditure and investment towards climate-related risks and opportunities.

Table 9. FY23 climate-related Capital deployment.

Item	FY23 Spend	Method/assumptions
New renewable development (supports climate-related risks and opportunities: PR2, TR1, TR2, PO2, TO1, TO2)	$259m	Includes costs relating to Harapaki project and Ruakākā battery. We have a further approx. $2.5–3.5bn estimated over 7 years to the end of FY30 which covers 7 projects.
Investment in energy solutions projects (supports climate-related risks and opportunities: PR2, TR1, TR2, TO1, TO2)	$4.8m of capital expense recognised on the balance sheet Approximately $2m of operating expenditure incurred	The amount reflects spend on various energy solution initiatives undertaken by the Retail business unit. These initiatives range from offering rooftop solar to both residential and commercial customers, building out EV charging network across New Zealand, supporting commercial customers transition to electric fleet and enabling industrial customers to convert from fossil fuel-based boilers to fully electric. The amount budgeted for FY24/FY25 initiatives is around $7m.
Certified Renewable Energy (supports climate-related opportunities: TO1, TO2)	$0.5m	Meridian markets Renewable Energy Certificates (RECs) that enable Customers to report their business' market-based scope 2 emissions, the ones linked to their electricity usage, as zero. These certificates enable customers to demonstrate their commitment to sustainability, applies market influence on generators to increase renewable generation and provides tangible evidence that they are supporting renewable energy generation. These are tradable securities and Meridian ring fences profits generated from the creation and issuance of these certificates for charitable purposes with KidsCan being the main recipient in FY23.
Southern Green Hydrogen (supports climate-related risks and opportunities: PR2, TR1, TR2, TO2, TO3)	Commercially sensitive	Work this year has focussed on identifying partners and establishing a joint venture and the workstreams required to advance towards an investment decision by 2026.

Selected metrics – with no targets

Meridian applies carbon-pricing assumptions in its climate-related models, which are informed by current New Zealand emissions unit (NZU) pricing and policy assumptions. In FY22, the carbon pricing assumptions applied ranged from $70/tonne CO_2eq in the short term up to $250/tonne CO_2eq in the longer term. Meridian committed to establishing in FY23 an internal emissions price focused on catalysing delivery against its Half by 30 target – its current approach uses NZ Emissions Trading Scheme (ETS) pricing as a proxy for specific projects, also factoring in avoided offsetting costs if material and relevant. Meridian is assessing the adoption of a higher internal carbon price, to drive decarbonisation pace and reflect the social cost of carbon – its **Climate Action Plan** will continue to be updated as Meridian advances this work.

Selected metrics – with targets

Meridian's priority metrics and targets to manage its climate-related risks and opportunities, and performance against them, are outlined in Table 10. As an overarching approach, Meridian adopts bespoke metrics and targets for material climate-related risks and opportunities, including enabling project-specific metrics and targets.

Meridian has implemented some structural changes to help better leverage climate-related opportunities. This included setting up a new team focussed on Energy Innovation in its Retail business unit. This has led to a change in focus and at the time of this disclosure, a long term approach to targets and metrics is still in development. Meridian looks forward to sharing targets and metrics in the 2024 disclosure that exhibits its progress in helping its customers lower their emissions, and how Meridian creates more flexibility in the New Zealand power system.

Metrics and Targets continued

Table 10. Climate-related metrics and targets summary.

	Target	Baseline and History	Performance	Method/assumptions
GHG gross operational emissions	Half by 30: 50% reduction in operational emissions by FY30, from an FY21 baseline. Comprised of SBTi verified targets: • reduce absolute scope 1 and 2 GHG emissions by 50% by FY30 from a FY21 base year, in line with a 1.5°C trajectory. • further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe. Note more detailed targets for Meridian's Half by 30 goal are disclosed in its **Climate Action Plan**.	**FY21 (baseline):** 30,591 t CO2eq (scope 1 + 2 = 1,034 t CO2eq of total, scope 3 = 29,557 tCO2eq). **FY22:** 7.4% increase to 32,870 t CO2eq (scope 1 + 2 = 645 t CO2eq of total, scope 3 = 32,225 t CO2eq).	**FY23**: 33,463 t CO2eq (scope 1+2 = 1,193 t COeq of total, scope 3 = 32,270 tCO2eq), a 9% increase on FY21 baseline. Refer to Meridian's **Climate Action Plan** and GHG Inventory for full detail on underlying emissions sources and outcomes of planned emission reduction initiatives during FY23.	Meridian's **Climate Action Plan** details the assumptions in the plan to halve operational emissions. Method of calculation: Meridian's emissions are prepared using the operational consolidation approach and stated in accordance with the requirements of International Standard ISO 14064- 1:2018: Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). Target supports Strategy section climate related opportunity: TO2.
Reduction of emissions for one off renewable energy projects	**FY23 Harapaki project:** • emissions /100km travelled <25kg CO2/100km (excludes site plant and machinery). • >1 continuous improvement per quarter that leads to tangible sustainability benefits. **FY23 Ruakākā project:** • Emissions target for plant & machinery of 2lm3 (2 litres of diesel per cubic metre of material moved). equates to 2l / 5.39kgCO2e/m3. • >5 continuous improvements per quarter that leads to tangible sustainability benefits. • 100% of monthly GHG data provided.	**FY22:** 8243 t CO2eq (Harapaki emissions). **FY21:** 285 t CO2eq (Harapaki emissions). Targets were established in FY23 (base year) following the establishment of processes to capture full emissions.	**FY23 Harapaki:** • 20kgCO2e CO2/100km (target achieved). • 1 per month (target achieved). **FY23 Ruakākā:** • Emissions plant and machinery target 1.8l / 5.39kgCO2e/m3. • Ruakākā project has been in the construction phase a minority of FY23, performance on other targets not yet available. Refer to Meridian's **Climate Action Plan** for full detail on its focus and impacts to reduce one-off construction emissions.	Sources of Uncertainty: Historical data (FY22 and earlier) excluded some emissions elements (for example construction of pond used for onsite water). Method of calculation: The Ruakākā project has only been operating since March 23 so there is no historical data to provide. Target supports Strategy section climate-related opportunity: TO2.
Forever Forests emission removals A permanent carbon sink – transitioning to 100% natives over time.	Create a supply of high quality emission removals equivalent to Meridian's expected residual operational emissions by FY30 (circa 15,000 tCO2eq), optimising other benefits also such as biodiversity and social outcomes. 700,000 trees in the ground by the end of FY24. We track metrics on land acquired, stems planted and NZUs received for this project to ensure we are on track. We have acquired 100% of the land needed. Disclosed here annual progress on stems planted and credits received. The target this programme is designed around is to secure at least a 15,000 t CO2eq annually supply of credits from FY30. The target was last base-lined to FY21, consistent with Meridian's Half by 30 base year target.	**FY21 (baseline):** no credits received, on track for FY30 credit target. **FY22:** no credits received, on track for FY30 credit target. In FY23 we secured 100% of the required land. We started receiving the first tranche of credits from 2020 plannings with further planting registered with the Ministry for Primary Industries (MPI).	**FY23:** 2364 credits received based on FY22, this equates to 2364 tCO2eq (on target). We have now secured 100% of the land required.	Sources of uncertainty include: • potential change in Government policy to exclude exotics from the permanent category of the ETS (relevant to Meridian's initial mixed model approach of exotics/ natives, transitioning to 100% natives over time). • survival rate of plants. • any significant delays in delivery of seedlings. Method of calculation: Based on credits in the current year for the previous year's position. Target supports Strategy section climate-related opportunity: TO2.

Metrics and Targets continued

Table 10. Climate-related metrics and targets summary continued.

	Target	Baseline and History	Performance	Method/assumptions
Renewable generation pipeline	7 projects underway by 2030. 3 buildable options by 2024.	**FY22 (baseline):** One confirmed financial investment decision. On track. In 2022 we had the Harapaki project underway, commitment to invest in a 100MW battery and 120MW solar farm, and plans to consent a 60MW wind farm (Mt Munro). The full pipeline represents 2.3GW, with 1.1GW secured and 1.2GW under advanced prospecting. Baseline capacity is 2.8GW.	**FY23:** Two confirmed financial decisions. On track to meet targets. **Underway:** Ruakākā grid scale battery project, and Harapaki wind farm. **Announced:** The solar farm (120MW) at the same site is on track for a financial decision in December 2023. Mt Munro (60MW) resource consent application was lodged in May 2023. We have a deep pipeline of 4.7GW (to 2050), with 1.5GW secured, and 3.2GW in advanced prospects.	Sources of uncertainty: · Cost and time to build (materials, shipping, civil works). · Regulatory changes (environmental consents and cost). · Ability to connect to transmission network in a timely manner. Method of calculation: Based on projects and progress on confirming projects in the Development pipeline. A project is confirmed following the Financial Investment Decision. Target supports Strategy section climate-related risks and opportunities: PR2, TR1, TR2, PO2, TO1, TO2.
New renewable generation and storage delivery	176MW capacity from end FY24.	**FY21 (baseline):** The Harapaki wind farm (176MW) was announced FY21 (February 21) and on site works were under way August 21.	Cyclone Gabrielle delayed the Harapaki project (176MW) by 1 quarter and it will start generating from October 2023. Progress this year has included: · 95% of cabling installed. · 95% of earthworks and roading complete. · Switchyard components installed. · Services building has been blessed and is certified for commercial use. Ruakākā battery project started March 23 and completion is expected Sept 24.	Sources of uncertainty: · Weather affecting remainder of civil works (site is at 730–1,100m elevation). · Increases in allowed inflation escalators within contracts. · Freight and materials – costs and lead times are very high. · The extent of any future COVID-19 or geo-political impacts. · Access to experienced staff. Method of calculation: Installed capacity quantified at asset commissioning. Target supports Strategy section climate-related risks and opportunities: PR2, TR1, TR2, PO2, TO1, TO2.
Southern Green Hydrogen	Take Southern Green Hydrogen to a positive Final Investment Decision by 2026.	In FY22 a feasibility study was completed and the selection of developers was under way. Target baseline FY23.	FY23: The project has managed to attract two very large and capable international partners.	Sources of uncertainty: · Offtake customer yet to be finalised and subject to further negotiation. · International subsidy regimes yet to be clarified. · Tenure of existing large demand in Southland will impact timelines. · Cost and time uncertainties (supply chain constraints, inflationary pressures). Target supports Strategy section climate-related risks and opportunities: PR2, TR1, TR2, TO3.

Metrics and Targets continued

Table 10. Climate-related metrics and targets summary continued.

	Target	Baseline and History	Performance	Method/assumptions
Transport electrification	250 AC EV chargers (500 charging points) implemented by FY23. This was set as an ambitious stretch target. Targets for this will be superseded by customer decarbonisation targets in the next disclosure.	**FY21 (baseline):** nil. **FY22:** 61 chargers (122 charging points) installed.	**FY23:** 237 charge points operational (202 AC, 25 DC) Over the course of this project Meridian's proposition evolved to place more focus across home, business and public charging, extended from AC only into DC charging as well. Meridian won EECA co-funding to deliver journey chargers in remote South Island locations including a battery backed charging solution using 2nd hand EV batteries. This project will help to complete the government's original target of a DC public charger every 75km on NZ's state highways. Meridian is also partnering with Wellington and Hutt City Councils to deliver close to 100 mainly DC destination charge points in the region.	Sources of uncertainty: • Connecting to electricity networks – complexity, cost and timing relating to EV charging electrical connection, especially for public charging is a challenge facing Charge Point Operators (CPOs). • Timely procurement of EV chargers. Method of calculation: count of installed chargers and charging points. Target supports Strategy section climate-related risks and opportunities: PR2, TR1, TR2, TO1, TO2.
Commercial-scale solar delivered	FY23 targets are commercially confidential, but include a kWp installation target for commercial-scale solar. Targets for this will be superseded by customer decarbonisation targets in the next disclosure.	**FY22 (baseline):** nil. In FY22 customer commitment was announced and others made but not yet announced with further build planning underway.	**FY23:** Targets met.	No significant sources of uncertainty to note. Target supports Strategy section climate-related opportunity: TO2.
Process heat electrification	600GWh agreed by FY23. This was set as an ambitious stretch target. Targets for this will be superseded by customer decarbonisation targets in the next disclosure.	**FY21 (baseline):** nil. **FY22:** 300GWh agreed.	**FY23:** 472GWh agreed This is a strong result against a target that was set as an ambitious stretch goal. Meridian also developed and contracted demand flexibility which makes these projects more effective and financially viable.	Government Investment in Decarbonising Industry Fund expanded to support further decarbonisation projects over the next four years. This commitment will enable Meridian and others to continue delivering industry emissions abatement. Connecting to electricity networks and unlocking government co-funding are challenges facing businesses electrifying process heat. These challenges are likely to impact on the speed of project delivered. Method of calculation: Sum of the GWh of agreed projects. Target supports Strategy section climate-related opportunities: TO1, TO2.

Meridian.

Management commentary
(no financial statements)

Our financial performance

Financial statements

◄ Manapōuri Power Station, Fiordland.

This year we have successfully navigated significant weather events and finished the year strongly, ahead of last year's result.

Financial performance menu

Group financial statements

Key

Subsequent events

Key judgements and estimates

Risks

Notes to the Group financial statements

Income Statement

For the year ended 30 June 2023

	Note	2023 $M	Restated* 2022 $M
Operating revenue	A2	**3,222**	3,776
Operating expenses	A3	**(2,397)**	(3,188)
Depreciation and amortisation	A3	**(294)**	(293)
Impairment of assets	A3, B1	**(10)**	(2)
Net change in fair value of energy hedges	D1	**(375)**	266
Finance costs	A3	**(55)**	(73)
Interest income	A2	**11**	3
Net change in fair value of treasury hedges	D1	**24**	136
Net profit before tax from continuing operations		**126**	625
Income tax expense	A4	**(31)**	(174)
Net profit after tax from continuing operations		**95**	451
Net profit from discontinued operations after tax	S2	**–**	213
Net profit after tax attributed to the shareholders of the parent company		**95**	664

Earnings per share (EPS) attributed to ordinary equity holders of the parent		**Cents**	Cents
Basic and diluted EPS from continuing operations	C3	**3.7**	17.5
Basic and diluted EPS	C3	**3.7**	25.8

* The Income Statement has been restated due to a change in presentation in the current year. Refer to the Significant matters section Note S1 for more information.

Comprehensive Income Statement

For the year ended 30 June 2023

	Note	2023 $M	2022 $M
Net profit after tax		**95**	664
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Asset revaluation	S3, B1	**1,111**	(55)
Deferred tax on the above item	A4	**(311)**	15
		800	(40)
Items that may be reclassified to profit or loss:			
Net (loss)/gain on cash flow hedges		**(11)**	16
Realisations on disposal of subsidiaries, transferred to profit and loss		**–**	24
Income tax on the above items		**3**	(5)
		(8)	35
Other comprehensive income/(loss) for the year, net of tax		**792**	(5)
Total comprehensive income for the year, net of tax attributed to shareholders of the parent company		**887**	**659**

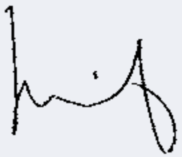
The notes to the Group financial statements form an integral part of these financial statements.

Balance Sheet

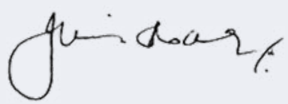
As at 30 June 2023

	Note	2023 $M	Restated* 2022 $M
Current assets			
Cash and cash equivalents	C5	**212**	363
Trade receivables	C6	**334**	399
Customer contract assets		**13**	16
Financial instruments	D1	**141**	213
Other assets		**47**	50
Total current assets		**747**	1,041
Non-current assets			
Property, plant and equipment	B1	**8,989**	7,830
Intangible assets	B2	**73**	85
Financial instruments	D1	**213**	413
Total non-current assets		**9,275**	8,328
Total assets		**10,022**	9,369

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 28 August 2023.



Mark Verbiest
Chair, 28 August 2023



Julia Hoare
Chair, Audit and Risk Committee, 28 August 2023

	Note	2023 $M	Restated* 2022 $M
Current liabilities			
Payables and accruals		**352**	449
Employee entitlements		**20**	18
Customer contract liabilities		**14**	13
Current portion of borrowings	C7	**214**	159
Current portion of lease liabilities	C9	**3**	4
Financial instruments	D1	**71**	47
Current tax payable		**46**	32
Total current liabilities		**720**	722
Non-current liabilities			
Borrowings	C7	**1,022**	1,004
Deferred tax	A4	**2,103**	1,932
Lease liabilities	C9	**24**	37
Financial instruments	D1	**111**	97
Term payables		**55**	54
Total non-current liabilities		**3,315**	3,124
Total liabilities		**4,035**	3,846
Shareholders' equity			
Share capital	C2	**1,700**	1,671
Reserves		**4,287**	3,852
Total shareholders' equity		**5,987**	5,523
Total liabilities and shareholders' equity		**10,022**	9,369

* The Balance Sheet has been restated due to a change in presentation in the current year. Refer to the Significant matters section Note S1 for more information.

