Release

Stock Exchange Listings NZX (MEL) ASX (MEZ)

Meridian Energy Limited 2022 Full Year Financial Results

24 August 2022

Today Meridian Energy releases its full year results for the year ended 30 June 2022.

Included in this announcement is:

1. Media Announcement
2. Integrated Report for the year ended 30 June 2022 (including audited financial statements)
3. Investor Presentation
4. Investor Letter
5. NZX Results Announcement
6. NZX Distribution Notice detailing the ordinary dividend of 11.55 cents per share (NZD)

For the purposes of ASX Listing Rule 1.15.3 Meridian confirms that its primary listing is on the main board of the New Zealand Stock Exchange and therefore complies with the NZX Listing Rules.

ENDS

Neal Barclay
Chief Executive
Meridian Energy Limited

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Meridian delivers sound results and gains momentum to deliver renewable growth

24 August 2022

Meridian Energy has reported underlying net profit after tax[1] of $233 million, a slight increase on the prior year figure of $231 million. EBITDAF[2] for the year was $709 million, up $17 million or 2.5% on the prior year. Including the benefit of a $214 million gain on the sale of its Australian business and $281 million of positive non-cash movements in the value of hedge instruments, Meridian Energy has reported $664 million of net profit after tax for the year ended 30 June 2022.

Chief Executive Neal Barclay says, "Meridian has had a challenging, but successful year. We've navigated another significant drought, grown our customer base, built out our development pipeline and maintained momentum on the construction of our Hawke's Bay wind farm – Harapaki.

"We've also progressed a hydrogen option and believe we're developing a credible opportunity not only for our business, but for Southland and our national economy," adds Barclay.

The Board declared a final ordinary dividend of 11.55 cents per share, 3% higher than the previous year. This brings the total ordinary dividends declared in FY22 to 17.40 cents per share, also 3% higher than the previous year.

Customers

Meridian has continued to focus on customers first. Mass market and corporate sales volumes continue to grow. Overall, sales by our Powershop and Meridian brands have grown by more than 50% in the last three years.

This month, Powershop won Consumer New Zealand's People's Choice award and came top in the power company satisfaction survey. The Meridian brand also polled above industry average and ahead of its gentailer peers.

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[1] Net profit before tax adjusted for the effects of changes in fair value of hedges and other non-cash items. Underlying net profit after tax is a non-GAAP financial measure. Because they are not defined by GAAP or IFRS, Meridian's calculation of such measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures. A reconciliation of underlying net profit after tax is included on page 4.

[2] EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortization. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

During the year Meridian launched a new Energy Wellbeing programme for vulnerable customers. The programme looks to reduce the impact of four key drivers of energy hardship - financial, housing quality, energy supply and energy efficiency through in house specialists and support from partners.

“Through this pilot we have proven retailers can make a difference beyond the boundaries of energy supply. We’re looking forward to scaling this project in the new financial year,” adds Barclay.

Meridian also established a new Energy Solutions team to advance options for distributed generation and demand response. This will build on the company’s commitment to build out the delivery of both commercial-scale solar and our residential EV offers.

Renewable energy growth

Meridian has made progress building out a development pipeline with options secured across wind, solar and batteries sites. Meridian’s development pipeline sits at 2.4GW, made up of 1.2GW in secured options and advanced prospecting of 1.2GW.

At the Ruakākā Energy Park in Northland, Meridian is currently tendering for 100/200MWh Battery Energy Storage System (BESS). Meridian is also planning a 75MW solar farm at this site.

The BESS will increase South-North Island power transfer, support grid stability and supply electricity regionally and nationally. Both projects will also improve Northland energy security.

“Our development team is working hard to get consents approved for the battery by the end of September 2022, with construction projected to start in 2023 and completion in late 2024. We aim to lodge consents for the solar farm by early 2023, with construction anticipated early 2024 and completion early 2025,” says Barclay.

Meridian’s Hawke’s Bay wind farm Harapaki, currently under construction, has experienced some cost escalation due to weather and general inflationary pressures. But pleasingly the project remains on track with first power scheduled for June 2023 and full power in June 2024.

“The team working at Harapaki have navigated a number of challenges successfully. The impact of these challenges has meant that we’ve had to spend more money on this project than anticipated to maintain the construction timeline. The Board has approved an increase in capital expenditure to ensure we deliver this nationally significant project on time,” adds Barclay.

A full disclosure on the project can be seen here.

Process Heat conversion

Meridian’s programme to support large users of process heat to convert to renewable solutions met its ambitious target of securing over 300GWh of committed load in the financial year.

“Our proposition here is unique and we’re responding to increasing calls to help customers who have significant process heat requirements to make the changes they need for their business and the climate,” says Barclay.

Meridian welcomed the acceleration of investment in the Government Investment in Decarbonising Industry (GIDI) Fund this year, with a further $650 million being prioritised to support the industry reduce emissions.

"The collective actions of businesses will continue to require the support of Government on this journey. The package of policy measures released from the Climate Emergency Response Fund this year are essential if Aotearoa is to gain the momentum required to meet our climate action goals," says Barclay.

Southern Green Hydrogen

The Southern Green Hydrogen project team, a collaboration between Meridian and Contact Energy, is nearing a decision on who will be selected as the lead development partner. Two partners have been shortlisted, Woodside Energy and Fortescue Future Industries. Both partners are developing detailed proposals and we expect to make a final selection later this year.

The aim of this project is to set a pathway that will see a large new player enter the electricity market and create immediate scale for a new green hydrogen industry in Aotearoa. Ultimately, we see this project as being foundational for New Zealand becoming energy independent and insulated from highly volatile international energy markets.

MEA sale

In late January, Meridian completed the sale of its Australian business to the consortium of Shell Energy Operations Pty Ltd, a wholly owned subsidiary of Shell and Infrastructure Capital Group (ICG) with a final sale price of A$740 million, and a NZ$214 million gain on sale.

Those sale proceeds will support us to go after a number of opportunities that support our renewable growth strategy and help meet the country's ambition to decarbonise," says Barclay.

Climate Action

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Half by 30 is Meridian's ambitious commitment to halve our FY21 baseline emissions by FY30. The Science Based Targets initiative (SBTi) has approved Meridian Energy's near-term target to reduce absolute scope 1&2 and scope 3 emissions by 50%. The scope 1&2 target has been classified as 1.5°C aligned by the SBTi. Our Climate action plan lays out our plan for achieving our Half by 30 commitment. Meridian has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2050.

People

This year the Board and Management recognised the efforts of our staff against the context of economic strain, challenges, and pressures. In addition to our ongoing development of leaders and culture, Meridian's remuneration increases have reflected the cost of living challenges our people are experiencing. The Board has also approved a one off $1,000 bonus for non-executive staff.

"The talent and commitment of Meridian people are key to the results we deliver. We're thankful for their efforts during this challenging year," says Barclay.

Meridian.

Income statement		
Financial year ended 30 June	**2022**	**2021**
$M		
New Zealand energy margin	1,022	994
Australia energy margin		
Other revenue	27	27
Energy transmission expense	(79)	(82)
Electricity metering expense	(43)	(39)
Employee and other operating expenses	(218)	(208)
EBITDAF	**709**	**692**
Depreciation and amortisation	(293)	(271)
Impairment of assets	(2)	-
Gain/(loss) on sale of assets	-	-
Net change in fair value of electricity and other hedges	145	157
Net finance costs	(70)	(81)
Net change in fair value of treasury instruments	136	79
Net profit before tax	**625**	**576**
Income tax expense	(174)	(161)
Net profit after tax from continuing operations	**451**	**415**
Net profit after tax from discontinued operations	213	13
Net profit after tax	**664**	**428**

UNPAT		
Financial year ended 30 June	**2022**	**2021**
$M		
Net profit after tax	664	428
Underlying adjustments		
Discontinued operations	(213)	(13)
Hedging instruments		
Net change in fair value of electricity and other hedges	(145)	(157)
Net change in fair value of treasury instruments	(136)	(79)
Premiums paid on electricity options net of interest	(20)	(20)
Assets		
(Gain)/loss on sale of assets	-	-
Impairment of assets	2	-
Total adjustments before tax	(512)	(269)
Taxation		
Tax effect of above adjustments	81	72
Underlying net profit after tax	**233**	**231**

ENDS

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Changing Step. Together.

Meridian Energy Limited. Integrated Report 2022.

Meridian.

We've made good progress.

But frankly, the pace must quicken, actions must intensify and we need to make more of the partnerships we have in place to make decarbonisation happen.

Menu

COVER: Planting the next phase of coastal forest on the Kaitoke Peninsula with Raglan Area School.

This will change...

Planting of native trees as part of our Forever Forests programme, West Wind farm, Mākara, Te Whanganui-a-Tara Wellington.

if we take the right steps.

Our commitment to climate change progress includes what we are doing for ourselves and what we are doing with others.

This won't change...

Traffic congestion in Tāmaki Makaurau Auckland.

if we don't move fast enough.

A key barrier to real progress has been a lack of urgency. Through initiatives like Zero, we're making it possible for people to make real changes.

Powerful collaborations...

Meadow Mushrooms, Ōtautahi Christchurch.

will unlock a clean energy future.

We're working with our commercial and industrial customers to electrify their heating systems, decarbonising industrial processes.

Working together...

Collecting tūna (native eels) in the Ahuriri Valley for our Trap and Transfer programme.

will drive actions that matter.

We're focused on outcomes rather than rhetoric. Partnerships and coordination will transform intentions into meaningful actions.

Stepping forward

The time for talk is over. The world doesn't need more plans and intentions. We need consents, agreed goals and work plans. We need an electrifying industrial sector based on a visible decline in the use of fossil fuels. We need zero-emission vehicle fleets. We need a renewable generation network that continues to expand as we clean up our legacy.

As Aotearoa's largest renewable electricity generator, our goal is to help New Zealand become a vibrant contributor to a net-zero world. Our contribution will be our scale and the resources to deliver affordable, clean, renewable power to households, businesses and industries. But we won't get there alone. We need the energy, experience and influence of others for transformative things to happen.

A dry period in our Waiau catchment reinforced the importance of robust risk management. Selling our presence in Australia has shown us – in more ways than one – that our efforts to fix what's going wrong with the world must focus on where we can have an impact. Renewable development, industrial and transport electrification, and diversification into emerging industries are the keys for us: here in New Zealand with projects like Harapaki wind farm and Ruakākā Energy Park; through our Process Heat Electrification Programme and initiatives like our Zero EV charging network; and potentially with prospects for green hydrogen.

Meaningful and effective partnerships are the bridge to step changes.

West Wind farm, Mākara, Te Whanganui-a-Tara Wellington.

Only by working together will we make the strides needed to deliver what we all want:

Clean energy for a fairer and healthier world.

Influencing the future

We are one of Aotearoa New Zealand's largest organisations.

Our Ōtautahi Christchurch office

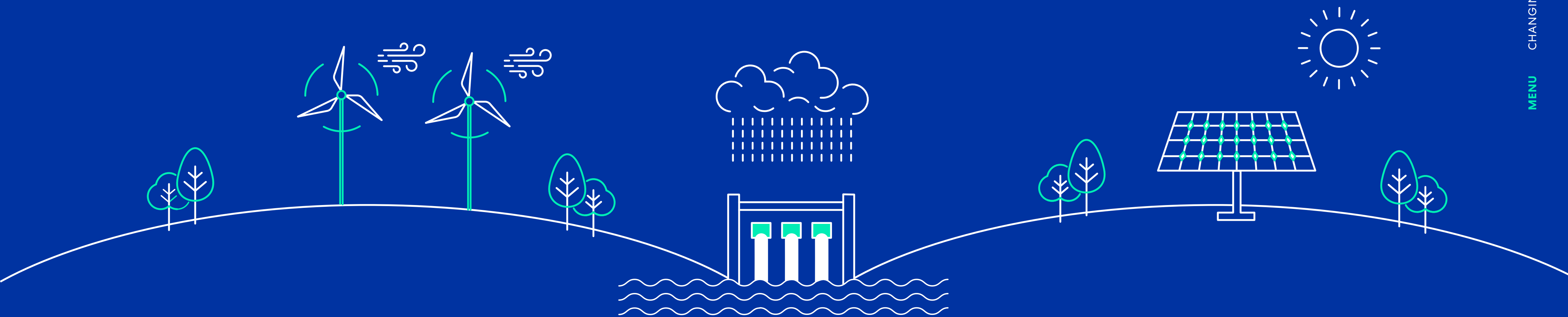
NET ASSETS
$5.5b Up

FY22 REVENUE
$4b Down

TOTAL MARKET CAPITALISATION
$13b Down

FY22 EBITDAF*
$709m Up

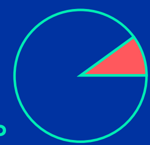
100% RENEWABLE ENERGY GENERATOR – FROM WIND, WATER AND SUN



KIWI
MAJORITY OWNED BY THE NZ GOVERNMENT

LISTED ON BOTH THE
NZX + ASX

10%
LEGISLATED MAXIMUM NON-CROWN OWNERSHIP

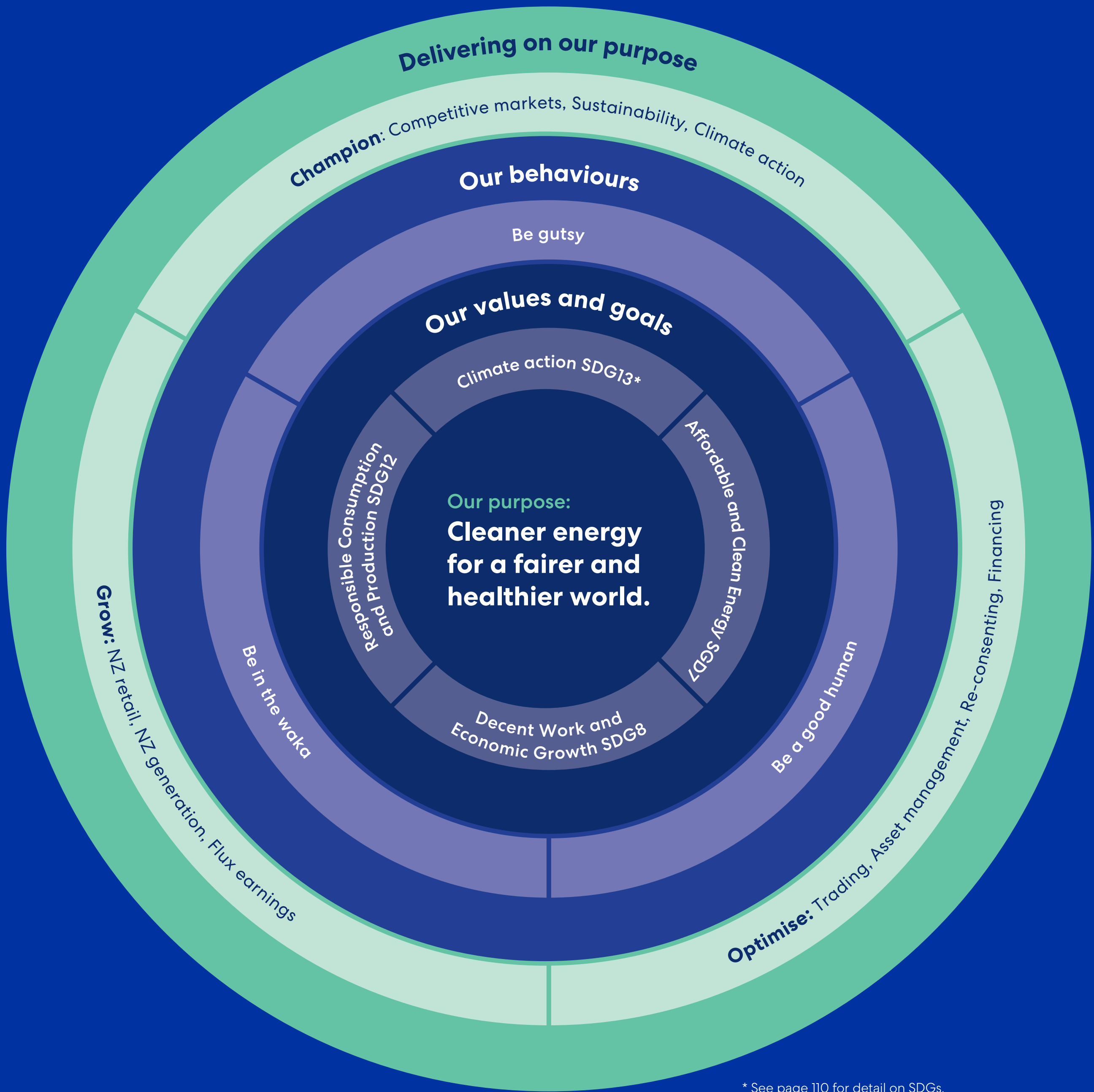


* EBITDAF is a non-GAAP financial measure of earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairment and gains or losses on sales of assets.

What drives us

To deliver on our purpose of clean energy for a fairer and healthier world, we've focused 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' to deliver positive outcomes for New Zealand and our shareholders.



* See page 110 for detail on SDGs.

Meridian Aotearoa

GENERATION

7 Hydro stations

5 Wind farms

OPERATIONS

5 Offices

1,007 Employees (92 at our power stations)

CUSTOMERS

365K Customer connections
Retailing as Meridian Energy & Powershop

~30% national electricity generation

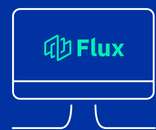
~15% national retail volume*
* Excludes Tīwai Point aluminium smelter

FLUX

Remote-first workforce

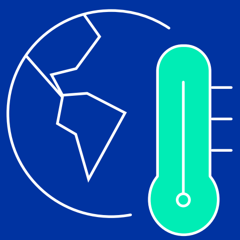
3 Countries

125 Employees



Licensing the Flux platform

Key changes this year



Nature

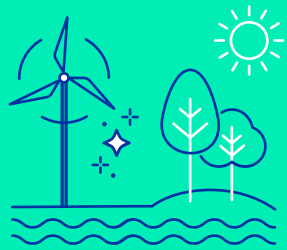
- We're carbon neutral across our operational emissions
- Refreshed our Climate Action Plan which includes our roadmap to halve our operational emissions by 2030
- 85,000 stems planted to date under our Forever Forests Programme
- Meridian's 61 EV chargers installed through Zero programme
- Released our commitment to biodiversity and deforestation
- Over 80 customers have purchased 660GWh of our Renewable Energy Certificates

Commercial

- 2.5% increase in EBITDAF
- 6% customer sales volume growth
- $214M gain on sale of Australian business
- 3% increase in ordinary dividend
- 7% increase in operating cash flows
- BBB+/Stable credit rating maintained

People

- Energy wellbeing pilot programme launched
- New Zealand top 25% staff engagement
- New learning management system launched (People Manager)
- Healthy Minds programme wins Best Wellbeing initiative



Looking ahead

- 1.1 GW of secured development options
- A further 1.2 GW of advanced development prospects
- Advancing our green hydrogen project
- Doubling the size of our Process Heat Electrification Programme
- Harapaki wind farm on schedule for first power in 2023
- A new Energy Solutions team will build options for distributed generation (solar and batteries) and demand response into commercial and residential customer offerings

Chief Executive & Chair report

Re-orienting our strategy has brought to light opportunities we literally hadn't thought possible.

There's a powerful future ahead

The 2021/2022 financial year was challenging, but one that proved successful in positioning us for growth. We continued to make good progress in supporting decarbonisation and doing all we can to bring new reliability and capacity to the electricity sector as a whole. A prolonged drought, particularly around Lakes Te Anau and Manapōuri, was a clear reminder that the ongoing vagaries of the weather will only become more volatile – and that our response must blend significant climate action with active and agile risk management and mitigation.

Tūī Corridor native planting at Christchurch Adventure Park, Ōtautahi.

We have pushed ahead with our transition to a more sustainable energy sector, deepening our partnerships, building our development pipeline, supporting our commercial and industrial customers to electrify and making good progress with alternative use of our Southland resources, particularly in the area of hydrogen where interest has really gathered pace in the past year.

A generational opportunity

We continue to plan for an exit of New Zealand's Aluminium Smelter (NZAS) from Southland in 2024. While we note that NZAS has said publicly that it is reassessing its position in light of stronger aluminium prices globally, the eventual outcome remains uncertain. Importantly, the proposed closure of the smelter created a generational opportunity, in both senses of the term, to re-energise Aotearoa/New Zealand and decarbonise our economy. We've done what we can to minimise the disruption to the local economy, negotiating an 'extended exit' deal that encouraged this large regional employer to stay on for three years longer than it had proposed. That deal bought the electricity sector time to enhance the transmission network in the lower South Island and enabled us to explore innovative arrangements with emerging industries that will change where and how our generation capacity is utilised. It also bought time for NZAS to work on an environmental mitigation plan and business model that may see it continue to operate in New Zealand beyond 2024.

Irrespective of whether a new contract is entered into with NZAS, re-orienting our strategy in response to its original exit decision has brought to light opportunities we literally hadn't thought possible just a short time earlier. The feasibility of a large-scale green hydrogen plant in Southland has evolved into an opportunity that could well redefine New Zealand's energy independence and position New Zealand as a leader at the heart of an exciting new global industry. Our goal for FY23 is to choose the right partner for this hydrogen opportunity and advance the project to the development stage.

At the same time, we've progressed our Process Heat Electrification Programme and we're making a real difference supporting industrial customers to convert their fossil-fuel-based processes to electricity. Again, this is an opportunity that was not even on our radar 18 months ago, and one that we believe will only gain greater traction given the recent increase in Government Investment in Decarbonising Industry (GIDI) Fund support.

Strong customer gains

We continued to make excellent progress in growing our customer base this year, with both Powershop and Meridian adding strong sales volumes and, in the case of Meridian, maintaining the best customer retention rate of all electricity retailers in New Zealand. The distinctive nature of our dual-brand strategy enables us to meet our customers' quite different needs by offering them tailored products and services that resonate and that represent attractive value to them. Powershop once again proved to be a real winner with consumers who enjoy the ability to buy their power, their way, from a retailer with an attractive personality. At the same time, Meridian's appeal to environmentally conscious customers saw another uplift in customer numbers this year.

We're well advanced in the digitalisation journey for most of our customers, which means that all our household and small business customers are being served from our Flux customer care and billing platform. This world-class, integrated platform has lifted the experiences we can offer New Zealanders and made it simpler than ever before for us to be responsive in market. The migration of our more complex commercial and industrial customers is taking a bit longer, but we're confident that we'll have all customers on the Flux platform by the end of the calendar year.

Some larger organisations and those that have exposure to spot market prices are being affected by continued, historically high, wholesale electricity prices. The increased cost of thermal, including carbon, and some gas deliverability issues, have been the key factors driving prices in recent years. While international energy markets are experiencing high levels of volatility, investment in the domestic upstream gas capacity and the planning and delivery of further renewable generation projects will ensure greater supply is made available. On that basis, we expect wholesale prices to trend down over the long term and we're doing what we can to mitigate the near-term effects, particularly for our commercial and industrial customers, by encouraging them to take longer-term contracts.

We remain conscious too that many customers are facing significant cost-of-living increases, making it even harder to make ends meet. While cost pressures meant we had to raise residential prices this year, we managed to keep the average price increase to around half that of the consumers price index increase across the whole economy. And we continue to offer energy wellbeing support for our most vulnerable customers and Level Pay for those wishing to manage their energy bills evenly throughout the year. This year we also commenced an Energy Wellbeing pilot. More details are on page 74.

Our sponsorship of the amazing work done by KidsCan now includes both a cash contribution to its running costs and direct assistance with its fundraising activities. Two years ago we increased the contribution we make to KidsCan to $1 million per year. We're proud of the difference that this funding support makes to under-privileged children in Aotearoa.


Tamariki wearing jackets and shoes provided through KidsCan.

Successful sale in Australia

We successfully completed the sale of our business in Australia this year after 10 years building that business. The original intention was to continue investing there until at least FY25, but the market itself has become a lot more volatile in recent years and our sense was that our risks there were increasing. With that in mind, we began looking at our options mid-2021.

The sale of Meridian Energy Australia to a consortium of Shell Energy Operations Pty Ltd and Infrastructure Capital Group delivered a healthy gain on sale as well as a sizeable amount of cash to reinvest in renewable energy and, potentially, technologies like hydrogen in New Zealand. Our balance sheet is healthy and will ensure our ongoing participation in New Zealand's decarbonisation efforts.

Advancing decarbonisation

We were pleased to see the Government largely adopting the Climate Change Commission's recommendations and setting in place the country's first Emissions Reduction Plan with the first three carbon budgets. This plan clarifies the extent of the challenge. Now the real work must be done. Globally we see carbon prices lifting and the expectations of fund managers and investors changing the business case for proactive change. We continue to advocate for an effective and all-encompassing emissions trading scheme to support New Zealand's decarbonisation journey, but we also recognise well targeted policy support will help build momentum. The 10-fold lift in the GIDI Fund to $650 million is a powerful catalyst and a clear signal to the market of Government endorsement for industrial decarbonisation. The Clean Car Discount also seems an effective policy lever. Early signs are it is driving consumer behaviour to go electric far more rapidly than expected.

Clearly, electrification is the key enabler of a net-zero-carbon economy in New Zealand. A massive amount of investment in electricity infrastructure will need to take place in the next 30 years to support the country in meeting its climate goals. In that context, it's critical that the resource management framework in Aotearoa appropriately allows consenting authorities to balance localised environmental impacts and mitigations associated with renewable electricity projects with the positive climate benefits those projects bring. We're not looking for a free ride for renewable projects. Responsible developers must take account of the views of the communities they affect and also appropriately mitigate the environmental impacts they may cause. But balance is key, and we believe the current direction of travel for the resource management reform process may cause many renewable projects to run into environmental 'bottom lines' that will materially slow or halt developments. Renewable developers are presenting a united view of the issues we see emerging through that process to Ministers and Government officials. We have identified and put forward pragmatic suggestions that will provide balance and allow for appropriate trade-off discussions to occur.

All that said, we're getting on with it. Progress in building the Harapaki wind farm has been very challenging given the record-setting wet weather the project team has encountered during the first year of construction, but overall the project remains on schedule. We have experienced some inflationary cost pressures and have had to make some changes to the roading design due to sodden ground conditions, so the forecast cost to complete has escalated by $53 million (13%). We still believe the project represents a sound investment for Meridian and much-needed renewable generation for New Zealand as it will power the equivalent of 70,000 Kiwi homes when complete. We'll start producing that power from as soon as 2023.

Harapaki is one of a number of renewables projects started by major energy companies in the past two years, as the New Zealand electricity sector continues to phase out existing fossil-fuel-based power stations. Again, we welcome this. We are adamant that the step changes needed will only be achieved through engaged parties acting creatively and together.

Alongside these new developments, we've been rethinking how we use our renewable generation assets to best effect. Aotearoa currently generates around 80–85% of its electricity from renewable sources (mostly hydro), supported by coal- and gas-fired generation as needed. But as those fossil-fuel generators are phased out and replaced by wind, solar and geothermal we'll need to flex our hydro generation capability and storage differently from how we have in the past to offset the intermittency inherent in wind and solar generation. It's a new way of using our resources that requires us to think long and hard about the way we manage the existing hydro lakes and the timing of our maintenance schedules.

Flexible demand will also become more valuable as a means of managing renewable intermittency. That's a key part of the value proposition of a large-scale hydrogen production facility in Southland. Producing hydrogen from electrolysis is inherently flexible, and if the hydrogen producer can reduce production at times when the electricity system is stressed, ie during a calm winter evening when demand peaks or a seasonal drought, when hydro fuel availability is limited – the electricity it would have consumed can effectively be reallocated to other energy consumers. We believe this creates a win-win scenario. The hydrogen producer benefits by being recompensed for forgone production, other electricity consumers benefit from more reliable, cost-effective supply, and the environment benefits as there is less need to produce carbon emissions from coal or gas. This type of demand response is part of wider discussions on how new, and potentially existing, industry can align their energy requirements with the nation's needs. If we can make such flexibility commercially viable, that will deliver a very cost-efficient solution to renewable intermittency in the electricity system.

During FY22 we developed a refreshed *Climate Action Plan*. The Plan sets out a roadmap for delivering our Half by 30 and Forever Forests programmes. It also accounts for the work we're doing to support our customers in their decarbonisation efforts.

Our Half by 30 target means we plan to halve gross scope 1, 2 and 3 emissions by FY30 on an FY21 baseline. We were pleased to recently get approval from the Science Based Targets initiative (SBTi) that our near-term emission-reduction targets are science-aligned[1]. So far we've electrified all our light passenger vehicles and made good progress with the rest of our fleet. There's still a lot of work to do given that the majority of the emissions happen in our supply chain.

We also continue to make good progress with our Forever Forests initiative, and are on track to sequester enough carbon to cover our remaining gross operational emissions by 2030.

Between our Half by 2030 and Forever Forests initiatives our overall aim is to manage the relationship between Meridian's operations and climate change directly and ensure that Meridian is net zero by 2030.

From a customer perspective, our Process Heat Electrification Programme is targeting 600 gigawatt hours (GWh) of industrial heat. We're building our own public electric vehicle (EV) charging network, with 61 chargers now installed, as well as establishing EV charging products for business and residential customers to make it as simple as possible for New Zealanders to drive away from fossil fuels. Our Certified Renewable Energy product has also enabled more than 80 customers to purchase more than 660GWh of Renewable Energy Certificates this year. Further, we have made a commitment to reinvest all the Renewable Energy Certificates into decarbonisation projects.

1 The SBTi has approved that Meridian's underlying target 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 our further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe (excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects).

Partnerships are vital

The many changes ahead of us can seem daunting. New Zealand's response to decarbonisation must be nuanced, sensitive, intelligent and bold. The needs and priorities of many different stakeholders must be assessed wisely, and decisions made that work in the best interests of the country and the world collectively. We don't presume to tackle such challenges alone.

And we're determined that our partnership and stakeholder relationships will be robust and as effective as possible. Our approach stems from a key word in our purpose – fair. As we work with all stakeholders around consents for natural resources, and in particular iwi, we aim to improve the economic, cultural and biodiversity impacts of our business. Our overriding goal is to create fair outcomes for all. That's an expectation we have of ourselves, and that our shareholders are now demanding of companies generally.

Our working style continues to evolve

Our people have continued to deliver great work. Their responses to COVID-19 restrictions have helped reshape how we think about our working styles, and as a result we've developed a framework for flexible working that we believe works for individuals and the company.

We've all found that some tasks can best be done away from the office, but also teams feel the power of being in the same space and working collaboratively to solve issues. Accordingly we are investing in our work environments to ensure that they facilitate the types of work we do there and we make the most of the spontaneity and energy that comes when people gather together.

Flexible working arrangements are a core part of our strategy to support diversity and inclusion in our teams, but it is clear that the stresses and strains on many of our people living in this changing world are becoming more significant, not less. That's why we've put considerable effort into supporting our people's general wellness and, in particular, their mental wellbeing. It was pleasing to see our efforts recognised at the Safeguard Awards (New Zealand Workplace Health and Safety Awards), where Meridian won the Wellbeing award for our 'Care Team' process. Our Care Teams take a structured approach to wrapping support around people who need time to heal and help to return to work.

We have a comprehensive safety-improvement plan in play across the business, and our key lagging safety measure of total recordable injury frequency improved this year. More importantly, we're confident that our staff and contractors are as actively engaged in safety as ever, evidenced by a noticeable lift in positive safety observation and incident reporting in the past year. The Board and Management recognise that building a strong and positive safety culture must continue to be our number one priority, and we intend to intensify our focus on keeping our people safe from harm, particularly as we embark on more construction projects as part of our development programme.

We're emerging from a unique period in time, and with borders opening up and the costs of living climbing, competition to retain and attract talent is only likely to increase. We have noted an overall dip in our staff engagement scores this year, so we have more work to do. The Board and Management are committed to supporting our people and ensuring our overall employee proposition remains strong and keeps pace with market developments. As such our remuneration-review process this year was costed to keep pace with the cost of living. We were pleased to award to staff an across the board, special bonus of $1,000 after tax.

Changes at Executive Team and Board level

Our Board is now more diverse than it has ever been and has the relevant capabilities to oversee Meridian's strategy and guide the business through the decisions that lie ahead. The appointment of Tania Simpson in particular will help us grow our iwi relationships.

Graham Cockroft was appointed as Non-Executive Director on 26 July 2022. Graham brings a strong finance and energy industry background to the Board and will add to the Board's skills and expertise following the retirement of longstanding Director Jan Dawson, whose term will conclude at our next Annual Shareholders' Meeting.

This year has also seen important changes in our Executive Team. Tania Palmer shifted from Chief People Officer to head up our Generation team. Her proven sector experience and people-leadership skills are well suited to leading that part of the business and making strong changes that will future-proof the business. Meanwhile Jason Stein, who had been Chief Executive of our Australian operations, took over the Chief People Officer role, in which he will continue to focus on enhancing our safe and inclusive culture. Finally, our long-time Chief Information Officer (CIO) Bharat Ratanpal has joined the Executive Team, adding his invaluable technical skills to how we think about deploying technology to improve our customer propositions and our business performance as well as protecting our technology systems. It's a sign of the diversity and breadth of skills in our leadership ranks that we have been able to make all these key appointments from within our existing talent pool.

A strong financial result

Despite challenging hydro conditions in the Waiau catchment, this year's financial result was still strong and exceeded our expectations. The result was once again powered by good generation numbers and a surge in retail sales volumes, with our customer base up by more than 18,000 on the prior year.

The sale of our Australian operations bolstered our balance sheet and gave us the cash to push forward confidently with our development options. With Harapaki due to be completed in the next year, developments like the Ruakākā Energy Park and Mt Munro wind farm are well advanced and the prospects for hydrogen are looking encouraging. The Board and Management believe that Meridian is well placed to make a sizeable contribution to the decarbonisation of New Zealand.

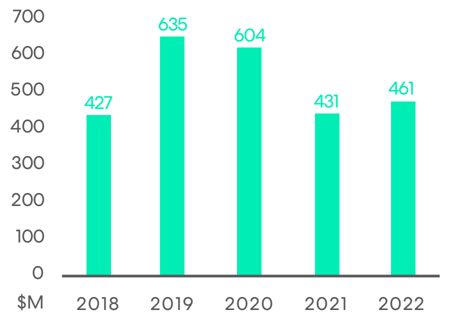
Meridian has reported $664 million of net profit after tax for the year ended 30 June 2022, including the benefit of $214 million gain on the sale of its Australian business and $281 million of positive non-cash movements in the value of hedge instruments.