The notes to the Group financial statements form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2023

$M	Note	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 July 2021		**1,595**	**1**	**5,198**	**(24)**	**2**	**(1,548)**	**5,224**
Net profit for the 2022 financial year		–	–	–	–	–	664	**664**
Other comprehensive income								
Asset revaluation	S3, B1	–	–	(55)	–	–	–	**(55)**
Transferred to retained earnings on disposal		–	–	(113)	–	–	113	–
Transferred to Income Statement on disposal		–	–	–	24	–	–	**24**
Net gain/(loss) on cash flow hedges		–	–	–	–	16	–	**16**
Income tax relating to other comprehensive income	A4	–	–	49	–	(5)	(34)	**10**
Total other comprehensive income, net of tax		–	–	**(119)**	**24**	**11**	**79**	**(5)**
Total comprehensive income for the year, net of tax		**–**	**–**	**(119)**	**24**	**11**	**743**	**659**
Share-based transactions	C2, F1	(2)	1	–	–	–	–	**(1)**
Dividend reinvestment plan	C4	78	–	–	–	–	–	**78**
Dividends paid	C4	–	–	–	–	–	(437)	**(437)**
Balance at 30 June 2022 and 1 July 2022		**1,671**	**2**	**5,079**	**–**	**13**	**(1,242)**	**5,523**
Net profit for the 2023 financial year		–	–	–	–	–	95	**95**
Other comprehensive income								
Asset revaluation	S3, B1	–	–	1,111	–	–	–	**1,111**
Net gain/(loss) on cash flow hedges		–	–	–	–	(11)	–	**(11)**
Income tax relating to other comprehensive income	A4	–	–	(311)	–	3	–	**(308)**
Total other comprehensive income, net of tax		–	–	**800**	–	**(8)**	–	**792**
Total comprehensive income for the year, net of tax		**–**	**–**	**800**	**–**	**(8)**	**95**	**887**
Share-based transactions	C2, F1	(1)	1	–	–	–	–	**0**
Dividend reinvestment plan	C4	30	–	–	–	–	–	**30**
Dividends paid/reinvested	C4	–	–	–	–	–	(453)	**(453)**
Balance at 30 June 2023		**1,700**	**3**	**5,879**	**–**	**5**	**(1,600)**	**5,987**

The notes to the Group financial statements form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $M	2022 $M
Operating activities			
Receipts from customers		**3,354**	3,934
Interest received		**11**	2
Payments to suppliers and employees		**(2,637)**	(3,254)
Interest paid		**(65)**	(76)
Income tax paid		**(154)**	(145)
Operating cash flows	C5	**509**	461
Investing activities			
Sale of property, plant and equipment		**2**	2
Sale of subsidiaries	S2	**–**	768
Purchase of property, plant and equipment		**(316)**	(141)
Purchase of intangible assets		**(13)**	(31)
Investing cash flows		**(327)**	598
Financing activities			
Borrowings drawn	C7	**255**	210
Borrowings repaid	C7	**(160)**	(685)
Lease liabilities repaid	C7	**(3)**	(7)
Dividends paid	C4	**(423)**	(360)
Shares purchased for long-term incentive	C2	**(2)**	(2)
Financing cash flows		**(333)**	(844)
Net increase/(decrease) in cash and cash equivalents		**(151)**	215
Cash and cash equivalents at beginning of year		**363**	148
Cash and cash equivalents at end of year	C5	**212**	363

Transporting one turbine blade to site at Harapaki Wind Farm, Hawke's Bay. ▶

The notes to the Group financial statements form an integral part of these financial statements.

Financial statements

About this report

In this section

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in Meridian Energy Limited's (Meridian) financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Meridian;
- it helps to explain changes in Meridian's business; or
- it relates to an aspect of Meridian's operations that is important to future performance.

Meridian is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is at 287-293 Durham Street North, Christchurch. Meridian is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a mixed-ownership company, majority owned by His Majesty the King in Right of New Zealand, Meridian is bound by the requirements of the Public Finance Act 1989.

These financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand and comply with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS), as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities;
- in New Zealand dollars (NZD), with all values rounded to millions ($M) unless otherwise stated; and
- using accounting policies as provided throughout the notes to the financial statements.

Key judgements and estimates

In the process of applying the Group's accounting policies and application of accounting standards, Meridian has made a number of judgements and estimates. The estimates and underlying assumptions are based on historical experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements and estimates are considered material to understanding the performance of Meridian are found in the following notes:

- Note S3: Property, plant and equipment
- Note A2: Income
- Note B1: Property, plant and equipment
- Note D1: Financial risk management

Basis of consolidation

The Group financial statements comprise the financial statements of Meridian and its subsidiaries and controlled entities, as contained in Note E1 Subsidiaries.

The financial statements of members of the Group are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Group financial statements, all material intra-group transactions, balances, income and expenses have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

Foreign currency

Transactions denominated in foreign currencies are converted at the exchange rates at the date of the transactions. Foreign currency monetary assets and liabilities are translated at the rate prevailing at balance date, 30 June 2023.

The assets and liabilities of any international subsidiaries are translated to NZD at the closing rate at balance date. The revenue and expenses of these subsidiaries are translated at rates approximating the exchange rates at the dates of the transactions.

When the financial statements of subsidiaries are translated into NZD, exchange differences can arise. These are recorded in the foreign currency translation reserve (within equity). If an international subsidiary is disposed of, these cumulative translation differences are recognised in the Income Statement in the period in which that occurs.

The principal functional currencies of international subsidiaries are:

- British pounds; the closing rate at 30 June 2023 was 0.4822 (30 June 2022: 0.5127); and
- Australian dollars; the closing rate at 30 June 2022 was 0.9045.

A full list of international subsidiaries and their functional currencies are provided in Note E1 Subsidiaries.

Discontinued operations

Classification as a discontinued operation occurs on disposal, or when the operation meets the criteria to be classified as a non-current asset or disposal group held for sale, if earlier, and represents a separate major line of business or geographical area of operations.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. The comparative Balance Sheet is not adjusted. In the cash flow statement, neither current or comparative period are adjusted.

S: Significant matters in the financial year

In this section

This section outlines significant matters that have impacted Meridian's financial performance.

S1 Change in presentation of realised energy hedge balances

During the current period, the Group has made adjustments to the classification and presentation of realised energy hedge balances. This follows a change in interpretation of NZ IFRS 9 and its requirements.

In previous years, Meridian has accounted for and disclosed realised energy hedge balances as follows:

- In the Income Statement, these were classified as part of operating revenue or operating expense, depending on whether the underlying derivative was a hedge of energy sales or energy purchases.
- In the Balance Sheet, accruals in relation to realised energy hedges were shown in the receivables or payables and accruals lines, depending on whether the accrual was receivable or payable.

Our practice aligned with peers in the New Zealand energy sector and meant that the impact of risk management activities (hedges) were presented in the same places as the risk hedged.

This practice does not comply with NZ IFRS 9 and therefore it must be discontinued. We note our past practice would be acceptable if energy hedges were in hedge accounting relationships. However, we do not hedge account for energy hedges.

As a result, we have amended the classification of realised energy hedge balances in both the current and comparative periods.

The main impacts are as follows:

- In the Income Statement, this has meant the reclassification of realised energy hedge balances from operating revenue and operating expenses to net change in the fair value of energy hedges, as well as the removal of some subtotals. Notably, EBITDAF (as defined in the Non-GAAP measures section) is no longer shown on the face of the Income Statement. However, it remains one of our core non-GAAP measures of business performance, as reported in Note A1 Segment Performance.
- In the Balance Sheet, we have reclassified realised energy hedge balances out of trade receivables and payables and accruals and into the appropriate financial instruments line.

We have also amended our definition of EBITDAF to make clear that, as intended, this core non-GAAP reporting measure excludes unrealised movements on energy hedges.

S1 Change in presentation of realised energy hedge balances continued

The impacts of the changes on the primary financial statements are as follows:

Income Statement	Comment	2022 Restated $M	2022 $M	Change $M
Operating revenue		**3,776**	3,703	73
Operating expenses		**(3,188)**	(2,994)	(194)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)	Subtotal removed		**709**	**n/a**
Depreciation and amortisation		**(293)**	(293)	–
Impairment of assets		**(2)**	(2)	–
Net change in fair value of energy hedges		**266**	145	121
Operating profit	Subtotal removed		**559**	**n/a**
Finance costs		**(73)**	(73)	–
Interest income		**3**	3	–
Net change in fair value of treasury hedges		**136**	136	–
Net profit before tax from continuing activities		**625**	**625**	–
Income tax expense		**(174)**	(174)	–
Net profit after tax from continuing operations		**451**	**451**	–
Net profit from discontinued operation after tax		**213**	**213**	–
Net profit after tax attributed to the shareholders of the parent company		**664**	**664**	–

Balance Sheet	2022 Restated $M	2022 $M	Change $M
Trade receivables	**399**	416	(17)
Financial instruments (current asset)	**213**	232	(19)
Financial instruments (non-current asset)	**413**	377	36
Payables and accruals	**449**	470	(21)
Financial instruments (current liability)	**47**	30	17
Financial instruments (non-current liability)	**97**	93	4

S

S2 Meridian Energy Australia

In January 2022, Meridian sold its Meridian Energy Australia (MEA) business for AU$740 million. A net gain on sale was recorded of NZ$214 million and net cash was received of NZ$768 million.

For the financial year ended 30 June 2022, MEA was reported as a discontinued operation. MEA was part of the Meridian Group from 1 July 2021 to 31 January 2022, and therefore the income, expenses and cash flows disclosed below are for this seven-month period.

The information below has been re-presented in keeping with the change in current period presentation noted in S1.

Results of discontinued operation	2023 $M	2022 $M
Operating revenue	–	196
Operating expenses	–	(172)
Depreciation and amortisation	–	(6)
Net change in fair value of energy hedges	–	(17)
Finance costs	–	(2)
Net profit/(loss) from discontinued operations before tax	–	(1)
Income tax expense	–	–
Net profit/(loss) from discontinued operations after tax	–	(1)
Basic and diluted earnings per share (cents per share)	–	–
Net profit/(loss) from discontinued operations after tax	–	(1)
Gain on sale of MEA	–	214
Total net profit from discontinued operations after tax	–	213
Cash flows from/(used in) discontinued operation		
Net cash from/(used in) operating activities	–	12
Net cash from/(used in) investing activities	–	(9)
Net cash from/(used in) financing activities	–	7
Net cash flows of discontinued activity	–	10

Assets and liabilities disposed of	At 31 January 2022 $M
Cash and cash equivalents	25
Trade receivables	33
Customer contract assets	11
Financial instruments (assets)	45
Other assets	15
Property, plant and equipment	574
Intangible assets	6
Deferred tax (asset)	35
Payables and accruals	(50)
Employee entitlements	(2)
Customer contract liabilities	(9)
Lease liabilities	(43)
Financial instruments (liability)	(48)
Deferred tax (liability)	(27)
Provisions	(23)
Total net assets disposed	**542**

As MEA was 100% owned by the Group, net income relating to continuing operations and the discontinued operation are fully attributable to the owners of the parent.

S3 Property, plant and equipment

Within property, plant and equipment, generation structures and plant are carried at fair value for financial reporting purposes. Revaluations are performed with sufficient regularity to ensure that carrying value does not differ materially from that which would be determined using fair values at balance date.

During the current financial year, valuations of Meridian's generation structures and plant assets were undertaken twice, at 31 December 2022 and at 30 June 2023, to determine the fair value of the assets at those dates. The valuations resulted in increases of $740 million and $371 million respectively, giving a FY23 total increase of $1,111 million (2022: decrease of $55 million). The rise in value is driven mainly by increases in wholesale electricity price assumptions, offset by higher interest rates. Management calculates a valuation on which the Board's ultimate decision is based. The valuation is set using discounted cash flow (DCF) analysis and New Zealand's Aluminium Smelter (NZAS) operating until 31 December 2024.

Refer to Note B1 Property, plant and equipment for more information.

Meridian's Ōtautahi Christchurch office. ▶

Notes to the Group financial statements: Significant matters in the financial year

For the year ended 30 June 2023

In this section

This section sets out significant matters that have impacted Meridian's financial performance and an explanation of non-GAAP measures within the notes to the financial statements.

Hydro inflows

Meridian's lake storage levels lifted significantly at the start of the financial year, with the highest winter inflows on record.

Late spring and summer saw much drier conditions leading to decreasing storage levels, particularly in the Waiau lakes.

Storage then improved rapidly in autumn due to a series of wet weather events in the lower South Island.

We ended the financial year with strong storage positions in both the Waiau and Waitaki catchments.

Non-GAAP measures

Meridian refers to non-GAAP financial measures within these financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures.

As these measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described further on this page, including note references for reconciliations to the financial statements.

EBITDAF

Earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairments and gains or losses on sale of assets. This definition has been updated this year to make clear that, as intended, it excludes unrealised changes in the fair value of hedges.

Segment performance note

EBITDAF is reported in Note A1 Segment performance, allowing the evaluation of Meridian's operating performance without the non-cash impacts of depreciation, amortisation, unrealised fair value movements of hedging instruments and other one-off or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows the reader to compare operating performance with that of other electricity industry companies.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for variability within the wholesale electricity market and the broadly offsetting impact of wholesale prices on the cost of Meridian's retail electricity purchases and revenue from generation. Meridian uses the measure of energy margin within its segmental financial performance as outlined in Note A1 Segment performance.

Net debt

Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets. Meridian uses this measure within its capital management and this is outlined in Note C1 Capital management.

A : Financial performance

In this section

This section explains the financial performance of Meridian, and provides additional information about individual items in the Income Statement, including:

a. accounting policies, judgements and estimates that are relevant for understanding items recognised in the Income Statement; and
b. analysis of Meridian's performance for the year by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 Segment performance

The Chief Executive (the chief operating decision-maker) monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

The Chief Executive considers the business according to the nature of the products and services and the location of operations, as set out further on this page.

New Zealand wholesale

- Generation of electricity and its sale into the New Zealand wholesale electricity market.
- Purchase of electricity from the wholesale electricity market and its sale to the NZ Retail segment and to large industrial customers, including NZAS representing the equivalent of 36% (30 June 2022: 37%) of Meridian's New Zealand generation production.
- Development of renewable electricity generation opportunities in New Zealand.

New Zealand retail

- Retailing of electricity and complementary products through two brands (Meridian and Powershop) in New Zealand.
- Electricity sold to residential, business and industrial customers on fixed-price variable volume contracts is purchased from the Wholesale segment at an average annual fixed (transfer) price of $104 per megawatt hour (MWh) (2022: $93 per MWh). The transfer price is set in a similar manner to transactions with third parties.
- Electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices.
- Agency margin from spot sales is included within 'Contracted sales, net of distribution costs'.
- Meridian provides front-line customer and back-office services for Powershop Australia from New Zealand-based offices. In the prior period, revenue of $5 million was recorded in 'Other revenue' and is eliminated on Group consolidation.

Australia

- Generation of electricity from two wind farms, three hydro power stations, and electricity acquisition under power purchase agreements, for sale into the Australian wholesale electricity market.
- Retailing of electricity and gas, mainly through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.

As noted in the Significant Matters section, Meridian sold the Australia segment on 31 January 2022 and it is presented as a discontinued operation.

Other and unallocated

- Other operations that are not considered reportable segments, including licensing of the Flux -developed electricity retailing platform.
- Activities and centrally based costs that are not directly allocated to other segments.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (a definition of these measures is included within significant matters in the financial year) before unallocated central corporate expenses. Balance sheet items are not reported to the Chief Executive at an operating segment level.

A

A1 Segment performance continued

	NZ Wholesale		NZ Retail		Australia		Other and Unallocated		Inter-segment and discontinued operations		Total	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Contracted sales, net of distribution costs and hedging	**530**	525	**1,208**	1,057	**–**	96	**–**	–	**–**	(96)	**1,738**	1,582
Cost to supply customers, net of hedging	**(1,549)**	(2,554)	**(1,006)**	(874)	**–**	(82)	**–**	–	**1,065**	1,047	**(1,490)**	(2,463)
Net cost of other hedges	**(121)**	148	**–**	–	**–**	1	**–**	–	**–**	(1)	**(121)**	148
Generation spot revenue, net of hedging	**1,020**	1,757	**–**	–	**–**	46	**–**	–	**–**	(46)	**1,020**	1,757
Inter-segment electricity sales	**1,065**	965	**–**	–	**–**	–	**–**	–	**(1,065)**	(965)	**–**	–
Virtual asset swap margins	**(7)**	2	**–**	–	**–**	–	**–**	–	**–**	–	**(7)**	2
Other market revenue/(costs)	**(9)**	(5)	**1**	1	**–**	(1)	**–**	–	**–**	1	**(8)**	(4)
Energy margin (see reconciliation on next page)	**929**	**838**	**203**	**184**	**–**	**60**	**–**	**–**	**–**	**(60)**	**1,132**	**1,022**
Other revenue	**3**	2	**16**	14	**–**	–	**23**	41	**(13)**	(30)	**29**	27
Energy transmission expenses	**(80)**	(79)	**–**	–	**–**	(3)	**–**	–	**–**	3	**(80)**	(79)
Hosting expenses	**–**	–	**–**	–	**–**	–	**(3)**	(2)	**–**	–	**(3)**	(2)
Electricity metering expenses	**–**	–	**(46)**	(43)	**–**	–	**–**	–	**–**	–	**(46)**	(43)
Gross margin	**852**	**761**	**173**	**155**	**–**	**57**	**20**	**39**	**(13)**	**(87)**	**1,032**	**925**
Employee expenses	**(27)**	(26)	**(36)**	(32)	**–**	(10)	**(56)**	(42)	**–**	10	**(119)**	(100)
Other operating expenses	**(65)**	(60)	**(34)**	(36)	**–**	(19)	**(38)**	(32)	**7**	31	**(130)**	(116)
EBITDAF	**760**	**675**	**103**	**87**	**–**	**28**	**(74)**	**(35)**	**(6)**	**(46)**	**783**	**709**
Depreciation and amortisation											**(294)**	(293)
Impairment of assets											**(10)**	(2)
Net change in fair value of energy hedges (see reconciliation on next page)											**(333)**	145
Finance costs											**(55)**	(73)
Interest income											**11**	3
Net change in fair value of treasury hedges											**24**	136
Net profit before tax from continuing operations											**126**	**625**
Income tax expense											**(31)**	(174)
Net profit after tax from continuing operations											**95**	451
Net profit from discontinued operation after tax											**–**	213
Net profit after tax											**95**	**664**

The Australia segment was sold on 31 January 2022 and is reported as a discontinued operation above.