Meridian has EBITDAF of $709 million, up $17 million or 2.5% on the prior year and a reported underlying net profit after tax for the Group of $233 million, a slight increase on the prior year.

The Board has declared a final ordinary dividend of 11.55 cents per share, up 3% from the previous year. This brings the total ordinary dividends declared in FY22 to 17.40 cents per share, 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.

Operating cash flow



Underlying net profit after tax reconciliation ($M) Financial year ended 30 June	FY22	FY21
Net profit after tax	664	428
Underlying adjustments		
Discontinued operations	(213)	(13)
Hedging instruments		
Net change in fair value of electricity and other hedges	(145)	(157)
Net change in fair value of treasury instruments	(136)	(79)
Premiums paid on electricity options net of interest	(20)	(20)
Assets		
(Gain)/loss on sale of assets	–	–
Impairment of assets	2	–
Total adjustments before tax	(512)	(269)
Taxation		
Tax effect of above adjustments	81	72
Underlying net profit after tax	**233**	**231**

Developing a better future, together

Our momentum to contribute to decarbonising the economy continued to grow this year as we looked forward to an exciting future. Building our partnerships is part of forging a strong, shared pathway for the future along with an active development programme. We're working with our customers to make it possible for them to evolve to a renewable future as well. The strength of our brands and the resilience of our people remain key advantages in our bid to do right by New Zealand and continue to deliver value for all our stakeholders.

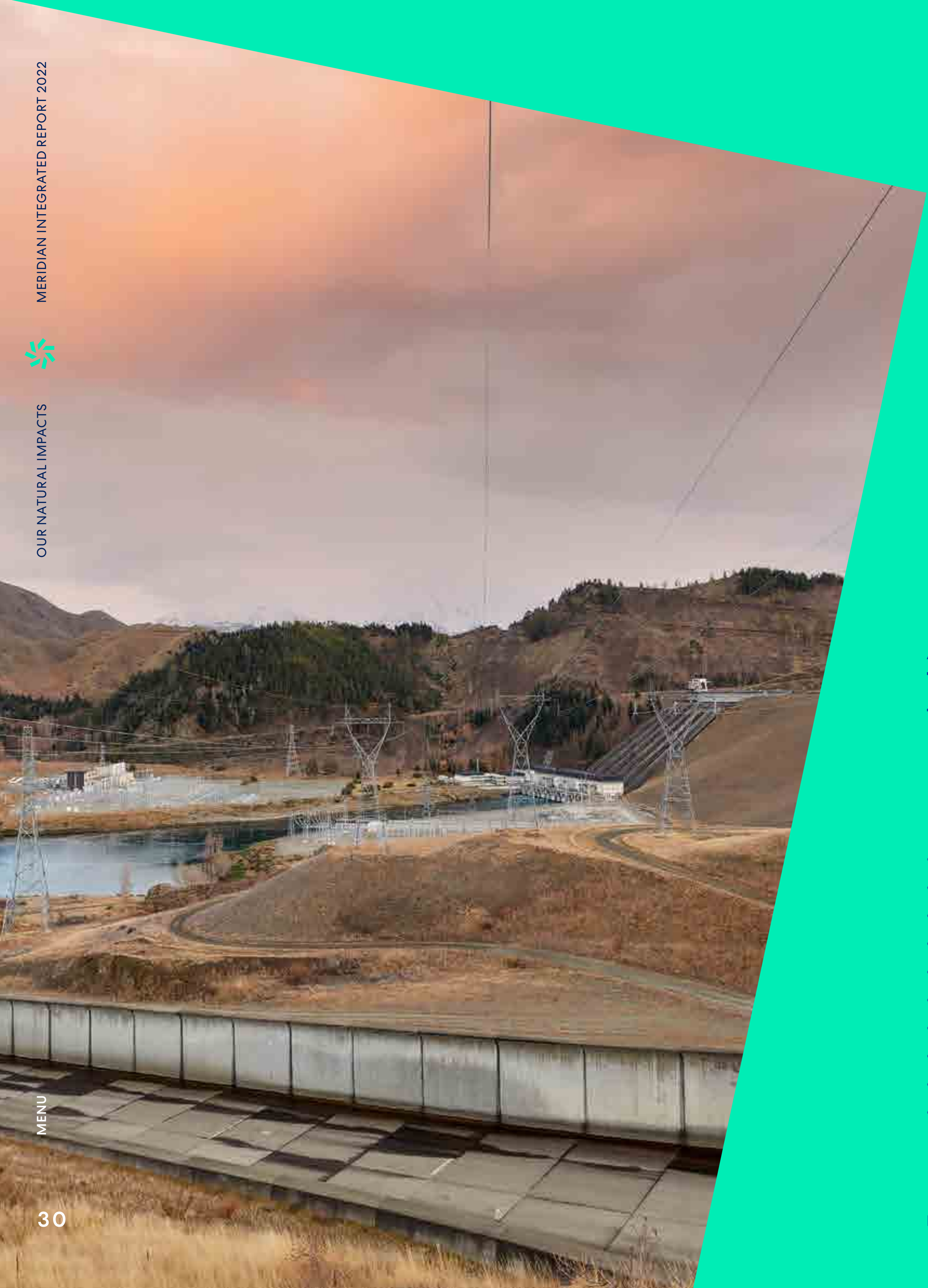
On behalf of the Board and the Executive Team, we would like to thank our customers, our partners, our investors and everyone in our teams for your commitment to cleaner energy for a fairer and healthier world.

Solar installation at Lincoln University, Ōtautahi, Christchurch.

Our natural impacts

Mill Creek wind farm, Ohariu Valley, Te Whanganui-a-Tara, Wellington.

Our goal is to help meet Aotearoa's decarbonisation and Net Zero by 2050 targets.



Changing conditions apply

A changing world demands responses on a range of fronts. Through our business and with our partners we're looking to influence positive change, to protect environments, to influence industry thinking and to find new uses for valuable but discarded materials.

In this section:

- Drought conditions
- Water
- Biodiversity
- Breaches
- Half by 2030
- Forever Forests
- Climate-related disclosures
- Our kākāpō sponsorship
- Submissions this year
- Recycling hydraulic hoses

Benmore Hydro Power Station, Otematata.

A hot, dry Southland summer

Relentlessly dry conditions in our Waiau catchment from December 2021 through to the end of April 2022 produced the longest sequence of dry months on record. While we expect volatility around water levels, and we are well prepared operationally for significant droughts, this was the second year in a row with higher temperatures, drier conditions and significantly reduced inflows in Southland.

Despite the frequency of dry events recently, our climate data shows that we'll experience wetter seasons overall in the longer term.

Such volatility is a reminder both of the urgency to think through and respond to the immediate and upcoming challenges of climate change, and also that risk containment and the ongoing development of a diversified energy portfolio are key realities. The completion of the Clutha Upper Waitaki Lines Project will give us more flexibility in how and where the energy we generate is used, and our development programme bodes well for increasing and diversifying our capacity in the years ahead.

Keeping a close eye on water

Water use in New Zealand continues to be a highly emotive issue for government, iwi, communities, businesses and individuals, particularly around quality and access matters. Water and waterways are fundamental to what we do, which is why we continue to work with as many parties as we can to collaborate on and reach agreements around water access and purity and water rights.

Hydro generation itself does not change the chemical composition of water – certainly not to the extent that land use can. However, we're committed to maintaining existing water quality and to ensuring that standards in our catchments are defined and adhered to.

Algal growth and weeds in particular can affect water quality on the Waiau and Waitaki river systems. We would prefer the waterways to be as clean as possible, so we regularly release water into these systems to dilute the potential effects of contaminants if weed growth becomes problematic. We've had these arrangements for a number of years, but they are dependent on water availability, and the very weeds and pests we are looking to minimise are often associated with drought. This creates tensions. That said, we're looking for ways to increase these flushing flows. Consenting discussions with stakeholders are currently being planned.

Water use and impacts are managed in accordance with our existing resource consent conditions, which outline our ongoing monitoring and reporting requirements. The overall framework is reviewed in public resource management planning processes run by regional councils. Any potential impacts on freshwater quality that our activities could have are managed through our resource consent conditions and stakeholder agreements. We do discharge fresh water from our Manapōuri Power Station into Deep Cove, but we do so in accordance with resource consent conditions and with annual marine environment monitoring and reporting. We also manage and report on the quality of the water entering the lake, including the potential risk of sediment-laden and turbid water, and report annually on this to Environment Southland.

Generation (GWh)

* Waitaki Power Station total generation capacity updated following restoration.
** Excludes Meridian Energy Australia, sold on 31 January 2022.

Capacity (MW)

* Waitaki Power Station total generation capacity updated following restoration.
** Excludes Meridian Energy Australia, sold on 31 January 2022.

Water consumption*

Mm³	FY18	FY19	FY20	FY21***	FY22
New Zealand					
Fresh surface water (lakes, rivers)	65,562	74,183	85,339	66,659	76,523
Water returned to the source of extraction at similar quality	53,823	61,832	72,994	54,994	65,535
Total net freshwater consumption**	11,739	12,351	12,345	11,665	10,988
Australia					
Fresh surface water (lakes, rivers)		3,696	2,574	3,832	
Water returned to the source of extraction at similar quality		3,696	2,574	3,832	

* Municipal water consumption not reported as minimal and not metered. While in New Zealand we have no exposure to water-stressed areas, in Australia our power stations are operating in areas that can suffer from drought. Note that we only hold the right to generate electricity from water passing through the dams associated with our Australian hydro power stations; we do not hold the water rights themselves.

** 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 include Lower Waiau flow data for Q4 in FY21, omitted in error. Additional 225 to both Fresh surface water and Water returned to the source of extraction. Total net freshwater consumption not affected.

Plant availability

%	FY18	FY19	FY20	FY21	FY22
Hydro New Zealand	90.4	91.6	88.9	91.1	88.9
Wind New Zealand	83.9	83.3	89.8	89.0	86.3
Wind Australia*	93.4	88.6	89.0	92.2	–
Hydro Australia*	85.8	80.1	68.0	70.9	–

* Australia was divested in January 2022.

Outages for FY22 – Hydro: planned 9,217 hours, maintenance 15,128 hours, forced 15,404 hours; Wind: planned (including maintenance)19,565 hours, forced 2,020 hours.

All the fiords in Fiordland have a low salinity layer, a function of the shape of the landscape and very high rainfall levels. The ecology of all the fiords is unique due to the naturally low salinity layer and is one of the reasons why black coral grows at shallower depths here than is common in other marine settings.

We also work closely with regional government 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 from our stations entering waterways. While there are no defined water-quality standards for Manapōuri, and the setting of standards and water-quality impacts for Waiau hasn't been resolved, this is a developing issue for local government, with changes to the Resource Management Act 1991 and the development of new water quality plans that need to be lodged with the Chief Freshwater Commissioner by 2024.

Maintaining biodiversity

Aotearoa New Zealand's unique biodiversity is nationally and globally significant. Our goal to increase renewable energy generation capacity to meet Aotearoa's decarbonisation and Net Zero by 2050 targets means that we operate and develop renewable generation in natural environments that contain or are in 'close proximity' to 'critical biodiversity' or 'critical habitats'.

In order to minimise any negative impacts that our operations have on biodiversity, we comply with all environmental legislation, including resource consent conditions across our assets. Recognising that potential impacts extend beyond Meridian's own operations, our Supplier Code of Conduct sets out our expectation that our suppliers will also comply with national and international environmental policy and legislation. This year we released our commitment to biodiversity and deforestation, which outlines our wider biodiversity commitments and initiatives.

Our co-funding of Project River Recovery is Aotearoa's longest-running conservation/business partnership and a key part of our long-term goal of minimising our impacts on water and biodiversity in our catchments.

For more than 30 years, Project River Recovery, a partnership with the Department of Conservation, has been preserving and restoring braided river habitats in the upper Waitaki catchment through predator and weed eradication. 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.

In our Waiau catchment we continue to work closely with the Waiau Fisheries and Wildlife Habitat Enhancement Trust (the Waiau Trust) to enhance stream and wetland habitats for fisheries and wildlife. For example, the Trust has restored and enhanced wetlands at Rakatu and wetlands on land owned by Meridian adjacent to the lagoon at Te Waewae Bay. The Waiau Trust also funds landowners in the area to fence and protect waterways and riparian margins on their land.

Ongoing 'trap and transfer' programmes in both our hydro catchments minimise our impacts on native fish such as tuna (eels). We support and fund the transportation of as many elvers and migrant eels as possible across the dam structures every year. Te Waiau Mahika Kai Trust owns a property at Te Kōawa Tūroa o Takitimu that is being restored to provide mahika kai resources. The Trust also owns a lodge and accommodation on the site that is leased and managed by local rūnanga Oraka Aparima. The Trust has recently developed a new restoration plan for the property, working with all four rūnanga in the area.

Part of the new multi-decadal vision for Te Kōawa Tūroa o Takitimu involves developing a carbon forest, and Meridian is partnering with the Trust to deliver carbon sequestration. Together, we made our first application for carbon credits from existing native regeneration this year, with new planting planned to start next year.

A small area of wetlands at our Harapaki wind farm site was affected due to the road construction required. We have offset these impacts by enlarging and enhancing other wetlands on site through resource consents obtained under the new National Policy Statement for Freshwater Management.

No compliance breaches

There were no significant instances of non-compliance with laws and regulations and no fines were paid during the reporting period. We determined no significant instances of non-compliance with reference to the severity of impact and from sectoral benchmarks.

Releasing tūna (native eels) as part of our Trap and Transfer programme.

Energetically pursuing emission reductions

The significant take-out from the Intergovernmental Panel on Climate Change's latest report is the need for action and tangible deliverables. Our biggest challenges are embedding climate-action thinking into our business-as-usual activities, and increasing accountability, resourcing and education. We employ or contract more than 1,000 people.

In FY22 our operational emissions were 32,708 tCO2eq (including 7 months of Meridian Energy Australia emissions). Our direct scope 1 emissions are primarily driven by combustion emissions from our Manapōuri ferry and barge (transporting staff and equipment to the power station) and vehicle travel from our own fleet and rented vehicles. Adopting the market-based approach for electricity consumption and scope 2 emissions, our reported emissions are zero as we have matched our consumption to renewable energy production attributes from Meridian's assets using Renewable Energy Certificates issued by the New Zealand Energy Certificate System (NZ ECS). Over 95% of our emissions are scope 3 emissions that occur in our supply chain, predominantly from goods and services we purchase and emissions associated with sub-leased farms on our assets.

Local and global suppliers provide our generation business with the parts and components to build and maintain our generation assets. We also work with general engineering consumable and specialist parts' suppliers, and service providers including ICT and facilities' management providers. In our retail business we have a very short supply chain 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 include physical facilities and ICT, sales and marketing, billing and governance functions.

Half by 30 is our target to halve gross scope 1, 2 and 3 emissions by FY30 on an FY21 baseline. We were pleased to recently receive vapproval from the Science Based Targets initiative (SBTi) that our near-term emission-reduction targets are science-aligned[2]. In support of our SBTi application, we restated our baseline year from FY19 to FY21 (Meridian Energy Australia emissions excluded), to ensure a most recent GHG inventory was used – this has not decreased the emissions abatement effort required from here. We look forward to submitting our net-zero long-term target to the SBTi for approval soon.

Historically, we've focused our emissions-reduction efforts on reducing our light vehicle fleet and electrifying the balance. 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. That in itself won't be enough. Achieving Half by 30 will require a deliberate and significant effort across the Group, and in particular through our supply chain, where more than 95% of our operational emissions lie.

Two years ago, we started engaging with our suppliers through a plan that built on our Supplier Code of Conduct. The goal was to examine how our suppliers could undertake climate actions that would work for their businesses and enable us to achieve a net-zero-carbon Aotearoa in 2050. As a result, specific contracts now include clear and agreed key performance indicators (KPIs) for reporting emissions.

2 The SBTi has approved that Meridian's underlying target 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 our further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe (excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects). A methodology to classify scope 3 targets is under development by the SBTi.

This year we developed a Group Half by 30 roadmap that is now embedded in our *Climate Action Plan*. The roadmap includes six areas of focus, all three scopes of activity and three horizons, with targets that together form our plan to deliver on our Half by 30 commitment. Furthermore, we have committed to the establishment of an internal decarbonisation fund, funded by a voluntary annual contribution linked to our scope 2 electricity consumption. In essence, we have committed to 'charge ourselves' the equivalent net revenue received per Renewable Energy Certificate that our customers purchase, for the total number of Certificates we utilise annually. This aligns with the intent of our Certified Renewable Energy offer to customers[3], where we reinvest net proceeds into decarbonisation projects. To kick-start our efforts, we have backdated this funding allocation to when we first used Renewable Energy Certificates for our scope 2 consumption in FY20. The purpose of this fund will be to advance decarbonisation and energy efficiency projects in our business that might not have occurred yet. We look forward to sharing more on our funding deliverables and, importantly, wider emission reduction initiatives in FY23.

Further to the emissions within our operational emissions boundary, we also account for emissions associated with the major maintenance and one-time construction of renewable generation assets. During FY22 these emissions were 8,243 tCO2eq and were largely driven by the construction of the Harapaki wind farm. We exclude these one-time emissions from our Half by 30 boundary because our emission reduction and minimisation efforts are different and targeted to each project's unique challenges.

These emissions are managed and minimised through project-specific focus areas and metrics, as we believe this enables us to focus our efforts on the most material sources of emissions that will be unique to a large development project. For example, the Harapaki wind farm includes a Sustainability Management Plan with KPIs. All suppliers are required to report on emissions and have KPIs on the adoption of continuous improvement initiatives. Sustainability audits and regular meetings with suppliers occur to ensure mutual learning and the follow-through of improvement actions. The project team holds a register of sustainability initiatives to capture ideas and track those that have been implemented.

For full detail on our FY22 GHG inventory including data sources and quantification methodology, please refer to our GHG Inventory[4], which has been independently assured to a reasonable level against the requirements of ISO 14064-1:2018, the GHG Protocol, and the Corporate Value Chain Standard.

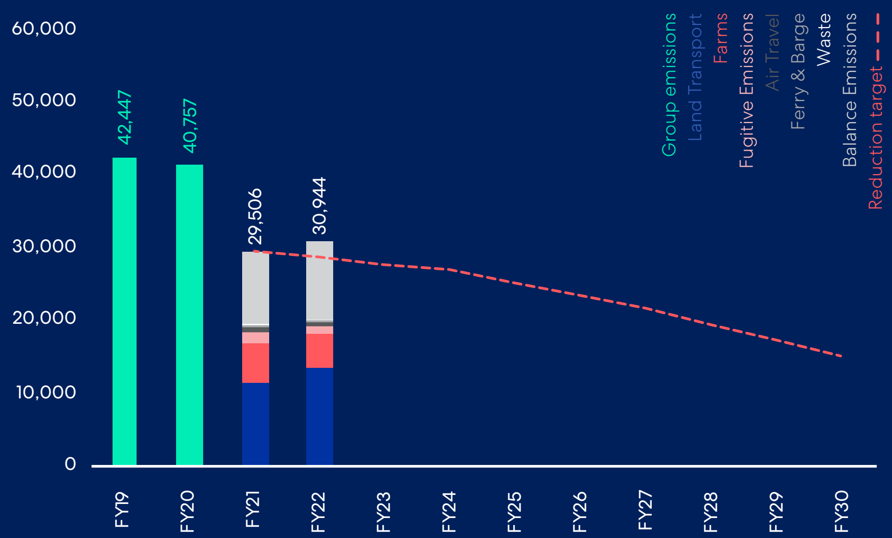
There is plenty for us to build on. Our renewable development pipeline, the land we are acquiring for new projects, construction at Harapaki and the advances we are making industrially with process heat all point to solid momentum. The significant increases in GIDI funding will also form a solid investment basis for encouraging commercial and industrial customers to move away from fossil fuels and for us to deliver additional renewable capacity.

The take-up of our Certified Renewable Energy product strongly suggests that businesses have an appetite for change. This year, 81 customers signed up to purchase 662GWh of Renewable Energy Certificates to align their electricity consumption with renewable energy generation attributes. The net proceeds from the purchase of these products have been invested into social and decarbonisation projects, helping KidsCan to electrify its fleet and funding a solar installation for Rowing NZ.

MENU

3 meridianenergy.co.nz/business/sustainable-options/certified-renewable-energy
4 meridianenergy.co.nz/about-us/investors/sustainability/greenhouse-gas-emissions

Progress against our Half by 2030 goal (tCO2e*)



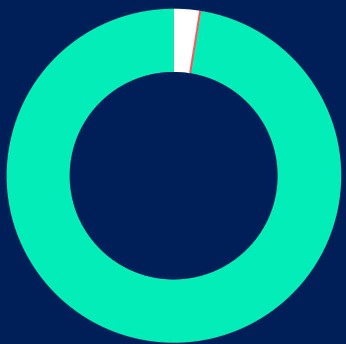
* Excludes Meridian Australia emissions.

Total operational GHG by scope (tCO2e)

Scope 1: 792 (2%)

Scope 2 (market based): 35 (0.1%)

Scope 3: 31,881 (98%)



Meridian Group GHG emissions

tCO₂e	FY20	FY21	FY22***
Scope 1	1,177	1,376	**792**
Scope 2	17	14	**35**
Scope 3 operational	42,250	31,085	**31,881**
Total Group operational emissions*	**43,444**	**32,475**	**32,708**
Scope 3 energy purchased and onsold**			
New Zealand electricity	0	0	**0**
Australian electricity and gas	813,054	881,461	**521,642**
Scope 3 one-time construction and upgrades	32	285	**8,243**
Total Group value chain emissions	**856,530**	**914,221**	**562,593**

* Emissions from our electricity purchased and onsold are calculated using market-based methodologies. In New Zealand we use the annual netting off methodology. In Australia we used the National Carbon Offset Standard (NCOS) administered by the Australian Government.

** Group operational emissions are offset using Gold Standard Voluntary Emission Reductions and credits purchased by Powershop Australia as part of the NCOS, and taking into account credits cancelled by suppliers against their own emissions.

*** Meridian Australia was sold in January 2022. Emissions for Australia are included to 31 January 2022 (7 months only).

Meridian does not track a GHG emissions-intensity metric. As a generator of 100% renewable energy, the fuel source for the electricity generated has no emissions. Therefore, GHG emissions intensity is not the most relevant metric for Meridian to adopt to track emission reductions.

Planting out a better future

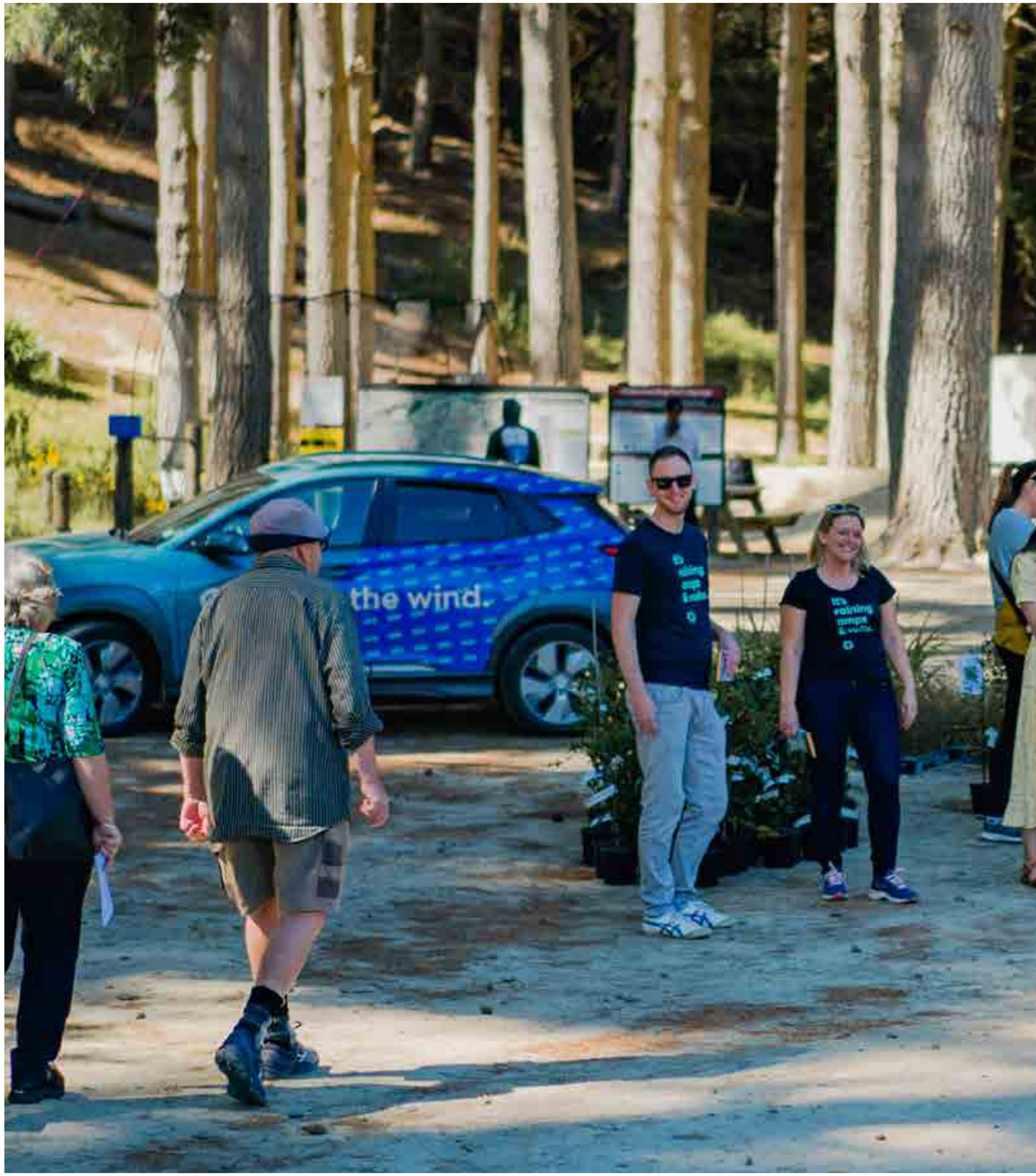
For some years, Meridian has achieved carbon neutrality for its operational emissions by purchasing and surrendering Gold Standard Verified Emission Reductions. Over the course of this decade we'll look to displace these Verified Emission Reductions by creating our own carbon sink through our Forever Forests programme.

Meridian committed to Forever Forests in 2019, investing in permanent forests in Aotearoa that also offer broader biodiversity and social benefits. A mixed model of exotics and natives, planted predominantly on our own land, will transition to 100% natives over time. The emission removals from our Forever Forests are sized to align with our residual operational emissions in FY30, after achieving our Half by 30 gross emission-reduction target.

Highlights this year have included:

- securing over 55% of the land required
- 85,000 trees planted, with a further 600,000 ordered to plant in the coming FY23 season
- receiving a first tranche of credits for our first planting projects from 2020, with other planting projects now registered
- involving our people and communities in the plantings. We have undertaken six native-only plantings involving Meridian staff so far, with more to come including the Tūī Corridor project in Christchurch. Alongside our partnership with The Christchurch Foundation for our Christchurch plantings, three partnerships are also in place with private landowners near our wind farms and with iwi-based trusts.

We're glad that we chose to pre-order hundreds of thousands of seedlings in 2020 – in advance of land being available – because the market has rapidly developed since then and exotic and native suppliers are now under tremendous demand pressure.



Tūī Corridor planting, Christchurch Adventure Park, Ōtautahi.

Disclosing openly

It's good to see pressure building on listed companies to publicly disclose their climate-related issues. Mandatory climate-related financial disclosure legislation was passed this year, making such reporting compulsory from CY23. We see reporting as a key part of holding ourselves responsible and answerable to stakeholders, and on that basis have been preparing climate-related disclosures since 2019 (aligned with the Task Force on Climate-related Financial Disclosures framework) that address governance, risk management, strategy and our climate-related metrics and targets. We look forward to ensuring alignment of our FY23 climate-related disclosures with the incoming Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures requirements.

Supporting kākāpō through sponsorship

In keeping with our philosophy that actions matter most when it comes to environmental and conservation efforts, we have continued our successful partnership with the Department of Conservation and Ngāi Tahu to support the Kākāpō Recovery Programme, which aims to get kākāpō off the endangered list and back to their former natural range.

As things stand, the kākāpō is an endangered national treasure, with the current population sitting at fewer than 200 birds. Our involvement helps fund research and initiatives relating to genetics, nutrition, disease management and finding new sites, and raising awareness of this delightful native parrot.

It's great to be able to report that the 2022 breeding season has been successful, with 57 chicks hatched. We look forward to extending our involvement with this programme when arrangements are renewed next year.

Adding to public policy discussions

As an engaged and publicly listed company, we continue to actively contribute perspectives and ideas to public policy, legislative and regulatory developments. We do so to ensure that decision-makers are fully informed of the implications of what's being mooted, and that decisions are made in the best interests of our customers and all New Zealanders. This year we provided submissions to a wide range of organisations, including the Electricity Authority (EA), the Ministry of Business, Innovation and Employment, the Commerce Commission and Transpower.

As we observed last year, the New Zealand electricity market continues to incentivise the construction of new renewable electricity generation and works well because successive governments and regulators have supported and encouraged its operation. It's vital for the country that current and future governments continue to deliver policy stability, transparency and continuity on climate change.

The long-running project of the EA to reform the Transmission Pricing Methodology (TPM) has concluded with the Authority deciding in April 2022 to adopt a new TPM that is expected to be in place from 1 April 2023. This new TPM is expected to deliver benefits to New Zealanders of approximately $1.8 billion over the next 28 years, to encourage more efficient use of the grid and more efficient investment in transmission and generation assets. It is anticipated that it will reduce the cost of electricity at peak times and over time lead to lower prices for all consumers. Meridian supported the Authority in successfully opposing a High Court challenge to the new TPM.

Climate policy also directly affects us, which is why we monitor it closely. As part of the Emissions Reduction Plan, the Government has signalled that it has allocated $350 million for industrial decarbonisation and vehicle scrapping. The Plan has the potential to generate greater electricity demand and, we believe, will be another incentive to invest in generation. The Government also expanded the GIDI fund to $650 million over four years (from $69 million to date) to provide funding for high-impact process heat decarbonisation, network connections and network upgrades to enable electrification and committed $220 million to the State Sector Decarbonisation Fund.

The Emissions Trading Scheme with its recent improvements will play a critical role in the transition to a low-emissions future. It now provides a sinking cap on total emissions and price signals to ensure businesses are incentivised to make the transition to a low-emissions future successfully. Complementary policies may be needed, and for us priority actions would include increasing the number of EVs on our roads and increasing total renewable energy use, particularly in heating for industrial processes. The Government has taken some important steps in the right direction with the expansion of the GIDI fund, the clean car discount scheme, the EV exemption from Road User Charges and the Low Emissions Transport Fund. It's also important that the transition happens in an equitable and inclusive way.

There is ongoing uncertainty around the proposed Government investment in the Onslow Manorburn pumped hydro project. Such a development would influence investment decisions going forward, but it will also take time to implement, and with that in mind we're monitoring decision-making in that space.

The outcomes of the regulator's review of competition in the whole-sale market were published during the year. The initial paper looked at indicators across the wholesale market. Generally, the review found that pricing accurately reflects the wholesale market situation, but the EA has said there are some things it will continue to monitor. Wholesale electricity prices in New Zealand remain higher than historical averages primarily because of ongoing concerns about gas availability and global events (which have affected energy prices more broadly). We recognise these prices are challenging for larger consumers with direct exposure to the wholesale market, but they reflect supply and demand and encourage further investment in renewable electricity generation.

In August, the Authority created an 'urgent code amendment' temporarily for 9 months, while it consults on whether these new rules should be a permanent feature for the market. The amendment puts in place some new rules on industrial electricity contracts of 150MWs or more. Meridian will submit on the consultation detail, but it's clear Meridian's current contracts comply and we will work with the Authority to ensure all future contracts also comply.

This year we made submissions on a range of topics including the Emissions Reduction Plan, the review of wholesale market competition, the electricity industry reform bill and climate-related disclosures. You'll find copies of these submissions on our website at **.meridianenergy.co.nz/about-us/investors/reports/submissions**

Our impacts anchored on the natural world

A summary of our nature-based impacts outlined in this section is provided below, including our associated commitments and goals where relevant.

Impact	Description	Commitments and policies *(including mitigation and remediation actions)*
Diversion and reduced river flows and water quality issues	Our structures and water management can directly affect the health of river systems, which can become obstructed and have reduced river flows due to hydro dams and generation activities. Some of these impacts occur in conjunction with impacts caused by others.	We collaborate with organisations like Guardians of the Lake and fund Project River Recovery[5] to ensure stakeholder feedback is heard and quality mitigation and management measures are in place. Lake Te Anau water levels are regarded as well managed. Our biodiversity and deforestation commitments[6] outline wider commitments and initiatives.
Harm to biodiversity in water	We have a direct effect on the health of aquatic biodiversity (particularly native fish species) affected by hydro dams and restricted river flows.	We're committed to the Elver Trap and Transfer Programme[7]. An opportunity exists to create greater awareness of this in local communities. Our biodiversity and deforestation commitments[8] outline wider commitments and initiatives.
Adverse effects of generation assets and activities on cultural values	Our presence directly affects the cultural values of iwi relating to land, waterways and biodiversity because they are affected by our operational presence and use of our generation assets. This creates a negative impact on iwi and their relationships with the land, water and other taonga.	Our Group Code of Conduct requires genuine engagement with key relationships and a consideration of impacts, including on iwi, as a result of business decision-making. We are committed to authentic engagement with iwi and showing genuine respect for the Waitaki and Manapōuri catchments. We've committed to supporting the Te Waiau Mahika Kai Trust.
Improving biodiversity on land	We contribute to enhancing natural ecosystems on Meridian-owned/managed land as well as non-Meridian-owned land by supporting planting and biodiversity protection programmes.	We are committed to Forever Forests – an emission-removal commitment with biodiversity and social benefits based on adopting a mixed exotic/native forest model, transitioning to 100% natives over time. A joint venture with Te Waiau Mahika Kai Trust for a carbon forest will result in tree planting starting in July 2022. We also have related biodiversity investments and partnerships such as the Kākāpō Recovery Programme[9] and achieve impacts with the Tūī corridor[10]. Our biodiversity and deforestation commitments[11] outline wider commitments and initiatives.
Disposal of waste and other emissions	We cause waste-to-landfill and harmful gaseous emissions from our corporate and generation activities.	Our Half by 30 commitment is is to halve operational emissions (including waste) by FY30 and against a FY21 baseline. We publicly disclose on progress annually via the *Annual Report*, GHG inventory and most recently a new *Climate Action Plan* with initiatives and targets by focus area[12]. We are proud to have achieved approval from the Science Based Targets initiative (SBTi) that our near-term emission reduction targets are science aligned. Outside the Half by 30 boundary, our Supplier Code of Conduct[13] outlines requirements for suppliers to measure and disclose emissions. Major projects and developments at Meridian include additional, targeted sustainability KPIs – for example, KPIs for Project Harapaki (wind farm construction) include waste and emission.
Policy change that enables the rapid transition to a low-carbon-energy future	We contribute to public policy, legislative and regulatory developments by advocating for, and supporting, a policy framework that fosters effective action on climate change.	We actively and regularly provide thought leadership, backed by evidence and data where practical, to inform policy change that enables rapid decarbonisation. Meridian makes submissions to organisations such as the Climate Change Commission, Ministry for the Environment, Infrastructure Commission, Ministry for Business, Innovation and Employment and more. Our publicly available submissions are available at **meridianenergy.co.nz/about-us/investors/reports/submissions.**
Leading and influencing change and progress on sustainability issues	Through our leadership and influence, we 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.	Our pace, scale, level of ambition and the partnership approach we adopt to drive progress on sustainability issues is what defines success in this impact area. Importantly, delivering results and impact is key. Recent success have included: • the electrification of boilers with customers such as ANZCO • the Southern Green Hydrogen project • a commitment to move early on committing to and establishing due diligence processes on issues such as Modern Slavery risk and Climate-related disclosures • in FY22 we also played a leadership role in informing the development of the refreshed NZ Climate Leaders Coalition pledge announced in June 2022, with the contribution of case studies to support technical guidance developed. There is an opportunity for us to provide even greater leadership, influence and transparency on our sustainability commitments and views on how to advance greater impacts collectively.

5 meridianenergy.co.nz/power-stations/hydro/project-river-recovery
6 meridian-production-media.s3.ap-southeast-2.amazonaws.com/public/Investors/Governance/Policies/2022/MER0189-Biodiversity-Commitment.pdf
7 meridianenergy.co.nz/power-stations/hydro/elver-trap-and-transfer
8 meridian-preprod-media.s3.ap-southeast-2.amazonaws.com/public/Investors/Governance/Policies/2022/MER0189-Biodiversity-Commitment.pdf
9 meridianenergy.co.nz/community-support/kakapo-recovery-programme
10 meridianenergy.co.nz/community-support/tui-corridor
11 meridian-preprod-media.s3.ap-southeast-2.amazonaws.com/public/Investors/Governance/Policies/2022/MER0189-Biodiversity-Commitment.pdf
12 meridianenergy.co.nz/about-us/investors/sustainability
13 meridianenergy.co.nz/assets/Investors/Governance/Policies/Supplier-Code-of-Conduct.pdf

“They then worked out how to separate out the rubber and steel to enable them to be sustainably reused.”

Shredding the impact of hydraulic hoses

Hydraulic hoses, made of fluoropolymers and silicone, elastomers, metal and thermoplastics, are used extensively in the energy sector. Designed to move liquids at high pressure and with very high reliability, they are complex to make, expensive to buy and difficult to dispose of once they reach end-of-life because they don't decompose in a landfill.

Each of the Siemens 2.3 megawatt (mw) wind turbines at West Wind farm has approximately 50 of these hoses – which amount to 3,162 hoses (weighing 4,278 kilograms) at this site alone. All are approaching the end of their life expectancies. Additionally, our Te Āpiti, Te Uku and White Hill wind farms have a number of hoses in a similar situation.

When we started exploring recycling solutions for these used hoses, it soon became evident that there was no way to do this in New Zealand. We contacted Macaulay Metals, a local scrap metal recycler in Wellington, and they agreed to work with us towards finding an environmentally friendly way to dispose of the hoses.

Macaulay Metals subsequently invested in an Italian rasper machine that cut the hoses into manageable lengths before grinding them into tiny pieces. They then worked out how to separate out the rubber and steel to enable them to be sustainably reused.

Since then, Macaulay Metals has arranged for the rubber granules to be re-manufactured into rubber matting for playgrounds in New Zealand, and for the steel to be reused by Hyundai steel in Korea.

Two years on, we have an innovative way of recycling hydraulic hoses in New Zealand. This is a positive step not only for Meridian's work towards sustainability, but for other companies that previously had no way of recycling their used hydraulic hoses.

Our technology impacts

Electric Air plane flying over Te Whanganui-a-tara Wellington.

EV charging headlines our contribution to transport electrification.

Enabling a new energy future

Our ability to respond meaningfully to the requirements of future energy demands lies in our ability to responsibly evolve the underlying infrastructure. This year we continued to upgrade and develop our own assets at the same time as we worked with our customers to future-proof theirs.

In this section:

- Flux
- Project Momentum
- Generation
- Transformation
- Our development programme
- Transport electrification
- Process heat electrification
- Distributed energy
- Scada
- Cyber security
- Turbine technology and grid scale battery

Demand for Flux continues to increase

Flux's flexible, innovative software helps energy retailers in New Zealand, Australia and the UK to achieve best practice, operational improvements, cost savings, risk reductions, digital transformations and change management, and data insights. The products, which include an industry-leading complex billing engine, enable energy retailers to offer more pricing options and integrate with a wide range of chosen partners. Indeed, the Flux platform underpins our own Group activities, enabling us to continue to grow customer numbers using a scalable and modern platform.

This year, Flux has focused on developing a commercial and industrial product that will enable retailers working with enterprise-level clients to offer flexible services and bring responsive products to market. It hasn't been easy. Many retailers have difficult and complex underlying systems that have evolved over many years. What's more, the segment itself is grossly under-served by quality software.

Flux sees real opportunities here to assist retailers that are under significant pressure from shifts in wholesale markets and the pressures of increasing regulation. The goal is to provide them with quality technology solutions that are flexible and that enable them to take up decarbonising opportunities such as virtual power plants and power purchase agreements.

A healthy sales pipeline clearly signals the need. Flux's focus now is on choosing the right customers going forward – retailers who are ambitious, growing, ready to make a difference in the world and insistent on new things.

Finding and securing the talented people needed to make this happen remains the greatest challenge. A global shortage of tech talent has seen salaries rise exponentially. Fortunately, the people we're looking for are attracted to Flux's pioneering remote-first way of working, which continues to evolve.

All on the same platform (nearly)

Our three-year Project Momentum has involved migrating our previously diverse customer bases to the Flux platform. We have now successfully moved 90% of our customers, including all our residential customers. Currently, we're migrating our most complex customers – our commercial and industrial clients – and we expect that to be complete in the first quarter of the new financial year. While on the face of it Project Momentum may look like a technology change, it has in fact been a business-led project that had people, process and platform impacts.

The project itself is already delivering significant benefits. Customer orientation across our culture has improved for all segments, leveraging the strengths of our multi-brand strategy. We've adopted more agile, self-determined ways of working. We've achieved significant growth throughout the project period despite the major business change, and this has given the business confidence that it can continue to scale as required. Finally, we now have one platform for both our brands, and this has increased speed to competency, raising service levels and lowering costs, because we now require fewer resources to provide better customer service.

Challenges for our Generation teams

Omicron brought more than its fair share of disruptions and work-rounds to a busy maintenance and upgrade programme this year for our Generation teams and contractor partners. Despite significant challenges around staffing and capacity, scheduled works were completed without any major impacts on production. Ageing turbines at our White Hill wind farm near Mossburn in Southland will mean that asset will need a major refurbishment during the next year.

Our ongoing challenge is finding experienced people with the technical skills we need. Historically, we've always been able to rely on sourcing such talent from within New Zealand and overseas (where wind technology is well established), but with very low unemployment in New Zealand, along with immigration constraints (those people have not been coming here because of COVID-19), we've found it harder to source talent than previously. Domestic and global competition for such skills is now intense.

Transforming our thinking

Our Asset Management excellence approach to our Generation business has proven robust. For many years, it has enabled us to develop systematic ways of working that manage risks very well. New considerations are emerging that will require us to re-examine how that approach will work in the future. Extreme weather events are becoming more frequent because of climate change, and they can affect our ability to produce megawatts at our wind farms and hydro assets. We plan for these risks so we're able to continue to produce the power our customers need – through actions like arranging cover from other generators or buying power on the spot market. These alternatives can become expensive because of wholesale price volatility, so, as we're a virtually integrated company, it makes sense that we try to generate as much as we can of the power our customers need.

At the same time, as weather patterns are changing, demand on plant availability is rising, and it will increase in the longer term as we shift to fully renewable generation nationally. A lesser reliance on thermal will mean New Zealand becomes more dependent on solar and wind. But because neither wind nor solar is storable, we need flexible and highly reliable hydro generation. The challenge we have set ourselves, as more of our wind and solar assets come online, is to shift our emphasis to wind and solar first, backed by hydro – rather than the other way round.

That shift will see us steadily run hydro, but more flexibly than we do right now. Such a shift will have big implications. For example, it could mean that it becomes harder for us to get access to plant for projects and maintenance and this will require a rethink of our maintenance and replacement programmes. Technology and data will play a key role in our future decision-making, and we're introducing a dedicated team to accelerate that.

The transformation programme that we have underway in Generation right now is about encouraging our people to take up these challenges. A new structure will also help us to move more quickly towards where we need to be: more data driven with more emphasis on different time horizons; scoping projects earlier than we do now; resourcing our pipeline of activities in new ways based on a new approach; and really looking at how we can achieve our Half by 2030 objectives within the Generation part of the business. Key for us is removing complexity and duplication, increasing speed to execution and increasing the visibility of the changes underway.

Exciting options emerge

NZAS consumes the equivalent of around 40% of Meridian's generation output, and 12% of the national load, at its aluminium smelter at Tīwai Point. Its contract with Meridian expires at the end of 2024. The expiry of that contract and the potential exit of NZAS from New Zealand could enable us to rethink how we utilise that load.

With aluminium prices currently higher than they have been, and NZAS's major shareholder Rio Tinto indicating that, globally, it's on a journey to low carbon and net zero, a lasting presence at Tīwai for NZAS is no longer off the table, however, as we have publicly stated, we would 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
- it made a long-term commitment to New Zealand
- it committed to paying a sustainable price for the electricity it consumes
- it was prepared to reduce its consumption in dry years for the benefit of the wider electricity system and other consumers of electricity.

In recent years we've been working closely with Transpower on the Clutha Upper Waitaki Lines Project. The completion of this project ahead of schedule has greatly improved Meridian's options for redistributing 5,000GWh currently consumed by the smelter to other uses in or beyond Southland. For example, we could shift the electricity load used to better address national and even international decarbonisation via green hydrogen, or large-scale data centres. We could also allocate the power to our drive for net carbon-zero through a scaled electrification of process heat.

A lot can happen in 12 months – and while long-term certainty on any future NZAS contract remains desirable, it's fair to say we have a new mix of options to consider as we power up our development pipeline and look for ways to allocate load that will deliver the best returns for investors and for the country.

The development of green hydrogen has the potential to significantly decarbonise global industries like steel manufacturing, fertiliser manufacturing and heavy transport (trucks, trains and shipping). Our green hydrogen plans have attracted a lot of interest globally. We have opened discussions with four providers and have since short-listed two developers, Woodside Energy Group and Fortescue Future Industries.

A year ago, when we first suggested hydrogen production as a meaningful way forward, some thought our plans ambitious. Since then, and particularly in this calendar year, interest in green alternatives has taken off as the search for energy security accelerates in Europe and beyond. Take-up at all levels of the value chain can only work to our benefit, so we welcome the increasing interest domestically and internationally in what we're planning.

One of the advantages of hydrogen is that it could add another option in the event of dry-year challenges. It could provide a large amount of New Zealand's dry-year reserve at a fraction of the cost of building new power stations. Having a large amount of demand with the flexibility to turn it down or off during a dry year could really benefit New Zealand in managing the security of our energy supply at much less cost than other dry-year options currently being considered.

Green data projects are also in the pipeline, but progress here is slower and steadier and on a smaller scale. While we still regard green data as a potential step-change in connectivity for New Zealand, Australia and South East Asia, where New Zealand continues to enjoy an advantage away from geo-political hotspots, there's more work needed.

Construction underway at Harapaki wind farm, northern Te Matau-a-Māui, Hawke's Bay.

Harapaki wind farm progressing well

Construction is underway and we're making good progress at our Harapaki site in Hawke's Bay, despite the complexities of building our sixth wind farm at elevation, bitter easterlies, cyclones and the challenges of COVID-19. 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 assets by 40%. It's been a pleasure to work with local iwi Maungaharuru Tangitū and Ngāti Hineuru, who, among other things, have been helping us with cultural monitoring on site.

A good year for developments

New Zealand's long-term challenge is the sheer rate of decarbonisation required. By 2050 it is expected that New Zealand needed to have created at least 20,000 GWh and potentially as much as 60,000 GWh of new generation. This equates to between $14 billion and $44 billion in today's costs, though technological advances are expected to bring those costs down.

For the market as a whole, this implies an average run-rate of building the equivalent of between 1 to 4 medium sized wind farms every year for the next 29 years. The speed at which new generation needs to be delivered will depend on the shape New Zealand's decarbonisation trajectory.

For Meridian, this could mean the equivalent of a new $400 million wind farm every three years through to 2050. Our current development pipeline amounts to 2.3 gigawatts (GW) (5,500GWh), (made up of secured options of 1GW and advanced prospecting of 1.2GW), which means we're having to work hard to find, develop, consent, build and generate the energy needed to keep up with projected demand.

While we continue to look for new wind and solar sites, there are additional uncertainties. New resource-management legislation is proposed to be more restrictive because of the requirements for environmental bottom lines, and with transmission load and connections growing, more capacity will be needed. Talk of 100% renewable energy nationally is also optimistic, because although there will be no new gas baseload, gas still has a role to play in keeping peak load running as a firming agent for some time yet.

This has, however, been a good year for developments, with options secured for future development across wind, solar and batteries. At Ruakākā Energy Park, we're currently tendering for a Stage 1 100/200MW battery energy storage system. This system will increase South-North Island power transfer, support grid stability and supply electricity regionally and nationally.

We're also planning a 75MW solar farm that will be connected to the national grid and also supply electricity regionally and nationally. Both projects will improve Northland's energy security.

We expect to have consents approved for the battery by the end of September 2022, with construction expected to start in 2023 and be complete late 2024. Consents for solar will be lodged in early 2023, with construction anticipated early in 2024 and completion by early 2025.

In addition: we're progressing studies for a potential wind farm at Mt Munro in Wairarapa, where we're looking to consent a 90MW site; we've secured an additional battery site at Bunnythorpe, near Palmerston North; we've secured land for a potential wind and solar farm in Taranaki; and we're prospecting for solar and wind sites in the North Island and targeted South Island locations.

At Ruakākā, we have engaged with local iwi Patuharakeke and look forward to involving them as an important partner. Our hope is that we can establish a partnership like the one we have at Harapaki, where local iwi have acted as cultural monitors during the development phase, and pursue other opportunities for collaboration and mutual benefit.

A key consideration for us at Ruakākā Energy Park is that shipping and material costs are rising, meaning we'll need to look carefully at costs and timelines as we push the project forward. Lithium costs, for example, have risen 400–450% in the past year. We're also committed to engaging with suppliers to ensure that sustainability goals are enshrined in how they work and that they're meeting anti-modern slavery considerations.

Decarbonising Aotearoa

As climate change awareness increases, the ways customers want to use energy are changing. In addition to seeking out new generation opportunities and getting smarter with our existing assets, we're investing in changes at both commercial and industrial levels and at the household level that will support decarbonisation of the New Zealand energy system and protect and grow value for Meridian.

EV charging headlines our contribution to transport electrification. We're continuing to roll this out nationally with our new Zero network, which will offer comprehensive access to public chargers, fleet charging and home charging through the Zero app to support the network. To date we have over 180 chargers contracted for installation.

We were selected by the Energy Efficiency and Conservation Authority to expand the public fast-charging network in the South Island with 10 new DC fast chargers. The chargers will use technology never used before in Aotearoa to transform access for EV owners. A battery energy storage system will use recycled batteries from EVs to charge batteries overnight and supply energy to the chargers during the day. Solar panels will be added later to increase capacity.

We'll also install chargers at Kohatu, Haast, Hari Hari and St Arnaud, largely completing the task of providing public fast charging every 75km along our country's State Highways.

Meanwhile, we've partnered with Hutt and Wellington City Councils on New Zealand's largest public charging partnership, to deliver 80+ chargers for the region.

We've seen good progress with our commercial solar business this year, having signed contracts that will more than double our installed capacity from 750 kilowatts peak to more than 1.8MW.

Our Certified Renewable Energy product allows our corporate customers to match the amount of electricity they use on an annual basis with an equivalent amount of electricity from one of our hydro stations or wind farms – which have been certified as producing 100% renewable energy. It also means that customers who are part of the Electric Island initiative no longer have to pay to offset their scope 2 electricity emissions.

Process heat accounts for 34% of New Zealand's total energy consumption and generates 8.5 million tonnes of carbon emissions every year, making it the second-largest source of energy-related GHG emissions.

ANZCO Foods, Ōtautahi, Christchurch.

We're working with South Island industrial customers to decarbonise and electrify their industrial plant. Our Process Heat Electrification Programme offers companies 10-year contracts, highly competitive electricity pricing and a capital contribution towards conversion costs. We're currently supporting fuel-switching projects that will reduce carbon emissions by over 100,000 tonnes each year in sectors like food manufacturing, dairy and wool processing.

Among our success stories:

- we've partnered with Meadow Mushrooms to decommission an existing diesel-fired boiler and replace it with an electric boiler – a project that will reduce its carbon emissions by 1,300 tonnes per year
- we've been working with ANZCO Foods Canterbury to reduce its coal use by reinstating electric boilers at its Ashburton facility that had previously been retired
- we're working with Alliance Group to support the decommissioning of a coal-fired boiler at its Lorneville plant, near Invercargill
- we're working with Mataura Valley Milk to support the decommissioning of a coal-fired boiler
- we're working with Woolworks in Timaru to replace its coal-fired boiler with an electric boiler.

We've also been working with all of these industrial customers to explore how they can sell any surplus energy back to the grid. Demand flexibility is the flipside of decarbonising transport and process heat, enabling more companies to participate in ongoing electrification and in doing so helping our energy systems to evolve. The flexibility to do this is something we've been working with customers to develop.

We've also been investigating a new future for our retail business incorporating demand flexibility. Our goal is to see energy retailing move from a one-way supply arrangement to a fully flexible ecosystem in which our customers participate, rather than just being energy receivers.

Our significant customer base, and the volumes of energy we generate and retail, mean we're in a strong position to contribute to demand flexibility – helping our customers to get the most out of their energy consumption and generation capacity while providing relief to the grid.

Upgrading Scada

We use SCADA (System Control and Data Acquisition) software to run and control our generation network. Our existing SCADA is nearing the end of its life, so we're looking at options for a new system with modern architecture and upgraded capabilities, including more advanced security.

We also want the new system to be flexible enough to work with our emerging solar, battery and other assets as well as for distributed energy arrangements. This will be a significant, multi-year upgrade. We've started the tendering process and expect to complete that by June 2023.

Cyber defence in depth

Increasing digitisation is key to the profitable and personalised operation of our business and our relationships. But that reliance on ICT systems requires protecting our technology systems, information and people from cyber threats that could have adverse impacts on our company and our customers.

Across the business, we apply a range of measures to manage our cyber risk, including policies and procedures, cybersecurity capabilities, continuous threat monitoring and event-detection capabilities. To equip our people with the knowledge and skills to combat cyber threats, we've developed a security training and awareness programme covering topics such as phishing, incident reporting, passwords and keeping information and devices safe. We also conduct regular exercises to test our cyber resilience and business continuity processes.

This year we progressed our network segmentation project that enables us to segregate sites if they're compromised and contain intrusions. This reduces opportunities for enterprise-wide compromises and minimises the chances of further transmission and damage.

We've also introduced active 24/7 monitoring of our network by PwC to check behaviours, traffic and security alerts. This world-class monitoring system, which has recently gone live, will provide us with the intelligence to know what to act on.

Together, network segmentation, active monitoring and our other cybersecurity controls amount to 'defence in depth'. They ensure we don't need to rely on only one control; rather we have a series of controls available in case one is breached.

This year we've also accelerated our use of data to make better business decisions. We've been doing this to enhance predictive maintenance on our wind assets, and we're now expanding that to include our hydro assets. Elsewhere in the business, we've automated our trading reports and our performance reporting to give people direct access to the data they need for granular investigations. These changes mean more people have simpler and faster access to meaningful data to support decisions.

Our generation control centre, Te Whanganui-a-Tara Wellington.

A summary of our impacts anchored on technology

A summary of our technology-related impacts outlined in this section is provided below, including our associated commitments and goals where relevant.

Impact	Description	Commitments and policies *(including mitigation and remediation actions)*
100% renewable energy generation	We generate 100% renewable energy from our generation assets, representing approximately 30% of Aotearoa's total electricity.	We operate and maintain hydro and wind farm electricity generation and are committed to 100% renewable energy generation for any relevant future investments.
Reducing the emissions of others	We can contribute to decarbonising commercial and residential energy use by increasing the 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 beyond renewable energy generation, including: • the electrification of industrial plant through a *process heat electrification offer*[14] • the development of green hydrogen for global industries like steel manufacturing, fertiliser manufacturing and heavy vehicles[14] • engaging with developers on a green data hub in Southland • promoting and supporting a shift to EVs through an EV pricing offer, a commitment to installing EV chargers across Aotearoa and more[15] • supporting the Mevo car-sharing scheme[15] • encouraging reduced energy use in homes[15] • providing a certified Renewable Energy offer to customers with an associated decarbonisation fund[15] • commercial-scale solar power.[15] The majority of these commitments include targets and good results being achieved. For more details, refer to the Metrics and targets section of our FY22 Climate-related disclosure[15].
Increasing the supply of renewable energy	We can increase the amount of renewable energy available in Aotearoa having a clear development pathways for investments 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 established a Renewable Development team in late 2019, which has continued to grow to align with a target of securing three buildable options by 2024. Associated commitments include: • a commitment to invest in a 100MW/200MWh battery and a 75MW+ solar farm announced during FY22 • wind farm development ~60MW (Mt Munro) in planning to consent • further development projects under evaluation – 950MW of secured options and 1,305MW of opportunities being investigated. There are opportunities to communicate more widely about our investments in further renewable generation. For more details, refer to the Metrics and targets section of our FY22 Climate-related disclosure[15].
Emissions from products sold	Meridian sells a portion of non-renewable grid energy in Aotearoa.	Meridian established a Certified Renewable Energy product to match renewable energy generation attributes to electricity consumption for customers. In FY22 a new Certified Renewable Energy decarbonisation fund was launched to reinvest all net proceeds into a mix of business- and community-related decarbonisation projects. Meridian's commitment to the delivery of new renewable energy generation also serves to contribute to a further decarbonisation of Aotearoa's grid energy mix. For more details, refer to the Metrics and targets section of Meridian's FY22 Climate-related disclosure[15].
Maximising the potential of distributed generation and storage	We can contribute to increasing renewable energy use by identifying and responding to the risks and opportunities that distributed generation (rooftop and small-scale solar), storage (batteries) and EVs will have in the electricity system, and market.	In FY22 we established a new *Energy Solutions* team to advance options for distributed generation and demand response. We have made a commitment to complete a pilot of demand response through the use of EVs, This will build on existing commitments to support the delivery of commercial-scale solar[16] and residential solar[16] offers.

14 southerngreenhydrogen.co.nz
15 meridianenergy.co.nz/about-us/investors/sustainability/climate-disclosures
16 meridianenergy.co.nz/power-stations/solar

Machine hall floor, Benmore Hydro Power Station, Otematata.

Our human impacts

Our team at Benmore Hydro Power Station, Otematata.

Diversified teams perform well when everyone feels included, welcomed and valued.

Doing right by people

Human effort underpins our ability to move forward cohesively and constructively. A cleaner world must also be a fairer world. This year we continued to address the impacts on our people at the same time as we sought to work with others to ensure energy acts as a force for good in our communities.

In this section:

- Energised by great people
- The future of work programme
- Succession planning
- Safety and wellbeing
- Belonging
- Gender
- Human rights and anti-modern slavery
- Our KidsCan sponsorship
- Power Up
- Key stakeholder relationships
- Energy wellbeing
- Creating employment opportunities for youth

Our team representing Meridian at a Pride Parade in Te Whanganui-a-Tara Wellington.

Energised by great people

Finding, acquiring and retaining highly talented people remains central to our ability to succeed. Closed borders and increasing competition for great contributors have brought new urgency to our bid to have an engaged culture, one that welcomes people and offers them rewarding opportunities and meaningful career pathways.

Recognising that our future plans depend on a reliable, future-focused workforce, we continue to plan for and develop a workplace that is stimulating, inclusive, balanced, fair and values based.

The future of work

Getting different expectations right across different generations requires really thinking through how skilled people will best work together, and embracing hybrid ways of working.

We continue to redefine ways of work for people post-pandemic, a number of factors inform this. The recent decision that our Wellington corporate building was not safe for use because of its earthquake rating was a direct challenge to returning to a set place of work, of course, but the considerations went well beyond that. When planning our ways of working, we did so recognising that work at a large gentailer would not revert to what was once considered business as usual.

About 650 of our people have now amended their employment agreements to work at least one day a week at home. So, we've been experimenting with how different working arrangements benefit our business, people and teams. Our lessons will no doubt influence how we operate going forward.

The days of concentrating on the office have given way to thinking laterally about the total employee experience and actively looking for ways to maintain and grow the next generations of corporate culture. We definitely want to be at the forefront of that.

We have been making sure our leaders are prepared to support their people in an ever-changing world by upskilling and offering tailored support when needed. A focus on growth and open mindsets is our foundation for maintaining the workforce stability needed to balancing short- and long-term needs. We are encouraging collaboration no matter where people are based on any given day and factoring in a plethora of shifting factors such as psychological safety, new technology and ongoing digitisation and automation. Accurately tracking and adjusting how people perform is critical to doing right by them. Our new learning management system (People Hub), established this year, has enabled us to put everything to do with learning and development in one place, meaning we can directly and easily access and align learning content and records.

Meridian Group Workforce

	New Zealand**		
Permanent employees	**Female**	**Male**	**Total**
Permanent full time*	426	499	925
Permanent part time	28	3	31
Temp/fixed-term employees* **			
Temp/fixed-term full time	17	14	31
Temp/fixed-term part time	8	12	20
Total	**479**	**528**	**1,007**

* 3 of these employees are based in the UK (all male).
** 125 of these employees work for Flux Federation New Zealand.
*** Temp/Fixed Term includes casual employees.

Generation and Wholesale staff turning age 65

	FY18	FY19	FY20	FY21	FY22
In five years	9.1%	10.9%	12.5%	13.3%	15.3%
In 10 years	20.3%	22.5%	23.9%	24.3%	28.7%

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

Generation and Wholesale staff turning 65 by role

	5 years	10 years
Admin / Support	2%	11%
Analyst / Planning	19%	11%
Engineer	23%	16%
GC / Traders	5%	5%
Health & Safety / Environment	7%	5%
Maintenance / Operator	33%	29%
Manager	12%	13%
Project Management	–	11%

The region is defined as New Zealand.

Welcoming new perspectives

Another vital aspect of future-proofing is succession planning. This takes place throughout our organisation. This year several of our long-serving Board members exited and new people with new skills have taken their place. There has also been significant movement within our Executive Team, with Tania Palmer taking over as General Manager Generation, Jason Stein shifting from Chief Executive of Meridian Australia and Powershop Australia to Chief People Officer, and CIO Bharat Ratanpal joining the Team, adding his invaluable technical skills to how we think about deploying technology.

In the context of wider workplace changes and the onus on us to lead significant changes in climate thinking, having the right people available today and tomorrow to make the step changes needed is critical. So we have been reinvigorating our approach to leadership development to ready the next wave of executives.

We also continue to plan for changes in our Generation and Wholesale teams as experienced staff get closer to retirement age. Their skills and knowledge are invaluable assets, which is why we're encouraging young professionals to join our business and offering opportunities for people to complete their trade apprenticeships with us. Our goal is to support those who do choose to retire to transition smoothly out of their current work arrangements at the same time as we ensure there are clear succession plans for their areas of expertise.

Taking care of our people's safety and wellbeing

Safety remains our strongest priority. Our environments include sizeable electrical and mechanical assets that are technically challenging, and our people work in locations that range from working at home to underground, inside large structures, on tall wind and hydro structures and close to large volumes of water. Our risks range from slips and trips around the home to a suite of critical risks such as working at height, lifting and loading etc, and include a broad range of psychosocial risks with mental wellbeing impacts. In addition, with construction underway at Harapaki, there are now significant civil construction safety issues to include in evolving our health and safety culture, keeping our people as safe as possible and managing wellbeing.

Our comprehensive Safety and Wellbeing Management System, which is accredited NZS 7901 to meet the requirements of the Electricity Act, ensures a layered response to these changing safety needs with a particular focus on the management of critical risks. The response includes carefully structured health and safety training plans that are role specific and delivered where possible within the New Zealand Qualifications Authority framework, site-specific Health and Safety Committees to ensure two-way dialogue, daily prestart meetings in all operational areas and comprehensive work-control procedures to ensure hazard identification processes are thorough. We have embedded the Learning Team process to help us understand how to improve when things don't go so well. As the name suggests, the focus of this process is on learning and improving, not blaming and punishing. By involving those doing the work in understanding how issues occur and developing safety improvements we've created an environment where reporting is a safe and natural process and participation is part of our culture. In all cases our contractors are integrated with our safety programmes.

Our site committees meet every month to identify hazards and review incidents. Committee representatives are elected by their colleagues and receive regular training in risk identification and controls. They are supported by dedicated business unit safety specialists who provide extensive technical expertise and support. Any incidents and near misses are logged directly into our Safety Manager system. We're also an active member of StayLive, an electricity industry forum focusing on working together across the sector to improve safety. You'll find more detail on how we organise ourselves to stay safe at **meridianenergy.co.nz/investors/governance/policies**.

We take high consequence, low probability hazards seriously, for example structural asset failures, high voltage electricity incidents, or exposure to hazardous materials. All have controls and procedures in place to reduce the likelihood of such events occurring, and to mitigate their consequences should they occur. For example, our Dam Safety Assurance Programme (DSAP), 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. Should a significant Dam Safety event occur, our emergency response planning and processes ensure we identify and respond appropriately to the developing event. If necessary, we work closely with Civil Defence and Emergency Response to mitigate hazards to downstream communities. Every 5 years, independent expert reviews are completed for each asset structure and its associated DSAP.

We're focused on developing and maintaining an empathetic, caring culture overall, putting less emphasis on prescription and encouraging instead working environments where employees choose to proactively engage with our systems and own their own safety. The culture of caring is also well supported by our approach to wellbeing. We've implemented a number of initiatives in the past year to support both the physical and mental wellbeing of our people throughout their time at Meridian. These have included the engagement of WOHC, an occupational health provider, to deliver all aspects of our occupational health programme, including pre-employment medical assessments, ergonomic assessments and occupational health monitoring, as well as pastoral care and health education. In the area of mental health, we've built on our pioneering Healthy Minds programme, which provides support, guidance and understanding so that conversations about mental wellbeing are normalised, and have implemented a Care Team approach for people who need assistance before they enter a crisis. The Care Team was co-designed with our people and leaders to ensure the best possible outcomes for our people and their wider whānau during times when they are struggling. Since we implemented this concept in July 2021 we have supported a number of people through periods of poor mental wellbeing and helped others incapacitated by physical injury or illness. The programme itself won the Best Wellbeing Initiative section of the 2022 Safeguard Workplace Health and Safety Awards. Our Wellbeing Business Partner, Trish Allen, was a finalist for the Mental Health Champion category.

Flux[17] also has a strong health and safety and wellbeing programme, driven by a core set of principles and legal responsibilities. 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.

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 an ergonomic hazard.

While Flux also has a team of trained Mental Health first aiders, access is available to EAP services to all permanent employees. Information and how to access these services is provided in on boarding activities and available in the Flux wiki.

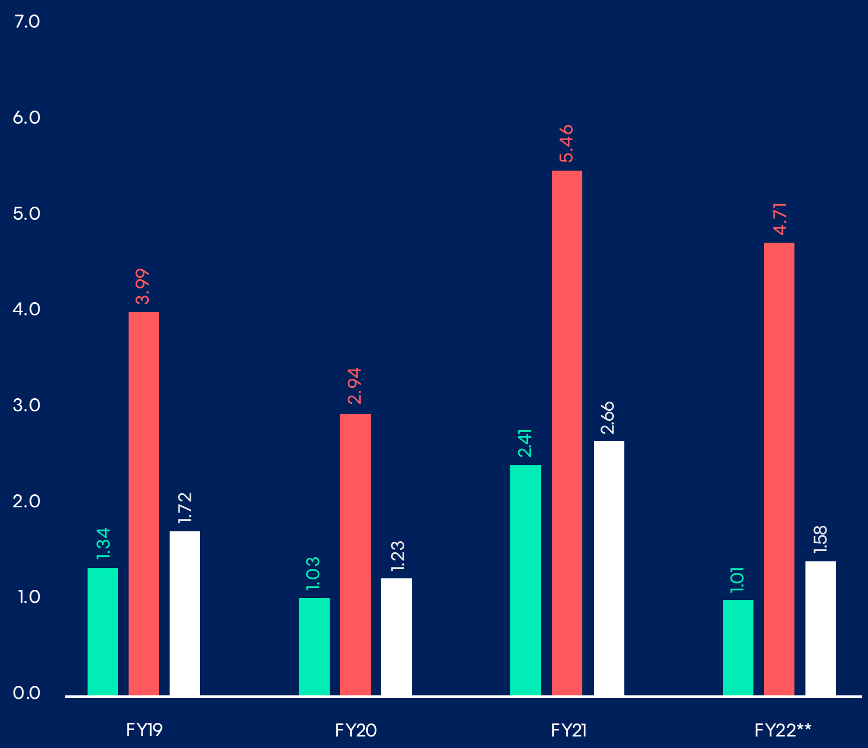
We saw a reduction in our reportable injuries this year, with fewer injuries overall and less time off work due to injuries recorded. In FY22, our calculated total recordable injury frequency rate for employees and contractors per 200,000 hours worked (TRIFR) was 1.01 (compared with 2.80 in FY21), with 13 people hurt (six contractors and seven employees). The main types of injury were once again sprains, strains and superficial injuries. There were no serious injuries reported; however, we're still not comfortable with the number of incidents within our activities.