A1 Segment performance continued

Reconciliation of energy margin	Note	2023 $M	2022 $M
Energy sales to customers	A2	**2,140**	1,990
Generation revenue	A2	**1,053**	1,759
Energy expenses	A3	**(1,331)**	(2,195)
Energy distribution expenses	A3	**(688)**	(653)
Realised energy hedges (see below)		**(42)**	121
Energy margin		**1,132**	**1,022**

Reconciliation of EBITDAF	Note	2023 $M	2022 $M
Operating income	A2	**3,222**	**3,776**
Operating expenses	A3	**(2,397)**	**(3,188)**
Realised energy hedges (see below)		**(42)**	**121**
EBITDAF		**783**	**709**

Reconciliation of net change in fair value of energy hedges	2023 $M	2022 $M
Realised energy hedges shown within energy margin (see above)	**(42)**	121
Unrealised changes in the fair value of energy hedges (as noted on previous page)	**(333)**	145
Net change in fair value of energy hedges, per the Income Statement	**(375)**	**266**

Kurow Island restoration project funded by our *Power Up* community fund.

A

A2 Income

Operating revenue	2023 $M	2022 $M
Energy sales to customers	**2,140**	1,990
Generation revenue	**1,053**	1,759
Energy-related services revenue	**10**	10
Other revenue	**19**	17
Total operating revenue	**3,222**	**3,776**

Total revenue by geographic area	2023 $M	2022 $M
New Zealand	**3,222**	3,768
United Kingdom	**–**	8
Total operating revenue	**3,222**	**3,776**

	2023 $M	2022 $M
Interest income	**11**	3

Operating revenue

Energy sales to customers

Revenue received or receivable from residential, business and industrial customers. This revenue is influenced by customer contract sales prices and their demand for electricity.

Generation revenue

Revenue received from electricity generated and sold into wholesale markets.

This revenue is influenced by the quantity of generation and the wholesale spot prices. It is recognised at the time of generation.

Key judgements and estimates – Revenue

Electricity consumption

Meridian exercises judgement in estimating retail electricity sales, where customer electricity meters are unread at balance date. These estimates of customer electricity usage in the unread period are based on the customers' historical consumption patterns.

Revenue is recognised at the time of supply and customer consumption. Elements of the sale price such as discounts and credits given to customers and any incremental costs incurred obtaining or retaining a customer contract are deferred to customer contract assets on the Balance Sheet on a portfolio basis and released to the Income Statement over the contract tenure.

Supply contract with NZAS

The agreement with NZAS has been recognised in these financial statements in a manner consistent with fixed price supply agreements with other industrial customers. Revenue is recognised as electricity sales revenue in the Income Statement and the estimated future cash flows are included in the fair value of generation structures and plant assets on the Balance Sheet.

Discounts and payment terms

Where a discount is offered, revenue is initally recognised net of estimated discount based on accumulated experience used to estimate the amount of discounts taken by customers.

There are no significant differences between the payment terms and this policy.

A3 Expenses

Operating expenses	2023 $M	2022 $M
Energy expenses	1,331	2,195
Energy distribution expenses	688	653
Energy transmission expenses	80	79
Hosting expenses	3	2
Employee expenses	119	100
Energy metering expenses	46	43
Other expenses	130	116
Total operating expenses	**2,397**	**3,188**

Depreciation and amortisation	Note	2023 $M	2022 $M
Depreciation	B1	266	271
Amortisation of intangibles	B2	28	22
Total depreciation and amortisation		**294**	**293**

Finance costs	Note	2023 $M	2022 $M
Interest on borrowings		67	76
Interest on electricity option premiums		1	1
Interest on lease liabilities	C9	2	2
Less: Capitalised interest		(15)	(6)
Total finance costs		**55**	**73**

Impairment and write down of assets	Note	2023 $M	2022 $M
Impairment of property, plant and equipment	B1	8	2
Write down of inventory to net realisable value		2	–

Operating expenses

Energy expenses

The cost of:

- energy purchased from wholesale markets to supply customers; and
- related charges and services.

Energy expenses are influenced by quantity and timing of customer consumption and wholesale spot prices.

Energy distribution expenses

The cost of distribution companies transporting energy between where energy is transmitted/stored and customers' properties.

Energy transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Energy metering expenses

The cost of electricity meters, meter reading and data gathering of retail customer electricity consumption in New Zealand.

Employee expenses

Provisions are made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Contributions to defined contribution plans were $5 million in 2023 (2022: $4 million).

Finance costs – capitalised interest

During the financial year, Meridian capitalised interest costs relating to the build of development sites.

The average rate used to determine the amount of borrowing costs eligible for capitalisation during the year was 5.36% (2022: 5.01%).

Impairment of non-financial assets

Meridian reviews the recoverable amount of its tangible and intangible assets at each balance date. They are grouped into cash-generating units with separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell, and present value of future cash flows expected to be generated by the assets (also known as value in use). If the carrying value of an asset exceeds the recoverable amount, an impairment expense is recognised in the income statement. For assets that are revalued refer to Note B1 Property, plant and equipment for specific treatment.

A

A4 Taxation

Tax expense	2023 $M	2022 $M
Current income tax expense	167	140
Other permanent differences	4	–
Adjustments to tax of prior years	(3)	–
Total current tax expense	**168**	**140**
Deferred tax	(131)	36
Adjustments to tax of prior years	(6)	(2)
Total tax	**31**	**174**
Reconciliation to profit before tax		
Profit before tax from continuing operations	**126**	**625**
Income tax at applicable rates	35	173
Expenditure not deductible for tax	–	3
Income tax (over)/under provided in prior year	(3)	–
Other	(1)	(2)
Tax expense	**31**	**174**
Tax on discontinued operation	**–**	**–**

Current tax expense

Tax expense components are current income tax and deferred tax.

Current income tax expense is the income tax assessed on taxable profit for the year. Taxable profit differs from profit before tax reported in the Income Statement as it excludes items of income and expense that are taxable or deductible in other years, and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates enacted at balance date, being 28% (2022: 28%).

Deferred tax assets and liabilities	2023 $M	2022 $M
Balance at beginning of year	**1,932**	**1,905**
Temporary differences in income statement:		
Depreciation and amortisation	**(59)**	(50)
Term payables	**5**	6
Financial instruments	**(86)**	76
Customer contract assets	**(1)**	–
Other – payables and receivables	**4**	5
	(137)	**37**
Temporary differences in other comprehensive income:		
Revaluation reserve movements	**311**	(15)
Effect of sale of subsidiaries	–	5
Other	**(3)**	–
Balance at end of year	**2,103**	**1,932**
Made up of:		
Property, plant and equipment	**2,084**	1,832
Term payables	**(12)**	(11)
Financial instruments	**19**	103
Customer contract assets	**4**	4
Other – payables and receivables	**8**	4
Deferred tax liability	**2,103**	**1,932**
Total deferred tax	**2,103**	**1,932**

Deferred tax assets and liabilities

Deferred tax is income tax which is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences.

These arise from differences in the recognition of assets and liabilities for financial reporting and from the filing of income tax returns. Deferred tax is recognised on all temporary differences, other than those arising:

- from goodwill; and
- from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

The majority of Meridian's deferred tax balance is made up of temporary differences on the revaluation of property, plant and equipment. This balance will only reverse if the fair value of these assets declines back to their original historical cost.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset only if there are legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to the same taxable entity and taxation authority.

B : Assets used to generate and sell electricity

In this section

This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenue. In this section of the notes there is information about:

a. property, plant and equipment; and
b. intangible assets.

B1 Property, plant and equipment

$M	Generation structures and plant at fair value	Land and buildings at cost	Other plant and equipment at cost	Right of Use lease assets	Work in progress at cost	Total
Cost or fair value	8,314	21	143	109	162	**8,749**
Less accumulated depreciation	(17)	(6)	(104)	(21)	(3)	**(151)**
Net book value at 30 June 2021	**8,297**	**15**	**39**	**88**	**159**	**8,598**
Additions	–	–	–	–	148	**148**
Transfers – work in progress	11	36	16	–	(63)	**–**
Adjustment of Right of Use lease assets	–	–	–	(8)	–	**(8)**
Disposals	(522)	(1)	(1)	(38)	(12)	**(574)**
Impairments	–	–	–	(1)	(1)	**(2)**
Generation structures and plant revaluations:						
Increase (decrease) taken to revaluation reserve	(55)	–	–	–	–	**(55)**
Depreciation expense[35]	(259)	(1)	(11)	(5)	(1)	**(277)**
Net book value at 30 June 2022	**7,472**	**49**	**43**	**36**	**230**	**7,830**
Cost or fair value	7,472	56	148	48	232	**7,956**
Less accumulated depreciation	–	(7)	(105)	(12)	(2)	**(126)**
Net book value at 30 June 2022	**7,472**	**49**	**43**	**36**	**230**	**7,830**
Additions	–	–	–	–	328	**328**
Transfers – work in progress	5	1	10	–	(16)	**–**
Adjustment of Right of Use lease assets	–	–	–	(1)	–	**(1)**
Disposals	–	–	(1)	–	–	**(1)**
Impairments	–	–	(3)	(9)	–	**(12)**
Generation structures and plant revaluation:						
Increase (decrease) taken to revaluation reserve	1,111	–	–	–	–	**1,111**
Depreciation expense	(254)	(1)	(9)	(2)	–	**(266)**
Net book value at 30 June 2023	**8,334**	**49**	**40**	**24**	**542**	**8,989**
Cost or fair value	8,334	55	139	35	544	**9,107**
Less accumulated depreciation[36]	–	(6)	(99)	(11)	(2)	**(118)**
Net book value at 30 June 2023	**8,334**	**49**	**40**	**24**	**542**	**8,989**

At 30 June 2023, had the generation structures and plant been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $1.2 billion (2022: $1.4 billion).

35 Depreciation expense does not match the Income Statement, due to the re-presenting of the Income Statement for the MEA discontinued operation.
36 Includes the reversal of accumulated depreciation on generation structures and plant at revaluation date.

Recognition and measurement

Generation structures and plant assets (including land and buildings) are held on the Balance Sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Meridian uses DCF analysis to establish a valuation range on which the Board's ultimate valuation decision is based.

Any increase arising on revaluation is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the Income Statement. In that case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged to the Income Statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

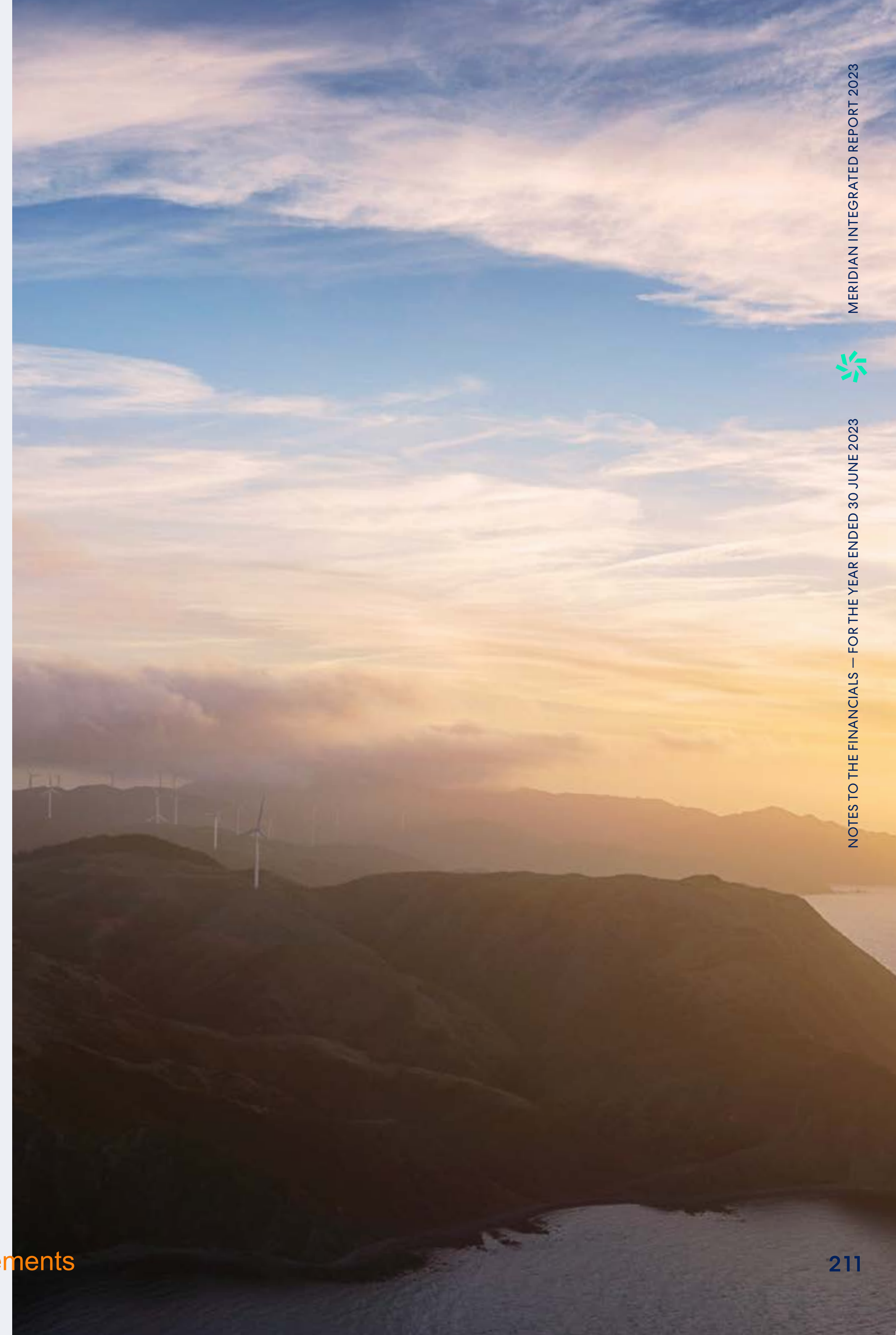
Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation represents the revalued amount.

Subsequent additions to generation structures and plant assets are recorded at cost, which is considered fair value, including costs directly attributable to bringing the asset to the location and condition necessary for its intended purpose, and financing costs where appropriate.

During the year, Meridian performed valuation assessments of its generation structures and plant assets at 31 December 2022 and 30 June 2023.

The revaluations resulted in a net increase of $1,111 million (2022: decrease of ($55) million) in the carrying value of our generation structures and plant assets. The impact of the revaluation was recognised as an increase of $1,111 million (2022: decrease of ($55) million) in the revaluation reserve.

As a consequence of the revaluation, accumulated depreciation on most generation assets is reset to nil. There was no depreciation impact of this revaluation in the Income Statement.



West Wind Farm Te Whanganui-a-Tara Wellington

Key judgements and estimates – Generation structures and plant valuation techniques and key inputs

The Board uses its judgement to decide on the appropriateness of key valuation techniques and inputs for fair value measurement. Judgement is also used in determining the estimated remaining useful lives of assets.

As the valuation of generation structures and plant utilises some unobservable (non-market data) inputs, it continues to be classified as level 3 under Meridian's fair value hierarchy defined in Note D1 Financial risk management.

As discussed on the previous page, Meridian uses DCF analysis to establish a valuation range. The DCF methodology involves calculating the present value of future cash flows expected to be produced over a projection period, including forecast revenues, forecast future generation output and NZAS continuing to operate until 31 December 2024. If NZAS were to operate after 31 December 2024, this may have a significant impact on the fair value of Meridian's generation structures and plant assets.

The DCF valuation was prepared using a 20-year time period in line with New Zealand Treasury forward inflation curve.

Meridian has a mature modelling framework which is a forward looking, long-term analysis of the fundamentals underpinning the New Zealand wholesale electricity market.

This modelling framework includes forward-looking climate change impacts, particularly affecting hydrological seasonality and variability, and climate change-induced demand changes.

Climate change impacts include transitional and physical variables that need to be captured in the context of our business – for example, changes in the frequency/intensity of storm events, precipitation, carbon pricing and policy intervention levels in New Zealand and abroad.

The table below describes the key inputs and their sensitivity to changes.

		2023			2022		
Key input to measure fair value	**Description**	**Range of unobservable inputs**	**Sensitivity**	**Impact on valuation**	**Range of unobservable inputs**	**Sensitivity**	**Impact on valuation**
Future NZ wholesale electricity prices	The price received for NZ generation	$43MWh to $150MWh between FY24 and FY43 (in real terms)	+ $3MWh - $3MWh	$456M ($456M)	$45MWh to $117MWh between FY23 and FY42 (in real terms)	+ $3MWh - $3MWh	$494M ($494M)
New Zealand generation volume	Annual generation production	13,304 GWh p.a. to 13,804 GWh p.a.	+ 250GWh - 250GWh	$210M ($210M)	13,413 GWh p.a. to 13,964 GWh p.a.	+ 250GWh - 250GWh	$227M ($227M)
Operating expenditure (excluding electricity purchase costs or transmission charges)	Meridian's cost of operations	$154M in FY24, $163M in FY25 (in real terms) and inflated at appropriate escalation rates from FY26 onward	+ $10M - $10M	($116M) $116M	$134M in FY23, $141M in FY24 (in real terms) and inflated at appropriate escalation rates from FY25 onward	+ $10M - $10M	($128M) $128M
Weighted Average Cost of Capital (WACC)	The discount rate considers the time value of money and relative risk of achieving the cash flow forecast	8.40%	+ 0.5% - 0.5%	($585M) $683M	7.74%	+ 0.5% - 0.5%	($571M) $680M

Sensitivities show the movement in fair value as a result of a change in each input (keeping all other inputs constant).

Depreciation

Depreciation of property, plant and equipment assets, other than freehold land, is calculated on a straight-line basis. This allocates the cost or fairvalue amount of an asset, less any residual value, over its estimated remaining useful life.

Useful lives

Meridian uses its judgement in determining the remaining useful lives and residual value of assets, which are:

- generation structures and plant – up to 80 years;
- buildings – up to 67 years;
- other plant and equipment – up to 20 years; and
- Right of Use lease assets – up to 26 years.

The residual value and useful lives are reviewed, and, if appropriate, adjusted at each balance date.

Disposals or retirement

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Income Statement. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Benmore Power Station, Otematata.

B

B2 Intangible assets

$M	Goodwill	Software	Total
Cost or fair value	5	220	225
Less accumulated amortisation	–	(141)	(141)
Net book value at 30 June 2021	**5**	**79**	**84**
Additions	–	29	29
Amortisation expenses	–	(22)	(22)
Disposals	(5)	(1)	(6)
Net book value at 30 June 2022	**–**	**85**	**85**
Cost or fair value	–	224	224
Less accumulated amortisation	–	(139)	(139)
Net book value at 30 June 2022	**–**	**85**	**85**
Additions	–	18	18
Disposals	–	–	–
Impairment	–	(2)	(2)
Amortisation expenses	–	(28)	(28)
Net book value at 30 June 2023	**–**	**73**	**73**
Cost or fair value	–	236	236
Less accumulated amortisation	–	(163)	(163)
Net book value at 30 June 2023	**–**	**73**	**73**

Software

Acquired computer software licenses (that are not considered an integral part of related hardware) are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Additionally, costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are also recognised as intangible assets.

All these costs are amortised over their useful lives on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Useful lives

Meridian uses its judgement in determining the remaining useful lives and residual value of intangible assets, which are:

- electricity retail platform – up to five years;
- generation control – up to 10 years; and
- other software – up to three years.

These are reviewed, and, if appropriate, adjusted at each balance date.

Goodwill

Goodwill represents the excess of the cost of a business acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is assessed as having an indefinite useful life and is not amortised. Instead, it is subject to impairment testing at each reporting date or whenever there are indications of impairment. Goodwill has been allocated to the following business units:

$M	2023	2022
Rangoon Energy Park Pty Ltd	–	–
Wandsworth Wind Farm Pty Ltd	–	–
	–	–

The goodwill related to two wind farm development sites in Australia. The goodwill was derecognised during the prior financial year as part of the sale of MEA.

C : Managing funding

In this section

This section explains how Meridian manages its capital structure and working capital, the various funding sources and how dividends are returned to shareholders. In this section of the notes there is information about:

a. equity and dividends;
b. net debt;
c. receivables and payables; and
d. leases and commitments.

C1 Capital management

Capital risk management objectives

Meridian's objective when managing capital is to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimise the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

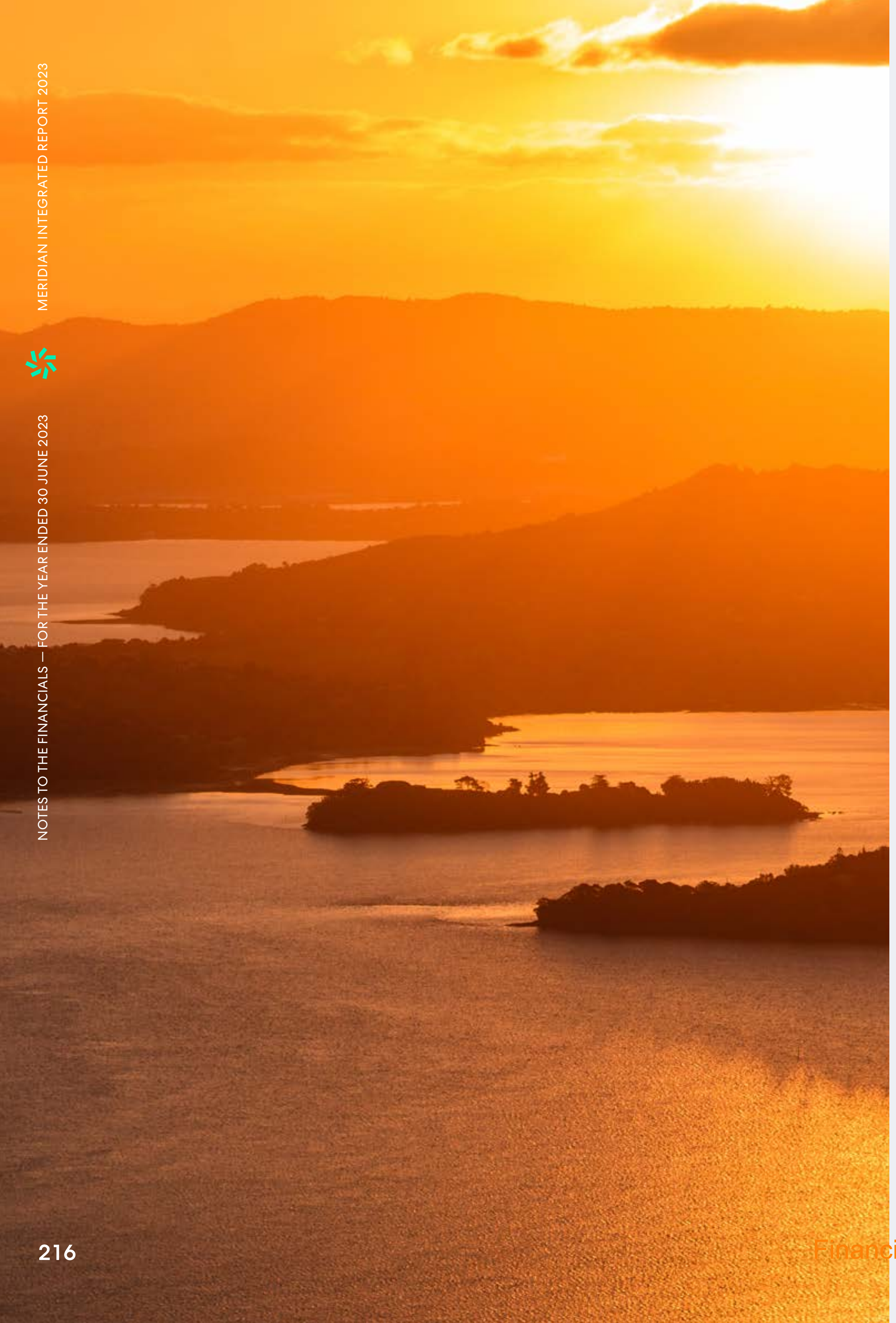
Meridian regularly monitors its capital requirements using various measures which consider debt facility financial covenants and credit ratings. The key measures are net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard & Poor's.

Meridian is in full compliance with debt facility financial covenants.

	Note	2023 $M	2022 $M
Share capital	C2	**1,700**	1,671
Retained earnings		**(1,600)**	(1,242)
Other reserves		**5,887**	5,094
		5,987	**5,523**
Drawn borrowings	C7	**1,221**	1,126
Lease liabilities payable	C9	**27**	41
Less: cash and cash equivalents	C5	**(212)**	(363)
		1,036	804
Net capital		**7,023**	**6,327**

	Note	2023 $M	2022 $M
Net debt to EBITDAF			
Drawn borrowings	C7	**1,221**	1,126
Lease liabilities payable	C9	**27**	41
Less: cash and cash equivalents	C5	**(212)**	(363)
Add back: restricted cash	C5	**196**	43
Net debt (A)		**1,232**	**847**
EBITDAF (B)		**783**	**709**
Net debt to EBITDAF (times) (A/B)		**1.6**	**1.2**

	Note	2023 $M	2022 $M
EBITDAF Interest cover			
EBITDAF (B)		**783**	709
Interest on borrowings	A3	**67**	76
Interest on lease liabilities	A3	**2**	2
Interest (C)		**69**	78
EBITDAF interest cover (times) (B/C)		**11.3**	**9.1**
Standard & Poor's rating		**BBB+**	**BBB+**



C

C2 Share capital

Share capital	Shares 2023	$M 2023	Shares 2022	$M 2022
Shares issued	2,584,734,122	1,708	2,578,869,011	1,678
Treasury shares held	(1,565,008)	(8)	(1,304,226)	(7)
Share capital	**2,583,169,114**	**1,700**	**2,577,564,785**	**1,671**

All shares issued are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the company.

The movement in shares issued relates to the dividend reinvestment plan. Refer to Note C4 Dividends for further information.

The movement in treasury shares relates to the purchase and issue of shares to participants in the long-term equity settled incentive plan for New Zealand-based senior executives (Refer to Note F1 Share-based payments) and for hedging of the Long-Term Incentive (LTI) scheme.

C3 Earnings per share

Basic and diluted earnings per share (EPS)	2023	2022
Net profit after tax from continuing operations	**$95M**	$451M
Net profit after tax attributed to the shareholders of the parent company	**$95M**	$664M
Weighted average number of shares used in the calculation of EPS	**2,581,801,567**	2,570,934,506
Basic and diluted EPS from continuing operations (cents per share)	**3.7**	17.5
Basic and diluted EPS (cents per share)	**3.7**	25.8

◄ Whangārei Heads at sunset, near Ruakākā.

C4 Dividends

Dividends declared and paid	2023 $M	2022 $M
Interim ordinary dividend 2023: 6.00cps (cents per share) (2022: 5.85cps)	**155**	150
Final ordinary dividend 2022: 11.55cps (2021: 11.20cps)	**298**	287
Total dividend expense	**453**	**437**
Dividends declared and not recognised as a liability		
Final ordinary dividend 2023: 11.90cps (2022:11.55cps)	**307**	298
Imputation credit balance		
Imputation credits available for future use at 30 June	**71**	51

Subsequent event – dividend declared

On 28 August 2023 the Board declared a partially imputed final ordinary dividend of 11.9 cents per share.

Dividend policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short and medium-term economic, market and hydrology conditions.

Dividend reinvestment plan

Meridian operates a dividend reinvestment plan under which shareholders can elect to receive dividends in additional shares rather than cash.

For the October 2022 final dividend payment, new shares were issued at the prevailing market price of Meridian shares around the time of issue. Meridian investors were issued 3,864,321 new shares with a value of $19 million (2022: 13,400,114 shares with a value of $65 million).

For the March 2023 interim dividend payment, new shares were issued at the prevailing market price of Meridian shares around the time of issue. Meridian investors were issued 2,000,790 new shares with a value of $11 million (2022: 2,468,897 shares with a value of $13 million).

Shares issued in lieu of cash are excluded from dividends paid in the Statement of Cash Flows.

Imputation credit balance

Imputation credits allow Meridian to pass on to its shareholders the benefit of the New Zealand income tax it has paid by attaching imputation credits to the dividends it pays, reducing the shareholders' net tax obligations.

The imputation credits available for future use reflect the balance at the end of the period 30 June 2023. It does not recognise any tax payments between balance date and 28 August 2023.

C

C5 Cash and cash equivalents

Cash and cash equivalents	2023 $M	2022 $M
Current account	212	71
Short term deposits	–	250
Money market account	–	42
Cash and cash equivalents	**212**	**363**

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are not subject to a significant risk of change in value.

Restricted cash

Meridian trades electricity hedges on the ASX using Macquarie as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on market movements and contracts held.

At 30 June 2023, this collateral was $196 million (30 June 2022: $43 million).

All other cash and cash equivalent balances are available for use.

Reconciliation of net profit after tax to cash flows from operating activities	2023 $M	2022 $M
Net profit after tax	**95**	**664**
Adjustments for operating activities' non-cash items:		
Depreciation and amortisation	294	300
Movement in deferred tax	(137)	37
Net change in fair value of financial instruments	308	(260)
Electricity option premiums	(19)	(21)
Other non-cash items in working capital	(23)	(11)
Share-based payments	1	1
	424	**46**
Items classified as investing activities:		
Gain on sale of subsidiaries	–	(214)
Changes in working capital items:		
(Increase)/decrease in accounts receivable	65	75
(Increase)/decrease in customer contract assets	3	9
(Increase)/decrease in other assets	2	11
Increase/(decrease) in payables and accruals/employee entitlements	(95)	(114)
Increase/(decrease) in customer contract liabilities	2	(10)
Increase/(decrease) in current tax payable	15	(5)
Working capital items in financing activities	(2)	(1)
	(10)	(35)
Cash flow from operating activities	**509**	**461**

C6 Trade receivables

Trade receivables	2023 $M	2022 $M
Accrued receivables	**303**	364
Current billed	**16**	19
Past due 1 to 30 days	**15**	19
Past due 31 to 60 days	**2**	4
Past due 61 to 90 days	**1**	1
Past due greater than 90 days	**1**	–
Less: credit loss allowance	**(4)**	(8)
Total trade receivables	**334**	**399**
Accounts receivable past due less credit loss allowance	**15**	16
Movement in provision for credit loss allowance		
Opening provision	**(8)**	(9)
Provision released (created) in the year	**3**	(1)
Provision used in the year	**1**	2
Closing provision for credit loss allowance	**(4)**	**(8)**

Trade receivables, measurement and recognition

Trade receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. The overdue amounts are largely related to energy sales to retail customers.

Trade receivables written off during the year were $1 million (30 June 2022: $2 million).

Receivables are written off at the point where Meridian believe there is no reasonable expectation of recovery, which is typically a combination of an overdue amount, no communication or response from the debtor, and no payments received. Receivables written off are handed to collection agencies for enforcement.

Credit losses

The allowance for credit losses are an estimate of the Group's expected credit losses over the lifetime of the current amounts receivable. Or rather, it is the difference between the face value of trade receivables and the future cash flows we expect to receive. Additions to the provision are recognised in the Income Statement.

We estimate collective future cash flows by considering customer credit history, historical recovery performance and trends, through which we build default matrices that apply a probability of default given the ageing of debtors. Forward-looking employment statistics are also monitored, with a large rise in forecast unemployment acting as a trigger for us to reconsider the probability rates in our matrices.

C

C7 Borrowings

$M	Currency borrowed in	2023 Drawn facility amount	2023 Transaction costs paid	2023 Fair value adjustment	2023 Carrying amount	2022 Drawn facility amount	2022 Transaction costs paid	2022 Fair value adjustment	2022 Carrying amount
Current borrowings									
Unsecured borrowings	NZD	215	(1)	–	214	160	(1)	–	159
Total current borrowings		**215**	**(1)**	**–**	**214**	**160**	**(1)**	**–**	**159**
Non-current borrowings									
Unsecured borrowings	NZD	420	–	–	420	380	–	–	380
Unsecured borrowings	USD	586	(1)	17	602	586	(1)	39	624
Total non-current borrowings		**1,006**	**(1)**	**17**	**1,022**	**966**	**(1)**	**39**	**1,004**
Total borrowings		**1,221**	**(2)**	**17**	**1,236**	**1,126**	**(2)**	**39**	**1,163**

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amount (net of transaction costs paid) and are subsequently held at amortised cost using the effective interest method. Any borrowings which have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. Refer to Note D1 Hedge accounting section for further information. Any borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date. Any retranslation effect is included in the 'Fair value adjustment' column in the table, along with any amounts relating to fair value hedge adjustments.

Meridian uses cross-currency interest rate swap (CCIRS) hedge contracts to manage its exposure to interest rates and borrowings sourced in currencies different to that of the borrowing entity's functional currency. More information on Meridian's risk management and hedge accounting practices can be found in Section D Financial instruments used to manage risk.

Security

Meridian borrows under a negative pledge arrangement, which does not permit it to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Fair value of items held at amortised cost	2023 $M Carrying value	2023 $M Fair value	2022 $M Carrying value	2022 $M Fair value
Retail bonds	**550**	**543**	500	497
Unsecured term loan (EKF facility)	**30**	**31**	40	41

Within term borrowings there are longer-dated instruments which are not in hedge accounting relationships. The carrying values and estimated fair values of these instruments are noted in the table above.