We have a comprehensive programme of work in place for FY23 to deliver improvements in critical risk management, safety leadership and system simplification while building on our key foundations of engagement with and caring for our people.

Planting the next phase of coastal on the Kaitoke Peninsula with Raglan Area School.

17 Flux permanent employees and contractors are fully covered by Flux's health and safety management system.

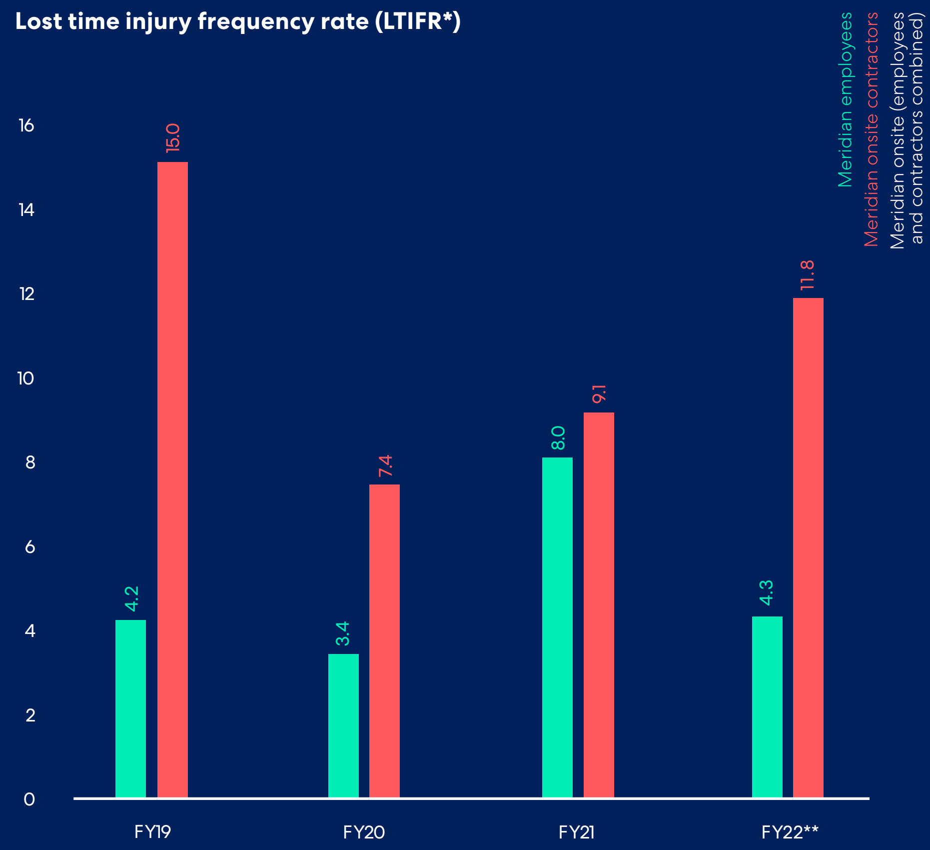
Total recordable injury frequency rate (TRIFR*)



* 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, Powershop Australia and offsite contractors, the TRIFR cannot be calculated as the number of hours worked for those periods has not been recorded.

** FY22 data excludes Meridian Australia, Flux and offsite contractors.

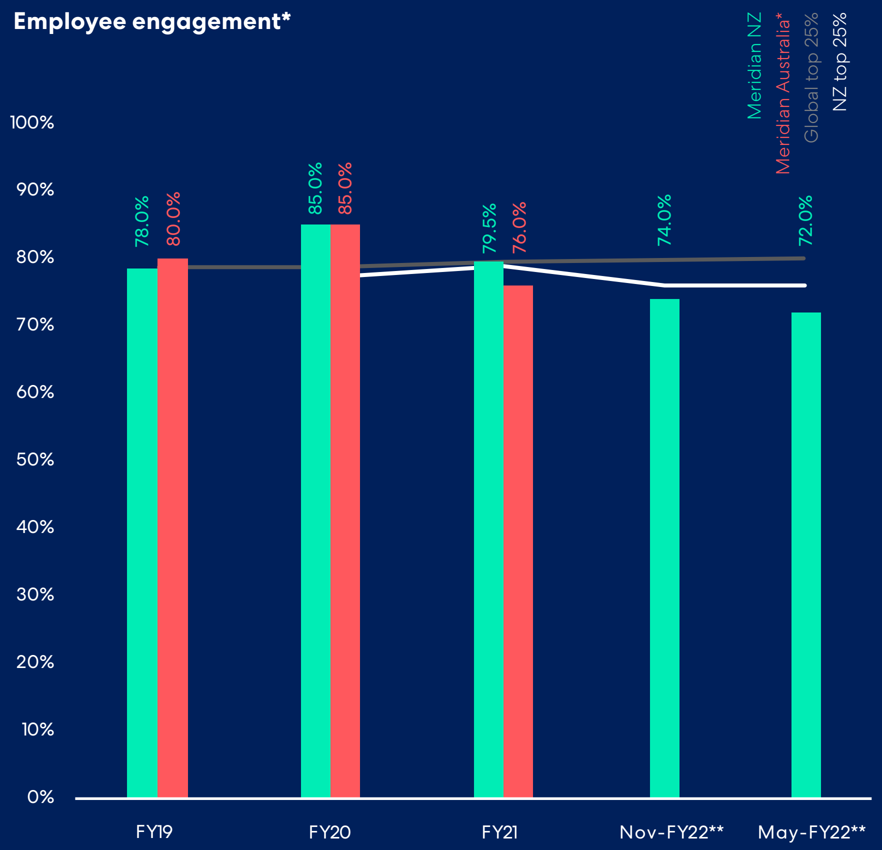
Lost time injury frequency rate (LTIFR*)



* 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, Powershop Australia and offsite contractors, the LTIFR cannot be calculated as the number of hours worked for those periods has not been recorded.

** FY22 data excludes Meridian Australia, Flux and offsite contractors.

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.

** Australia is not included as we divested from there in 2022.

Diversity by ethnicity

	Māori	Pacific Peoples	Asian	Middle Eastern/ Latin American/ African	European	Other	Unknown
Board	14%	–	14%	–	71%	–	–
Executive	9%	–	9%	–	82%	–	–
Corporate Centre	3%	3%	5%	–	77%	–	13%
Information & Comms Technology	2%	–	15%	2%	67%	–	15%
Generation, Development & DSI	5%	1%	7%	3%	64%	3%	17%
Wholesale	3%	3%	–	6%	74%	–	14%
NZ Retail*	5%	3%	8%	2%	58%	1%	23%
Flux Federation NZ**	–	1%	10%	3%	22%	1%	64%

* Covers NZ Retail & Masterton Service Centre (as per FY21 Annual Report)

** Includes Flux-UK staff

Belonging is crucial

Belonging is a powerful motivation for everyone, and we continue to develop ways to further positive experiences in accessibility (including gaining the Accessibility Tick), Rainbow choices and ethnicity. We recognise that helping diversified teams to perform well depends on making sure everyone feels included, welcomed and valued for their experiences and perspectives, and that we do all we can to encourage diversity and accelerate cultural understanding.

Our diversity and inclusion programme centres on five aspects – inclusion and respect; gender; ethnicity; accessibility; and flexibility. The Board believe Meridian has more work to do in this space and we are refreshing our Belonging Strategy and reviewing our Belonging Policy in the next financial year to reflect this. We recognise that our diversity and inclusion metrics have largely stalled and that we still have some way to go to have a workforce that is accurately representative of New Zealand's population.

We have an ongoing programme to train our people in tikanga and proper pronunciation of Te Reo to reflect our commitment to respecting Te Ao Māori and connecting with our stakeholders.

This year, we also introduced a new role - Kaihautū Māori, or Head of Māori Culture - to support us to realise Meridian's commitment and grow our understanding. Our intent is both moral and strategic. As a large New Zealand organisation, we need to actively factor Te Tiriti o Waitangi into our actions and decisions. Partnerships are the backbone of strategic change across a range of activities for us. Better understanding those we work with is part of achieving greater success, together.

We were disappointed that our overall employee engagement declined this year, with engagement scores in Meridian and Powershop at 72%. That still puts us firmly in the top quartile for the Large Industrial category; however, it also reflects the pressures that many large companies are feeling, particularly on their front lines, as more people look at changing jobs or careers and cost of living impacts are more keenly felt. Our overall stay commitment has decreased by 5%, which we consider significant, although these results vary a lot by business unit. 80% of our people rated their pride in and motivation for the organisation as favourable and would recommend it as a great place to work.

Taking a position on gender injustice

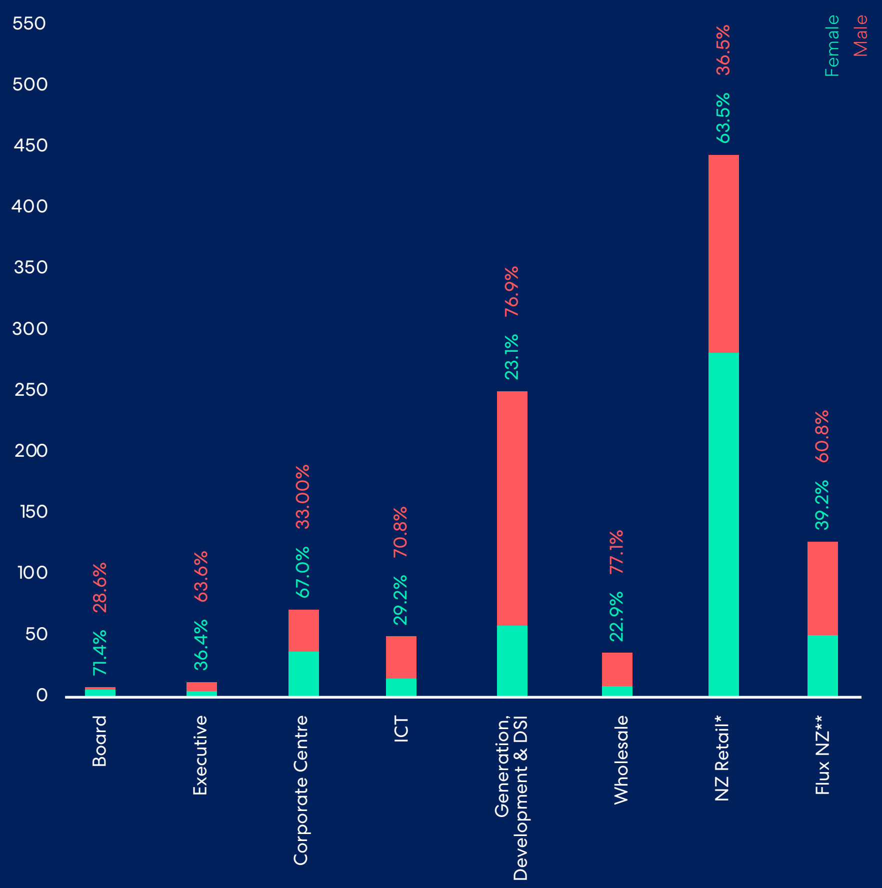
We remain an accredited member of the Gender Tick programme and our ongoing goal is to achieve gender balance in leadership and senior roles. We believe that increasing gender diversity will help bring diversity of thought and better outcomes overall. Despite nearly half our employees and Board Directors and 40% of our Executive Team being women, women remain under-represented at senior management levels below this, and some parts of our business, particularly our Generation business, are still predominantly male.

To improve our gender balance, our target is for 45% of new employees to be men, 45% women and the remaining 10% of any gender. We're also closely monitoring the retention of women currently in leadership roles. We're pleased to see our graduate and apprentice programmes successfully attracting a good balance of candidates, with more women choosing technical careers. We hope that the appointment of Tania Palmer to the role of General Manager of Generation sends a clear signal that we welcome talented women to lead across the business.

We continue to make steady progress toward minimising the gender pay gaps in similar-sized roles. In most of our pay bands, the gap between the average male salary and the average female salary is less than 5%.

As part of the 2022 Mind the Gap initiative across New Zealand, we have committed to disclosing our overall gender pay gap. As a gentailer, we have a large number of people working in call centres (traditionally low paid and more likely to attract females), and a high proportion of engineering and electrical roles (traditionally male and higher paid). This demographic spread means that the overall median salary for women, resulting in a gap of 35%. We expect this to reduce as we achieve a more-balanced gender representation at every level of the business, and increase the proportion of women in senior higher-paying roles.

Diversity by gender



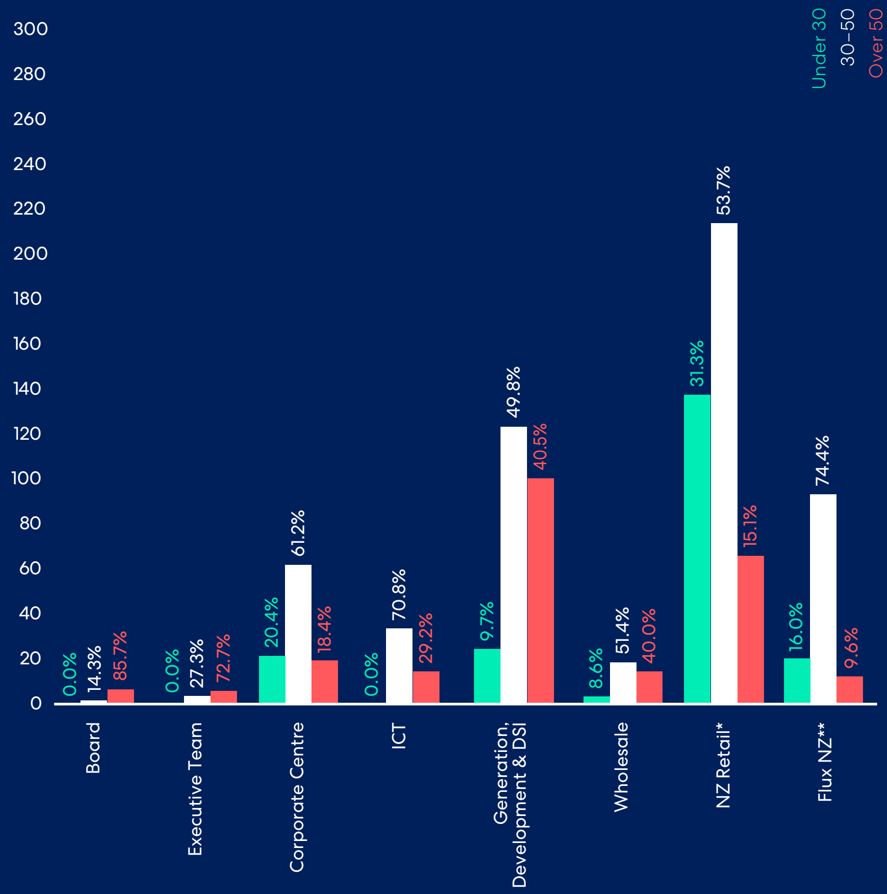
* Covers NZ Retail and Masterton Service Centre.
** Includes Flux-UK staff.

Female representation

	FY18	FY19	FY20	FY21	FY22
Female share of total workforce (%)	41.8%	45.3%	46.2%	47.8%	47.6%
Females on the Board	25.0%	28.6%	50.0%	50.0%	71.4%
Females in management positions (as % of total management workforce)	33.6%	37.2%	37.4%	36.1%	34.5%
Females in junior management positions, ie first level of management (as % of total junior management positions)	36.3%	40.8%	40.0%	40.1%	39.2%
Females in top management positions, ie maximum two levels away from the Chief Executive or comparable positions (as % of total top management positions)	30.7%	33.6%	34.8%	32.4%	30.2%
Females in management positions in revenue-generating functions (eg sales) as % of all such managers (ie excluding support functions such as HR, IT and Legal)	29.4%	33.7%	34.0%	33.3%	31.0%
Percentage of women in senior roles at 30 June*	32.8%	35.2%	34.3%	37.2%	N/A**

* Parent company only, women in people leadership and senior specialist roles, excluding the Executive Team.
** This data is no longer a KPI for 2022.

Diversity by age (headcount)



* Covers NZ Retail and Masterton Service Centre.
** Includes Flux-UK staff.

Ratio of basic salary and remuneration of women to men

Career level – base and total remuneration

Meridian career level	Females	Males	FY22 ratio Base salary	FY22 ratio Total rem
Executive, below CEO	4	6	0.93:1	0.87:1
Senior Managers	18	44	0.98:1	0.95:1
Mid Managers	103	231	0.97:1	0.97:1
Team Leaders	127	121	0.95:1	0.92:1
Wind Technicians	–	26	0:1	0:1
Non-Managers	219	87	1.01:1	0.95:1
Total (Casuals, Flux UK, and CE have been excluded)	**471**	**515**		

Functional area – base and total remuneration

Meridian career level	Females	Males	FY22 ratio Base salary	FY22 ratio Total rem
Corporate (HR, Legal, Corporate Affairs)	38	11	0.9:1	0.89:1
Customer Support	190	69	0.85:1	0.87:1
Energy Trading	5	21	0.95:1	0.99:1
Engineering & Electrical	42	152	0.81:1	0.79:1
Finance	49	35	0.71:1	0.69:1
Information Technology	47	94	0.87:1	0.86:1
Marketing	22	16	0.78:1	0.76:1
Sales	31	47	0.95:1	0.96:1
Senior Leadership	28	37	0.8:1	0.76:1
Strategy, Project Management & Delivery	19	33	0.91:1	0.93:1
Total (Casuals, Flux UK, and CE have been excluded)	**471**	**151**		

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 teams that report to an Executive

Being good humans

Part of doing right by people is ensuring that our Group and our suppliers meet our regulatory requirements to behave ethically. We've addressed three aspects this year.

Firstly, in terms of protecting human rights, we undertook an ethical practices review this year to formalise our commitment to the United Nations (UN) Guiding Principles on Business and Human Rights. We'll be incorporating the findings of that review into our updated Group Code of Conduct in 2022.

At the end of FY22, Meridian joined the UN Global Compact initiative – a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. As a participant in the UN Global Compact, Meridian will align strategies and operations with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We'll report on progress against these principles at the end of FY23.

In December 2021 we released our second Modern Slavery Statement as part of our obligations as a reporting entity under the Australian Modern Slavery Act 2018. This annual disclosure summarises the steps we've taken to assess and mitigate modern slavery risks in our business and supply chains. This year we reported that we have a robust Modern Slavery Framework for assessing, managing and continually improving our response to modern slavery risks in our supply chain.

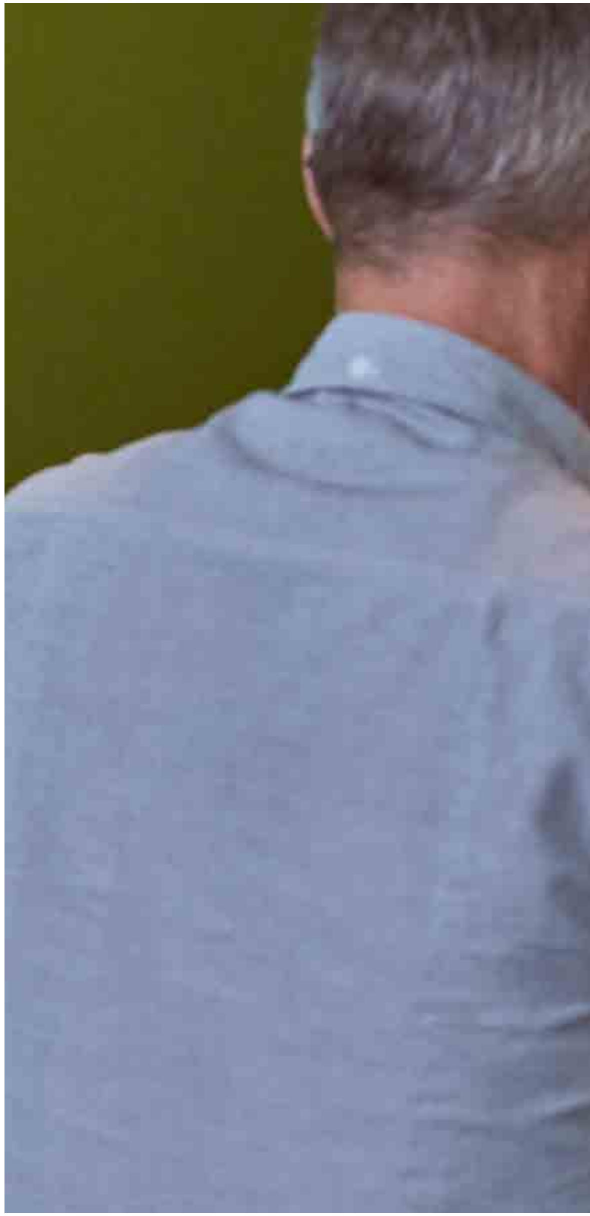
In terms of our supply chains, we identified those tier 1 supplier procurement categories that we considered to be high risk as security, cleaning, grounds' maintenance and accommodation. We also recognised tier 1 supplier procurement categories with a supply chain potential to be considered to be high risk as promotional materials, apparel and IT hardware and equipment. Other drivers of risk include high-risk geographies and high-risk raw materials. Our Supplier Code of Conduct[18] sets out our expectations of all suppliers, including those relating to ethical business and social responsibilities.

To help counter these risks, we have developed a self-assessment questionnaire. This is completed by all existing suppliers in high-risk categories.

As part of our submissions programme this year, we made a submission on anti-modern slavery, supporting the implementation of New Zealand-based equivalent legislation. We also review our Anti Money Laundering policy settings every two years.

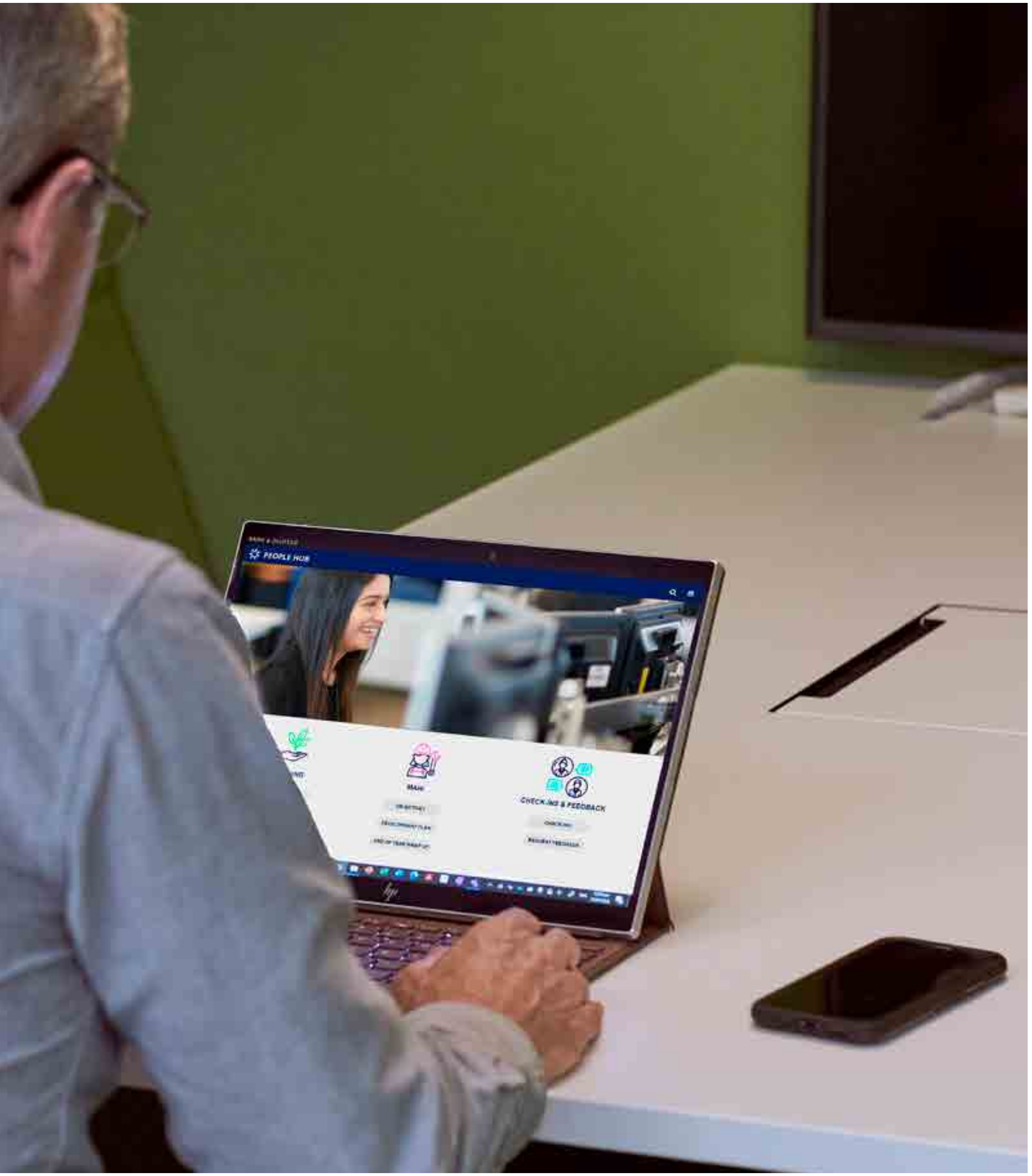
Collectively, these actions reflect our commitment to prevent and respect human rights those relating to (but not limited to) human trafficking, forced and child labour, freedom of association, the right to collective bargaining, equal remuneration, and discrimination.

Our commitments are communicated through a range of internal channels targeted regular internal and external engagements (including those with shareholders) and are available on our website.



Using our learning management system, People Hub.

18 meridianenergy.co.nz/assets/Investors/Governance/Policies/Supplier-Code-of-Conduct.pdf



Embedding policy commitments into our business

We use a range of ways to ensure that the Group and our suppliers meet our commitments to being good humans.

All new starters receive and must confirm they understand our Group Code of Conduct. Each member of Meridian's Executive Team is responsible for compliance in their respective business unit or subsidiary company's compliance with our internal policies, including the Group Code of Conduct. They provide monthly compliance statements to the Chief Executive, as required by our Compliance Policy.

All staff are required to undertake legal training through Meridian's online People Hub to build understanding about their legal obligations and become familiar with some of our key policies, including the Group Code of Conduct and Delegation of Authority Policy.

In FY22 we also launched a Procurement Hub and online sustainable procurement e-learning module. These tools are designed to build staff knowledge of and confidence in promoting sustainable practices for products, materials and processes throughout the supply chain, and to ensure we source ethically and uphold human rights. The Hub includes guidance, for example, on why and when modern slavery due diligence is required during supplier engagement.

Our supplier agreements were also reviewed to ensure our Modern Slavery requirements are met.

In FY23 we'll commence a targeted Environment, Social and Governance education programme to grow and embed business-wide capability and sustainability expertise across the company – including in relation to ethical behaviour and practice. Individuals can seek advice and raise any concerns about our policies and practices relating to responsible business conduct through a range of channels. These are outlined in our Group Code of Conduct and Whistleblowing Policy, and include contacting a line manager, the People Team, the Meridian Legal Team or a member of the Executive Team.

Relationships in the community

We continue to support KidsCan, an amazing charity that provides essentials to children affected by poverty so they can participate in learning. As Principal Partner, our $1 million annual investment includes $500,000 to provide thousands of Kiwi kids with basics such as food, raincoats, shoes, socks and basic hygiene and health-care items, and $500,000 towards helping them fundraise.

Our community fund Power Up continues to support local projects in Te Āpiti, Mill Creek, Manapōuri, West Wind, White Hill, Te Uku and Waitaki. In the past 15 years we have undertaken a wide range of local projects, investing more than $9 million into 1,241 projects.

Our engagement with our asset communities also extends to a national network of dedicated Community Relationship Managers. Their presence is intended to reassure people, groups and communities near to where we work that we'll continue to work closely with them.

We ensure local communities have access to the outdoor and recreational activities associated with Meridian's assets, supporting recreational activities such as the Hydro Half Marathon and Meridian Milford Mountain Classic. It is also very important to us to engage with communities through consultation in the development of potential new generation assets.

Papakaio School pool, Papakaio, Oamaru.

Partnerships can change the world

Productive relationships with iwi underpin our commitment to stepping up together. 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 recognise and respond to the kaupapa of ki uta ki tai (from the mountains to the sea) and work closely with local rūnaka (Arowhenua, Awarua, Hokonui, Moeraki, Ōraka Aparima, Waihao and Waihōpai) through Te Ao Marama and the Waitaki Governance Group, as well as trusts, to enhance mahinga kai and native fish in the Waitaki and Waiau catchments.

At Harapaki we continue to work with Ngāti Hineuru and the Maungaharuru-Tangitū Trust to determine how we can be a good long-term partner.

Strengthening our iwi partnerships is a work in progress. Cultural monitors are embedded into the Harapaki site team and will remain throughout construction of the wind farm.

Ongoing negotiations and conversations on future access to water intensify the importance of open and honest dialogue between parties based on a spirit of trust and respect. The reconsenting of the Waitaki power scheme needs to commence formally before 2025. We're at the point now of discussing mitigation approaches and options, with local rūnaka Arowhenua, Moeraki and Waihao wanting to understand the impacts of reconsents on their people and values. Our belief is that the best solution will be mutually beneficial and arrived at together rather than directed by an external decision-maker in accordance with statutory process. These discussions are continuing.

Other negotiations are underway with the Department of Conservation around the Waitaki catchment biodiversity mitigation programme. For more than 30 years the River Recovery Programme has focused on achieving biodiversity gains in the Mackenzie country. Currently, alongside co-funder Genesis Energy, we're negotiating a new biodiversity programme for 2025 onwards. Again, our belief is that the best solution will be mutually beneficial and arrived at together.

At Lake Manapōuri, existing resource consents don't expire until 2031; however, a planning process is currently underway with Southland Regional Council regarding water allocation, water quality and reconsenting standards. This is currently subject to Environment Court appeals. The Council is developing and will notify a new plan with specific standards for all catchments, including the Waiau catchment, establishing water quality, allocations and flow regimes.

Together, these initiatives, negotiations and conversations form the background for Manapōuri reconsenting. Ngāi Tahu aspire to protect and improve cultural and environmental outcomes across Murihiku. Recognising that standards for water quality have yet to be set – and Manapōuri is one of five hydro schemes that are deemed to be of national importance – we're committed to working through the range of issues at stake, recognising that this won't always be easy and that differing aspirations and values exist in tension with one another.

Encouraging energy wellbeing

As an essential services' provider, we want all people to have access to the energy they need for wellbeing in their lives. This concept – energy wellbeing – recognises that energy itself doesn't exist in a vacuum, but rather incorporates a range of other factors including housing quality and financial hardship.

New Zealand's electricity retail prices remain among the lowest in the OECD, and data from the Ministry of Business, Innovation and Employment shows New Zealanders are benefiting from the healthy degree of competition and choice that comes with having more than 40 retailers competing across the market. However, rising costs of living mean more New Zealanders are finding it hard to pay for things like power.

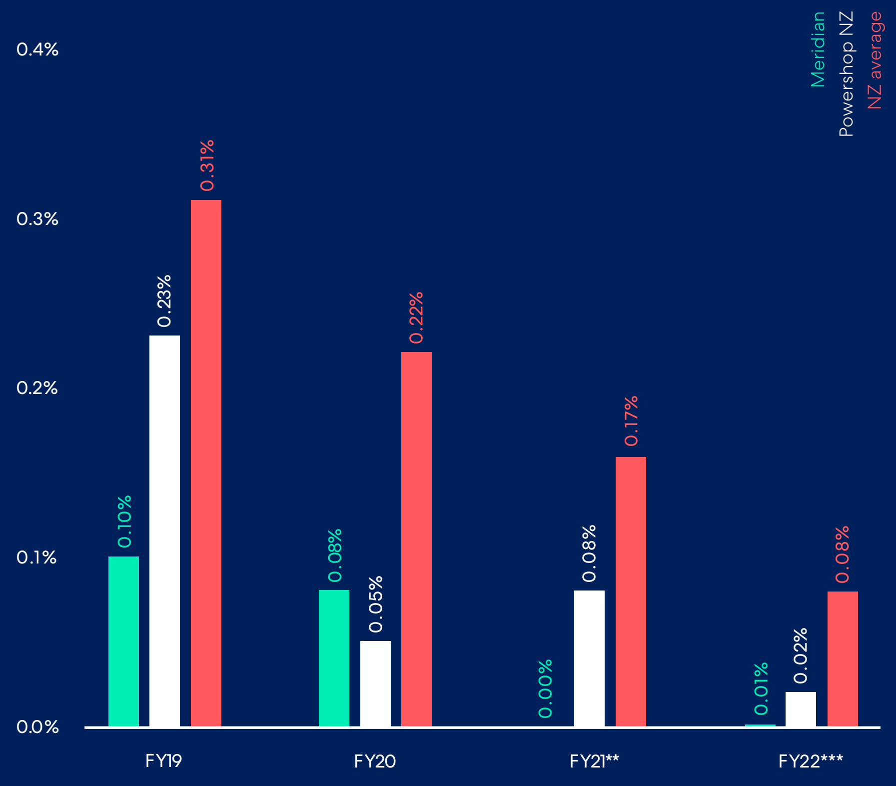
Our goal is a world with no disconnections. Between 2018 and 2021 our disconnection rates fell by 62%. We continue to offer customers products like LevelPay, and our trained Credit team supports customers in need with alternative payment options and access to support with a range of agencies.

In December 2021 we introduced a energy wellbeing pilot programme aimed at lifting customers out of energy hardship. The holistic approach considers some of the factors talked about earlier, such as housing quality, energy efficiency and financial situation. The programme will look to leverage relationships with well-known community consumer groups to improve lives for energy users.

For the pilot, 100 customers in Wellington and Christchurch who are experiencing energy hardship will receive support to make the shift to wellbeing. Twenty customers have already signed up, with 30 more pending.

In June 2022 we were one of five retail providers that signed on for the low-use household power credits scheme. The $5 million scheme supports low-use households struggling to pay their power bills during the phase-out of the low fixed-charge regulations by providing them with $110 credits. Customers who've received professional budgeting advice may then be eligible to receive a second power credit in the same year.

New Zealand disconnections*



* Data from the Electricity Authority (emi.ea.govt.nz/Datasets/Retail/Disconnections).
** FY21 restated with four quarters of data. Showing as 0% due to decimal place rounding.
***Data is only based on two quarters. The Meridian and Powershop figures are based on three quarters.

A summary of our impacts anchored on people

Impact	Description	Commitments and policies *(including mitigation and remediation actions)*
Access to affordable energy and new energy solutions	As a retailer of electricity, we're directly linked to the affordability of electricity, which affects residential and business customers. We also contribute to greater renewable energy equity by supporting the uptake of micro generation opportunities that reduce system costs for electricity users over the long term.	We are committed to taking action to ensure electricity users in New Zealand have access to energy solutions in how we make our business decisions, and initiatives in place, who we partner with externally, and what issues we contribute thought leadership to. Of note, some of our policies and commitments include: • Retail energy wellbeing pilot launched in FY22 • Whole social hedge offers executed in FY22 – focused exclusively on retailers seeking to address energy hardship • Funding the ERANZ Energy Mate programme • The establishment of a new Energy Solutions team in FY22 who will focus on advancing tangible options to scale distributed energy generation and demand response options – ultimately aimed to enhance the overall electricity system performance, which will benefit all electricity users, in a future with higher renewable energy demand • LevelPay offer so customers can have certainty over their power bill • In house team dedicated to energy hardship and customer support, which includes a referral service to FINCAP (free financial mentoring service) and connection with WINZ (to enable easy energy bill payments) • Engagement with MBIE to support the advancement of their energy hardship work • Commitment to the Low Fixed Charge Power Credit Scheme.
Supporting opportunities for local communities	We're directly linked to supporting various initiatives and groups that foster the wellbeing of communities living close to generation assets and more widely across Aotearoa. We're creating employment and career opportunities for local communities.	We have a range of commitments in place to support the local communities in which we operate, such as: • community fund Power Up which supports local projects in Te Āpiti, Mill Creek, Manapōuri, West Wind, White Hill, Te Uku and Waitaki. • engagement with our asset communities extends to a national network of dedicated Community Engagement Manager • working with schools to provide scholarships promoting tertiary education • providing career pathways for students into STEM • provide recreational opportunities for local communities near assets such as angling and rowing • several sponsorships to support local events where funding goes back into emergency services or community assets like bike /running trails - Hydro Half Marathon, Meridian Hard Labour event, Meridian Milford Mountain Classic. • Local staff volunteer to support community projects, those in need and lending expertise and equipment to support community initiatives.
Business performance: diversity and equal opportunities	Meridian continues to focus on increasing equal opportunitiesfor everyone irrespective of factors like age, gender, ethnicity, country of origin, disability and sexual orientation. Greater diversity also encourages new thinking and innovation that can support our future business success.	Our diversity and inclusion programme centres on five aspects – inclusion and respect; gender; ethnicity; accessibility; and flexibility. Some relevant commitments and policies include: • Accredited member of the Gender Tick programme • Member of the Accessibility Tick programme • Certified by Rainbow Tick as a workplace where people are free to be their authentic selves • A goal to achieve gender diversity in leadership and senior roles • Gender pay equity for employees in similarly-sized roles and a part of the 2022 Mind the Gap initiative • A goal to increase ethnic diversity across our workforce to be more representative of the New Zealand population and build cultural awareness. • Providing an educational resource for staff and whānau to learn about te ao Māori (Te Kete Tikanga Māori).
Impacts of supply chain / ethical sourcing	Meridian may contribute to procurement practices that have the potential to create negative impacts on the environment, people and human rights; and affect the reputation of Aotearoa.	Commitments to ethical sourcing include: • Meridian's Supplier Code of Conduct, including commitment to aligning practices to the UN Guiding Principles of Business and Human Rights and requiring suppliers measure and disclose emissions (Meridian's scope 3 emissions). Specific due diligence is undertaken on Modern Slavery risk, aligned with Meridian Modern Slavery Framework. Meridian discloses annually on its commitments, due diligence process and findings to ensure year on year improvements are made. • We also recently also became a member to the UN Global Compact initiative, which is a commitment to aligning operations with principles in areas including human rights and labour. • Our Group Supplier Code of Conduct outlines the behaviours expected of our staff. • Anti Money Laundering Policy settings.

“Our goal is to find and encourage tomorrow’s energy heroes to recognise that they could have a fulfilling future...

Brett Horwell (Meridian) and Lucy Schuck, Dux scholarship winner.

Growing tomorrow's energy heroes

Involving the community in what we do is critical to our being welcomed by those around us. Our initiatives start at schools with a range of programmes to engage youth and get students thinking about careers with us.

School visits are a key way for young people to see for themselves all the types of work available at our sites. Last year we welcomed more than 200 children for visits, mainly from primary schools inside and outside our catchments.

Our programmes for older students focus on vocational opportunities. We work with Connexis on Girls with Hi-Vis – a programme to encourage more females to enter our trades. The programme starts at year 10 and runs through to year 13, and involves about 50 people. We also have a broader programme for gateway students across our catchment high schools to go on site and gain work experience. Our engineers too outreach activity at schools to support Engineering NZ initiative. These activities include a Week of Wonder.

This year we had planned to run Try a Trade days for year 10s up, but unfortunately this was cancelled because of COVID-19. Planning for next year's event is already underway.

Several years ago, we established scholarships for Waiau Area School and Fiordland College. The Fiordland College scholarships are worth around $6,500 and are awarded to a student who has done their best and to the dux of the school. We also give $3,000 to Waiau Area School to help two students with the next stage of their education.

These scholarships make such a difference for recipients. As one Dux Scholarship winner Lucy Schuck explained, "The whole of my Meridian scholarship has gone towards my university accommodation at Hayward College. Being able to stay in a college for the first year has been an amazing experience, allowing me to make many great friendships, participate in a number of social events and receive helpful academic support. The scholarship money has helped to alleviate some of the financial pressures and stress that come with student life. This has enabled me to focus more on what's most important to me: achieving good grades. So far I have been really pleased with how my year has gone."

Another way that we help youth in our catchment communities is through the Power Up community fund. Each year we give money to sports clubs, supporting youth to purchase everything from club uniforms to bikes and trips.

The schools in our communities are filled with people with talent and potential. Our goal is to find tomorrow's energy heroes and encourage them to recognise that they could have fulfilling futures, either with us directly or through our support.

A breathtaking journey south

The Ross Island wind farm is the southernmost wind farm in the world. Located on Crater Island, the three wind turbines there supply renewable energy for New Zealand's Scott Base and the American base at McMurdo Station.

Constructed in 2008 and fully operational by the following year, the wind farm not only reduces the carbon footprint of the Antarctic operations (1,242 tonnes of CO2), it also lessens the environmental risks of transporting diesel fuel. In fact the bases' annual fuel consumption has been cut by approximately 463,000 litres.

To operate well, however, the three turbines need to be serviced every year. This year, wind turbine technicians Mark Porter and Ettiene Mostert got the call-up. In late November the pair squeezed onto a packed C130 and hitched a ride to the southern continent with the Italian Air Force. After a noisy and cramped eight-hour journey they landed on the ice and were taken to Scott Base to join the 80 other people working there over the summer.

"The people at the Base were very welcoming," says Ettiene. "I was amazed at the range of activities that were taking place while we were there. We roomed with scientists who were out taking ice core samples – but everywhere you looked, it seemed, the place was buzzing with activity."

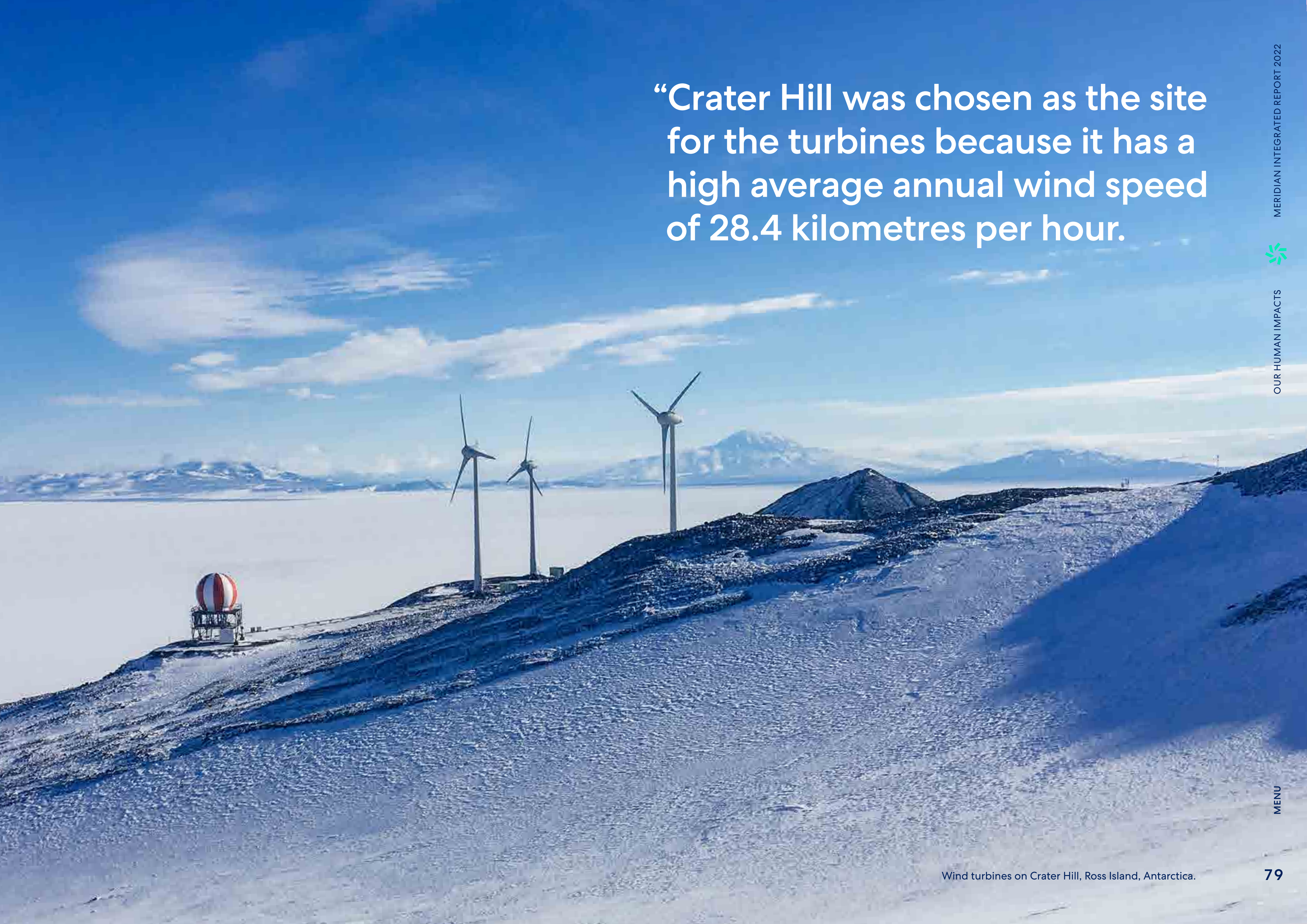
Crater Hill was chosen as the site for the turbines because it has a high average annual wind speed of 28.4 kilometres per hour at the height of the wind turbine's hub. Crater Hill is also one of the few ice-free areas on Ross Island. But that's not to say it wasn't cold.

"The E33 wind turbine is a small turbine," says Mark. "Its power output is 330 kilowatts, its blades are only about 15 metres long and because it's an air-cooled turbine, it's reliant on good airflow. You have cold air coming in at you from every angle, which enters every gap in your clothing, and with the wind chill at around minus 14C some days it can get a little tricky staying warm."

"On more than one occasion we resorted to literally blowing a heat gun on our hands so that we could work," says Ettiene.

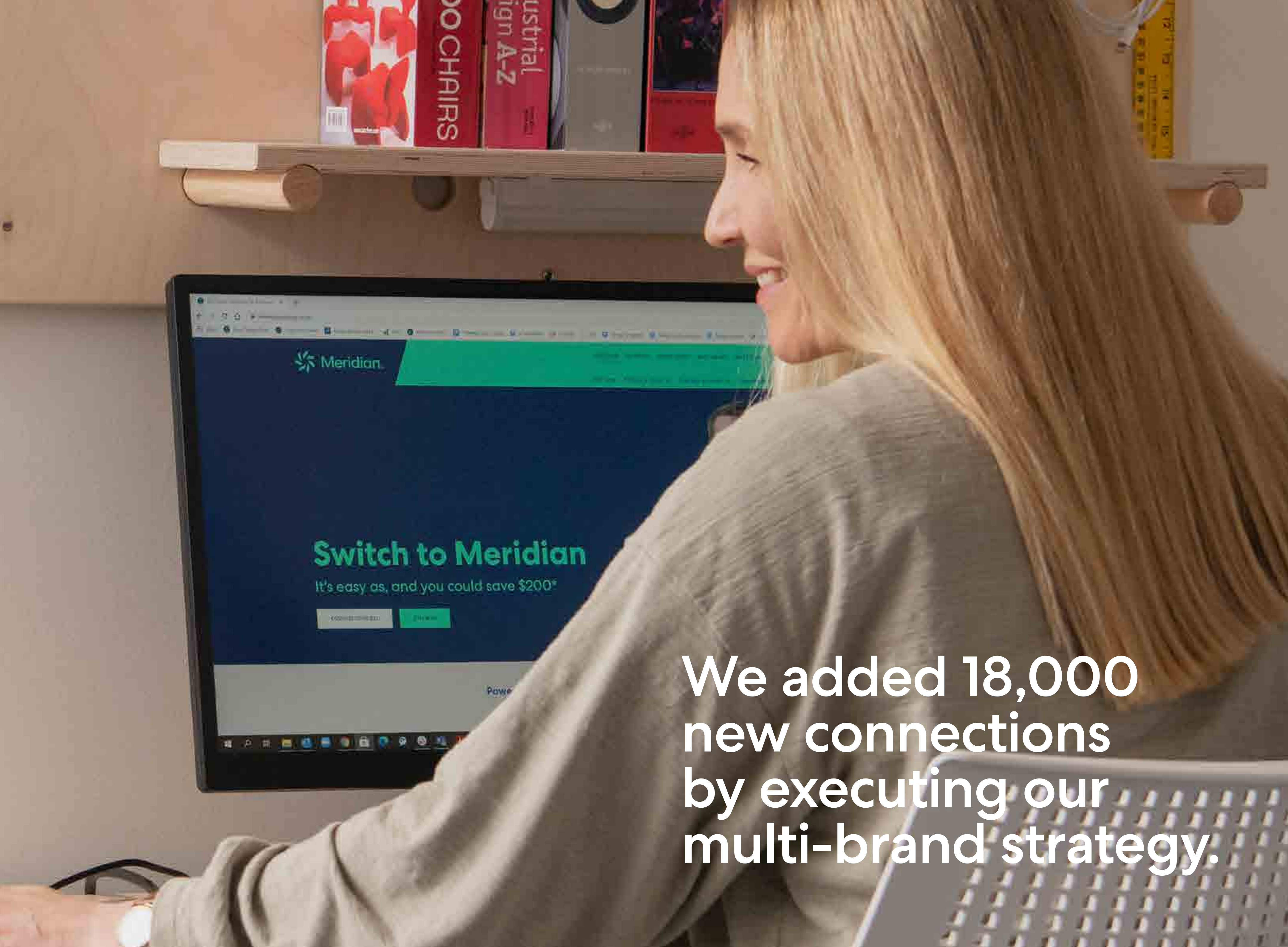
Mark and Ettiene were at the Base for total of 12 days and managed to service all three turbines successfully during that time. It may not have been the most comfortable assignment either man has had, but they wouldn't have missed it for the world. "It was truly an amazing experience. Once in a lifetime."

"Crater Hill was chosen as the site for the turbines because it has a high average annual wind speed of 28.4 kilometres per hour.



Wind turbines on Crater Hill, Ross Island, Antarctica.

Our commercial impacts



We added 18,000 new connections by executing our multi-brand strategy.

Real momentum for action

Brands have a responsibility to deliver the best value they can to their customers. This year, despite choppy conditions in the wholesale markets, we grew our retail presence significantly. Selling our Australian operations also freed up capital for the ambitious development programme ahead.

In this section:

- Market conditions
- Wholesale activity
- Exiting Australia
- Dividend
- Retail activity
- Meridian brand campaign
- Green Finance Programme

Our new brand campaign.

Extremes: from one half to the other

A second year of drought in the Waiau catchment significantly cut our inflows there in the second half of the year, driving down earnings from what had been a very strong first half and interim result. Long periods of dry weather, above-average temperatures and lower-than-average rainfall across much of the country saw inflows into the Waiau catchment at their lowest in 90 years for the January to March period, coming in at 403GWh, which is about 800GWh below average.

As we're the country's largest generator of renewable energy, low hydrology is of course an integral part of our risk management, and we have a range of tools available to mitigate the impacts. We're comfortable these will see us through the next two to five years.

In the first quarter of this calendar year, we came very close to reaching the equinoxial minimum level for Lake Te Anau. Generation at Manapōuri was minimised as a result. Two things helped. We were able to work with other stakeholders to co-ordinate reduced flows between the lakes, and Lake Pukaki retained good storage so we were able to increase generation from there to compensate.

We also called on the Meridian Price Separation Period clause in our NZAS contract, which reduced the cover we provided to NZAS to the level of our Southland generation. These calls occurred in April 2022 and it was the first time that we used the flexibility in the NZAS contract to reduce the quantity of generation allocated to NZAS during a dry period.

Meridian also has a swaption arrangement with Genesis for up to 150MW (configured as three tranches of 50MW each) until the end of 2022. This is a financial arrangement, which locks in a fixed price for any volume called. We utilised the full swaption on a number of occasions this year.

Looking ahead, our arrangement with Genesis runs out at the end of 2022. We now have greater use of range of Lake Pūkaki storage down to 513.0 metres. This gives us additional flexibility in how we manage our hydrology. We have a swaption agreement with Nova for up to 235GWh per year for the next five years starting on 1 January 2023. We also recently announced a 150GWh swaption with Contact for 2023 and 2024. We've also purchased some Power Purchase Agreements off geothermal generation.

While we didn't end up needing the Smelter Supply Demand Response this year, it's still available to us for the last two years of our current contract with NZAS, ie 2023–2024.

Wholesale markets reflect long-term concerns

It's been another big year for the wholesale markets, with pricing reflecting concerns about gas availability, increased carbon prices and the impacts of increased global coal prices. As a result we've seen a sustained high spot market that has particularly affected time-of-use contracts and large commercial and industrial users.

Overall market demand is also rising after years of static consumption, and this too has tightened supply and demand. Such trends reinforce that New Zealand needs more plant to decarbonise, with thermal plant required to support that transition for a while longer.

Exiting Australia

On 1 February 2022 we completed the sale of our Australian business to a consortium made up of Shell Energy Operations Pty Limited and Infrastructure Capital Group. Through the transaction, Shell has taken ownership of Powershop Australia, while Infrastructure Capital Group is now the owner of a portfolio of infrastructure assets including the Mt Mercer and Mt Millar wind farms and the Hume, Burrinjuck and Keepit hydro power stations and development assets. The agreements allowed for Flux Federation to continue providing Powershop Australia with retail software and customer care services for at least the next three years. This means Meridian is now a New Zealand-based business only. The AU$740 million sale price has boosted our balance sheet and enables us to fund growth from these cash proceeds that we anticipate will generate higher returns on capital than might have been achieved from continuing with our Australian operations.

This cash influx came as we continued to plan for an NZAS exit, further decarbonisation, data and hydrogen manufacturing opportunities. The current smelter arrangement and hydrogen production alone could double current consumption. Data could add another 1,000GWh, and decarbonisation away from gas and coal – especially for industry – could represent another 600GWh. In fact, we're forecasting decarbonising and re-electrifying together to double national energy consumption by 2050. As our development team continues working hard to find new sites to grow and support New Zealand's ambitions, this feels like a good time to be a 100% renewable energy generator with cash available for investment.

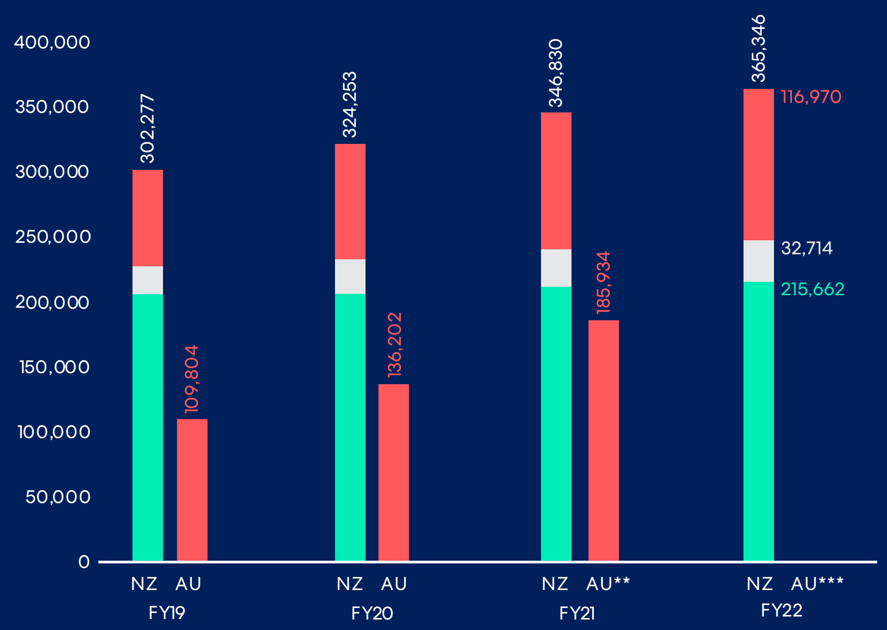
Dividend for this year

Our ordinary dividend policy is now to make distributions based on 80% to 100% of free cash flow (up from 75% to 90%), subject to the Board's due consideration. The Dividend Reinvestment Plan introduced last year is still in place, but there's no longer a discount available on shares purchased under the Plan. Since the sale of the Australian business we've lifted our expected level of dividend, starting with the interim dividend for this year. The final dividend for the year will be 11.55 cents per share, 3% higher than for the same period last year.

Retail pricing under pressure

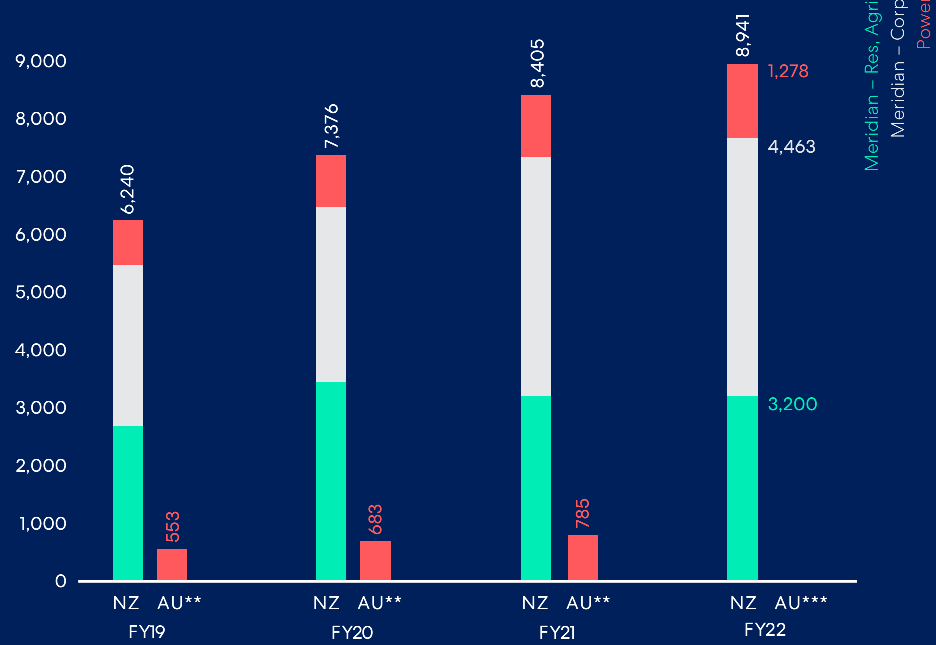
The volatility in the wholesale markets has put a lot of pressure on retail pricing. We've done our best to insulate retail customers from these, with our one 3% energy-only increase in April being less than inflation. We've also been encouraging customers to buy our LevelPay product as another way to flatten household prices throughout the year and avoid the winter cost spikes that can really disrupt household budgets. At the same time we've continued working creatively with our large business customers to insulate them from the impacts via long-term contracts.

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.
** Also 43,905 gas customer connections in Australia with total of 1,711 terajoules in volume.
*** Excludes Meridian Energy Australia, sold 31 January 2022.

Customer sales volume (GWh)*



* Electricity energy volumes only, and excludes the Tiwai Point aluminium smelter.
** Corporate volume restated to include time-of-use volumes, previously included in SME.
*** Australia was divested in Jan 2022 so data excluded.

Switching rates*

	FY18	FY19	FY20	FY21**	FY22
Powershop New Zealand	33.63%	30.35%	24.97%	**25.81%**	**25.07%**
Meridian	17.63%	16.94%	14.18%	**14.45%**	**11.98%**
New Zealand combined	21.16%	20.08%	**16.98%**	**17.76%**	**16.10%**
New Zealand industry	20.95%	20.64%	**18.91%**	**20.77%**	**18.35%**

* Data from the Electricity Authority (emi.ea.govt.nz) and Meridian analysis.
** Data restated based on final figures from the Electricity Authority.

Customer satisfaction*

Net Promoter Score**	FY18	FY19	FY20	FY21	FY22
Powershop Australia	53	53	57	46	N/A
Australian industry average***	(14)	(18)	18	11	N/A
Powershop New Zealand	55	61	64	66	62
Meridian		28	30	28	32
New Zealand industry average***	14	18	22	21	N/A

* Australia surveys both residential and business customers (with exception being customers who opted 'do not contact'). 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?" and 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). All results are a 12-month moving average from July to June each financial year.
***Perceptive Group Limited: New Zealand and Australia NPS Industry Benchmarks. FY22 data currently unavailable.

Our retail brands made substantial gains

We enjoyed strong growth in sales and customers this year. Segment sales were up by 11% in residential, 17% in small to medium business and 10% in corporate.

We are now the country's biggest supplier of retail energy with 8,900GWh. In total, we added 18,000 new connections by executing on our successful multi-brand strategy. Connections rose by 11,000 for the Powershop brand and 7,000 for Meridian, making NZ Retail the fastest growing retail group in 2022.

Powershop's growth centred on residential and small business customers who want to engage on a digital platform, while for Meridian the gains were mostly in the SME and large business sectors. Our sales volume growth included the successful re-signing of large time-of-use customers as well as significant Powershop growth.

Importantly, growth was not at the expense of profitability, with both brands continuing to reduce our reliance on low-value acquisition rates. In fact the Meridian brand has the lowest churn rate, of 12%, in the industry, demonstrating our customers' high commitment to the brand. Our tracking shows Powershop is now the #1 retail brand while Meridian is #2 for gentailers in our internal customer satisfaction surveys. Both brands have achieved their standings on a flat-cost base.

We achieved healthy growth in Commercial and Industrial customers as we continued looking to partner with them to decarbonise. We extended our solar at Lincoln University this year, and lifted the solar presence at Sylvia Park to the point where it's now the largest commercial solar array in the country.

Despite significant growth and cost pressure, we continued to drive down our cost to serve while maintaining exceptional customer experiences. Specifically, we focused on process automation to remove manual work so that our people can focus on higher-value work. This has enabled us to grow while limiting the need for additional resources to service customer growth. Establishing multi-brand services through our Flux platform has also given us more flexibility.

With its pay-as-you-go Power Packs, Powershop has emerged as our mass-market growth engine. This year the brand hit a new high in terms of volume – with over 11,000 customer accounts – thanks to a service proposition, pricing and brand positioning that continued to stand out in a bustling retail energy sector. Whereas the Meridian brand appeals to business and conscious consumers, Powershop shows that we can accelerate growth in retail through market innovation. Our ambition for Powershop now is to further si mplify our unique 'shop' model for customers to provide the best digital experience in the market and give 'power to the people' to get the best deals when it suits them.

Our new brand campaign.

Nature makes her presence felt

Our Meridian brand appeals to New Zealanders who want to support a renewable energy generator that is deeply connected to the environment and New Zealand. The brand has achieved good growth.

Meridian is already widely recognised as a renewable generator – only generating electricity from renewable sources of wind, water and sun. We're also committed to taking climate action and using our power to make a difference and doing what we can to help Aotearoa decarbonise.

Launching a new climate-centric brand campaign that features a bold, strong and confident character, Nature, who makes an entrance by bursting onto the scene through an electrical storm and a flash of lightning! Having a distinctive and enduring brand platform allows us to tell our story now and into the future. We want to give kiwis hope that a difference future is possible because when nature thrives, we all thrive.

Better futures

Meridian was specifically identified, again, as a sustainable New Zealand brand in the Better Futures 2022 report. This report reinforces New Zealanders recognise Meridian as one of New Zealand's sustainability leaders and have done so over multiple, consecutive years.

A summary of our impacts anchored on commercial activities

A summary of our commercial-related impacts outlined in this section is provided below, including our associated commitments and goals where relevant.

Impact	Description	Commitments and policies *(including mitigation and remediation actions)*
Erosion of public and customer trust (market behaviour and pricing)	We're directly linked to public and customer trust levels related to a fair and competitive process for electricity pricing.	Meridian takes very seriously our commitments to ethical conduct and good governance, to ensure we uphold deserved trust levels from the public and our customers. Some of our commitments to ensure we embed ethical conduct into our business decision making include: • Audits that incorporate the Professional and Ethical Standards • During FY22 we conducted an ethical practices review that assessed our commitments and due diligence processes across all operations in relation to range of ethical issues, including human rights. The agreed actions as a result on that review will be implemented starting FY23 and will include an update to our Group Code of Conduct, with associated engagement with our staff. • Electricity Authority code trading rules have been amended (positive code amendment) • Our Electricity Hedging Policy and pricing plans are mature and embedded, with clearly assigned responsibilities, to ensure we shield Meridian and our customers from electricity price volatility • We ensure compliance with Electricity Authority requirements – advertising Powerswitch as a pricing comparison tool • We recognise that some electricity users in New Zealand are in energy hardship and we are committed to playing an active role in addressing the multi-faceted drivers (for a full list of commitments – refer to impact Access to affordable energy and new energy solutions).
Risks created by a changing climate	We're directly linked to physical risks for the economy, the environment and people of as a result of climate change impacts on its generation infrastructure.	Meridian has voluntarily disclosed the financial impacts of climate-related issues since 2019. Of note, we continue to disclose the potential impact of *Extreme rainfall in hydro catchments* and the management actions we have in place to mitigate the likelihood and potential consequence this risk. Meridian is proud to produce a fourth disclosure for FY22 and is committed to year of year process improvement and disclosure quality and look forward to fully aligning our future Climate-related disclosures with the coming New Zealand Climate Standards.

StreetDog electric motorbike developed in Te Whanganui-a-Tara Wellington.

Green Finance Programme

In August 2020 Meridian announced a Green Finance Programme, which covers both existing and future issuances of debt instruments. The Programme recognises Meridian's commitment to 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 an opportunity 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 Pacific Loan Market Association Green Loan Principles

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

Page 171 provides detailed information on the Green Debt included in the Programme for FY22.

MENU

West Wind farm, Mākara, Te Whanganui-a-Tara Wellington.

Our remuneration

Benmore Hydro Power Station, Otematata.

Our remuneration review process this year was costed to keep pace with the cost of living.

Our approach to remunerating our people

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.

The team at Benmore Hydro Power Station, Otematata.

The People and Remuneration Committee regularly review Meridian's Remuneration Policy and practice and provide 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 and Remuneration Committee of the Board review and approve proposed remuneration packages for the Senior 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 inform these remuneration decisions.

Variable pay

Meridian has an STI scheme and LTI plan which are variable, performance-based incentives, awarded only if specific financial and non-financial performance hurdles are met, and at the discretion of the Board.

Short-term incentive (STI)

Permanent employees may participate in variable pay via a short-term incentive (STI) scheme at the discretion and invitation of the Board. The STI is an at-risk incentive, which may be offered for a specific year. Potential STI payments reflect achievement of certain company profit levels and individual performance objectives aligned to business strategy and goals, and are wholly-discretionary. An STI may be paid subject to a behaviour gate and company financial performance hurdles, and at the discretion of the Board.

The STI opportunity within total remuneration reflects the complexity and level of the roles. In FY22 the Chief Executive had an STI opportunity of 50% of salary, and the Executive Team STI opportunity was 30%.

Long-term incentive (LTI)

The Chief Executive and Executive Team also have the opportunity to participate in a long-term incentive (LTI) plan An LTI plan is offered at the discretion of the Board, to align executives' and shareholders' interests, and optimise long-term shareholder returns.

The LTI opportunity is 40% of salary for the Chief Executive, and 30% of salary for the Executive Team. This figure is grossed up for tax, KiwiSaver and additional dividend shares. 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.

The current LTI plan which was first offered in FY20 (for the period commencing on 1 July 2019 and ending 30 June 2022).

Under the current 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 the following Vesting Conditions:

- Meridian's total shareholder return over a 3-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); 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 Rights; and
- Relative Return Share Rights.

For Absolute Return Share 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 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 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 that vested at the end of 2022, the level of vesting was 48.8% (2021 : 100%). A total amount of 251,565 shares will be transferred to the eligible participants (2021: 238,725).

Employee benefits

A range of other benefits are provided to employees, including an employee share scheme, employee insurance, enhanced parental leave provisions, 3 days company leave, the ability to purchase additional leave, access to purchasing discounts, part-time and hybrid working arrangements.

A special employee bonus

After the end of FY22, the Board granted a one off bonus payment of $1,000 to most Meridian employees, to show appreciation for their work and continued commitment to the company, and to acknowledge the economic strain and other stresses our employees have faced during the FY22 year.

Other employment arrangements

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

Neal Barclay will be employed as Chief Executive until his employment is terminated in accordance with his employment agreement. Pursuant to the employment agreement, the Chief Executive and Meridian have mutual rights of termination on the provision of six months' written notice. Meridian may also terminate the Chief Executive'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 occurred.

No retirement benefits are payable.