Fair value is calculated using a discounted cash flow calculation and the resultant values would be classified as Level 2 within the fair value hierarchy. The retail bonds are listed instruments; however, a lack of liquidity on the NZX precludes them from being classified as Level 1 (a definition of hierarchy levels is included in Note D1 Financial instruments).

Carrying value approximates fair value for all other instruments within term borrowings.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

2023

$M	Balance at 30 June 2022	Term borrowings drawn	Term borrowings repaid	Valuation adjustments	Foreign exchange	Transaction costs paid & accrued	Lease liabilities recognised	Lease liabilities paid	Lease derecognition	MEA sale	Unwind of discounting	Balance at 30 June 2023
Unsecured borrowings – NZD	539	255	(160)	–	–	–	–	–	–	–	–	634
Unsecured borrowings – USD	624	–	–	(34)	12	–	–	–	–	–	–	602
Lease liabilities	41	–	–	–	–	(2)	–	(3)	(11)	–	2	27
Total	**1,204**	**255**	**(160)**	**(34)**	**12**	**(2)**	**–**	**(3)**	**(11)**	**–**	**2**	**1,263**

2022

$M	Balance at 1 July 2021	Term borrowings drawn	Term borrowings repaid	Valuation adjustments	Foreign exchange	Transaction costs paid & accrued	Lease liabilities recognised	Lease liabilities paid	Lease derecognition	MEA sale	Unwind of discounting	Balance at 30 June 2022
Unsecured borrowings – NZD	984	122	(567)	–	–	–	–	–	–	–	–	539
Unsecured borrowings – USD	692	31	(60)	(78)	39	–	–	–	–	–	–	624
Unsecured borrowings – AUD	–	57	(58)	–	1	–	–	–	–	–	–	–
Lease liabilities	97	–	–	–	–	–	–	(7)	(8)	(43)	2	41
Total	**1,773**	**210**	**(685)**	**(78)**	**40**	**–**	**–**	**(7)**	**(8)**	**(43)**	**2**	**1,204**

Sources of funding ($M)	Currency borrowed in	2023 Facility amount	2023 Drawn facility amount	2023 Undrawn facility amount	2022 Facility amount	2022 Drawn facility amount	2022 Undrawn facility amount
Bank facilities							
New Zealand bank facilities[37]	NZD	550	15	535	550	–	550
EKF funding[38]	NZD	30	30	–	40	40	–
Total bank facilities		**580**	**45**	**535**	**590**	**40**	**550**
Other sources of borrowing							
Retail bonds[39]	NZD	550	550	–	500	500	–
Fixed rate bonds[40]	USD	586	586	–	586	586	–
Commercial paper[41]	NZD	40	40	–	–	–	–
Total other sources of borrowing		**1,176**	**1,176**	**–**	**1,086**	**1,086**	**–**
Total sources of funding		**1,756**	**1,221**	**535**	**1,676**	**1,126**	**550**

37 Facilities bear interest at the relevant market floating rate plus a margin – unsecured NZD borrowing.

38 EKF facility is an unsecured amortising term loan, provided by the official export credit agency of Denmark, for the construction of Te Uku wind farm – unsecured NZD borrowing.

39 Retail bonds are senior unsecured retail bonds bearing interest rates of 4.21%, 4.88% and 5.91% (2022: 4.53%, 4.88% and 4.21%) – unsecured NZD borrowing.

40 USD fixed rate bonds are unsecured fixed rate bonds issued in the United States Private Placement Market – unsecured USD borrowing.

41 NZD commercial paper comprises senior unsecured short-term debt obligations paying a fixed rate of return over a set period of time – unsecured NZD borrowing.

C

C8 Green financing

Green Debt Instruments under Meridian's Green Finance Programme

Green Debt allocated to the Hydro Pool[42]

Type ($M)	CUSIP/NZX Code	Currency borrowed in	30 June 2023 Facility amount	30 June 2023 Drawn facility amount	30 June 2022 Facility amount	30 June 2022 Drawn facility amount
USPP Series 2014-1 Tranche B[43]	Q5995*AB4	USD	147	147	147	147
USPP Series 2019-1 Tranche A[43]	Q5995#AE4	USD	183	183	183	183
USPP Series 2019-1 Tranche B[43]	Q5995#AF1	USD	183	183	183	183
USPP Series 2019-1 Tranche C[43]	Q5995#AG9	USD	73	73	73	73
Total Fixed Rate Bonds			586	586	586	586
New Zealand Bank Facilities[44]		NZD	550	15	550	–
Commercial Paper[45]		NZD	40	40	–	–
Total Green Debt allocated to the Hydro Pool			1,176	641	1,136	586

Green Debt allocated to the Wind Pool[46]

Type ($M)	CUSIP/NZX Code	Currency borrowed in	30 June 2023 Facility amount	30 June 2023 Drawn facility amount	30 June 2022 Facility amount	30 June 2022 Drawn facility amount
Retail Bond (Mar-23)	MEL030	NZD	–	–	150	150
Retail Bond (Mar-24)	MEL040	NZD	150	150	150	150
Retail Bond (Mar-25)	MEL050	NZD	200	200	200	200
Retail Bond (Sep-28)	MEL060	NZD	200	200	–	–
Total Domestic Bonds			550	550	500	500
EKF Amortising Facility		NZD	30	30	40	40
Total Green Debt allocated to the Wind Pool			580	580	540	540
Total Green Debt			1,756	1,221	1,676	1,126

Further information on the Green Finance Programme, including the Programme framework document, opinions from DNV Business Assurance Australia Pty Ltd (DNV), Climate Bonds Standard (CBS) Certification and Green Asset and Debt registers are available on Meridian's website at **meridianenergy.co.nz/about-us/investors/reports/green-finance.**

To recognise Meridian's commitment, leadership and investment in renewable energy, Meridian has designed a Green Finance Programme which covers both existing and future issuances of debt instruments (Programme).

42 Verified as meeting the criteria established for Meridian by DNV which align with the stated definition of Green Bonds and Loans within the Green Bond/Loan Principles.
43 United States private placement (USPP) Notes are included as the NZD equivalent under the cross-currency interest rate swaps related to the Issue. During the prior period, the $100m USPP Series 2014-1 Tranche B bond was novated from Australia-based Meridian Finco to New Zealand-based Meridian Energy Limited prior to the sale of the MEA operations. On novation, the associated USD/AUD CCIRS was replaced with a USD/NZD CCIRS at the spot rate on the Novation date. The facility amount was increased to reflect the FX movement between the original USD/AUD CCIRS and the new USD/NZD CCIRS.
44 Committed Bank facilities are included at the face value of the facilities.
45 Commercial Paper is included as the amount on issue.
46 Climate Bonds Standard Certified.

The Programme Framework (Framework) sets out the process, criteria and guidelines under which Meridian intends to issue and/or manage existing and future bonds and loans under the Programme which contribute towards achieving Meridian's sustainability objectives.

DNV has been commissioned by Meridian to provide an external review of the Programme through verification of the Wind Pool and the Green Debt allocated (directly or notionally) to the Wind Pool under the CBS; and a second party opinion of the Hydro Pool and the Green Debt allocated (directly or notionally) to the Hydro Pool under the Green Bond Principles (GBP) and Green Loan Principles (GLP). The conclusion of DNV's external reviews are provided within the following documents (also available on Meridian's website via link above):

- DNV Periodic Assurance Opinion 2023, Climate Bonds Standard Project Pool (Wind) 31 July 2023; and
- DNV Periodic Second Party Opinion 2023, Green Bond & Loan Principles Project Pool (Hydro) 31 July 2023.

The proceeds of Meridian's debt instruments, outlined in the accompanying tables, have been allocated (directly or notionally) to refinance eligible wind and hydro projects and assets that meet the market standards.

At 30 June 2023, Meridian remains compliant with the requirements of the Programme.

C9 Lease liabilities

Lease liabilities analysis	2023 $M	2022 $M
Minimum lease payments		
Not later than 1 year	**3**	5
Later than 1 year and not later than 3 years	**6**	10
Later than 3 years and not later than 5 years	**6**	9
Later than 5 years	**22**	32
Gross future lease payables	**37**	56
Less future finance costs	**(10)**	(15)
Present value of lease liabilities	**27**	**41**
Analysed as:		
Not later than 1 year	**3**	4
Later than 1 year and not later than 3 years	**5**	7
Later than 3 years and not later than 5 years	**4**	7
Later than 5 years	**15**	23
Present value of lease liabilities	**27**	41
Comprising:		
Current	**3**	4
Non-current	**24**	37
	27	**41**

Lease liabilities, measurement and recognition

Meridian recognises the present value of expected lease payments under lease arrangements as a lease liabilities payable. Subsequent repayments are split between principal and interest expense. The interest reflects a constant periodic charge over the expected term of the lease.

A number of our lease arrangements contain options to extend. Where we are reasonably certain of taking up those options, they are included in the lease liability. If there is any uncertainty around whether a lease extension will be taken up, it is excluded from the liability value.

Lease liabilities are classified as financial liabilities at amortised cost.

The weighted average discount rate applied in the calculation of lease liabilities is 3.41% (30 June 2022: 3.19%).

Lease details

Meridian's current leases relate to office spaces and a transmission connection asset at Mill Creek.

Meridian reported interest expense on lease liabilities of $2 million (30 June 2022: $2 million) in the Income Statement.

Refer to Note B1 Property, plant and equipment for details of the related Right of Use lease assets.

C

C10 Commitments

Capital expenditure commitments	Group 2023 $M	Group 2022 $M
Property, plant and equipment	333	288
Software	–	1
Total capital expenditure commitments	**333**	**289**

Guarantees

Various entities within the Group provide guarantees to external counterparties, with these mostly relating to security for energy market clearing and property lease agreements. The maximum liability under these guarantees is $80 million (30 June 2022: $150 million).

Wind turbines at Te Āpiti wind farm, Manawatū.

D : Financial instruments used to manage risk

In this section

This section explains the financial risks Meridian faces, how these risks affect Meridian's financial position and performance, and how Meridian manages these risks. In this section of the notes there is information:

a. outlining Meridian's approach to financial risk management; and
b. analysing financial (hedging) instruments used to manage risk.

D1 Financial risk management

Meridian's activities expose it to a variety of financial risks. Its financial risk management framework focuses on the unpredictability of financial markets and wholesale enegy markets. The Board approves policies including Group Treasury, Energy Hedging and Credit Policies which set appropriate principles and risk tolerance levels to guide management in carrying out financial risk management activities to minimise potential adverse effects on the financial performance and economic value of the Group. The key risks managed are discussed further below.

In order to help balance certain risk exposures, Meridian uses a variety of financial instruments (hedges). Hedges are categorised as either 'Treasury' or 'Energy' related, based on their underlying nature. A small number of Treasury hedges are designated in hedge accounting relationships (refer to the Hedge accounting section for further detail). Meridian does not enter into speculative trades.

Financial instrument recognition

Meridian designates or classifies financial hedging instruments as:

- **Fair value hedge,** hedges of the fair value of recognised assets or liabilities or a firm commitment; or
- **Cash flow hedge,** hedges of a particular cash flow associated with a recognised asset or liability or a highly probable forecast transaction; or
- **Held for trading,** financial instruments which have not been designated in a hedging relationship.

Meridian accounts for derivative and certain designated financial instruments as fair value through the Income Statement.

Hedges are initially recognised at fair value on the dates the contracts are agreed, and are subsequently remeasured on a periodic basis. Remeasurement is recognised in the Income Statement except for effective cash flow hedges.

Fair value changes are recognised in the Income Statement as net change in the fair value of energy hedges or net change in fair value of treasury hedges, depending on the underlying business nature of the hedge.

Calculation of fair value for financial instruments

Meridian uses quoted prices and/or a discounted cash flows approach in order to calculate fair values for financial instruments. Fair value measurements are grouped within a three-level fair value hierarchy based on the observability of inputs to the valuation process:

- **Level 1 Inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at reporting date;
- **Level 2 Inputs:** either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1; and
- **Level 3 Inputs:** inputs that are not based on observable market data (i.e. unobservable inputs).

Meridian has a number of energy hedges that require management estimation and judgement in order to generate a fair value at each reporting date. These estimates can have a significant risk of material adjustment in future periods. This is discussed in more detail later in this section.

Credit risk

Meridian is exposed to the risk of default in relation to energy sales to wholesale and retail customers, hedging instruments, guarantees and deposits held with banks and other financial institutions.

For retail customers, credit checks are carried out before new customers are accepted. The credit team oversees the collection of receivables and works with customers to minimise the chances of bad debts occurring. Management monitors the size and nature of retail customer exposures on a regular basis and acts to mitigate the risk if deemed to exceed acceptable levels.

For banks and financial institutions, only independently related parties with a minimum rating of 'A' are accepted.

For wholesale customers, individual credit limits are set based on internal or external credit ratings in accordance with limits set by the Board. Where customers are not independently credit rated, an assessment of credit quality is made, taking into account financial position, past experience and other relevant factors. If appropriate, letters of credit/guarantees are obtained from counterparties to reduce credit risk to acceptable levels. These assessments and the utilisation of credit limits and security provided by wholesale customers are reviewed and monitored by the Chief Financial Officer.

The carrying amounts of financial assets recognised on the balance sheet best represent Meridian's maximum likely exposure to credit risk at the date of this report. Refer to Note C6 Trade receivables for a description of how we provide for any credit losses.

Liquidity risk

Meridian is exposed to the dynamic nature of energy markets and weather patterns, which can affect liquidity.

Meridian ensures flexibility in funding by maintaining committed surplus credit lines available of at least $200 million (Refer to Note C7 Borrowings for details of undrawn facilities). This helps ensure Meridian has sufficient headroom under both normal and abnormal hydrological conditions.

Meridian manages its term debt requirements on a portfolio basis. To reduce concentration risk on any one lender or funding type, Meridian uses a range of different funding sources and currencies. Meridian also monitors contractual maturities and ensures these are well spaced (or laddered) so that refinancing risks are manageable.

In addition to borrowings, Meridian has entered into a number of letters of credit and guarantee arrangements which provide credit support of $80 million for Meridian's general operations (30 June 2022: $150 million). Meridian indemnifies the obligations of the bank in respect of the letters of credit and performance guarantees issued by the bank to counterparties of Meridian.

Liquidity risk – contractual maturities

The following tables are an analysis of the contractual undiscounted cash flows (settlements expected under the contracts) relating to financial liabilities and a reconciliation from total undiscounted cash flows to carrying amounts. Meridian expects to meet its future obligations from operating cash flows and debt financing.

2023 $M	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest/FX discounting	2023 carrying value
Borrowings	274	258	270	741	**1,543**	(2)	(305)	**1,236**
Lease liabilities	3	6	6	22	**37**	–	(10)	**27**
Payables, accruals, provisions and option premiums	387	37	20	–	**444**	–	(3)	**441**
Treasury hedges	19	–	5	2	**26**	–	1	**27**
Energy hedges	51	44	71	–	**166**	–	(11)	**155**
	734	**345**	**372**	**765**	**2,216**	**(2)**	**(328)**	**1,886**

2022 $M	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest/FX discounting	2022 carrying value
Borrowings	209	202	460	547	**1,418**	(2)	(253)	**1,163**
Lease liabilities	5	10	9	32	**56**	–	(15)	**41**
Payables, accruals, provisions and option premiums	479	32	22	4	**537**	–	(3)	**534**
Treasury hedges	16	4	7	3	**30**	–	(4)	**26**
Energy hedges	34	32	56	8	**130**	–	(12)	**118**
	743	**280**	**554**	**594**	**2,171**	**(2)**	**(287)**	**1,882**

Market risk

Meridian is involved in both the energy and financial markets and as such is exposed to rises and falls in those markets and the subsequent income statement volatility this can cause. The following are the main sub-types of market risk that Meridian is exposed to:

Commodity price risk

Meridian trades in the wholesale energy markets and so is exposed to volatility in forward energy prices.

Being both a generator and a retailer of energy means that Meridian has a natural hedge for most of the exposure to future energy prices.

Meridian also uses derivatives to help manage its net energy position, some of which are traded in quoted markets, and some of which are traded directly with other energy market participants. Energy hedges are not placed in hedge accounting relationships.

Foreign exchange risk

Meridian is exposed to foreign exchange risk arising from sales and procurement of goods and services denominated in foreign currencies and also from term debt raised in foreign currencies.

For exposures resulting from Meridian's general operations, foreign exchange spot or forward contracts are used to fix the value in reporting currency terms. Material items may be placed in hedge accounting relationships and can be either fair value hedges or cash flow hedges, depending on the nature of the transaction/underlying exposure.

For term debt raised in USD, cross-currency interest rate swaps (CCIRS) are used to convert the proceeds back to functional currency. These derivatives minimise foreign exchange risk on both the notional and the coupon flows over the life of the debt. CCIRS are placed in both fair value and cash flow hedge accounting relationships.

Interest rate risk

Meridian is exposed to interest rate risk arising from its funding portfolio, which is a mix of fixed and floating rate debt.

Meridian issues debt on both a fixed and a floating basis and is thus exposed to changes in interest rates over time. A portfolio of interest rate swaps (IRS) is then used to manage the net exposure to interest rate risk, in line with a Board-approved hedging policy and profile. Refer to the Foreign Exchange section for derivatives used for term debt raised in foreign currencies.