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

Chief Executive remuneration for performance periods ending 30 June 2021 and 30 June 2022

Year	Base salary	Taxable benefits[19]	Fixed remuneration[20]	*MyShare*[21]	Pay for performance			Total remuneration
					STI[22]	LTI[23]	Subtotal	
FY22	$1,092,548	$43,702	$1,136,250	$2,500	$641,754	$358,413	$995,622	$2,134,372
FY21	$1,071,125	$42,845	$1,113,970	$2,500	$527,910	$664,066	$1,191,976	$2,308,446

The Chief Executive is entitled to receive a matching employer KiwiSaver contribution of 4% of gross taxable earnings. The company's KiwiSaver contributions for the Chief Executive, including on LTI paid within the FY22 period, were $89,639

The ratio of Chief Executive salary to median Meridian Group employee salary[24] in FY22 is 12:1 (using $91,000 median employee salary and FY22 Chief Executive salary).

The ratio of Chief Executive total remuneration to median Meridian Group employee total remuneration paid in FY22 is 20.5:1 (using $104,104 as median employees total remuneration and FY22 Chief Executive total remuneration).

The Chief Executive's salary increased by 2% in FY22. The median employee salary increased by 3.2%, resulting in a ratio of 0.63:1 (Chief Executive to Median Employee salary increase).

The Chief Executive's total remuneration decreased by 7.54% in FY22 due to the FY20 LTI not fully vesting. Median employee rotal remuneration increased by 3.2% in FY22. This results in a ratio of -2.3:1 (Chief Executive to Median Employee total remuneration increase).

Five-year remuneration summary

Year	Single figure remuneration	% STI against maximum	% vested LTIs against maximum	Span of LTI performance period
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
FY18	$2,156,484	72.80%	75%	FY16–FY18

Neal Barclay was appointed as Chief Executive effective from 1 January 2018.

Chief Executive remuneration for FY18 therefore reflects the sum of Chief Executive remuneration for Neal Barclay and previous Chief Executive, Mark Binns.

19 Taxable benefits are 4% company KiwiSaver contributions on salary.
20 Fixed remuneration is salary plus company KiwiSaver contributions.
21 *MyShare* is gross value of award shares received in the applicable period.
22 STI is the potential payment based on performance achieved for the applicable period and includes 4% company KiwiSaver contributions.
23 LTI is grossed up for PAYE, and 4% company KiwiSaver contributions. The LTI plan changed in FY20. The vesting period for the FY20 LTI scheme 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.
24 Median employee salary and total remuneration excludes Flux UK and casual employees.

Breakdown of Chief Executive pay for performance (FY22)

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).	**133.6%**
		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.	**80%**
LTI	Conditional award of share rights under LTI plan. 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[25]: • 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.	**97.6%** The sum of both LTI measures gave an outcome of **48.8%**

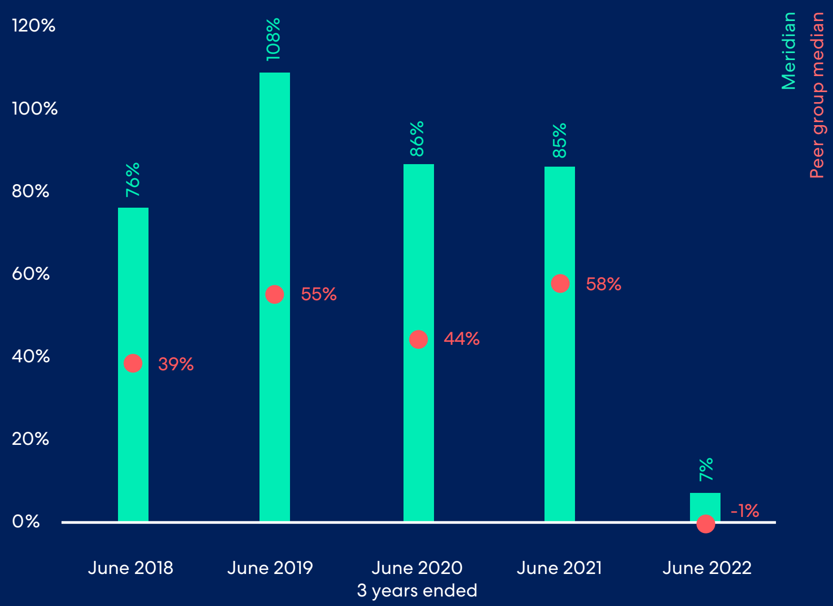
Pay for performance scorecard measures for FY22

For FY22, the Board-approved scorecard comprising up to 40% of the STI for the Chief Executive and for the Executive team was measured as follows. This mix of measures demonstrates that a large proportion of the remuneration of the Chief Executive and Executive team is directly impacted by their management of the organisation, and it impacts on the economy, environment and people.

Performance area	Measures	Weighting
Decarbonisation-led Growth	Grow renewable led consumption in NZ while developing assets to support that consumption growth	20%
Customer	Drive the highest levels of customer satisfaction in NZ while refining commercial delivery of services to customers	20%
Future Development	Complete migration of customers to the new platform while enabling Flux growth	20%
Sustainability	Reduce greenhouse gas emissions while planting trees to offset those that cannot be eliminated while maintaining	20%
Our People	Trend in engagement score while continuing to build levels of health, safety and wellbeing amongst the team	20%

25 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 scheme 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.

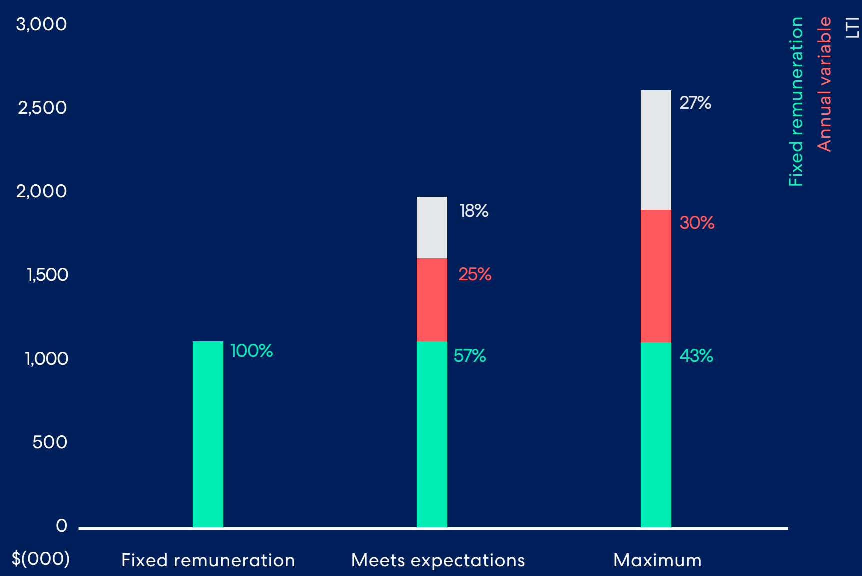
Five-year summary – three-year rolling TSR performance (Meridian Energy vs peer group*)



* 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 scheme 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 2018 and 30 June 2022. TSR performance outcomes are independently validated by external experts.

Chief Executive remuneration performance pay for FY22



The chart above depicts elements of the Chief Executive's remuneration design under various scenarios for the year ended 30 June 2022, as a proportion of Total Remuneration.

Employee share ownership

Employees are invited to join Meridian's employee share ownership plan, MyShare. Under MyShare, Meridian shares are purchased for participating employees, 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 FY22, 60% of employees participated in MyShare, although this has dropped to 55% for FY23.

Meridian has a policy to ensure that the participants of 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.

	Number of shares owned (excludes performance share rights)	**Value of shares as at 30 June 2022**	**Value of shares as a % of FY22 Fixed Remuneration**
Chief Executive	450,556	$2,108,602	186%
Executive Team	778,532	$3,643,530	96%

Meridian does not have a share ownership requirement for the Chief Executive 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 2022 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	71
110,000 - 119,999	62
120,000 - 129,999	59
130,000 - 139,999	54
140,000 - 149,999	48
150,000 - 159,999	40
160,000 - 169,999	24
170,000 - 179,999	24
180,000 - 189,999	26
190,000 - 199,999	15
200,000 - 209,999	15
210,000 - 219,999	12
220,000 - 229,999	6
230,000 - 239,999	5
240,000 - 249,999	4
250,000 - 259,999	4
260,000 - 269,999	3
270,000 - 279,999	4
280,000 - 289,999	3
290,000 - 299,999	3
300,000 - 309,999	4

Band	Total Group
310,000 - 319,999	1
320,000 - 329,999	1
330,000 - 339,999	1
340,000 - 349,999	1
360,000 - 369,999	4
370,000 - 379,999	4
390,000 - 399,999	3
400,000 - 409,999	1
410,000 - 419,999	1
470,000 - 479,999	2
490,000 - 499,999	1
510,000 - 519,999	1
540,000 - 549,999	1
560,000 - 569,999	1
630,000 - 639,999	1
680,000 - 689,999	1
870,000 - 879,999	1
960,000 - 969,999	1
1,070,000 - 1,079,999	1
2,320,000 - 2,329,999	1
	515*

* This includes 44 employees who are no longer employed by Meridian Energy Limited and its subsidiaries.

Remuneration report

Approved director remuneration for FY22

As an NZX-listed company, directors fees (Board remuneration) must be approved by a majority of shareholders voting at a shareholders' meeting. Meridian has no formal Remuneration Policy for the remuneration of directors; however, shareholders are kept informed of any changes in the way the company allocates the pool of approved director fees. Refer Corporate Governance statement[26].

Director remuneration is paid from the total director fee pool that was last approved by shareholders at the Annual Meeting of 6 October 2021. Prior to the meeting and vote, Meridian had consulted with a number of shareholder representatives to gain their input, and engaged independent consultants PwC to prepare a benchmarking report of Meridian's director fees against those of comparable companies. Further details of that report are available here:.nzx.com/announcements/378714.

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

Shareholder-approved annual director fee pool

	FY21	FY22
Board fees	$1,000,000	**$1,090,000**
Committee fees	$100,000	**$109,000**
Total pool	**$1,100,000**	**$1,199,000**

Individual Board-approved annual fee breakdown

Position held	FY21	FY22
Chair	$196,500	**$212,000**
Deputy Chair	$137,550	**N/A**
Director	$108,075	**$116,750**
Audit and Risk Committee Chair	$22,106	**$25,000**
Audit and Risk Committee member	$9,825	**$10,500**
Safety and Sustainability Committee Chair	$14,738	**$21,000**
Safety and Sustainability Committee member	$9,039	**$9,500**
People and Remuneration Committee Chair	$14,738	**$21,000**
People and Remuneration Committee member	$8,941	**$9,500**

Director remuneration received in FY22

Name of director	Board fees	Audit & Risk Committee	People & Remuneration Committee	Safety & Sustainability Committee	Total remuneration
Mark Verbiest[27] (Chair)	$212,000	–	–	–	**$212,000**
Peter Wilson[28] (Deputy Chair)	$39,907	$2,625	–	$2,375	**$44,907**
Mark Cairns	$116,750	–	–	$21,000 (Chair)	**$137,750**
Jan Dawson	$116,750	$10,500	$21,000 (Chair)	–	**$148,250**
Anake Goodall[29]	$31,263	–	–	$2,375	**$33,638**
Michelle Henderson	$116,750	$10,500	–	$9,500	**$136,750**
Julia Hoare	$116,750	$25,000 (Chair)	–	–	**$141,750**
Nagaja Sanatkumar[30]	$116,750	–	$9,500	$7,125	**$133,375**
Tania Simpson[31]	$107,105		$7,125	$7,125	**$121,355**
Total	**$974,025**	**$48,625**	**$37,625**	**$49,500**	**$1,109,775**

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 FY22.

26 meridian-preprod-media.s3.ap-southeast-2.amazonaws.com/public/Investors/Governance/View-Meridians-Corporate-Governance-Statement-FY21-PDF.pdf
27 Does not receive additional fees for committee membership.
28 Retired from the Board, effective 6 October 2021, so fees do not represent a full year.
29 Retired from the Board, effective 6 October 2021, so fees do not represent a full year.
30 Appointed to the Safety and Sustainability Committee, effective 5 October 2021, so does not represent a full year.
31 Appointed to the Board, effective 24 August 2021, and to the People and Remuneration Committee and Safety and Sustainability Committee, effective effective 5 October 2021, so does not represent a full year.

Preparing this report

West Wind farm, Mākara, Te Whanganui-a-Tara Wellington.

This year, we've chosen to adopt the updated 2021 Global Reporting Initiative Standards.

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're committed to providing transparent, evidence-based information that is easy to read, clearly understood and consistent with best reporting practice.

Each year we undertake a materiality assessment to focus our efforts and disclosures on the most material issues. This year we've chosen to adopt the updated 2021 Global Reporting Initiative (GRI) Standards, which have moved away from evaluating materiality based on the issues that immediately influence stakeholder decision-making.

The focus now is on our actual and potential positive and negative impacts on the environment, the economy and people, including human rights.

Those activities could cause the impacts, contribute to the impacts or have links to the impacts (even when they neither directly cause nor contribute to them).

As a result of the new approach, some issues that are immediately important to some stakeholders are now ranked lower than they were last year. This could be because important issues like *cyber security* (that have a low likelihood of occurring, or that stakeholders overestimate the significance of particular impacts relative to others.

Otematata landscape.

To identify material impacts, we have:

- carried out a comprehensive sustainability impacts assessment of our activities with external support
- reviewed and assessed the activities, impacts and annual reports of peer group companies
- reviewed and assessed impacts relating to Meridian's previously reported material topics
- involved cross-company groups of staff to identify the company's most material impacts
- engaged with a range of external experts and stakeholders, including:
  - customers
  - customer insights researchers
  - tangata whenua and iwi groups
  - a range of relevant community groups and local residents
  - local economic development agencies,
  - business media
  - energy industry experts
  - electricity sector researchers and experts
  - environmental regulators
  - equity analysts.

To prioritise impacts (the effects of activities), we derived a *significance score* so one impact could be evaluated and prioritised relative to the *significance* of another impact.

Our FY22 material topics have been determined by grouping positive and negative impacts that have strong and related connections[32].

Ultimately, the Meridian Board has the authority to approve material topics via the Safety and Sustainability Committee. It does this at least annually at one of the quarterly Committee meetings, 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 directors' 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.

The Board and Executive Team have engaged with Ngāi Tahu to better understand the effects on mana whenua of changes to waterways and land brought about by hydro-electricity generation assets.

The Board, or director committees (as is appropriate and in the bounds of Committee Charters) reviews the outcomes of these processes through the regular annual reviews and approvals of material topics, and also by seeking assurance through either Board meetings with the Executive Team, or quarterly director committee meetings. For example, the Safety and Sustainability Committee reviews management 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.

32 A sector-specific GRI 2021 standard is not yet available for utilities or renewable energy

See for yourself

Material topics and impacts

- Having adopted the new *impact-focused* GRI framework and process, our updated material topics feature below. We've also highlighted how they connect to our FY21 material topics.
- Each of our material topics has an associated group of impact(s). We've prioritised these impacts relative to each other based on the use of a *significance* score.
- Actual negative impacts are assessed by severity, which is the sum of: *scale* (how grave the impact is); *scope* (how widespread the impact is); and the *irremediable character* (how hard it is to counteract the harm of the impact).
- Actual positive impacts are determined by *scale* (how beneficial the impact is) and *scope* (how widespread the impact is).
- 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 which exceeded this threshold informed the determination of a material topic. The smaller number of impacts below the materiality threshold which did not inform a material topic, still include some disclosure content throughout this annual report – for example our commitments and actions to address cyber security (with a lower significant score being a result of a low likelihood of this potential impact occurring, based on existing policies and practices in place).

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, commercial impacts.

Many material impacts have specific processes 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 material impact increasing the supply of renewable energy has project-specific governance in place and a range of targets which are measured and reported on to track progress. At a more aggregated level, at the quarterly Safety and Sustainability Committee meeting, Management provide assurance on the progress against a range of initiatives relating to material impacts – for example, our Certified Renewable Energy programme and delivery against our Half by 30 commitment.

The Board delegates responsibility for managing impacts on people, planet and economy via our Delegation of Authority Policy, which applies to the Board, staff of Meridian and subsidiaries. Delegation activities include financial activities, risk management, people and culture and legal. Delegation of the responsibility of some impacts to employees beyond senior executives also occurs through accountability in job descriptions and impact-specific performance incentives.

The new GRI approach for impact identification and assessment is one evaluation methodology, and we recognise that other philosophies and value systems exists. 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 in learning from other possible frameworks. As we continue our journey to build our cultural understanding, we may find real benefit in adopting a different way of thinking about materiality and the impacts we have on people, planet and economy.

Identified key relationships

Our key stakeholders are those who can have significant impacts on our business, and those on whom we can have significant potential impacts through our activities.

- 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

Our vision and strategy to manage our impacts

Our purpose of *Clean energy for a fairer and healthier world*, and our, how to be values (be a good human; be gutsy; be in the waka) inherently embody a commitment to achieving positive impacts for people, 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. 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 continuously optimise our positive material impacts, mitigate potential negative impacts and remediate actual negative impacts.

We recognise that achieving this will take focus, planning and commitment. With an updated baseline of impacts, in FY23 we plan to develop an impact roadmap, anchored by the clear articulation of a desired future impact-state, including targets on which to focus our efforts. We'll formalise our existing internal stakeholder management group to co-ordinate resourcing against this roadmap. Alongside this, and to contribute to the roadmap, we'll formalise our commitment to human rights across the Group and build on our existing due diligence processes. For example, those related to operationalising our Modern Slavery Framework and the UN Guiding Principles on Business and Human Rights. These are currently included in our Group Code of Conduct and Supplier Code of Conduct.

The table on the following pages details our FY22 material topics and impacts. We have not included the small number of impacts that fell below the materiality threshold.

FY22 material topics	FY21 material topics	Material impacts	Material impact definition	Key policies and commitments (relevant to impacts)	Relevant section of this report
Renewable energy generation	Pipeline of generation options	100% Renewable energy generation	Meridian generates 100% renewable energy from its generation assets, generating approx. 30% of Aotearoa's total electricity.	• Operate hydro and wind farm electricity generation	Technology
		Increasing the supply of renewable energy	Meridian can increase the amount of renewable energy available in Aotearoa by having 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.	• Renewable development pipeline • Battery and solar development • Harapaki wind farm construction • Good iwi relationships to aid in social license	
Customer decarbonisation	Distributed energy resources	Reducing the emissions of others	Meridian can contribute to decarbonising commercial and residential energy use by increasing the use of electricity to replace fossil fuels and through better energy efficiency.	• Process heat electrification programme • Green hydrogen project • Green data centre project • Certified Renewable Energy offer to customers and decarbonisation fund • Supporting shift to EVs such as charging installations and EV pricing plan	Technology
		Emissions from products sold	Meridian sells a portion of non-renewable grid energy in Aotearoa.	• Certified Renewable Energy offer to customers and decarbonisation fund • Renewable development pipeline (contribute to increasing grid renewables)	
		Maximising the potential of distributed generation and storage	Meridian can contribute to increasing renewable energy use by identifying and responding to the risks and opportunities that distributed generation (rooftop and small scale solar), storage (batteries) and electric vehicles will have in the electricity system, and market.	• New energy solutions established FY22 to advance options for distributed generation and demand response options • Pilot commitment for demand response and EVs • Commercial scale and residential solar	
Ngā whakaaweawe o Te Ao Turoa the impacts on the natural world	Impact on water	Diversion and reduced river flows and water quality issues	Meridian's structures and water management directly affect the health of river systems which are obstructed and have reduced river flows due to hydro dams and generation activities. Some of these impacts occur in conjunction with impacts caused by others.	• Biodiversity and deforestation commitment • Project River Recovery • Collaboration with Guardians of the Lake	Natural
	Impact on biodiversity	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 • Elvar trap and transfer	
		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 creates a negative impact on iwi and their relationship with the land, water and other taonga.	• Engagement with iwi in Waitaki and Manapōuri catchments • Partnership commitment to the Te Waiau Mahika Kai Trust	
		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.	• Biodiversity and deforestation commitment • Forever Forests afforestation • Kākāpo recovery programme • Te Waiau Mahika Kai Trust joint venture for carbon forest	
Access to energy solutions	Electricity pricing Support for vulnerable customers	Access to affordable energy and new energy solutions	As a retailer of electricity, Meridian is directly linked to the affordability of electricity which affects residential and business customers. Meridian can contribute to greater renewable energy equity by supporting the affordable uptake of micro generation opportunities that reduce costs for electricity users over the longer-term.	• Retail energy wellbeing pilot • Wholesale social hedge offers to Retailers focused on energy hardship • Consumer care policy (aligned to Electricity Authority consumer care guidelines) • ERANZ funding for Energy Mate • New energy solutions team and potential impact on electricity system benefits • Level Pay service • Dedicated retail customer hardship team • Referral service to FINCAP (free financial mentoring service) • Connection with WINZ • Support of MBIE energy hardship work	People

FY22 material topics	FY21 material topics	Material impacts	Material impact definition	Key policies and commitments (relevant to impacts)	Relevant section of this report
Ethics, governance and trust	Good governance, ethical behaviours and reporting	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 – FY23 implementation phase • 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
Climate-related impacts	Financial impacts of climate change	Risks created by a changing climate	Meridian is directly linked to physical risks for the economy, the environment and people of as a result of climate change impacts on its generation infrastructure.	• Assessment, management and disclosure of climate-related risks annually	Commercial
Business emissions and waste	Action on climate change Sustainability leadership	Disposal of waste and other emissions	Meridian causes waste to landfill and harmful gaseous emissions from its corporate and generation activities.	• Half by 30 commitment – include waste reduction targets and numerous others – refer to Climate action plan. • Science Based Targets initiative approved emission reduction targets • Sustainability KPIs for major projects i.e., waste and emission targets for Harapaki wind farm construction	Natural
Sustainability thought leadership	Contribution to public policy	Policy change that enables the rapid transition to a low carbon energy future	Meridian can contribute to public policy, legislative and regulatory developments by advocating for and supporting a policy framework towards effective action on climate change.	• Regular submissions on a range of sustainability issues such as Modern Slavery, climate-related disclosures.	Natural
		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 most relevant to the business.	• Ambitious, leading commitments such as supporting process heat electrification • Proactive media communications • Member of NZ Climate Leaders Coalition - CEO recent member of the steering • CE, executive and senior management presenting a numerous forums	
Supporting communities	No FY21 material topic	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 • Work with schools, provide scholarships to promote tertiary education • Pathways for students to get into STEM employment • Provide recreational opportunities for local communities near assets i.e., angling and rowing • Sponsorships for community events which supports emergency services or community assets such as biking and running trails i.e., Hydro half marathon, Meridian Milford Mount classic	Human
People	No FY21 material topic	Business performance: Diversity and equal opportunities	Meridian continues for 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.	• Initiatives within the Gender and Team Rainbow groups • Belonging strategy • Accessibility commitment and policy • Mind the gap	Human
Supply chain	No FY21 material topic	Impacts of supply chain/ethical sourcing	Meridian may contribute to procurement practices that have the potential to create negative impacts on the environment, people and human rights; and affect the reputation of Aotearoa.	• Meridian Supplier Code of Conduct • Meridian Modern Slavery Framework (including application of supply chain due diligence) • Anti money laundering policy • UN Global Compact member • Commitment to aligning practice with the UN Guiding Principles on Business and Human Rights	People

UN Sustainable Development Goals

We focus on the UN Sustainable Development Goals (SDGs) where we can have the most impact, considering our place in the world, our sector and the business outlook.

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 material decarbonisation to address climate change meaningfully
- enable the decarbonisation of other sectors such as transport and process heat
- ensure we consume resources responsibly in both our operations and development activities
- contribute meaningfully to social wellbeing, fair commercial actions and upholding human rights.

There are four priority SDGs in which we have a significant role to play:

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

We can also taken action to have positive impacts in relation to five other SDGs where our activities may not materially influence outcomes, but we can demonstrate a commitment within our sphere of influence to operate in ways that are consistent with our purpose and the issues important to our operations and stakeholders. These SDGs are:

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

We've recently joined the UN Global Compact (**unglobalcompact.org**)– a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. Meridian has joined thousands of other companies around the globe that are committed to taking responsible business action to create a better world. As a participant in the UN Global Compact, we're committed to aligning strategies and operations with 10 universally accepted principles (**unglobalcompact.org/what-is-gc/mission/principles)** in the areas of human rights, labour, environment and anti-corruption, whilst also 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.

Global Reporting Initiative 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.

This is our fourth year of completing a voluntary climate-related disclosure (CRD) in accordance with the recommendations of the TCFD. Our FY22 disclosure incorporates some new indicative provisions based on External Reporting Board (XRB) consultation documents for the proposed standard, *Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1).*

Our 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. Our FY22 CRD is available at **meridianenergy.co.nz/about-us/investors/sustainability/climate-disclosures**.

We also prepare the *Annual Report* to meet integrated reporting standards, and this year have chosen to align to the 2021 GRI Standards. These 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 they 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 FY22 CRD is reviewed by the Audit and Risk Committee. Both Committees subsequently recommend that reported information be approved by the Board.

After reviewing all our disclosures in 2022, we opted to cease participating in the Carbon Disclosure Project. We provide emission and climate-focused information for our stakeholders through the reports mentioned above.

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 FY22 Corporate Governance Statement at **meridianenergy.co.nz/about-us/investors/governance**.

Looking from Lake Benmore down to Benmore Power Station, Otematata.

13 key risks

- Demand risks
- Market supply
- Adverse hydrological conditions
- Catastrophic events
- Critical equipment or technology failure
- Health and safety
- Regulatory risk of access to water
- Legislative and regulatory risks
- Competitor behaviour
- Information technology security
- Substantial changes in the costs of different generation technologies
- Transmission pricing methodology
- COVID-19

Three priority risks

Demand risks – there is a risk that new electricity demand will not emerge to offset the reduction in electricity use caused by the closure of the Tīwai Point aluminium smelter in December 2024. The key mitigation here is Meridian's project to find new sources of demand, which include projects such as process heat electrification, data centres and green hydrogen production. Meridian's FY22 Climate-related Disclosure (CRD) also captures the opportunity for new electricity demand, the *Electrification of transport and process heat*.

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 FY22 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 an early retirement of gas generation given its role as a transition fuel. Another key risk is market interventions affecting the potential returns from new renewable electricity projects, which would likely have detrimental impacts on investment in new generation. In response, Meridian has adapted its underlying assumptions to the market position and updated its strategy. This flows through to preparation for an accelerated delivery of new generation and flexible demand response investments such as hydrogen, which could play a role in a dry-year scenario, operating practices and how the company engages with stakeholders and the messages it shares. Another potential impact relates to the increased costs of commodity risk management due to a disorderly transition. Meridian has a mature commodity risk framework in place to address this, which includes specific limits for allowable exposure to spot electricity price risks.

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 provision within the electricity agreement with NZAS. 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.

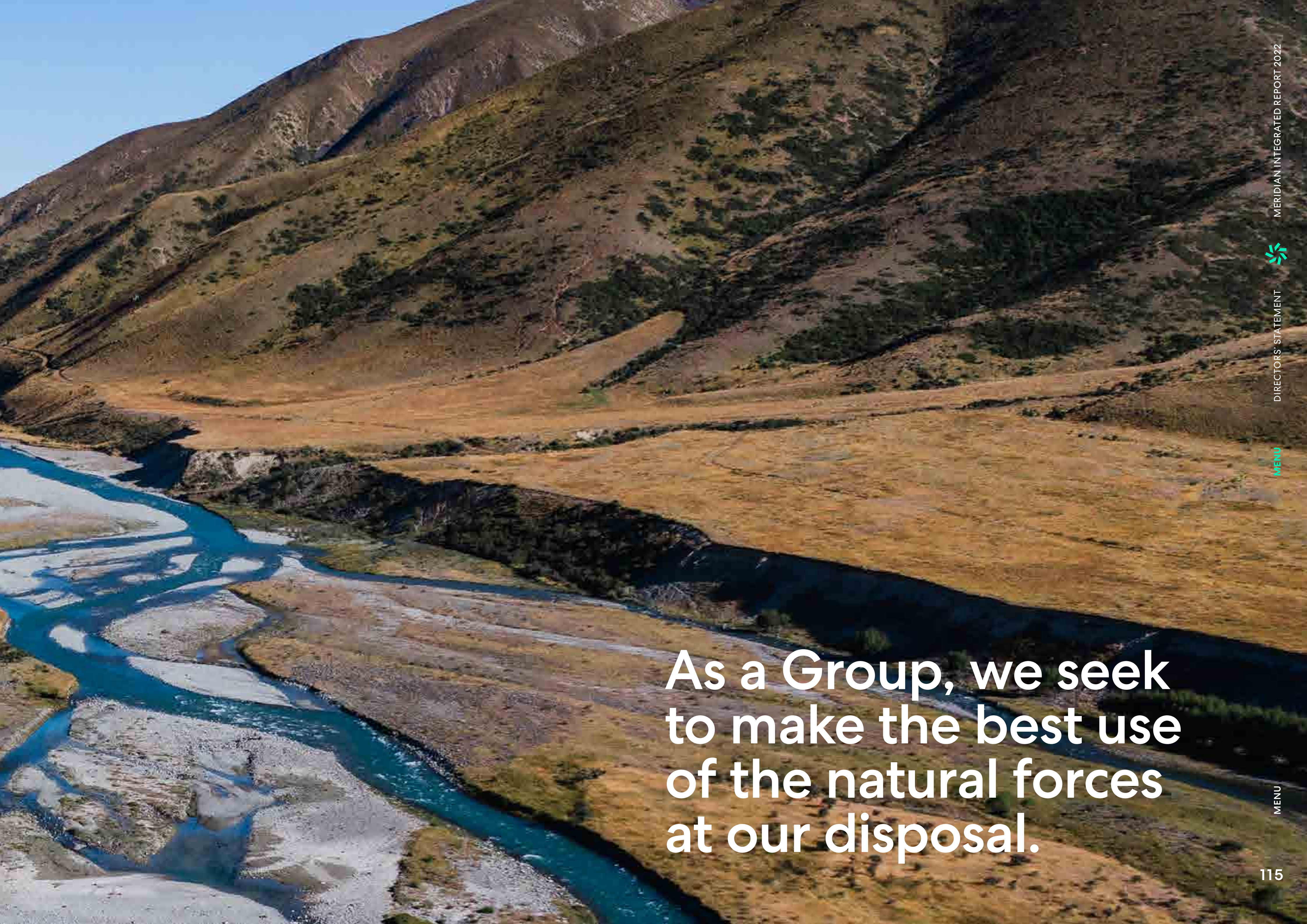
To monitor such changes, we engage with Government and industry regulators and are involved in relevant regulatory processes.

We were the first New Zealand listed company to produce a voluntary CRD, aligned with global TCFD guidance.

We have mitigation actions in place for all these risks.

Directors' statement

Ahuriri Valley, Canterbury.



As a Group, we seek to make the best use of the natural forces at our disposal.

About this report

This integrated report reviews our financial, economic, social and environmental performance for the year ended 30 June 2022 (FY22). It has been prepared using the Value Reporting Foundation's integrated reporting framework and the 2021 GRI Standards.

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, Australia and the United Kingdom. The sale of Meridian Australia was completed on 31 January 2022. Because of this, certain aspects of the report do not contain any FY22 data relating to the Australian operation.

For the most part, the focus is on Group performance, although many of the topics discussed centre primarily on the parent company because the other businesses are smaller (less than 10% of Group revenue).

The report reflects the responsibility we feel throughout the Group for Meridian to make the best use of the natural forces at our disposal and to take care of our customers, our people, our local communities, iwi relationships and the environment. We believe this approach strengthens our ability to continue to deliver both attractive shareholder returns and value to all our stakeholders.

West Wind farm, Makara, Te Whanganui-a-Tara Wellington.

About the Meridian Group

The Meridian Group is listed on the NZX and the ASX. It is one of New Zealand's largest companies on the NZX, with a total market capitalisation in excess of $13 billion, operating revenue in FY22 of $3.7 billion, EBITDAF of $709 million and net assets of $5.5 billion. Our workforce of around 1,000 people is directly employed by or contracted to us. In FY22 we engaged around 1,100 people who were not employees[33]. The most common types were Forever Forests tree-planting volunteers engaged through the Christchurch Foundation, ICT technical support (service desk and onsite IT support staff) and maintenance/construction contractors at our wind farms with whom we contract directly. We're majority owned by the New Zealand Government. Legislation specifically precludes Meridian having any other significant shareholders (ie with more than a 10% holding).

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 accordingly. To ensure all data is as accurate as possible, the financial information has been prepared in accordance with appropriate financial reporting standards (see page 147) and audited by Mike Hoshek for Deloitte Limited on behalf of the Auditor-General (see the Independent Auditor's Report on page 191-194).

The non-financial information has been prepared in accordance with the 2021 GRI Universal Standards requirements of the Global Reporting Initiative's (GRI Standards) Sustainability Reporting Standards. The sustainability content has received a limited assurance engagement from Deloitte Limited (see the independent accountant's assurance report on page 195-196).

The *Meridian Group Greenhouse Gas Inventory Emissions Report* FY22 is summarised on pages 135-137 of this report and includes Meridian Energy Australia data up until the date of its sale. It has received a reasonable assurance engagement from Deloitte.

Our commitment to effective governance

Our Board closely monitors how the company is managing long-term drivers of value, such as 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 challenge Management on the direction in which they wish to take the business. These also provide opportunity to advance the Board's collective knowledge on sustainable development, which is highly relevant to Meridian operations and strategy given the impact Meridian is committed to delivering to shift Aotearoa to a net zero future. The Board ensure a commitment to sustainable development is embedded at a Governance level through the Group Sustainability Policy6, which requires the business guide all associated choices and behaviours with this, and outlines the United Nations Sustainable Development Goals (UN SDGs) where Meridian can have the most impact considering our place in the world, sector and business outlook. You will see our approach to managing our impact on economy, environment and people throughout this report.

The Board also sets Meridian's overall appetite for risk and approach to risk management. Our FY22 Corporate Governance Statement summarises our key risks. You can find a copy of it at **meridianenergy.co.nz/assets/Investors/Governance/Meridian-Energy-Corporate-Governance-Statement.pdf**. We've also included information on our risks and how we manage them in this report.

33 Information on workers who are not employees is compiled from our Contractor Support Database (contractors) and information gathered from internal stakeholder. Total rounded to the nearest 100, by headcount.

Our Board

Mark Cairns
Independent Director

Graham Cockroft
Independent Director

Jan Dawson
Independent Director

Michelle Henderson
Independent Director

Julia Hoare
Independent Director

Nagaja Sanatkumar
Independent Director

Tania Simpson
Independent Director

Mark Verbiest
Chair

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

Meridian complies with the NZX Corporate Governance Code recommendations in all material respects (with the exception of recommendation 3.6 – see page 138 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 Code of Conduct breaches are disclosed annually through Meridian's Corporate Governance Statement.

Resources	Board oversight
Financial and manufactured capital (our cash and assets)	Audit and Risk Committee
Technology	Full Board
Human Capital	
– Our people and expertise – Health and safety	People and Remuneration Committee Safety and Sustainability Committee
Relationships and reputation	
– Our people and expertise – All other groups	People and Remuneration Committee Safety and Sustainability Committee and full Board
Natural resources	Safety and Sustainability Committee
Significant risks around resources, including risks due to climate change	Audit and Risk Committee

Our Board structure

Meridian recruits Board members with a range of skills and experience. There are currently five female members and three male members, bringing gender balance to our Board.

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 Meridian's assets are located, is so important that a position on the Board for someone with connectivity 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/who-we-are.** All directors are independent directors.

Further information about the skills, composition and tenure of Board members can be found in the FY22 Corporate Governance Statement at **meridianenergy.co.nz/about-us/board-of-directors**

More information on the nomination and selection process, including criteria used, for the Board and committee appointments is outlined in the Meridian Constitution and Board Charter.

The role of committees

Committees support the Board by providing detail on specific issues and having subject-matter experts provide insights and advice. The committees, and the Board as a whole, cover the spectrum of resources on which we depend for our business success, feed in 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 an 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 our progress in maintaining a safe workplace culture and 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 the relationship with Meridian remains 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.

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

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 to which Management must adhere and incorporate in the company's operations, including a Code of Conduct, the content of which all employees agree to honour. The Code provides guidance to staff on the behaviours that are expected and how to handle the issues and challenges they may face.

Our approach to remunerating our people is on page 94.

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 attend the 2022 annual shareholder meeting in person. The Board has a policy of rotating the location of the meeting between Auckland, Wellington and Christchurch, and our 2022 meeting will be held at Eden Park, Auckland. We'll provide you with more information closer to the time in the Notice of Meeting. If you can't attend, there'll be a link to a live webcast on the Meridian website.

Our Executive Team

Neal Barclay
Chief Executive

Tania Palmer
General Manager, Generation

Mike Roan
Chief Financial Officer

Lisa Hannifin
Chief Customer Officer

Guy Waipara
General Manager, Development

Jason Woolley
General Counsel and Company Secretary

Claire Shaw
General Manager, Corporate Affairs and Sustainabillity

Jason Stein
Chief People Officer

Nic Kennedy
Chief Executive, Flux Federation Limited

Chris Ewers
General Manager, Wholesale

Bharat Ratanpal
Chief Information Officer

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

Further disclosures

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

Meridian Energy

The table opposite outlines the directors of Meridian Energy Limited as at 30 June 2022. During FY22 there were three changes to the directors of Meridian Energy Limited: Anake Goodall and Peter Wilson ceased to be directors; and Tania Simpson was appointed as a director.

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

The Board has determined that as at 30 June 2022, all Meridian directors are independent. The factors relevant to this determination are that no director:

- has, within the past three years, been employed in an executive role by Meridian or any of its subsidiaries
- has held, within the past 12 months, a senior role in a provider of material professional services to Meridian or its subsidiaries
- has had, within the past three years, a material business relationship with Meridian or its subsidiaries
- is a substantial product holder of Meridian, or a senior manager of, or person otherwise associated with a substantial product holder of Meridian
- has had, within the past three years, a material contractual relationship with Meridian or any of its subsidiaries
- has close family ties with anyone in the categories listed above
- has been a director of Meridian for a length of time that may compromise independence.

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 2022 is:

	As at 30 June 2022			As at 30 June 2021		
	Female	Male	Gender Diverse	Female	Male	Gender Diverse
Number of directors	5	2	0	4	4	0
Percentage of directors	71%	29%	0%	50%	50%	0%
Number of officers	4	7	0	4	7	0
Percentage of officers	36%	64%	0%	36%	64%	0%

Meridian subsidiaries

The opposite 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	Tania Palmer ceased to be a director on 6 December 2021 Mike Roan was appointed a director on 6 December and ceased to be a director on 11 February 2022 Jason Stein was appointed a director on 11 February 2022
Flux Federation Limited	6292491	Neal Barclay, Michael Roan	No changes
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	Anake Goodall ceased to be a director on 29 August 2021
Powershop New Zealand Limited	8184062	Neal Barclay, Michael Roan	No changes
Three River Holdings No. 1 Limited	1920517	Neal Barclay, Michael Roan	Amalgamated with Meridian Energy Limited on 30 June 2022 and removed from the Companies Office register
Three River Holdings No. 2 Limited	1920515	Neal Barclay, Michael Roan	Amalgamated with Meridian Energy Limited on 30 June 2022 and removed from the Companies Office register

UK subsidiaries

Company name	Directors	Further information
Flux-UK Limited	Tania Palmer, Guy Waipara	No changes

Australian subsidiaries

Meridian Energy Limited sold its Australian subsidiaries during the accounting period.

Company name	Directors	Further information
Meridian Australia Holdings Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Energy Australia Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Energy Markets Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Finco Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Wind Australia Holdings Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Wind Monaro Range Holdings Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Meridian Wind Monaro Range Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Mt Millar Wind Farm Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Mt Mercer Windfarm Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Powershop Australia Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
GSP Energy Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Rangoon Energy Park Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022
Wandsworth Wind Farm Pty Limited	Neal Barclay, Tony Sherburn, Mike Roan, Jason Stein	No longer a subsidiary of Meridian Energy Limited from 31 January 2022

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(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 Airport International Limited, Director* Freightways Limited, Chair* Sanford Limited, Director*
Jan Dawson	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	AIG Insurance New Zealand Limited, Director** Air New Zealand Limited, Director** Air New Zealand Limited, Shareholder Mercury NZ Limited, Shareholder Ports of Auckland Limited, Director* Serko Limited, Director* Westpac New Zealand Limited, Chair**
Anake Goodall	Director, Meridian Energy Limited and Meridian LTI Trustee Limited (ceased to be a director on 6 October 2021)	Impax Environmental Markets, Shareholder Moreton Resources Limited, Shareholder Seed the Change – He Kākano Hāpai, Chair
Michelle Henderson	Director, Meridian Energy Limited	Cycling New Zealand Incorporated, Board member 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 Institute of Directors, Otago Southland Branch Committee* South Port NZ Limited, Director* Awarua Holding Limited, Director* Southern Institute of Technology Engineering and Trades Advisory Committee, Member Youthline Southland Charitable Trust, Trustee
Julia Hoare	Director, Meridian Energy Limited	The a2 Milk Company Limited, Deputy Chair and Shareholder Auckland International Airport Limited, Director and Shareholder Chapter Zero New Zealand Steering Committee Member* Institute of Directors, President Mercury NZ Limited, Shareholder Port of Tauranga Limited,Director and Shareholder Sustainable Finance Forum, Leaders' Group member**

* Entries added and effective during the year ended 30 June 2022.
** Entries removed by directors during the year ended 30 June 2022.

Name	Position	Disclosures
Nagaja Sanatkumar	Director, Meridian Energy Limited	Amazon.com, Inc Shareholder Cawthron Institute, Director First Fibre Midco Limited, Director First Fibre Bidco NZ Limited, Director UFF Holdings Limited, Director Tuatahi First Fibre Limited (formerly Ultrafast Fibre Limited), Director Foodstuffs North Island Limited, Director* Imagen8 Limited, Director Mediaworks Investments Limited, Director Mercury NZ Limited, Shareholder New Zealand Post Limited, Director Nova Digital Consulting Limited, Director and Principal Trustpower Limited, Bondholder Vector Limited, Bondholder Z Energy Limited, Bondholder
Tania Simpson	Director, Meridian Energy Limited (appointed as director 24 August 2021)	Auckland International Airport Limited, Director and Shareholder* Deep South National Science Challenge Governance Group, Member* Oceania Group Limited, Shareholder* Reserve Bank of New Zealand, Deputy Chair** Sustainable Seas National Science Challenge Governance Group, Chair* Tainui Group Holdings Limited, Director* Ukaipo Limited (formerly Kowhai Consulting Limited), Director* Waikato Tainui Fisheries Limited, Director* Waitangi Tribunal, Member* Waitangi National Trust, Deputy Chair*
Mark Verbiest	Director, Meridian Energy Limited	ANZ Bank New Zealand Limited, Director Freightways Limited, Chair** and Shareholder Infratil Limited, Shareholder Mycare Limited, Shareholder Southern Alps Rescue Trust, Trustee Southern Lakes Art Festival Trust, Trustee Summerset Group Holdings Limited, Chair* Willis Bond & Co Limited, adviser to Property Income Fund Limited
Peter Wilson	Director, Meridian Energy Limited (ceased to be a director 6 October 2021)	Arvida Group, Chair** Contact Energy Limited, Shareholder Genesis Energy Limited, Shareholder and Bondholder Infratil Limited, Shareholder Mercury NZ Limited, Shareholder and Bondholder

* Entries added and effective during the year ended 30 June 2022.
** Entries removed by directors during the year ended 30 June 2022.

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(e) of the Companies Act 1993, the table opposite lists the general disclosures of interest by directors of Meridian Energy Limited and its subsidiaries.

Director	Nature of relevant interest	Date	Acquisition/ Disposal	Class	Number acquired*	Consideration received per share
Mark Cairns	Beneficial interest	15 October 2021	Acquisition – Dividend Reinvestment Plan	Shares	4,861	$4.84
Jan Dawson	Beneficial interest	15 October 2021 8 April 2022	Acquisition – Dividend Reinvestment Plan	Shares	1,061 538	$4.84 $5.095
Julia Hoare	Legal interest	8 April 2022	Acquisition – Dividend Reinvestment Plan	Shares	41	$5.095
Nagaja Sanatkumar	Beneficial interest	25 February 2022	Acquisition	Shares	112 63 4,872	$4.920 $4.925 $4.955
Tania Simpson	Beneficial interest	28 February 2022 25 May 2022	Acquisition	Shares	625 281 1,105	$4.950 $4.950 $4.510
Mark Verbiest	Beneficial interest	15 October 2021 8 April 2022	Acquisition – Dividend Reinvestment Plan	Shares	1,041 529	$4.84 $5.0950

* Rounded to the nearest whole number.

Director 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 2022, 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 $0.1 million during FY22. 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 (2021: $0.8 million) to Deloitte as audit fees in FY22.

The fees for other services undertaken by Deloitte during FY22 totalled $0.1 million (2021: $0.2 million). These related to other assurance activities including reviews of carbon emissions, 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 2022 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	–
Jan Dawson	52,899	–
Michelle Henderson	3,525	–
Julia Hoare	4,041	–
Nagaja Sanatkumar	8,769	–
Tania Simpson	2,011	–
Mark Verbiest	46,570	–
Peter Wilson	99,170	–

* Rounded to the nearest whole number.

Senior managers' equity holdings

As at 30 June 2022, the following senior managers had relevant interests in Meridian Energy Limited shares:

Senior manager	Number of shares	Unvested Performance share rights
Neal Barclay	450,556	415,512
Guy Waipara	298,402	137,329
Mike Roan	223,046	155,883
Jason Stein	204,109	91,491
Chris Ewers	19,243	110,594
Bharat Ratanpal	16,100	–
Claire Shaw	10,716	59,514
Lisa Hannifin	4,058	105,297
Tania Palmer	2,858	131,055
Jason Woolley	–	59,514

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 2022:

Names	Number of shares	% of issued shares
Her Majesty the Queen in Right of New Zealand Acting by and Through Her Minister of Finance and Minister for SOEs	1,315,682,395	51.018
HSBC Nominees (New Zealand) Limited*	129,141,409	5.008
HSBC Nominees (New Zealand) Limited A/C State Street*	112,222,628	4.352
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct*	102,789,338	3.986
Custodial Services Limited	96,673,134	3.749
Citibank Nominees (New Zealand) Limited*	94,463,688	3.663
BNP Paribas Nominees (NZ) Limited*	43,215,464	1.676
Accident Compensation Corporation*	42,303,557	1.64
National Nominees Limited*	29,902,174	1.16
JBWere (NZ) Nominees Limited	28,372,519	1.1
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited*	26,830,722	1.04
BNP Paribas Nominees (NZ) Limited*	22,818,260	0.885
New Zealand Depository Nominee Limited	20,091,710	0.779
TEA Custodians Limited Client Property Trust Account*	19,112,923	0.741
HSBC Custody Nominees (Australia) Limited*	18,787,763	0.729
ANZ Wholesale Australasian Share Fund*	17,737,193	0.688
FNZ Custodians Limited	15,476,357	0.6
Forsyth Barr Custodians Limited	13,733,271	0.533
Simplicity Nominees Limited – NZCSD	9,290,231	0.36
PT (Booster Investments) Nominees Limited	8,132,516	0.315

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

The table opposite lists the company's 20 largest registered holders of MEL030 retail fixed-rate bonds as at 30 June 2022:

Names	Number of bonds	% of issued bonds
BNP Paribas Nominees (NZ) Limited*	22,605,000	15.07
BNP Paribas Nominees (NZ) Limited*	16,164,000	10.77
FNZ Custodians Limited	14,914,000	9.94
Forsyth Barr Custodians Limited	11,503,000	7.66
Bank of New Zealand – Treasury Support	10,317,000	6.87
HSBC Nominees (New Zealand) Limited*	6,105,000	4.07
Citibank Nominees (New Zealand) Limited*	3,552,000	2.36
ANZ Bank New Zealand Limited*	3,442,000	2.29
Investment Custodial Services Limited	3,405,000	2.27
Ning Gao	3,331,000	2.22
Southern Cross Medical Care Society*	3,000,000	2.00
TEA Custodians Limited Client Property Trust Account*	2,735,000	1.82
Hobson Wealth Custodian Limited	2,588,000	1.72
ANZ Custodial Services New Zealand Limited*	2,535,000	1.69
JBWere (NZ) Nominees Limited	2,399,000	1.59
FNZ Custodians Limited	1,499,000	0.99
University of Otago Foundation Trust	1,400,000	0.93
Commonwealth Bank of Australia*	970,000	0.64

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

The table opposite lists the company's 20 largest registered holders of MEL040 retail fixed-rate bonds as at 30 June 2021:

Names	Number of bonds	% of issued bonds
Custodial Services Limited	30,930,000	20.62
BNP Paribas Nominees (NZ) Limited*	21,550,000	14.36
Citibank Nominees (New Zealand) Limited*	15,327,000	10.21
FNZ Custodians Limited	8,902,000	5.93
Bnp Paribas Nominees (NZ) Limited*	7,913,000	5.27
HSBC Nominees (New Zealand) Limited*	7,060,000	4.70
Forsyth Barr Custodians Limited	6,966,000	4.64
TEA Custodians Limited Client Property Trust Account*	4,718,000	3.14
Hobson Wealth Custodian Limited	3,220,000	2.14
NZPT Custodians (Grosvenor) Limited*	3,000,000	2.00
Bnp Paribas Nominees (NZ) Limited*	2,500,000	1.66
Adminis Custodial Limited	2,412,000	1.60
Forsyth Barr Custodians Limited	1,838,000	1.22
FNZ Custodians Limited	1,423,000	0.94
Woolf Fisher Trust Incorporated	1,300,000	0.86
JBWere (NZ) Nominees Limited	1,145,000	0.76
Investment Custodial Services Limited	1,007,000	0.67
HSBC Nominees (New Zealand) Limited*	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.

The table opposite lists the company's 20 largest registered holders of MEL050 retail fixed-rate bonds as at 30 June 2022:

Names	Number of bonds	% of issued bonds
Custodial Services Limited	29,173,000	14.58
ANZ Wholesale NZ Fixed Interest Fund*	25,680,000	12.84
FNZ Custodians Limited	22,402,000	11.20
Forsyth Barr Custodians Limited	18,271,000	9.13
BNP Paribas Nominees (NZ) Limited*	11,900,000	5.95
Hobson Wealth Custodian Limited	9,392,000	4.69
BNP Paribas Nominees (NZ) Limited*	7,243,000	3.62
Citibank Nominees (New Zealand) Limited*	6,205,000	3.10
ANZ Fixed Interest Fund*	5,500,000	2.75
HSBC Nominees (New Zealand) Limited *	4,877,000	2.43
Mint Nominees Limited*	4,699,000	2.34
Mt Nominees Limited*	4,000,000	2.00
Generate KiwiSaver Public Trust Nominees Limited*	3,897,000	1.94
JBWere (NZ) Nominees Limited	3,621,000	1.81
Investment Custodial Services Limited	2,805,000	1.40
TEA Custodians Limited Client Property Trust Account*	2,665,000	1.33
NZPT Custodians (Grosvenor) Limited*	2,570,000	1.28
Forsyth Barr Custodians Limited	2,272,000	1.13
NZX Wt Nominees Limited	1,954,000	0.97
Forsyth Barr Custodians Limited	1,345,000	0.67

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members.

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 2022 was 2,578,869,011[34].

Name	Relevant interest in number of shares	% of shares held at the date of notice	Date of notice
Ordinary shares			
Her Majesty the Queen in Right of New Zealand	1,353,786,550	52.820	6 July 2015

Distribution of shareholders and holdings as at 30 June 2022

The table opposite provides information on the distribution of shareholders and holdings of Meridian Energy Limited ordinary shares as at 30 June 2022:

Size of holding	Number of holders	%	Number of shares	Holding quantity %
1–1,000	8,377	18.32	5,935,135	0.23
1,001–5,000	22,597	49.42	62,697,778	2.43
5,001–10,000	8,099	17.72	63,255,781	2.45
10,001–50,000	5,980	13.08	120,112,860	4.66
50,001–100,000	432	0.94	30,117,773	1.17
100,001–500,000	177	0.39	33,213,054	1.29
500,001 and over	60	0.13	2,263,536,630	87.77
Total	**45,722**	**100**	**2,578,869,011**	**100**

34 As at 30 June 2022, the total number of ordinary shares was 2,578,869,011 which included 1,304,226 ordinary shares held by Meridian as treasury stock.

Distribution of bondholders and holdings as at 30 June 2022

The table opposite provides information on the distribution of MEL030 retail fixed-rate bonds as at 30 June 2022:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	68	10.23	340,000	0.23
5,001–10,000	161	24.21	1,533,000	1.02
10,001–50,000	347	52.18	9,622,000	6.41
50,001–100,000	30	4.51	2,518,000	1.68
100,001–500,000	35	5.26	7,308,000	4.87
500,001 and over	24	3.61	128,679,000	85.79
Total	**665**	**100**	**150,000,000**	**100**

The table opposite provides information on the distribution of MEL040 retail fixed-rate bonds as at 30 June 2022:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	36	5.63	180,000	0.12
5,001–10,000	102	15.96	950,000	0.63
10,001–50,000	389	60.88	10,339,000	6.89
50,001–100,000	59	9.23	4,451,000	2.97
100,001–500,000	29	4.54	7,255,000	4.84
500,001 and over	24	3.76	126,825,000	84.55
Total	**639**	**100**	**150,000,000**	**100**

The table opposite provides information on the distribution of MEL050 retail fixed-rate bonds as at 30 June 2022:

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	32	5.67	160,000	0.08
5,001–10,000	89	15.78	831,000	0.42
10,001–50,000	318	56.38	8,703,000	4.34
50,001–100,000	72	12.77	5,450,000	2.73
100,001–500,000	22	3.9	4,832,000	2.42
500,001 and over	31	5.5	180,024,000	90.01
Total	**564**	**100**	**200,000,000**	**100**

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 2022 is available on Meridian's website at: **meridianenergy.co.nz/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 2022

S&P Global Ratings reaffirmed Meridian Energy Limited's credit rating of BBB+/stable/A-2 on 13 July 2022.

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'[35] 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, 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 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.

35 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.

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.

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 FY22, 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 or 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 available on its website at **meridianenergy.co.nz/about-us/investors/governance.** The Corporate Governance Statement outlines in detail Meridian's compliance with the NZX Corporate Governance Code and is current as at 24 August 2022.

Membership associations

- Electricity Engineers Association
- Sustainable Business Network
- Business Leaders' Health and Safety Forum
- Drive Electric Incorporated
- Electricity Retailers' Association of New Zealand
- EV100
- New Zealand Hydrogen Association Incorporated
- NZ Wind Energy Association
- ENGINEERING NEW ZEALAND NZ Society on Large Dams (NZSOLD)
- Business New Zealand Inc SBC and Climate Leaders Coalition membership
- StayLive

Ika Rere electric ferry, Days Bay, Te Whanganui-a-tara Wellington.

Our financial performance

Crater Hill, Ross Island, Antarctica.

In spite of some challenging conditions, this year's strong financial result exceeded our expectations.

Group financial statements

Key

Subsequent event

Key judgements and estimates

Risks

Notes to the Group financial statements

Income Statement

For the year ended 30 June 2022

	Note	2022 $M	2021 $M
Operating revenue	A2	**3,703**	3,963
Operating expenses	A3	**(2,994)**	(3,271)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		**709**	692
Depreciation and amortisation	A3	**(293)**	(271)
Impairment of assets	A3, B1	**(2)**	–
Net change in fair value of energy hedges	D1	**145**	157
Operating profit		**559**	578
Finance costs	A3	**(73)**	(81)
Interest income	A2	**3**	–
Net change in fair value of treasury hedges	D1	**136**	79
Net profit before tax from continuing operations		**625**	576
Income tax expense	A4	**(174)**	(161)
Net profit after tax from continuing operations		**451**	**415**
Net profit from discontinued operation after tax	S1	**213**	**13**
Net profit after tax attributed to the shareholders of the parent company		**664**	**428**

Earnings per share (EPS) attributed to ordinary equity holders of the parent		**Cents**	Cents
Basic and diluted EPS from continuing operations	C3	**17.5**	16.2
Basic and diluted EPS	C3	**25.8**	16.7

The notes to the Group financial statements form an integral part of these financial statements.

Comprehensive Income Statement

For the year ended 30 June 2022

	Note	2022 $M	2021 $M
Net profit after tax		**664**	428
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Asset revaluation	B1	**(55)**	202
Deferred tax on the above item	A4	**15**	(58)
		(40)	144
Items that may be reclassified to profit or loss:			
Net (loss)/gain on cash flow hedges		**16**	6
Exchange differences arising from translation of foreign operations		**–**	2
Realisations on disposal of subsidiaries, transferred to profit and loss		**24**	–
Income tax on the above items		**(5)**	(2)
		35	6
Other comprehensive income / (loss) for the year, net of tax		**(5)**	150
Total comprehensive income for the year, net of tax attributed to shareholders' of the parent company		**659**	**578**

Balance Sheet

As at 30 June 2022

	Note	2022 $M	2021[36] $M
Current assets			
Cash and cash equivalents	C5	**363**	148
Trade receivables	C6	**416**	491
Customer contract assets		**16**	25
Financial instruments	D1	**232**	192
Other assets		**50**	61
Total current assets		**1,077**	917
Non-current assets			
Property, plant and equipment	B1	**7,830**	8,598
Intangible assets	B2	**85**	84
Deferred tax	A4	**–**	35
Financial instruments	D1	**377**	214
Other assets		**–**	8
Total non-current assets		**8,292**	8,939
Total assets		**9,369**	9,856

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 23 August 2022.

Mark Verbiest,
Chair, 23 August 2022

Julia Hoare,
Chair, Audit and Risk Committee, 23 August 2022

	Note	2022 $M	2021[36] $M
Current liabilities			
Payables and accruals		**470**	577
Employee entitlements		**18**	25
Customer contract liabilities		**13**	23
Current portion of term borrowings	C7	**159**	378
Current portion of lease liabilities	C9	**4**	7
Financial instruments	D1	**30**	63
Current tax payable		**32**	37
Total current liabilities		**726**	1,110
Non-current liabilities			
Term borrowings	C7	**1,004**	1,298
Deferred tax	A4	**1,932**	1,940
Provisions		**–**	23
Lease liabilities	C9	**37**	90
Financial instruments	D1	**93**	131
Term payables		**54**	40
Total non-current liabilities		**3,120**	3,522
Total liabilities		**3,846**	4,632
Shareholders' equity			
Share capital	C2	**1,671**	1,595
Reserves		**3,852**	3,629
Total shareholders' equity		**5,523**	5,224
Total liabilities and shareholder's equity		**9,369**	9,856

36 The 2021 comparative balance sheet includes Meridian Energy Australia. Refer to the discontinued operations note 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 2022

$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 2020		**1,598**	**1**	**5,053**	**(26)**	**(2)**	**(1,542)**	**5,082**
Net profit for the 2021 financial year		–	–	–	–	–	428	**428**
Other comprehensive income								
Asset revaluation	B1	–	–	202	–	–	–	**202**
Transferred to retained earnings on disposal		–	–	1	–	–	(1)	**–**
Net gain on cash flow hedges		–	–	–	–	6	–	**6**
Exchange differences from translation of foreign operations		–	–	–	2	–	–	**2**
Income tax relating to other comprehensive income		–	–	(58)	–	(2)	–	**(60)**
Total other comprehensive income, net of tax		**–**	**–**	**145**	**2**	**4**	**(1)**	**150**
Total comprehensive income for the year, net of tax		**–**	**–**	**145**	**2**	**4**	**427**	**578**
Share-based transactions	C2, F1	(3)	–	–	–	–	–	**(3)**
Dividends paid	C4	–	–	–	–	–	(433)	**(433)**
Balance at 30 June 2021 and 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	B1	–	–	(55)	–	–	–	**(55)**
Transferred to retained earnings on disposal		–	–	(113)	–	–	113	**–**
Transferred to income statement on disposal		–	–	–	24	–	–	**24**
Net gain on cash flow hedges		–	–	–	–	16	–	**16**
Exchange differences from translation of foreign operations		–	–	–	–	–	–	**–**
Income tax relating to other comprehensive income		–	–	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	S2	78	–	–	–	–	–	**78**
Dividends paid/reinvested	C4	–	–	–	–	–	(437)	**(437)**
Balance at 30 June 2022		**1,671**	**2**	**5,079**	**–**	**13**	**(1,242)**	**5,523**

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 2022

	Note	2022 $M	2021 $M
Operating activities			
Receipts from customers		**3,934**	4,164
Interest received		**2**	–
Payments to suppliers and employees		**(3,254)**	(3,472)
Interest paid		**(76)**	(82)
Income tax paid		**(145)**	(179)
Operating cash flows	C5	**461**	431
Investing activities			
Sale of property, plant and equipment		**2**	–
Sale of subsidiaries (net of cash sold)		**768**	–
Purchase of property, plant and equipment		**(141)**	(76)
Purchase of intangible assets		**(31)**	(38)
Investing cash flows		**598**	(114)
Financing activities			
Term borrowings drawn	C7	**210**	108
Term borrowings repaid	C7	**(685)**	(10)
Lease liabilities repaid	C7	**(7)**	(7)
Dividends paid	C4	**(360)**	(433)
Shares purchased for long-term incentive	C2, F1	**(2)**	(3)
Financing cash flows		**(844)**	(345)
Net increase/(decrease) in cash and cash equivalents		**215**	(28)
Cash and cash equivalents at beginning of year		**148**	176
Effect of exchange rate changes on net cash		**–**	–
Cash and cash equivalents at end of year	C5	**363**	148

The notes to the Group financial statements form an integral part of these financial statements.

About this report

In this section

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding changes in Meridian's 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 Energy Limited (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 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 Her Majesty the Queen in Right of New Zealand, it 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 which are considered material to understanding the performance of Meridian are found in the following notes:

Note	
A2	Income
B1	Property, plant and equipment
D1	Financial risk management

Basis of consolidation

The Group financial statements comprise the financial statements of Meridian Energy Limited 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 2022.

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

- Australian dollars; the closing rate at 30 June 2022 was 0.9045 (30 June 2021: 0.9311); and,
- British pounds sterling; the closing rate at 30 June 2022 was 0.5127 (30 June 2021: 0.5049).

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.

Significant matters in the financial year

In this section

Significant matters which have impacted Meridian's financial performance.

S1 Meridian Energy Australia

In June 2021, Meridian announced that it had begun a review of its ownership of Meridian Energy Australia (MEA) and was considering all options, including partial or full divestment. On 20 August 2021, Meridian deemed that MEA was held for sale (HFS).

On 22 November 2021, Meridian announced that an agreement had been reached with a consortium, comprised of Shell Energy Operations Pty Ltd and Infrastructure Capital Group, to purchase the MEA business for consideration of AU$729 million, subject to possible adjustment depending on timing of completion. Completion occurred on 31 January 2022 and final consideration was AU$740 million.

A net gain on sale was recorded of NZ$214 million and net cash was received of NZ$768 million.

Accordingly, for the financial year ending 30 June 2022, MEA is reported as a discontinued operation. The comparative Income Statement & Comprehensive Income Statement and respective notes have been re-presented to show the discontinued operation separately from continuing operations.

MEA was part of the Meridian Group from 1 July 2021 to 31 January 2022, and therefore the income, expenses and cashflows disclosed below are for seven months in the current period and 12 months in the comparative period.

Results of discontinued operation	7 months ended 31 January 2022 $M	12 months ended 30 June 2021 $M
Operating revenue	209	333
Operating expenses	(181)	(296)
Net result from operating activities	**28**	**37**
Depreciation and amortisation	(6)	(32)
Remeasurement of remediation assets and liabilities	–	6
Gain / (loss) on sale on disposal of assets	–	(1)
Net change in fair value of energy hedges	(21)	12
Operating profit	**1**	**22**
Finance costs	(2)	(3)
Net change in fair value of treasury hedges	–	–
Net profit / (loss) from discontinued operations before tax	**(1)**	**19**
Tax expense	–	(6)
Net profit / (loss) from discontinued operations after tax	**(1)**	**13**
Basic and diluted earnings per share (cents per share)	–	–
Net profit / (loss) from discontinued operations after tax	(1)	13
Gain on sale of MEA	214	–
Total net profit from discontinued operations after tax	**213**	**13**
Cash flows from / (used in) discontinued operation		
Net cash from / (used in) operating activities	12	7
Net cash from / (used in) investing activities	(9)	(19)
Net cash from / (used in) financing activities	7	(52)
Net cash flows of discontinued activity	**10**	**(64)**

S Significant matters continued

Assets and liabilities disposed of	At 31 January 2022
Cash and cash equivalents	25
Trade receivables	34
Customer contract assets	11
Financial instruments (assets)	44
Other assets	15
Property, plant & 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.

S2 Dividend reinvestment plan

In March 2021, the Meridian Board approved the creation of a Dividend Reinvestment Plan (DRP), with program details later released in August 2021. The DRP was available for use on the FY21 final dividend and the FY22 interim dividend, which were paid to shareholders on 15 October 2021 and 8 April 2022 respectively.

Under the DRP, Meridian shareholders can elect to receive Meridian shares in lieu of cash for all or part of their dividend. Of the FY21 final dividend paid in October 2021, $65 million was settled under the DRP by the issuance of 13,400,114 new Meridian shares.

Of the FY22 interim dividend paid in April 2022, $13 million was settled under the DRP by the issuance of 2,468,897 new Meridian shares. New shares are issued at the prevailing market price around the time of issue, which may be subject to a small discount (at the Meridian Board's discretion). A 2% discount was approved in relation to the DRP for October 2021 and a 0% discount for April 2022.

Further details on the DRP can be found at **meridianenergy.co.nz/investors/dividend#Dividend-reinvestment-plan.**

S3 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 at **meridianenergy.co.nz/about-us/investors/sustainability**.

Meridian uses a 30-year time horizon in which to consider various climate-scenarios and the impact these may have to supply and demand in the New Zealand electricity system. Any mitigating actions are embedded into the relevant area of Meridian's business and longer-term observations are incorporated in our business strategy.

In accordance with Meridian's risk management policy, we identify and assess climate risks and opportunities using a likelihood and consequence matrix, which allows us to determine the appropriate level of response for each potential impact identified. Meridian also sets various targets for our own emissions profile, and identifies the metrics we use in tracking our progress towards our 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. At this point, the most material area we see climate risk potentially having a future impact is on our valuation of generation structures, which we account for at fair value. Refer to Section B of the financial report for further detail on this asset class, including a sensitivity analysis indicating how much their value may change with variations in key inputs, such as generation volumes and wholesale market prices.

Notes to the Group financial statements: Significant matters in the financial year

For the year ended 30 June 2022

In this section

Significant matters which have impacted Meridian's financial performance and an explanation of non-GAAP measures within the notes to the financial statements.

Hydro inflows

Meridian started the financial year with below average storage, however these levels recovered in late 2021 with some significant inflow events.

Lake levels then trended downward in early 2022, as the Waiau catchments in particular endured a long, dry period. More regular Fiordland weather patterns resumed in early April, restoring the Waiau Lakes to their main ranges in mid April with generation flexibility returning by May.

The Waitaki was also affected by dry conditions, but to a lesser extent. Like the Waiau, inflows resumed a more "normal" pattern in late April 2022.

Generation structures and plant revaluation

At 30 June 2022, a valuation of Meridian's generation structures and plant assets has been undertaken, to determine the fair value of the assets as at this date. The valuation has resulted in a net decrease of $55 million. Management calculates a valuation on which the Board's ultimate decision is based. The valuation is set using discounted cashflow (DCF) analysis.

Refer to Note B1 Property, plant and equipment for more information.

COVID-19

Meridian continues to hold a higher provision for credit losses in the short to medium term in light of the continuing uncertainty around the economy. Meridian will continue to assess the level of the provision at each reporting date to ensure it reflects current economic conditions.

Meridian has also considered the potential impact of COVID-19 as part of our key assumptions when valuing our property, plant and equipment and financial instruments. However, there was no impact when taking this into consideration. Refer to Note B1 Property, plant & equipment and D1 Financial risk management for more information.

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 below, including note references for reconciliations to the financial statements.

EBITDAF

Earnings before interest, tax, depreciation, amortisation, change in fair value of hedges, impairments and gains or losses on sale of assets.

EBITDAF is reported in the income statement, allowing the evaluation of Meridian's operating performance without the non-cash impacts of depreciation, amortisation, 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 a better comparison of operating performance with that of other electricity industry companies than GAAP measures that include these items.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of 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 Meridian's segmental financial performance 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.

Benmore Hydro Power Station, Otematata.

A : Financial performance

In this section

This section explains the financial performance of Meridian, providing 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 opposite:

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 New Zealand Aluminium Smelter (NZAS) representing the equivalent of 37% (30 June 2021: 40%) 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 price of $93 per megawatt hour (MWh) (2021:$88 per megawatt hour) and 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".
- The transfer price is set in a similar manner to transactions with third parties. Meridian provides front line customer and back office services for Powershop Australia from New Zealand based offices. Revenue of $5 million (2021: $3 million) has been recorded in 'other revenue' and is eliminated on Group consolidation.