Meridian swaps a significant portion of its borrowings to floating rates at loan inception, and hedges the resulting interest rate exposure over a tenure based profile of fixed IRS. This is achieved using a combination of CCIRS and IRS hedges. Where Meridian borrows in foreign currency it uses CCIRSs to swap all foreign currency denominated interest and principal repayments to the reporting currency. This results in floating rate borrowings in the entity's reporting currency. Meridian uses IRS hedges to fix floating interest rates in line with the Board-approved hedging policy and profile.

Climate risk

Meridian is exposed to future changes in climate, which may impact on our industry, our business and our customers.

Future impacts may be physical, such as changes in weather patterns or rising temperatures, or they may be more transitional in nature, such as amendments to government policy and regulation, or changes in customer energy needs and demands. Meridian actively assesses the operating environment in New Zealand, in respect of the potential future impacts that changes in climate may have on Meridian. We report formally on this process each year in our detailed **Climate-related Disclosures** (also referred to as 'TCFD reporting'), which can be found on our corporate website.

Meridian's climate-related scenarios, risks and opportunities consider three time horizons: short term (up to 2030), medium term (2030 to 2050) and long term (2050 to 2100). These time horizons are longer than we have previously considered in recognition of the useful life of some of our assets, such as those for hydro electricity generation, and the potential for increasing physical impacts from climate change in the medium to long term. Any mitigating actions are embedded into the relevant area of Meridian's business and longer-term observations are incorporated in our business strategy.

Meridian adopted a new approach to the annual exercise of identifying and assessing climate-related risks and opportunities this financial year. The process applies newly adopted climate scenarios (building on incumbent Evolution and Revolution scenarios), and aligns with Meridian's updated Risk Management Policy and Risk Management Framework.

Meridian also sets various targets for its emissions profile, and identifies the metrics used in tracking progress towards its objectives. As part of preparing this report, Meridian considers climate risk and whether it may have any impact on our financial statements and associated disclosures. The most material area we see climate risk having a future impact is on our valuation of generation structures, which we account for at fair value. Refer to our **Climate-related Disclosures** (as previously referenced on our corporate website) and Section B: Assets used to generate and sell electricity for more information. Section B includes a sensitivity analysis indicating how much value may change with variations in key inputs, such as generation volumes and wholesale market prices, which both include climate change considerations.

Churning water at Benmore Power Station, Otematata.

D

D1 Financial risk management continued

Meridian groups its financial instrument into two categories – Treasury hedges and Energy hedges.

	Fair value on the balance sheet			
	2023		2022	
$M	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Treasury hedges	85	(27)	93	(26)
Energy hedges	269	(155)	533	(118)
	354	**(182)**	**626**	**(144)**
of which				
Current	141	(71)	213	(47)
Non-current	213	(111)	413	(97)
	354	**(182)**	**626**	**(144)**

Further disclosure and analysis of these two categories are noted on the following pages.

◄ Interior of Benmore Power Station, Otematata.

Treasury hedges

Hedges in the Treasury category generally relate to management of the interest rate risk and foreign exchange risk that arise from Meridian's funding activities and from general Group operations.

The instruments used are CCIRS, IRS and forward exchange contracts (FX).

		Fair value on the balance sheet				Fair value movements in the income statement		Outstanding aggregate notional principals[47]	
		2023 $M		2022 $M		2023 $M	2022 $M	2023 $M	2022 $M
Treasury hedges	Level	Assets	Liabilities	Assets	Liabilities				
CCIRS									
– Interest Rate Risk[48]		(34)	(15)	(9)	(6)	1	4		
– Basis and Margin Risk[49]		–	–	(1)	–	–	–		
– Foreign Exchange Risk[50]		66		54	–	–	–		
	2	32	(15)	44	(6)	1	4	586	586
IRS[51]	2	46	(12)	30	(20)	23	132	1,365	1,295
FX[52]	2	7	–	19	–	–	–	152	150
Treasury hedges		**85**	**(27)**	**93**	**(26)**	**24**	**136**		

Meridian uses CCIRS to hedge risks involved with long-term debt issued in USD. In the above table the CCIRS are separated into component parts as follows:

47 These cover multiple legs including offsetting legs and maturities out to 2036.
48 Interest rate risk: this is the movement in value of the CCIRS due to changes in benchmark interest rates. The other side of this movement is recorded in the Income Statement in the 'Net change in fair value of treasury instruments', together with changes in the fair value hedge adjustments on the designated USD borrowings.
49 Basis and margin risk: this is the movement in the value of the CCIRS due to changes in basis (excluding foreign exchange) and credit margin. The other side of this movement is recorded in the Income Statement in the 'Net change in fair value of treasury instruments', together with cash flow hedge accounting adjustments that transfer effective hedge portions to the Cash Flow Hedge Reserve within Equity.
50 Foreign exchange risk: this is the movement in value of the CCIRS due to changes in spot foreign exchange rates. The impact of retranslation is recorded in the Income Statement in 'Net change in fair value of treasury instruments' and is offset by equal and opposite retranslation effects on the related borrowings.
51 Changes in fair value of IRS are recognised in the Income Statement within 'Net change in fair value of treasury instruments'.
52 Changes in fair value of FX contracts are recognised in the Income Statement within 'Net change in fair value of treasury instruments', together with cash flow hedge accounting adjustments that transfer effective hedge portions to the Cash Flow Hedge Reserve within Equity.

In the previous table, fair value movements in the Income Statement are shown net of any related hedge accounting adjustments and retranslation of foreign currency borrowings.

Refer to the Hedge Accounting section of Note D1 Financial risk management for further detail on fair value and cash flow hedge relationships.

Treasury hedges – sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the valuation of Treasury Hedges and therefore on Meridian's after tax profit and equity.

Note that changes in the fair value of the CCIRS are fully offset by opposite impacts from hedge accounting entries and the FX retranslation of the USD debt. Therefore, the CCIRS Income Statement sensitivity is nil and is not shown in the table below.

The majority of the FX portfolio is designated in cash flow hedge relationships. Changes in spot exchanges rates are fully offset by opposite impacts from hedge accounting entries in the Income Statement, for these contracts the Income Statement sensitivity is nil.

		Impact on after tax profit & equity	
	Sensitivity	2023 $M	2022 $M
Interest rates			
New Zealand benchmark bill rate	-100 basis points (bps)	**(24)**	(30)
	+100 bps	**21**	27
Foreign exchange rates			
Effect of movement in foreign exchange rates on foreign exchange contracts	-20%	**(1)**	(4)
	+20%	**1**	4

D

D1 Financial risk management continued

Energy hedges

Hedges in this category relate to Meridian's management of risk arising from the generation, purchase and sale of energy.

Meridian is exposed to changes in the spot price of electricity it receives for electricity generated, or pays to buy electricity and gas to supply customers. Additionally, inflows into Meridian's storage lakes are variable, therefore the volume of electricity required to supply customers may exceed (or fall short of) generation production.

Meridian's hedging strategy focuses on its net exposure by estimating both expected generation and energy purchases required to support contracted sales. Execution of this strategy is guided by Board-approved parameters. Changes in the fair value of energy hedges are recognised in the income statement within net change in fair value of energy hedges. Hedge accounting is not applied to energy hedges.

The 'Market traded electicity hedges' category contains instruments that are traded on various exchange-based markets.

The 'Other electricity hedges' category contains over-the-counter derivatives, where counterparties include customers, other energy market participants and financial institutions.

These hedges are generally longer-term, larger-volume contracts that manage specific risks that cannot be managed through exchange-based markets.

Meridian trades electricity options with other generators. These are used to support the management of inflow and storage variability in the catchments where it generates electricity.

		Fair value on the balance sheet				Fair value movements in the income statement		Outstanding aggregate notional volumes[53]	
		2023 $M		2022 $M		2023 $M	2022 $M	2023	2022
Energy hedges	Level	Assets	Liabilities	Assets	Liabilities				
Market traded electricity hedges	1	133	(48)	287	(21)	(230)	161	20,383 GWh	19,486 GWh
Other electricity hedges	3	102	(107)	207	(97)	(121)	114	9,532 GWh	13,484 GWh
Electricity options	3	34	–	39	–	(24)	(9)	1,345 GWh	1,873 GWh
Energy-related hedges		269	(155)	533	(118)	(375)	266		

53 These cover multiple legs including offsetting legs and maturities out to 2028.

Energy hedges – sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the value of energy hedgesand therefore on Meridian's after tax profit and equity.

		Impact on after tax profit & equity	
Energy hedges	Sensitivity	2023 $M	2022 $M
Energy prices	-10%	**(74)**	(105)
	+10%	**74**	105
Discount rates	-100 bps	**–**	1
	+100 bps	**–**	(1)
Call volumes	-10%	**(2)**	(3)
	+10%	**3**	3

Analysis of fair value movements on energy hedges

The following table provides an analysis of fair value movement on energy hedges. In Note A1 Segment performance, realised movements on energy hedges are presented within Energy Margin.

	2023				2022			
	Market traded electricity hedges	Other electricity hedges	Electricity options	Total	Market traded electricity hedges	Other electricity hedges	Electricity options	Total
Realised movement in energy hedges	**(22)**	**(21)**	**1**	**(42)**	(3)	111	13	**121**
Unrealised movement in energy hedges	**(208)**	**(100)**	**(25)**	**(333)**	164	3	(22)	**145**
Total fair value movements on energy hedges	**(230)**	**(121)**	**(24)**	**(375)**	**161**	**114**	**(9)**	**266**

Fair value technique and key inputs

In estimating the fair value of an asset or liability, Meridian uses market-observable data to the extent that it is available. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (DCFs), a number of inputs and assumptions are used by the valuation technique.

These are:

- forward price curves referenced to the ASX for electricity, published market interest rates and published forward foreign exchange rates;
- Meridian's best estimate of electricity volumes called over the life of electricity options;
- discount rates based on market wholesale interest rate curves, adjusted for counterparty risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate until 31 December 2024; and
- contracts run their full term.

The table below describes any additional key inputs and techniques used in the valuation of Level 2 and 3 energy hedges.

Financial asset or liability	Description of input	Range of significant unobservable inputs	Relationship of input to fair value
Other electricity hedges, valued using DCFs	**Price,** where quoted prices are not available or not relevant (i.e. for long-dated contracts), Meridian's best estimate of long-term forward wholesale electricity price is used. This is based on a fundamental analysis of expected demand and the cost of new supply and any other relevant wholesale market factors.	\$29MWh to \$55MWh (in real terms), excludes observable ASX prices (2022: \$34MWh to \$115MWh)	An increase in the forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in the forward wholesale electricity price has the opposite effect.

Level 3 financial instrument analysis

The following provides a summary of the movements through EBITDAF as referred to in Note A1 Segment performance and movements in the fair value of Level 3 financial instruments

	2023			2022		
Reconciliation of Level 3 fair value movements $M	Other electricity hedges	Electricity options	Total	Other electricity hedges	Electricity options	Total
Net change in fair value of energy hedges:						
Unrealised movements	(100)	(25)	(125)	3	(22)	(19)
Realised movements	(21)	1	(20)	111	13	124
Total fair value movement in the Income Statement on energy hedges	(121)	(24)	(145)	114	(9)	105
Balance at the beginning of the period	110	39	149	139	29	168
Fair value movements in the Income Statement	(121)	(24)	(145)	114	(9)	105
Remeasurement	6	(1)	5	(139)	(13)	(152)
Disposals	–	–	–	(4)	–	(4)
New hedge recognised	–	20	20	–	32	32
Balance at the end of the year	(5)	34	29	110	39	149

Fair value movements of Level 3 energy hedges in 2023 which are held at balance date total ($107) million (30 June 2022: ($4) million).

Movements in recalibration differences arising from energy hedges	2023 $M	2022 $M
Opening difference	–	(2)
Volumes expired and amortised	–	2
Recalibration for future price estimates and time	–	–
Closing difference	–	–

Initial recognition difference

An initial recognition difference arises when the modelled value of an energy hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the Income Statement over the remaining life of the contract.

D1 Financial risk management continued

Hedge accounting

Meridian makes use of hedge accounting for USD borrowings, certain highly probable forecast transactions and the financial instruments that are used to economically hedge these exposures. Refer to the Risk Management section for a description of the key risks Meridian manages.

Meridian only designates hedge accounting relationships where the underlying exposure and the hedge are eligible for hedge accounting and are an economic match, where credit risk is not expected to dominate the fair value of the hedge, and where we expect the hedge relationship to remain effective over its life.

The USD borrowings (hedged items) and the CCIRS (hedging instruments) present Meridian with risks which we account for in the following ways:

Interest rate risk

The USD borrowings are fixed rate liabilities and thus present interest rate risk, should benchmark interest rates change. This risk is neutralised by receiving the same fixed rate on the USD leg of the matching CCIRS. Meridian designates the interest rate risk on USD borrowings in fair value hedge accounting relationships.

This means:

- the carrying value of the USD borrowings are adjusted for changes in the fair value of the hedged risk – noted as “hedge accounting adjustments” in Note C7 Borrowings; and
- the CCIRS are revalued to the Income Statement for this same risk

As long as the hedge accounting relationships remain effective, the revaluations of both the hedged item and hedging instrument should net to a minimal amount in the Income Statement. This residual difference is referred to as hedge ineffectiveness.

Note that the accumulated life to date hedge accounting adjustments on the USD borrowings decrease the carrying value of the borrowings by $50 million (2022: decrease by $16 million).

Basis and margin risk

The combination of USD borrowings and CCIRS economically results in Meridian having floating rate NZD borrowings. This presents a risk of variability in future cash flows. As such, Meridian designates basis risk (excluding FX) and margin risk into cash flow hedge relationships.

This means:

- the CCIRS are revalued to the Income Statement for basis risk and margin risk; and
- the effective portions of the hedge are moved from the Income Statement to the Cash Flow Hedge Reserve within Equity.

As noted earlier, there may be small differences between the above entries which result in hedge ineffectiveness in the Income Statement.

Refer to:

- Note C7 Borrowings for the carrying value of the hedged items (USD borrowings);
- Note D1 Treasury hedges for further information on the hedging instruments (CCIRS), including notionals and changes in fair value during the period; and
- The Statement of Changes in Equity for the balance of the Cash Flow Hedge Reserve and movements during the period.

Note that on the Balance Sheet, USD borrowings are included within Term Borrowings and CCIRS are included within Financial Instruments.

Foreign exchange risk

Meridian has hedged highly probable forecast capital expenditure denominated in currencies other than NZD using forward exchange contracts. The foreign currency exposures give rise to the risk of variability to future cash flows. To mitigate this risk, forward foreign exchange contracts have been entered into. The cash flows associated with these contracts are timed to mature when the payment for capital expenditure is made. For contracts designated as cash flow hedges for accounting purposes, when the cash flows occur Meridian adjusts the carrying value of the asset acquired.

Hedge ineffectiveness

The below table summarises hedge ineffectiveness. This is included within “Net change in fair value of Treasury Hedges” in the Income Statement.

Impact on income statement	2023 $M	2022 $M
Hedge ineffectiveness gain (loss)	1	4

Ineffectiveness is primarily caused by credit counterparty risk on CCIRS. This risk is part of the CCIRS fair value but is not included in the hedged item.

Hedge ineffectiveness will net to zero over the life of the hedge relationships.

Future cash flows

The table below estimates the contractual undiscounted future cash flows that we expect on hedge accounted items. Amounts noted include coupons and repayment/exchange of notionals on maturity.

Currency as indicated below	2023 $M Due within 1 year	2023 $M Due within 1–2 years	2023 $M Due within 2–5 years	2023 $M Due after 5 years	2022 $M Due within 1 year	2022 $M Due within 1–2 years	2022 $M Due within 2–5 years	2022 $M Due after 5 years
USD Borrowings (shown in USD)	**(16)**	**(16)**	**(140)**	**(330)**	(16)	(16)	(144)	(342)
CCIRS								
– USD leg (coupons and maturity flow – shown in USD)	**16**	**16**	**140**	**330**	16	16	144	342
– Functional currency leg (coupons and maturity flow – shown in NZD)	**(42)**	**(41)**	**(236)**	**(503)**	(26)	(34)	(240)	(528)
Foreign Exchange Contracts								
– Foreign currency leg (shown in NZD)	**134**	**24**	**–**	**–**	101	66	–	–
– NZD leg	**(128)**	**(24)**	**–**	**–**	(90)	(59)	–	–

Functional currency coupons are set quarterly based on NZ benchmark rates. They are shown in this table based on market forward interest rates.

The foreign currency leg of foreign exchange contracts is translated to NZD using spot exchange rates at reporting date.

Financial instruments which are offset

In certain circumstances Meridian offsets the fair value of financial instruments where it has legal agreements in place that permit netting of positions and net settlement.

	2023 $M Gross value	2023 $M Value offset	2023 $M Carrying value	2022 $M Gross value	2022 $M Value offset	2022 $M Carrying value
Financial instrument assets						
– Energy hedges	434	(165)	**269**	708	(175)	**533**
– Treasury hedges	85	–	**85**	93	–	**93**
Total financial instrument assets	519	(165)	**354**	801	(175)	**626**
Financial instrument liabilities						
– Energy hedges	(320)	165	**(155)**	(293)	175	**(118)**
– Treasury hedges	(27)	–	**(27)**	(26)	–	**(26)**
Total financial instrument liabilities	(347)	165	**(182)**	(319)	175	**(144)**
Net financial instruments	**172**	**–**	**172**	**482**	**–**	**482**

E : Group structure

In this section

This section provides information to help readers understand the Meridian Group structure and how it affects the financial position and performance of the Group. In this section of the notes there is information about Meridian's subsidiaries.

E1 Subsidiaries

The consolidated financial statements include the financial statements of Meridian Energy Limited and the subsidiaries listed below.

They all have share capital consisting solely of ordinary shares that the Group holds directly, and the proportion of ownership interests held equals the Group's voting rights.

Meridian Energy Limited provides support to its subsidiaries where necessary to ensure they meet their obligations as they fall due.

Name of entity	Principal activity	Functional currency	Interest held by the Group 2023	Interest held by the Group 2022
Meridian Energy Limited[54]				
— Flux Federation Limited	Software development	New Zealand dollar	100%	100%
— — Flux-UK Limited	License holder	British pound	100%	100%
— Dam Safety Intelligence Limited	Professional services	New Zealand dollar	100%	100%
— Meridian Energy Captive Insurance Limited	Insurance	New Zealand dollar	100%	100%
— Meridian Limited	Non-trading entity	New Zealand dollar	100%	100%
— Meridian Energy International Limited	Non-trading entity	New Zealand dollar	100%	100%
— Powershop New Zealand Limited	Non-trading entity	New Zealand dollar	100%	100%
— Meridian LTI Trustee Limited[55]	Trustee	New Zealand dollar	0%	100%

54 Member of the guaranteeing group as at 30 June 2023.
55 During the period, Meridian LTI Trustee Limited was wound up and removed from the companies register.

F : Other

In this section

This section includes the remaining information relating to Meridian's financial statements which is required to comply with financial reporting standards.

F1 Share-based payments

Long-term incentive

In August 2019, the Board approved a new long-term incentive (LTI) plan to replace Meridian's previous LTI plan. Set out below is a summary of the LTI plan which was first offered in FY20 (for the period commencing on 1 July 2019 and ending 30 June 2022).

The Chief Executive, Executive Team and selected Tier 3 leaders also have the opportunity to participate in an LTI plan. An LTI plan is offered at the discretion of the Board, to align senior management and shareholders' interests, and optimise long-term shareholder returns.

The LTI opportunity is 40% of salary for the Chief Executive, 30% of salary for the Executive Team, and 15% of salary for eligible Tier 3 leaders. Vesting of the LTI is contingent on meeting absolute and relative Total Shareholder Return (TSR) performance hurdles at the conclusion of a three-year period.

LTI plan

Under Meridian's LTI plan, the company issues rights to acquire ordinary shares in the company (Share Rights) to eligible participants who accept the offer to participate in the LTI plan. Each Share Right entitles the holder to one ordinary share in the company and an additional number of shares equal to the value of gross cash dividends per share which would have been paid to a New Zealand tax resident who held a share for the duration of the vesting period, calculated using a 10-day volume weighted average price.

The number of Share Rights that vest is dependent on:

- Meridian's total shareholder return over a three-year performance period (Performance Period) relative to Meridian's cost of equity;
- Meridian's total shareholder return over the Performance Period relative to a defined group of NZX Main Board and ASX listed peer companies (Performance Hurdles); and
- if the participant continues to be employed by Meridian during the vesting period (Employment Condition),

Performance hurdles

Share Rights are granted in two tranches:

- Absolute Return Share (ABS) rights; and
- Relative Return Share (REL) rights.

For ABS rights to vest, the company's TSR must be greater than the absolute TSR benchmark which is set at the beginning of the vesting period with regard to the company's cost of equity (Absolute TSR Benchmark) on a compounding annual basis over the Performance Period. If the company's TSR is equal to or lower than the Absolute TSR Benchmark, no ABS rights will vest. If the company's TSR is greater than the Absolute TSR Benchmark, 100% of the ABS rights will vest.

The number of REL rights that vest is determined by the company's TSR over the Performance Period relative to the peer group. For any of the REL rights to vest, the company's TSR must be greater than or equal to the 50th percentile/ median TSR of the peer group. 100% of the REL rights will vest on meeting the 75th percentile TSR of the peer group, with vesting on a straight-line basis between these two points.

For each three-year plan, an independent external expert measures the TSR of Meridian and the peer group of companies along with the outcome on the progressive vesting scale. Share Rights will lapse if the Vesting Conditions are not satisfied (although this is subject to the Board's discretion in relation to the Employment Condition).

For the LTI plan performance period to the end of 2023, the level of vesting was 0% (2022: 48.8%). Therefore, no shares will be transferred to the eligible participants for that LTI (2022: 251,565)

During the period, 941,774 share rights were issued to eligible staff, 470,887 being ABS rights and 470,887 being REL rights. Participants' rights to 424,842 shares were forfeited as performance hurdles weren't met. Relative share rights numbering 204,834 vested during the period. The share price was $4.53 at the date of exercise.

The fair value of the ABS rights at grant date of $2.66 (2022: $2.14) was estimated by a modified form of the standard Black-Scholes option pricing model, including dividend adjustment. The fair value of the REL rights at grant date of $3.22 (2022: $2.93) was estimated by using a Monte Carlo simulation of the possible future performance of Meridian's TSR and of the TSR of each company in the Peer Group from the grant date using correlation and volatility input estimates. The fair value of the rights, multiplied by the number of instruments likely to vest, is recognised as an expense over the relevant three-year service period.

F

F1 Share-based payments continued

Movement in zero-priced share options

				Number of options/rights				
Grant date	**Vesting date**	**LTI scheme and type**	**Weighted average fair value of option**	**Balance at the start of the year**	**Granted during the year**	**Vested during the year**	**Forfeited during the year**	**Balance at the end of the year**
2023								
27/10/22	3/10/25	New – ABS	**$2.66**		**470,887**	**–**	**–**	**470,887**
27/10/22	3/10/25	New – REL	**$3.22**		**470,887**	**–**	**–**	**470,887**
21/10/21	21/10/24	New – ABS	**$2.14**	**209,180**	**–**	**–**	**–**	**209,180**
21/10/21	21/10/24	New – REL	**$2.93**	**209,180**	**–**	**–**	**–**	**209,180**
9/03/21	30/06/23	New – ABS	**$3.53**	**212,421**	**–**	**–**	**(212,421)**	**–**
9/03/21	30/06/23	New – REL	**$3.75**	**212,421**	**–**	**–**	**(212,421)**	**–**
7/10/2019 & 28/2/20	7/10/22	New – ABS	**$3.54**	**–**	**–**	**–**	**–**	**–**
7/10/2019 & 28/2/20	7/10/22	New – REL	**$3.36**	**204,834**	**–**	**(204,834)**		**–**
Total				**1,048,036**	**941,774**	**(204,834)**	**(424,842)**	**1,360,134**
2022								
21/10/21	21/10/24	New – ABS	$2.14	–	209,180	–	–	209,180
21/10/21	21/10/24	New – REL	$2.93	–	209,180	–	–	209,180
9/03/21	30/06/23	New – ABS	$3.53	238,084	–	–	(25,663)	212,421
9/03/21	30/06/23	New – REL	$3.75	238,084	–	–	(25,663)	212,421
7/10/2019 & 28/2/20	7/10/22	New – ABS	$3.54	204,834	–	–	(204,834)	–
7/10/2019 & 28/2/20	7/10/22	New – REL	$3.36	204,834	–	–	–	204,834
Total				**885,836**	**418,360**	**–**	**(256,160)**	**1,048,036**

F2 Related parties

Meridian transacts with other Government-owned or related entities independently and on an arm's-length basis. Transactions cover a variety of services including trading energy, transmission, postal, travel and tax.

A number of the company's directors are also directors of other companies, and a number of these companies transacted with the Group on normal commercial terms during the reporting period. Any transactions undertaken with these entities have been entered into on an arm's-length commercial basis, without special privileges.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2023 $M	2022 $M
Directors' fees	1	1
CEO, senior management team and subsidiary chief executives		
Salaries and short-term benefits	8	8
Post-employment benefits	–	–
Redundancy benefits	–	–
Long-term benefits	1	–
	9	8

F3 Auditor's remuneration

	Group	
Auditor's remuneration to Deloitte Limited for:	2023 $M	2022 $M
Audit and review of New Zealand-based companies' financial statements	0.7	0.6
Audit of overseas-based companies' financial statements	–	0.1
Total audit fees	0.7	0.7
Other assurance fees	0.2	0.2
Total auditor remuneration	0.9	0.9

The Board has adopted a policy to maintain the independence of the Company's external auditor, including a review of all other services performed by Deloitte Limited and recommending to the Office of the Auditor-General that there be lead partner rotation after a maximum of five years. The Auditor-General has appointed Mike Hoshek of Deloitte Limited as auditor of the company. The audit fee includes Office of the Auditor-General overhead contribution of $37,750 (2022: $39,973).

Other assurance services undertaken by Deloitte Limited during the year included reviews of greenhouse gas inventory and sustainability reporting assurance, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Energy Captive Insurance Limited and supervisor reporting.

Other fees paid to Deloitte during the year include $14,000 (2022: $17,000) to Deloitte Limited for administrative and other advisory services to the Corporate Taxpayers Group, of which Meridian, alongside a number of other organisations, is a member.

In 2022 Meridian also paid $62,880 to Deloitte Touche Tohmatsu for assurance services relating to the sale of MEA.

F

F4 Contingent assets and liabilities

During the current period, Meridian sought a stamp duty refund from the New South Wales Tax Office for the amount of AU$7.8 million (NZ$8.3 million) in relation to its former holdings in Meridian Energy Australia. Meridian was successful at first instance in the NSW Supreme Court in August 2022 and on appeal, in the NSW Court of Appeal in July 2023. The NSW Chief Commissioner of State Revenue has now filed a special leave application to appeal with the High Court of Australia. No amount has been recognised in the financial statements in relation to the stamp duty refund because Meridian is pursuing the amount through a legal process, where the outcome is uncertain.

There were no contingent assets or liabilities at 30 June 2023 (2022: Nil).

F5 Subsequent events

There are no other subsequent events other than dividends declared on 28 August 2023. Refer to Note C4 Dividends for more information.

F6 Changes in financial reporting standards

All mandatory amendments and interpretations have been adopted in the current year. None have had a material impact on these financial statements. Meridian is not aware of any standards issued but not yet effective that would materially affect the amounts recognised or disclosed in the financial statements.

Independent auditor's report

Deloitte.

To the shareholders of Meridian Energy Limited for the year ended 30 June 2023.

The Auditor-General is the auditor of Meridian Energy Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 191 to 242, that comprise the consolidated balance sheet as at 30 June 2023, the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.We note that during the period our systems identified that a non-audit partner in the same office as the engagement partner inadvertently held an interest in the entity for part of the period, which was rectified prior to the issuance of this opinion. The matter does not have an impact on the financial statements and has not compromised our objectivity as auditor.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the audit, our firm carries out other assurance assignments for the Group in the areas of greenhouse gas inventory assurance, limited assurance of the sustainability content in the integrated report prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards, review of the interim financial statements, audit of the securities registers, audit of the fixed rate bond registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited, gap analysis in regards to climate related disclosures readiness programme, and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate Taxpayers Group of which Meridian Energy Limited is a member. These engagements are compatible with those independence requirements.

In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence as auditor of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the consolidated financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group consolidated financial statements as a whole to be $21 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters | **How our audit addressed the key audit matters**

Valuation of Generation Structures and Plant

Key audit matters

As explained in note B1 in the Group financial statements, generation structures and plant are carried at fair value less any subsequent accumulated depreciation and impairment losses at balance sheet date.

The net book value of generation structures and plant as reflected in note B1 is $8,334 million (2022: $7,472 million).

The Group performs a valuation every year to ensure that the carrying value does not differ significantly from the fair value at balance date.

As a result of this valuation, generation structures and plant have been revalued this year as at 30 June 2023. The revaluation resulted in an increasein value by $1,111 million (2022: decrease of $55 million). The impact of the revaluation is recognised as an increase of $1,111 million in the revaluation reserve with no income statement impact in the current period (2022: decrease of $55 million in the revaluation reserve with no income statement impact).

The valuation methodology is based on a discounted cashflow ('DCF') approach. The key inputs into the DCF are the future New Zealand wholesale electricity price path, forecasted future generation volumes and the weighted average cost of capital ('WACC'). Changes to these forecasts could significantly change the fair value of the generation assets. The inputs do not fully use observable market data and require significant judgement and estimates to be made by the valuer. As outlined in note B1 the valuation has considered the impact of climate change and the potential New Zealand Aluminium Smelter ('NZAS') exit in 2024 on the valuation.

We include valuation of generation structures as a key audit matter because of the inherent technical and judgemental complexity associated with determining the fair value.

How our audit addressed the key audit matters

Our audit procedures focused on assessing the key inputs into the model used to estimate the fair value of the generation structures and plant. This included:

- The reasonableness of the future New Zealand wholesale electricity price paths;
- The reasonableness of the future forecasted generation volumes; and
- The reasonableness of the applied weighted average cost of capital.

Our procedures included but are not limited to:

- Evaluating the Group's processes and controls for the valuation of the generation structures and plant;
- Reviewing the valuation methodology and the reasonableness of the significant underlying assumptions as well as challenging whether the forecast was in line with internal and external data;
- Assessing the competence, objectivity and integrity of the valuation team;
- Utilising our in-house valuation specialists to assess the appropriateness of the valuation methodology and the reasonableness of the valuation range determined by the Group, including WACC rates and forward price path;
- Assessing the reasonableness of the forecasted future expenses (including the consideration of any impacts relating to climate change and the impacts of the potential New Zealand Aluminium Smelter exit in December 2024);
- Performing sensitivity analysis on the key assumptions within the model;
- Performing a retrospective review of budgets compared to actual data for prior periods to assess the accuracy and robustness of the forecasting process; and
- Evaluating the adequacy of the Group's disclosures in respect of the valuation of generation structures and plant.

As a result of the above procedures, we are satisfied that the valuation and key assumptions applied to estimate the fair value of the generation structures and plant and the disclosures included in note B1 are reasonable.

Valuation of Level 3 Electricity Derivatives

Key audit matters

As explained in note D1, the Group's activities expose it to commodity price, foreign exchange and interest rate risks which are managed using derivative financial instruments.

These instruments are carried at their fair value as at 30 June 2023. Fair value measurements are grouped into three categories based on their inputs into the valuation, with Level 3 derivatives being the most complex valuation, given that they use significant inputs that do not use directly observable market data.

At 30 June 2023, Level 3 electricity derivative assets totalled $136 million (2022: $246 million) and Level 3 electricity derivative liabilities were $107 million (2022: $97 million).

We include valuation of Level 3 electricity derivatives as a key audit matter for the following reasons:

- The forecast price path used in the valuation of electricity hedges is based on the Group's best estimate of the long-term forward wholesale electricity price, which involves significant judgement and estimates regarding discount factors, expected demand, cost of new supply, and other relevant market factors; and
- The complexity and judgement involved in the valuation techniques and the judgement involved in evaluating the long-term expected call volumes and discount factor used to determine the fair value of electricity options and swaps.

How our audit addressed the key audit matters

Our audit procedures focused on:

- The reasonableness of the future NZ wholesale electricity price paths (including the consideration of any impacts relating to climate change and the impacts of the potential New Zealand Aluminium Smelter exit in December 2024);
- The reasonableness of the future forecasted generation volumes; and
- The reasonableness of the applied weighted average cost of capital.

Our procedures included:

- In conjunction with our internal experts, evaluating the appropriateness of the methodology applied in the valuation models for these electricity hedges, options and swaps and ensuring that the methodology has been consistently applied with the prior year where appropriate;
- Challenging the key assumptions applied, including the long-term forward wholesale electricity price, long-term expected call volumes, day one adjustments and discount rates;
- Agreeing underlying data to contract terms, specifically the contract term, price and volumes; and
- Evaluating the adequacy of the Group's disclosures in respect of the valuation of Level 3 electricity derivatives.

As a result of the above procedures, we are satisfied that the valuation and key assumptions applied to estimate the fair value of the Level 3 electricity derivatives and the disclosures made in note D1 are reasonable.

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 1 to 190 and 249 to 255, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Mike Hoshek, Partner
for Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand
28 August 2023

Independent Assurance Report

Deloitte.

To the shareholders of Meridian Energy Limited for the year ended 30 June 2023

Report on sustainability content within the 2023 Integrated Report

Meridian Energy Limited's Integrated Report for the year ended 30 June 2023 (the 'Integrated Report') includes sustainability content on pages 16 to 128, 139, 148 to 157, and 161 to 171 ('Sustainability Content') prepared in accordance with the GRI Sustainability Reporting Standards (the 'GRI Standards').

The subject of our limited assurance engagement is the information included on pages 16 to 128, 139, 148 to 157, and 161 to 171 of the Integrated Report, prepared in accordance with Reporting Principles specified in section 4 of GRI 1: Foundation 2021; and the disclosures listed in the GRI index on pages 249 to 253 prepared in accordance with the GRI standards (including the GRI's Electric Utilities Sector Disclosures) as referenced in the GRI content index. Our report does not cover forward looking statements or online supplements.

Conclusion

This conclusion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

Based on the evidence obtained from the procedures we have performed; nothing has come to our attention that causes us to believe that:

- The Sustainability Content on pages 16 to 128, 139, 148 to 157, and 161 to 171 of the Integrated Report for the year ended 30 June 2023, has not been prepared, in all material respects, in accordance with the Reporting Principles specified in section 4 of GRI 1: Foundation 2021: being accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability; and
- The disclosures listed on the GRI content index on pages 249 to 253 have not been prepared, in all material respects, in accordance with the GRI Standards as referenced in the GRI content index on pages 249 to 253.

Basis for Conclusion

Our engagement has been conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000 (Revised)') issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Board of Directors' Responsibility

The Board of Directors is responsible for:

- ensuring that the Sustainability Content is prepared in accordance with the GRI Standards as set out in the GRI Content Index;
- determining Meridian Energy Limited's objectives in respect of sustainability reporting;
- selecting the material topics; and
- establishing and maintaining appropriate performance management and internal control systems in order to derive the Sustainability Content.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

We note that during the period our systems identified that a non-audit partner in the same office as the engagement partner inadvertently held an interest in the entity for part of the period, which was rectified prior to the issuance of this opinion. The matter does not have an impact on the financial statements and has not compromised our objectivity as auditor.

Other than this engagement and our role as auditor of the statutory financial statements on behalf of the Auditor-General, our firm carries out other assignments for the Group in the areas of greenhouse gas inventory assurance, review of the interim financial statements, audit of the securities registers, audit of the fixed rate bond registers, reasonable assurance engagement for the vesting of the executive long-term incentive plan, reasonable assurance of the solvency return of Meridian Captive Insurance Limited, gap analysis in regards to climate related disclosures readiness programme, and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate Taxpayers Group Programme, which are compatible with those independence requirements.

In addition, principals, and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence for the purposes of this engagement. Other than these engagements and arm's length transactions, we have no relationship with, or interests in, the Group.

The firm applies Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Accountant's Responsibility

Our responsibility is to conduct a limited assurance engagement in order to express an opinion whether, based on the procedures performed, anything has come to our attention that causes us to believe that the Sustainability Content has not been prepared, in all material respects, in accordance with the GRI Standards.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with the GRI Standards is likely to arise.

Our procedures included:

- Obtaining an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- A review of the materiality process followed to determine the material topics chosen for inclusion in the Sustainability Content;
- Analytical review and other test checks of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI Standards; and
- Evaluating whether the information presented is consistent with our overall knowledge and experience of sustainability reporting processes at Meridian Energy Limited.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether Meridian Energy Limited's Sustainability Content has been prepared, in all material respects, in accordance with the GRI Standards.

Inherent Limitations

Because of the inherent limitations of any limited assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance with the GRI Standards as it generally comprises making enquiries, primarily of the responsible party, and applying analytical and other review procedures. The conclusion expressed in this report has been formed on the above basis.

A limited assurance engagement does not provide assurance on whether compliance with the GRI Standards will continue in the future.

Use of Report

Our assurance report is made solely to the directors of Meridian Energy Limited in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this assurance report and for no other purpose.

To the fullest extent permitted by laww, we do not accept or assume responsibility to anyone other than the directors of Meridian Energy Limited for our work, for this assurance report, or for the conclusions we have reached.

Deloitte Limited

Chartered Accountants
28 August 2023
Auckland, New Zealand

This limited assurance report relates to the Integrated Report of Meridian Energy Limited for the year ended 30 June 2023 included on Meridian Energy Limited's website. Meridian Energy Limited is responsible for the maintenance and integrity of the Meridian Energy Limited's website. We have not been engaged to report on the integrity of the Meridian Energy Limited's website. We accept no responsibility for any changes that may have occurred to the Integrated Report since they were initially presented on the website. The limited assurance report refers only to the Integrated Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Integrated Report If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the Integrated Report and related limited assurance report to confirm the information included in the Integrated Report presented on this website.

GRI Standards content index

Meridian Energy Limited has reported in accordance with the GRI Standards for the period 1 July 2022 to 30 June 2023. GRI 1: Foundation 2021 has been used.

General disclosures		Pg #	Comment
GRI 2: General Disclosures 2021			
2-1	Organizational details	Front cover & Directory, 167	
2-2	Entities included in the organization's sustainability reporting	166	
2-3	Reporting period, frequency and contact point	166, 171	
2-4	Restatements of information		Discussed where relevant throughout the report.**
2-5	External assurance	247–248	Refer to independent assurance report.
2-6	Activities, value chain and other business relationships	16–17, 43, 68, 122	All our energy retailing brands have very short supply chains because the physical assets used to distribute electricity and meter its use are managed by national and local lines and metering companies. Our retail operations' requirements are similar to those of many corporate offices. They include physical facilities and ICT, sales and marketing, billing and governance functions. Note value chain (activities, products, services and markets served) information throughout report.
2-7	Employees	85	Headcount has been used, not FTE. Data sourced from the PayGlobal System as at the end of the reporting period.
2-8	Workers who are not employees	167	
2-9	Governance structure and composition	99–100, 102, 168–169	Refer to **Corporate Governance Statement** Recommendation 2.5, **Board Charter** and Safety and Sustainability Committee Charter.
2-10	Nomination and selection of the highest governance body	168	Refer to Constitution (pg13-15) and **Board Charter** (pg2) plus further detail in **Corporate Governance Statement**.
2-11	Chair of the highest governance body		Refer to **Corporate Governance Statement** (pg7).
2-12	Role of the highest governance body in overseeing the management of impacts	149–151, 171	
2-13	Delegation of responsibility for managing impacts	149–150	
2-14	Role of the highest governance body in sustainability reporting	149, 161	
2-15	Conflicts of interest	168	Refer to **Corporate Governance Statement**.
2-16	Communication of critical concerns	162, 168	Critical concerns are raised with Meridian's Board either directly or via an escalation process. Please refer to the key risks discussed during the reporting period on page 162 and the **Corporate Governance Statement** (Principle 6).
2-17	Collective knowledge of the highest governance body	168	Refer to **Board Charter** (pg3).
2-18	Evaluation of the performance of the highest governance body		Refer to **Corporate Governance Statement** Principle 2 and **Board Charter** (pg3).
2-19	Remuneration policies	135	
2-20	Process to determine remuneration	135–136	
2-21	Annual compensation ratio	139	
2-22	Statement on sustainable development strategy	22-33	
2-23	Policy commitments	103–105	
2-24	Embedding policy commitments	105	Refer to 2021 **Supplier Code of Conduct** and 2022 Meridian **Modern Slavery Statement**.
2-25	Processes to remediate negative impacts	103–105	Refer to **Corporate Governance Statement** Principle 1, Meridian Compliance Policy.
2-26	Mechanisms for seeking advice and raising concerns	105	
2-27	Compliance with laws and regulations	41	Refer to 2021 **Supplier Code of Conduct**.
2-28	Membership associations	187	
2-29	Approach to stakeholder engagement	148-154	See throughout report where relevant. We take a purpose driven approach.
2-30	Collective bargaining agreements		No staff are covered by collective bargaining agreements.
EU standards*			
EU1	Installed capacity	39	
EU2	Net energy output	38	
EU3	Number of customer accounts	124	
EU4	Transmission and distribution lines (length of above and underground transmission and distribution lines by regulatory regime)		Length insignificant.

* Disclosures starting with "EU" are from the Electric Utilities G4 Sector Disclosure.
** The sale of Meridian Australia was completed on 31 January 2022. As FY23 is the first full financial year since the sale of Meridian Australia we have excluded historical data relating to the Australian operations from this report. Refer to Meridian's Integrated Annual Report FY22 for this information.

Material topics and associated disclosures		Pg #	Comment
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	148-151	
3-2	List of material topics	150, 152-156	
Economic performance			
GRI 3: Material Topics 2021			
	Management of material topics	54-56, 128, 150–151, 154, 161	See also FY23 **Climate-related Disclosures** at meridianenergy.co.nz/about-us/investors/governance
GRI 201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	161	
Procurement practices and energy			
GRI 3: Material Topics 2021			
3-3	Management of material topics	112–114, 150–155	
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	105	Significant locations of operation are defined as all Meridian Group operations, including Flux, in New Zealand.
Energy			
GRI 3: Material Topics 2021			
3-3	Management of material topics	150-156	
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	49	Source for conversion is **www.eauc.org.uk/file_uploads/ucccfs_unit_converter_v1_3_1.xlsx**
Water and effluents			
GRI 3: Material Topics 2021			
3-3	Management of material topics	54-56, 150-155	
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	37-39	
303-2	Management of water discharge-related impacts	37-39	

Material topics and associated disclosures		Pg #	Comment
303-3	Water withdrawal	39	Water stress not tested this FY. Data is collected by Meridian and independently audited each month. There are no priority substances present in our water discharge. Total is then split into water that re-enters the same river (non-consumptive) and water that is consumed or diverted (consumptive). Breakdown of total water withdrawal and discharge not categorised by 1000mg/L total dissolved solids. Excludes Flux. Unit of measurement megalitres per GRI standards recommendation is replaced by cubic millimetres as per Integrated report to ensure the precision of data.
303-4	Water discharge	39	
303-5	Water consumption	39	
Non-GRI KPIs*	Strength of relationships with stakeholders interested in water	37–38	Includes central government, local government, Ngāi Tahu and other iwi, local community groups and the general public.
Biodiversity			
GRI 3: Material Topics 2021			
3-3	Management of material topics	54–56, 150–153	
GRI 304: Biodiversity 2016			
304-2	Significant impacts of activities, products and services on biodiversity	41–42, 54–55	Excludes Flux.
Emissions			
GRI 3: Material Topics 2021			
3-3	Management of material topics	42–44, 128	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	46	
305-2	Energy indirect (Scope 2) GHG emissions	46	
305-3	Other indirect (Scope 3) GHG emissions	46	
Waste			
GRI 3: Material Topics 2021			
3-3	Management of material topics	55, 150–151, 155	
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	47–49	
306-2	Management of significant waste-related impacts	47-48, 55	
306-3	Waste generated	49	

* Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.

Material topics and associated disclosures		Pg #	Comment
306-4	Waste diverted from disposal	49	
306-5	Waste directed to disposal	49	
Employment			
GRI 3: Material Topics 2021			
3-3	Management of material topics	114, 150-151, 156	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	86	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	83–84	New Zealand is our significant location of operation and have not captured the 3 Flux UK employees.
401-3	Parental leave	85	
Occupational health and safety			
GRI 3: Material Topics 2021			
3-3	Management of material topics	150–156	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	89–92	Meridian operates a comprehensive OH&S Management System which is audited externally annually with respect to NZS 7901:2008 as required by the Electricity (Safety) Regulations 2010. A gap analysis was undertaken in FY22 by PwC with respect to ISO 45001 with no significant gaps identified. A gap analysis was undertaken internally in FY23 with respect to ISO 45003, a complementary guideline covering management of psychosocial risk. Continuous improvement of our system in FY23 included a full review of all our critical risks and configuring and implementing the improved OHSMS software system to capture and manage events, observations, actions and learnings. Planned completion of ISO 45001 accreditation in FY23 has been moved to FY24. 100% of employees and contractors working on Meridian sites and assets are covered by the OHS management system. Legal requirements are set out in the Health and Safety at Work Act 2015, and associated regulations.

Material topics and associated disclosures		Pg #	Comment
403-2	Hazard identification, risk assessment, and incident investigation	89–92	
403-3	Occupational health services	89–92	
403-4	Worker participation, consultation, and communication on occupational health and safety	89–92	
403-5	Worker training on occupational health and safety	89–92	
403-6	Promotion of worker health	89–92	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	89–92	
403-8	Workers covered by an occupational health and safety management system		100% employees and contractors working on Meridian sites and assets are covered by and work within the parameters of the OHS management system, which is outlined in our Safety and Wellbeing Manual. Flux permanent employees and contractors are fully covered by Flux's health and safety management system.
403-9	Work-related injuries	89–92	Excludes Flux employees.
403-10	Work-related ill health	89–92	All of our information and processes include all workers on our sites, employees and contractors.
Training and education			
GRI 3: Material Topics 2021			
3-3	Management of material topics	112–114, 150–151, 156	
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	86	
404-2	Programs for upgrading employee skills and transition assistance programs	88–89	
404-3	Percentage of employees receiving regular performance and career development reviews	87	
Diversity and equal opportunity			
GRI 3: Material Topics 2021			
3-3	Management of material topics	114, 150–151, 156	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	99–100	

* Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.
** Disclosures starting with "EU" are from G4 Electric Utilities Sector Disclosure.

Material topics and associated disclosures		Pg #	Comment
405-2	Ratio of basic salary and remuneration of women to men	101	
Non-discrimination			
GRI 3: Material Topics 2021			
3-3	Management of material topics	114, 150–151, 156	
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken		There have been no incidents of discrimination in FY23.
Child labour			
GRI 3: Material Topics 2021			
3-3	Management of material topics	113, 150-151, 154	
GRI 408: Child Labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	103-104	Refer to our **Modern Slavery Statemen** 2022.
Forced or compulsory labour			
GRI 3: Material Topics 2021			
3-3	Management of material topics	113, 150–151, 154	
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	103–104	Refer to our **Modern Slavery Statement** 2022.
Local communities			
GRI 3: Material Topics 2021			
3-3	Management of material topics	113, 150–151, 155	Significant locations of operation are defined as all Meridian Group operations, including Flux, in New Zealand.
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	106-109	100% of our power stations have local community engagement programmes. Engagement plans are developed for all our development projects. Social and environmental impacts are disclosed through impacts/materiality process via annual report. We have a formal grievance process for local communities, available through community engagement manager, details available at **meridianenergy.co.nz/community-support**. Complaints for customer is available at **meridianenergy.co.nz/complaints**

Material topics and associated disclosures		Pg #	Comment
Non-GRI KPIs*	Contribution to local communities in New Zealand	106-109	
Non-GRI KPIs*	Number of community fund grants in New Zealand	106	
Public policy			
GRI 3: Material Topics 2021			
3-3	Management of material topics	56, 150–156	
GRI 415: Public Policy 2016			
415-1	Political contributions		Meridian does not donate to any political parties (as specified in our 2023 **Group Code of Conduct**.
Pipeline of generation options			
GRI 3-3	Management of material topics	76-77	Significant locations of operation are defined as all Meridian Group operations, including Flux, in New Zealand.
EU10**	Planned capacity against demand	26	Pipeline projections are estimations subject to internal funding approval and final design (which includes resource consent conditions).
Plant performance			
GRI 3-3	Management of material topics	76-77, 150-155	
EU30**	Plant availability factor	39	
Financial performance			
GRI 3-3	Management of material topics	150–155	
Non-GRI KPIs*	Various financial measures	32	
Financial impacts of hydrology			
GRI 3-3	Management of material topics	76–77, 150–152	
Non-GRI KPIs*	Financial implications of variability in hydrology	32, 163	
Action on climate change			
GRI 3-3	Management of material topics		
Non-GRI KPIs*	Proportion of Meridian Group generation from renewable resources		

* Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.

Material topics and associated disclosures		Pg #	Comment
Non-GRI KPIs*	Support for customers' climate actions	23, 42–43, 76–77, 150–159	See also Meridian's **Climate Action Plan** August 2023 at **meridianenergy.co.nz/about-us/investors/sustainability**
Non-GRI KPIs*	Support for our people's climate actions	42-44	
Non-GRI KPIs*	Operational emission-reduction target	42-44	
Employee engagement			
GRI 3-3	Management of material topics	112–114, 150–156	
Non- GRI KPIs*	Employee engagement surveys	98	
Customer satisfaction			
GRI 3-3	Management of material topics	112–114, 150–156	
Non-GRI KPIs*	Level of customer satisfaction – brand monitor	125	
Non-GRI KPIs*	Customer retention rates	125	
Electricity pricing			
GRI 3-3	Management of material topics	128	
Non-GRI KPIs*	Price of electricity in NZ compared to other OECD countries	110	
Non-GRI KPIs*	Customer sales volume	124	
Support for vulnerable customers			
GRI 3-3	Management of material topics	112, 150–151	
Non-GRI KPIs*	Disconnections	110	
Process safety			
GRI 3-3	Management of material topics	112, 150	
Non-GRI KPIs*	Actions to improve process safety	89–92	
Dam safety			
GRI 3-3	Management of material topics	112, 150-153	FY23 **Climate-related Disclosure** report at **meridianenergy.co.nz/about-us/investors/sustainability/climate-disclosures**
Non-GRI KPIs*	Actions to improve dam safety	92	**Corporate Governance Statement meridianenergy.co.nz/about-us/investors/governance**

Material topics and associated disclosures		Pg #	Comment
Information security			
GRI 3-3	Management of material topics	150–151, 156	
Non-GRI KPIs*	Actions to improve information security	75, 77, 156	

* Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.

Management commentary
(no financial statements)

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accordance with the GRI Standards

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If you have any questions or comments, please email investors@meridianenergy.co.nz or service@meridianenergy.co.nz


Construction underway at Harapaki Wind Farm, Hawke's Bay. ►

Meridian.

The Power to
Make a Difference.

Meridian Energy Limited.
Integrated Report 2023.

Meridian is committed to updating and improving the accessibility of our information. We have worked to incorporate accessibility standards to this document to improve the reader experience.

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Management commentary
(no financial statements)