Australia

- Generation of electricity from Meridian's two wind farms and three hydro power stations and energy acquistion through 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, the Australia segment was sold on 31 January 2022 and is presented as a discontinued operation.

Other and unallocated

- Other operations, that are not considered reportable segments, include licensing of the Flux developed electricity and gas 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	
	2022 $M	2021 $M	2022 $M	2021 $M	2022 $M	2021 $M	2022 $M	2021 $M	2022 $M	2021 $M	2022 $M	2021 $M
Contracted sales, net of distribution costs	**525**	489	**1,057**	944	**96**	172	**–**	–	**(96)**	(172)	**1,582**	1,433
Cost to supply customers	**(2,554)**	(3,020)	**(874)**	(782)	**(82)**	(115)	**–**	–	**1,047**	1,021	**(2,463)**	(2,896)
Net cost of hedging	**148**	271	**–**	–	**1**	(9)	**–**	–	**(1)**	9	**148**	271
Generation spot revenue	**1,757**	2,193	**–**	–	**46**	50	**–**	–	**(46)**	(50)	**1,757**	2,193
Inter-segment electricity sales	**965**	906	**–**	–	**–**	–	**–**	–	**(965)**	(906)	**–**	–
Virtual asset swap margins	**2**	(3)	**–**	–	**–**	–	**–**	–	**–**	–	**2**	(3)
Other market revenue/(costs)	**(5)**	(5)	**1**	1	**(1)**	(1)	**–**	–	**1**	1	**(4)**	(4)
Energy margin	**838**	**831**	**184**	**163**	**60**	**97**	**–**	**–**	**(60)**	**(97)**	**1,022**	**994**
Other revenue	**2**	3	**14**	14	**–**	2	**41**	55	**(30)**	(47)	**27**	27
Dividend revenue	**–**	–	**–**	–	**–**	–	**–**	52	**–**	(52)	**–**	–
Energy transmission expense	**(79)**	(82)	**–**	–	**(3)**	(5)	**–**	–	**3**	5	**(79)**	(82)
Electricity metering expenses	**–**	–	**(43)**	(39)	**–**	–	**–**	–	**–**	–	**(43)**	(39)
Gross margin	**761**	**752**	**155**	**138**	**57**	**94**	**41**	**107**	**(87)**	**(191)**	**927**	**900**
Employee expenses	**(26)**	(29)	**(32)**	(32)	**(10)**	(15)	**(42)**	(36)	**10**	15	**(100)**	(97)
Other operating expenses	**(60)**	(59)	**(36)**	(33)	**(19)**	(42)	**(34)**	(34)	**31**	57	**(118)**	(111)
EBITDAF	**675**	**664**	**87**	**73**	**28**	**37**	**(35)**	**37**	**(46)**	**(119)**	**709**	**692**
Depreciation and amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(293)**	(271)
Impairment of assets	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**(2)**	–
Net change in fair value of energy hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**145**	157
Operating profit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**559**	**578**
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(73)**	(81)
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3**	–
Net change in fair value of treasury hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**136**	79
Net profit before tax from continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**625**	**576**
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(174)**	**(161)**
Net profit after tax from continuing operations	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**451**	**415**
Net profit / (loss) from discontinued operation after tax	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**213**	**13**
Net profit after tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**664**	**428**
Reconciliation of energy margin												
Energy sales revenue, net of hedging	**2,824**	3,178	**1,817**	1,663	**209**	333	**–**	–	**(1,174)**	(1,239)	**3,676**	3,935
Energy expenses, net of hedging	**(1,986)**	(2,347)	**(980)**	(913)	**(86)**	(131)	**–**	–	**1,051**	1,037	**(2,001)**	(2,354)
Energy distribution expenses	**–**	–	**(653)**	(587)	**(63)**	(105)	**–**	–	**63**	105	**(653)**	(587)
Energy margin	**838**	**831**	**184**	**163**	**60**	**97**	**–**	**–**	**(60)**	**(97)**	**1,022**	**994**

A2 Income

Operating revenue	2022 $M	2021 $M
Energy sales to customers	1,990	1,903
Generation revenue, net of hedging	1,686	2,033
Energy related services revenue	10	9
Other revenue	17	18
Total operating revenue	3,703	3,963

Total revenue by geographic area	2022 $M	2021 $M
New Zealand	3,695	3,948
United Kingdom	8	15
Total operating revenue	3,703	3,963

	2022 $M	2021 $M
Interest income	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 and gas.

Generation revenue, net of hedging

Revenue received from:

- electricity generated and sold into the wholesale markets; and
- net settlement of energy hedges sold on futures markets, and to generators, retailers and industrial customers.

This revenue is influenced by the quantity of generation and the wholesale spot prices. It is recognised at the time of generation or hedge settlement.

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.

Solar installation, Lincoln University, Ōtautahi.

A

A3 Expenses

Operating expenses	2022 $M	2021 $M
Energy expenses, net of hedging	**2,001**	2,355
Energy distribution expenses	**653**	587
Energy transmission expenses	**79**	82
Employee expenses	**100**	97
Energy metering expense	**43**	39
Other expenses	**118**	111
	2,994	**3,271**

Depreciation and amortisation	Note	2022 $M	2021 $M
Depreciation	B1	**271**	255
Amortisation of intangibles	B2	**22**	16
		293	**271**

Finance costs		2022 $M	2021 $M
Interest on borrowings		**76**	78
Interest on electricity option premium		**1**	1
Interest on lease liabilities	C9	**2**	2
Less capitalised interest		**(6)**	–
		73	**81**

Impairment and gain on sale of assets	2022 $M	2021 $M
Impairment of property, plant and equipment	**2**	–

Operating expenses

Energy expenses, net of hedging

The cost of:

- energy purchased from wholesale markets to supply customers;
- net settlement of buy-side energy hedges; 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. Metering expenses in Australia are bundled with electricity distribution costs.

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.

The current period includes the release of a $7 million provision. This related to a Ministry of Business, Innovation and Employment review of Meridian's approach to application of the Holidays Act (2003). It had previously been assessed that liability was probable and therefore a provision was created. However, recent legal cases have meant this position has reversed, that Meridian's application of the Holidays Act (2003) is appropriate, and that further liability is highly unlikely for the impacted remuneration.

Contributions to defined contribution plans (largely KiwiSaver) were $4 million in 2022 (30 June 2021: $4 million).

Finance costs – capitalised interest

In the six month ending 31 December 2021, Meridian commenced capital-isation of interest costs relating to the build of the Harapaki wind farm. The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation was 5.01% (2021: nil).

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	2022 $M	2021 $M
Current income tax expense	140	139
Adjustments to tax of prior years	–	–
Total current tax expense	**140**	**139**
Deferred tax	36	23
Other	(2)	(1)
Total tax	**174**	**161**
Reconciliation to profit before tax		
Profit before tax	**625**	**576**
Income tax at applicable rates	173	161
Expenditure not deductible for tax	3	1
Other	(2)	(1)
Tax expense	**174**	**161**
Tax on discontinued operation	**–**	**6**

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% for New Zealand (2021: 28% for New Zealand and 30% for Australia).

Deferred tax assets and liabilities	2022 $M	2021 $M
Balance at beginning of year	1,905	1,816
Temporary differences in income statement:		
Depreciation/amortisation	**(50)**	(52)
Term payables	**6**	9
Financial instruments	**76**	70
Australia tax losses utilised	**–**	(1)
Customer contract assets	**–**	–
Other – payables & receivables	**5**	3
	37	**29**
Temporary differences in other comprehensive income:		
Revaluation reserve movements	**(15)**	58
Other	**–**	2
Effect of sale of subsidiaries	**5**	–
Balance at end of year	**1,932**	**1,905**
Made up of:		
Property, Plant and Equipment	**1,832**	1,941
Term payables	**(11)**	(13)
Financial instruments	**103**	6
Customer contract assets	**4**	7
Other – payables & receivables	**4**	(1)
Deferred tax liability	**1,932**	1,940
Carried forward unused tax losses	**–**	(33)
Deferred income	**–**	(2)
Deferred tax asset	**–**	(35)
Total deferred tax	**1,932**	**1,905**

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.

Unused tax losses

The deferred tax asset related to unused tax losses from our Australian operations and no longer form part of Meridian's deferred tax balance.

A deferred tax asset is recognised to the extent it is probable that future taxable profit will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the defered tax asset.

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	8,593	20	130	111	105	**8,959**
Less accumulated depreciation	(248)	(5)	(95)	(15)	(2)	**(365)**
Net book value at 30 June 2020	**8,345**	**15**	**35**	**96**	**103**	**8,594**
Additions	–	–	–	1	79	**80**
Transfers – work in progress	4	1	17	–	(22)	**–**
Adjustment of Right of Use lease assets	–	–	–	1	–	**1**
MEA decommissioning asset – remeasurement	11	–	–	–	–	**11**
Disposals	(1)	–	(4)	(4)	–	**(9)**
Foreign currency exchange rate movements[37]	4	–	–	–	–	**4**
Generation structures and plant revaluations:	–	–	–	–	–	**–**
Increase taken to revaluation reserve	202	–	–	–	–	**202**
Depreciation expense[38]	(268)	(1)	(9)	(6)	(1)	**(285)**
Net book value at 30 June 2021	**8,297**	**15**	**39**	**88**	**159**	**8,598**
Cost or fair value	8,314	21	143	109	162	**8,749**
Less accumulated depreciation[39]	(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 (including sale of MEA)	(522)	(1)	(1)	(38)	(12)	**(574)**
Impairments	–	–	–	(1)	(1)	**(2)**
Foreign currency exchange rate movements[37]	–	–	–	–	–	**–**
Generation structures and plant revaluation:	–	–	–	–	–	**–**
Decrease taken to revaluation reserve	(55)	–	–	–	–	**(55)**
Depreciation expense[38]	(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[39]	–	(7)	(105)	(12)	(2)	**(126)**
Net book value at 30 June 2022	**7,472**	**49**	**43**	**36**	**230**	**7,830**

37 Through the foreign currency translation reserve in other comprehensive income.
38 Includes the reversal of accumulated depreciation on generation structures and plant at revaluation date.
39 Depreciation expense does not match the Income Statement, due to the re-presenting of the Income Statement for the MEA discontinued operation.

At 30 June 2022, 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 $1.4 billion (30 June 2021: $2.0 billion). Right of Use Assets are depreciated over the term of their underlying lease arrangement.

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.

In FY21 Meridian engaged an independent valuer to assess the value of its generation structures and plant. In FY22 the valuation has been prepared internally by Meridian's management team. Management uses a discounted cash flow (DCF) analysis to establish a valuation on which the Board's ultimate decision is made.

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.

Meridian performed a valuation assessment of its plant assets at 30 June 2022.

At 30 June 2022, the revaluation resulted in a net decrease of $55 million (2021: increase of $202 million) in the carrying value of our generation structures and plant assets. The impact of the revaluation was recognised as a decrease of $55 million (2021: increase of $202 million) in the revaluation reserve.

As a consequence of this revaluation, accumulated depreciation on most generation assets is reset to nil. There was no depreciation impact of this revaluation in the income statement.

Depreciation

Depreciation of property, plant and equipment assets, other than freehold land, is calculated on a straight-line basis. This allocates the cost or fair value 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 27 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.

Key judgements and estimates – Generation structures and plant valuation techniques and key inputs

The Meridian 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 does not fully use observable market data, 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.

The DCF valuation was prepared using a 20-year time period in line with New Zealand Treasury forward inflation curve.

The impact of COVID-19 has been considered as part of our key assumptions when preparing this years valuation however there was no impact on the valuation when taking this into consideration.

The table below describes the key inputs and their sensitivity to changes.

		2022			2021		
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	$45MWh to $117MWh between FY23 and FY42 (in real terms)	+ $3MWh - $3MWh	$494M ($494M)	$42MWh to $118MWh by FY35 (in real terms)	+ $3MWh - $3MWh	$442M ($442M)
New Zealand generation volume	Annual generation production	13,413GWh p.a. to 13,964GWh p.a.	+ 250GWh - 250GWh	$227M ($227M)	13,059GWh p.a. to 14,024GWh p.a.	+ 250GWh - 250GWh	$234M ($234M)
Operating expenditure (excluding electricity purchase costs or transmission charges)	Meridian's cost of operations	$134M in FY23, $141M in FY24 (in real terms) and inflated at appropriate escalation rates from FY25 onward	+ $10M - $10M	($128M) $128M	$280M p.a.	+ $10M - $10M	($124M) $124M
Weighted Average Cost of Capital (WACC)	The discount rate considers the time value of money and relative risk of achieving the cash flow forecast	7.74%	+ 0.5% - 0.5%	($571M) $680M	6.25% to 7.90%	+ 0.5% - 0.5%	($693M) $810M

Sensitivities show the movement in fair value as a result of a change in each input (keeping all other inputs constant).

B

B2 Intangible assets

$M	Goodwill	Software	Total
Cost or fair value	5	182	187
Less accumulated amortisation	–	(123)	(123)
Net book value at 30 June 2020	5	59	64
Additions	–	40	40
Amortisation expenses[40]	–	(18)	(18)
Expensed to Income Statement[41]	–	(2)	(2)
Net book value at 30 June 2021	5	79	84
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
Expensed to Income Statement	(5)	(1)	(6)
Amortisation expenses	–	(22)	(22)
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

40 Amortisation expense does not match the Income Statement, due to the re-presenting of the Income Statement for the MEA discontinued operation.
41 Adjustment for Software as a Service costs transferred to Income Statement

Software

Acquired computer software licences (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 and Software as a Service costs 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 and gas retail platform – up to 5 years;
- generation control – up to 10 years; and
- other software – up to 3 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	2022	2021
Rangoon Energy Park Pty Ltd	–	4
Wandsworth Wind Farm Pty Ltd	–	1
	–	5

The goodwill recognised related to the acquisition of two wind farm development sites in Australia. As these are development sites, the impairment test is based on comparing the carrying value to the expected recoverable value of each site. Key inputs into the expected recoverable amount include the potential generation capacity of each site, and a market value multiple per unit of generation capacity ($/MW). Potential capacity is revisited as the development of each wind farm site progresses. The market value multiple is reassessed by analysing other similar purchase transaction, where available.

Goodwill was derecognised during the current 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	2022 $M	2021 $M
Share capital	C2	**1,671**	1,595
Retained earnings		**(1,242)**	(1,548)
Other reserves		**5,094**	5,177
		5,523	**5,224**
Drawn borrowings	C7	**1,126**	1,589
Lease liabilities payable	C9	**41**	97
Less: cash and cash equivalents	C5	**(363)**	(148)
		804	1,538
Net capital		**6,327**	**6,762**

	Note	2022 $M	2021 $M
Net debt to EBITDAF			
Drawn borrowings	C7	**1,126**	1,589
Lease liabilities payable	C9	**41**	97
Less: cash and cash equivalents	C5	**(363)**	(148)
Add back: restricted cash	C5	**43**	97
Net debt (A)		**847**	**1,635**
EBITDAF (B)		**709**	**692**
Net debt to EBITDAF (times) (A/B)[42]		**1.2**	**2.4**

	Note	2022 $M	2021 $M
EBITDAF Interest cover			
EBITDAF (B)		**709**	692
Interest on borrowings	A3	**76**	78
Interest on lease liabilities	A3	**2**	2
Interest (C)		**78**	80
EBITDAF interest cover (times) (B/C)		**9.1**	**8.7**
Standard & Poor's rating		**BBB+**	**BBB+**

42 To ensure our calculation of Net Debt to EBITDAF is comparable to that calculated by Standard and Poor's, we have removed the "Add back: cash buffer" adjustment made in prior periods. This has been removed in the Net debt to EBITDAF table above for both current and comparative periods. If it were included, the cash buffer add back would be $80 million in 2022 and $13 million for 2021.

C

C2 Share capital

Share capital	Shares	2022 $M	Shares	2021 $M
Shares issued	2,578,869,011	1,678	2,563,000,000	1,600
Treasury shares held	(1,304,226)	(7)	(1,359,011)	(5)
Share capital	**2,577,564,785**	**1,671**	**2,561,640,989**	**1,595**

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 new Dividend Reinvestment Plan (DRP). Refer to the Significant Matters section and to Note C4 Dividends for more information.

The movement in Treasury shares relates to the purchase and sale of shares by participants and held on trust as part of a long-term equity settled incentive plan for New Zealand-based senior executives (Refer to Note F1 Share-based payments) and for hedging of the LTI scheme.

C3 Earnings per share

Basic and diluted earnings per share (EPS)	2022	2021
Net profit after tax from continuing operations ($M)	**451**	415
Net profit after tax attributed to the shareholders of the parent company ($M)	**664**	428
Weighted average number of shares used in the calculation of EPS	**2,570,934,506**	2,563,000,000
Basic and diluted EPS from continuing operations (cents per share)	**17.5**	16.2
Basic and diluted EPS (cents per share)	**25.8**	16.7

C

C4 Dividends

Dividends declared and paid	2022 $M	2021 $M
Interim ordinary dividend 2022: 5.85cps (cents per share) (2021: 5.7cps)	150	146
Final ordinary dividend 2021: 11.2cps (2020: 11.2cps)	287	287
Total dividend expense	**437**	**433**
Dividends declared and not recognised as a liability		
Final ordinary dividend 2022: 11.55cps (2021:11.2cps)	298	287
Imputation credit balance		
Imputation credits available for future use at 23 August 2022	81	89

Subsequent event – dividend declared

On 23 August 2022 the Board declared a partially imputed final ordinary dividend of 11.55 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.

As noted in the Significant Matters section, Meridian has instituted a DRP under which shareholders can elect to receive dividends in additional shares rather than cash.

The first time the DRP was available for use was for the October 2021 final dividend payment. For this payment, new shares were issued at a 2% discount to the prevailing market price of Meridian shares around the time of issue. Whether a discount is available, and if so the level of that discount, is at the discetion of the Meridian Board. Meridian investors were issued 13,400,114 new shares with a value of $65 million.

The DRP was also available for use in the April 2022 interim dividend payment. For this payment, new shares were issued at a 0% discount. Meridian investors were issued 2,468,897 new 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 available on 23 August 2022, therefore recognising any tax payments between balance date and 23 August 2022.

C5 Cash and cash equivalents

Cash and cash equivalents	2022 $M	2021 $M
Current account	71	148
Short term deposits	250	–
Money market account	42	–
Cash and cash equivalents	363	148

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 2022, this collateral was $43 million (30 June 2021: $97 million).

All other cash and cash equivalent balances are available for use.

Reconciliation of net profit after tax to cash flows from operating activities	2022 $M	2021 $M
Net profit after tax	664	428
Adjustments for operating activities' non-cash items:		
Depreciation and amortisation	300	303
Movement in deferred tax	37	29
Net change in fair value of financial instruments	(260)	(248)
Electricity option premiums	(21)	(21)
Share-based payments	1	2
	57	65
Items classified as investing activities:		
Remeasurement of MEA remediation assets and liabilities	–	(6)
(Gain)/Loss on sale of assets	–	1
(Gain) on sale of subsidiaries	(214)	–
	(214)	(5)
Changes in working capital items:		
(Increase)/decrease in accounts receivable	75	(168)
(Increase)/decrease in customer contract assets	9	(1)
(Increase)/decrease in other assets	11	(19)
Increase/(decrease) in payables and accruals/employee entitlements	(114)	214
Increase/(decrease)in customer contract liabilities	(10)	–
Increase/(decrease) in current tax payable	(5)	(42)
Working capital items in investing activities	(11)	(17)
Working capital items in financing activities and other non-cash items	(1)	(24)
	(46)	(57)
Cash flow from operating activities	461	431

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C6 Trade receivables

Trade receivables	2022 $M	2021 $M
Accrued receivables	381	429
Current billed	19	50
Past due 1 to 30 days	19	14
Past due 31 to 60 days	4	3
Past due 61 to 90 days	1	1
Past due greater than 90 days	–	3
Less: credit loss allowance	(8)	(9)
Total trade receivables	**416**	**491**
Accounts receivable past due but not impaired	16	12

Movement in provision for credit loss allowance		
Opening provision	(9)	(16)
Provision released (created) in the year	(1)	3
Provision used in the year	2	4
Closing provision for credit loss allowance	**(8)**	**(9)**

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 in New Zealand and Australia.

Trade receivables written off during the year were $2 million (30 June 2021: $4 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 for both New Zealand and Australia, with a large rise in forecast unemployment acting as a trigger for us to reconsider the probability rates in our matrices.

As noted in the Significant Matters section, Meridian continues to hold a higher provision for credit losses in light of continuing economic uncertainty.

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C7 Borrowings

$M	Currency borrowed in	2022 Drawn facility amount	2022 Transaction costs paid	2022 Fair value adjustment	2022 Carrying amount	2021 Drawn facility amount	2021 Transaction costs paid	2021 Fair value adjustment	2021 Carrying amount
Current borrowings									
Unsecured borrowings	NZD	160	(1)	–	159	321	(1)	–	320
Unsecured borrowings	USD	–	–	–	–	47	–	11	58
Total current borrowings		**160**	**(1)**	**–**	**159**	**368**	**(1)**	**11**	**378**
Non –current borrowings									
Unsecured borrowings	NZD	380	–	–	380	665	(1)	–	664
Unsecured borrowings	USD	586	(1)	39	624	556	(1)	79	634
Total non –current borrowings		**966**	**(1)**	**39**	**1,004**	**1,221**	**(2)**	**79**	**1,298**
Total borrowings		**1,126**	**(2)**	**39**	**1,163**	**1,589**	**(3)**	**90**	**1,676**

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 detail on this. 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 reporting currency. More information on Meridian's risk management and hedge accounting practices can be found in Section D Financial instruments used to manage risk.

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	2022 $M Carrying value	2022 $M Fair value	2021 $M Carrying value	2021 $M Fair value
Retail bonds	**500**	**497**	500	540
Floating Rate Notes	**–**	**–**	50	51
Unsecured term loan (EKF facility)	**40**	**41**	50	52

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.

C

C7 Borrowings continued

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.

2022

$M	Balance at 30 June 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**

2021

$M	Balance at 1 July 2020	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 2021
Unsecured borrowings – NZD	886	108	(10)	–	–	–	–	–	–	–	–	984
Unsecured borrowings – USD	802	–	–	(58)	(52)	–	–	–	–	–	–	692
Lease Liabilities	104	–	–	–	–	–	1	(7)	(6)	–	5	97
Total	**1,792**	**108**	**(10)**	**(58)**	**(52)**	**–**	**1**	**(7)**	**(6)**	**–**	**5**	**1,773**

Sources of funding – $M	Currency borrowed in	2022 Facility amount	2022 Drawn facility amount	2022 Undrawn facility amount	2021 Facility amount	2021 Drawn facility amount	2021 Undrawn facility amount
Bank facilities							
New Zealand bank funding[43]	NZD	550	–	550	770	161	609
EKF funding[44]	NZD	40	40	–	50	50	–
Total bank facilities		**590**	**40**	**550**	**820**	**211**	**609**
Other sources of borrowing							
Retail bonds[45]	NZD	500	500	–	500	500	–
Floating rate notes[43]	NZD	–	–	–	50	50	–
Fixed rate bonds[46]	USD	586	586	–	603	603	–
Commercial paper[47]	NZD	–	–	–	225	225	–
Total other sources of borrowing		**1,086**	**1,086**	**–**	**1,378**	**1,378**	**–**
Total sources of funding		**1,676**	**1,126**	**550**	**2,198**	**1,589**	**609**

43 Funding bears interest at the relevant market floating rate plus a margin.
44 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.
45 Retail Bonds are senior unsecured retail bonds bearing interest rates of 4.53%, 4.88% and 4.21%.
46 USD fixed rate bonds are unsecured fixed rate bonds issued in the United States Private Placement Market.
47 NZD commercial paper comprises senior unsecured short-term debt obligations paying a fixed rate of return over a set period of time.

C8 Green financing

Green Debt Instruments under Meridian's Green Finance Programme

Green Debt allocated to the Hydro Pool[48]

Type – $M	CUSIP/NZX Code	Currency borrowed in	30 June 2022 Facility amount	30 June 2022 Drawn facility amount	30 June 2021 Facility amount	30 June 2021 Drawn facility amount
USPP Series 2014-1 Tranche A[49]	Q5995*AA6	USD	–	–	47	47
USPP Series 2014-1 Tranche B[49]	Q5995*AB4	USD	**147**	**147**	117	117
USPP Series 2019-1 Tranche A[49]	Q5995#AE4	USD	**183**	**183**	183	183
USPP Series 2019-1 Tranche B[49]	Q5995#AF1	USD	**183**	**183**	183	183
USPP Series 2019-1 Tranche C[49]	Q5995#AG9	USD	**73**	**73**	73	73
Total USPP			**586**	**586**	**603**	**603**
Wholesale FRN – 10yr		NZD	–	–	50	50
Bank Facilities[50]		NZD	**550**	–	770	161
Commercial Paper[51]		NZD	–	–	225	225
Total Green Debt allocated to the Hydro Pool			**1,136**	**586**	**1,648**	**1,039**

Green Debt allocated to the Wind Pool[52]

Type – $M	CUSIP/NZX Code	Currency borrowed in	30 June 2022 Facility amount	30 June 2022 Drawn facility amount	30 June 2021 Facility amount	30 June 2021 Drawn facility amount
Retail Bond (Mar-23)	MEL030	NZD	**150**	**150**	150	150
Retail Bond (Mar-24)	MEL040	NZD	**150**	**150**	150	150
Retail Bond (Mar-25)	MEL050	NZD	**200**	**200**	200	200
Total Domestic Bonds			**500**	**500**	**500**	**500**
EKF Amortising Facility		NZD	**40**	**40**	50	50
Total Green Debt allocated to the Wind Pool			**540**	**540**	**550**	**550**
Total Green Debt			**1,676**	**1,126**	**2,198**	**1,589**

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

48 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.

49 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 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 Meridian Energy Australia 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 has increased to reflect the FX movement between the original USD/AUD CCIRS and the new USD/NZD CCIRS.

50 Committed Bank facilities are included at the face value of the facilities.

51 Commercial Paper is included as the amount on issue.

52 Climate Bonds Standard Certified.

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).

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 sustainable objectives.

The Framework is aligned with the following market standards as at the date of the Framework:

- International Capital Markets Association (ICMA) Green Bond Principles (GBP); Climate Bonds Standard currently version 3.0 (CBS); and Asia Pacific Loan Market Association Green Loan Principles (GLP), (together the Market Standards).

The proceeds of Meridian's debt instruments, outlined in the above tables, have been allocated (directly or notionally) to refinance eligible wind and hydro projects and assets that meet the market standards.

At 30 June 2022, Meridian remains compliant with the requirements of the programme.

C

C9 Lease liabilities

Lease liabilities analysis	2022 $M	2021 $M
Minimum lease payments		
Not later than 1 year	**5**	10
Later than 1 year and not later than 3 years	**10**	19
Later than 3 years and not later than 5 years	**9**	18
Later than 5 years	**32**	99
Gross future lease payables	**56**	146
Less future finance costs	**(15)**	(49)
Present value of lease liabilities	**41**	**97**
Analysed as:		
Not later than 1 year	**4**	7
Later than 1 year and not later than 3 years	**7**	13
Later than 3 years and not later than 5 years	**7**	12
Later than 5 years	**23**	65
Present value of lease liabilities	**41**	**97**
Comprising:		
Current	**4**	7
Non-current	**37**	90
	41	**97**

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 3.19% (30 June 2021: 3.10%).

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 2021: $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 2022 $M	2021 $M
Property, plant and equipment	288	328
Software	1	–
Total capital expenditure commitments	**289**	**328**

Guarantees

Various entities within the Group provide guarantees to external counterparties, with these mostly relating to security for energy market clearing and lines companies. The maximum liability under these guarantees is $150 million (30 June 2021: $166 million).

Native tree planting of coastal forest on the Kaitoke Peninsula with Raglan Area School.

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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 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**, edges 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.

Realised flows on hedges are recognised in the income statement within EBITDAF, in the same line as the underlying business/transactions being hedged.

Fair value (or unrealised) changes are recognised in "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
- **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.

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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. Meridian does not have any significant credit risk concentrations of concern.

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 mainaining 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 $150 million for Meridian's general operations (30 June 2021: $166 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.

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	500	32	22	4	**558**	–	(3)	**555**
Treasury hedges	16	4	7	3	**30**	–	(4)	**26**
Energy hedges	17	28	56	8	**109**	–	(12)	**97**
	747	**276**	**554**	**594**	**2,171**	**(2)**	**(287)**	**1,882**

2021 $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	2021 carrying value
Borrowings	475	207	554	650	**1,886**	(3)	(207)	**1,676**
Lease liabilities	10	19	18	99	**146**	–	(49)	**97**
Payables, accruals, provisions and option premiums	626	40	–	35	**701**	–	(13)	**688**
Treasury hedges	40	30	57	34	**161**	–	(16)	**145**
Energy hedges	27	7	15	–	**49**	–	–	**49**
	1,178	**303**	**644**	**818**	**2,943**	**(3)**	**(285)**	**2,655**

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 main sub-types of market risk that we are exposed to are discussed opposite.

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 US Dollars, 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 risk 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.

The team at Benmore Hydro 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			
	2022		2021	
$M	Assets	Liabilities	Assets	Liabilities
Treasury hedges	93	(26)	106	(145)
Energy hedges	516	(97)	300	(49)
	609	**(123)**	**406**	**(194)**
of which				
Current	232	(30)	192	(63)
Non Current	377	(93)	214	(131)
	609	**(123)**	**406**	**(194)**

Further disclosure and analysis of these two categories are noted on the following pages.

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[53]	
		2022 $M		2021 $M		2022 $M	2021 $M	2022 $M	2021 $M
Treasury hedges	Level	Assets	Liabilities	Assets	Liabilities				
CCIRS									
– Interest Rate Risk[54]		(9)	(6)	62	–	4	(1)		
– Basis and Margin Risk[55]		(1)	–	(6)	–	–	–		
– Foreign Exchange Risk[56]		54	–	28	–	–	–		
	2	44	(6)	84	–	4	(1)	586	602
IRS[57]	2	30	(20)	16	(145)	132	80	1,295	1,502
FX[58]	2	19	–	16	(145)	–	80	1,295	1,502
Treasury hedges		**93**	**(26)**	**106**	**(145)**	**136**	**79**		

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:

53 These cover multiple legs including offsetting legs and maturities out to 2036.
54 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.
55 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.
56 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.
57 Changes in fair value of IRS are recognised in the Income Statement within "Net change in fair value of treasury instruments".
58 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 above 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 P&L sensitivity is nil and is not shown in the below table.

The majority of the FX portfolio are designated in cash flow hedge relationships. Changes in spot exchanges rates are fully offset by opposite impacts from hedge accounting entries in the P&L, for these contracts the P&L sensitivity is nil.

		Impact on after tax profit & equity	
	Sensitivity	2022 $M	2021 $M
Interest rates			
New Zealand benchmark bill rate	-100 basis points (bps)	**(30)**	(38)
	+100 bps	**27**	38
Australian benchmark bill rate	-100 bps	**N/A**	(3)
	+100 bps	**N/A**	3
Foreign Exchange Rates			
Effect of movement in foreign exchange rates on foreign exchange contracts	-20%	**(4)**	(1)
	+20%	**4**	1

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.

		Fair value on the balance sheet				Fair value movements in the income statement		Outstanding aggregate notional volumes[59]	
		2022 $M		2021 $M		2022 $M	2021 $M	2022	2021
Energy hedges	Level	Assets	Liabilities	Assets	Liabilities				
Market traded electricity hedges	1	283	(1)	149	(21)	164	46	17,843 GWh	20,158 GWh
Market traded gas hedges	1	–	–	–	–	–	–	Nil	322 TJ
Other electricity hedges	3	194	(96)	113	(14)	3	132	13,137 GWh	13,734 GWh
Other gas hedges	2	–	–	3	–	–	–	Nil	3,749 TJ
Electricity options	3	39	–	29	–	(22)	(21)	1,765 GWh	1,722 GWh
Large Scale Generation Certificates (LGCs)									
LGC – Holdings created from wind farm generation	1	–	–	5	–	–	–	Nil	0.2 million
LGC – Hedges	2	–	–	1	(14)	–	–	Nil	2.2 million
		–	–	6	(14)	–	–		
Energy related hedges		516	(97)	300	(49)	145	157		

59 These cover multiple legs including offsetting legs and maturities out to 2030.

The "Market traded electicity hedges" and "Market traded gas hedges" categories contain instruments that are traded on various exchange-based markets.

The "Other Electricity hedges" and "Other gas hedges" categories contain 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 can not 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.

The LGC category had two sub-components. The first represented the Renewable Energy Certificates (RECs) that Meridian's Australian wind farms earned in the form of Large Scale Generation Certificates (LGCs). Additionally, Powershop Australia was required to purchase and surrender RECs. The second represented the derivatives used to firm prices received for LGCs generated and consequently reduce the profit volatility of each wind farm. At the time of generation, LGCs were recognised as income in energy margin at the prevailing spot price. LGC holdings and hedges were all recognised as financial instruments on the balance sheet at their fair value.

LGC's have been derecognised during the current financial year as part of the sale of MEA.

Energy 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 Energy Hedges and therefore on Meridian's after tax profit and equity.

		Impact on after tax profit & equity	
Energy hedges	**Sensitivity**	**2022 $M**	**2021 $M**
Energy prices	-10%	**(105)**	(75)
	+10%	**105**	76
Discount rates	-100 bps	**1**	1
	+100 bps	**(1)**	(1)
Call volumes	-10%	**(3)**	(2)
	+10%	**3**	2
LGC prices	-10%	**N/A**	2
	+10%	**N/A**	(2)

Settlements of energy hedges

The following provides a summary of the settlements through EBITDAF for Energy hedges:

	2022			2021		
	Operating Revenue	**Operating expenses**	**Total settlements in EBITDAF**	**Operating Revenue**	**Operating expenses**	**Total settlements in EBITDAF**
Market traded electricity hedges	**(25)**	**22**	**(3)**	(54)	61	**7**
Other electricity hedges	**(48)**	**159**	**111**	(98)	227	**129**
Electricity options	**–**	**13**	**13**	–	75	**75**
Total settlements in EBITDAF	**(73)**	**194**	**121**	**(152)**	**363**	**211**

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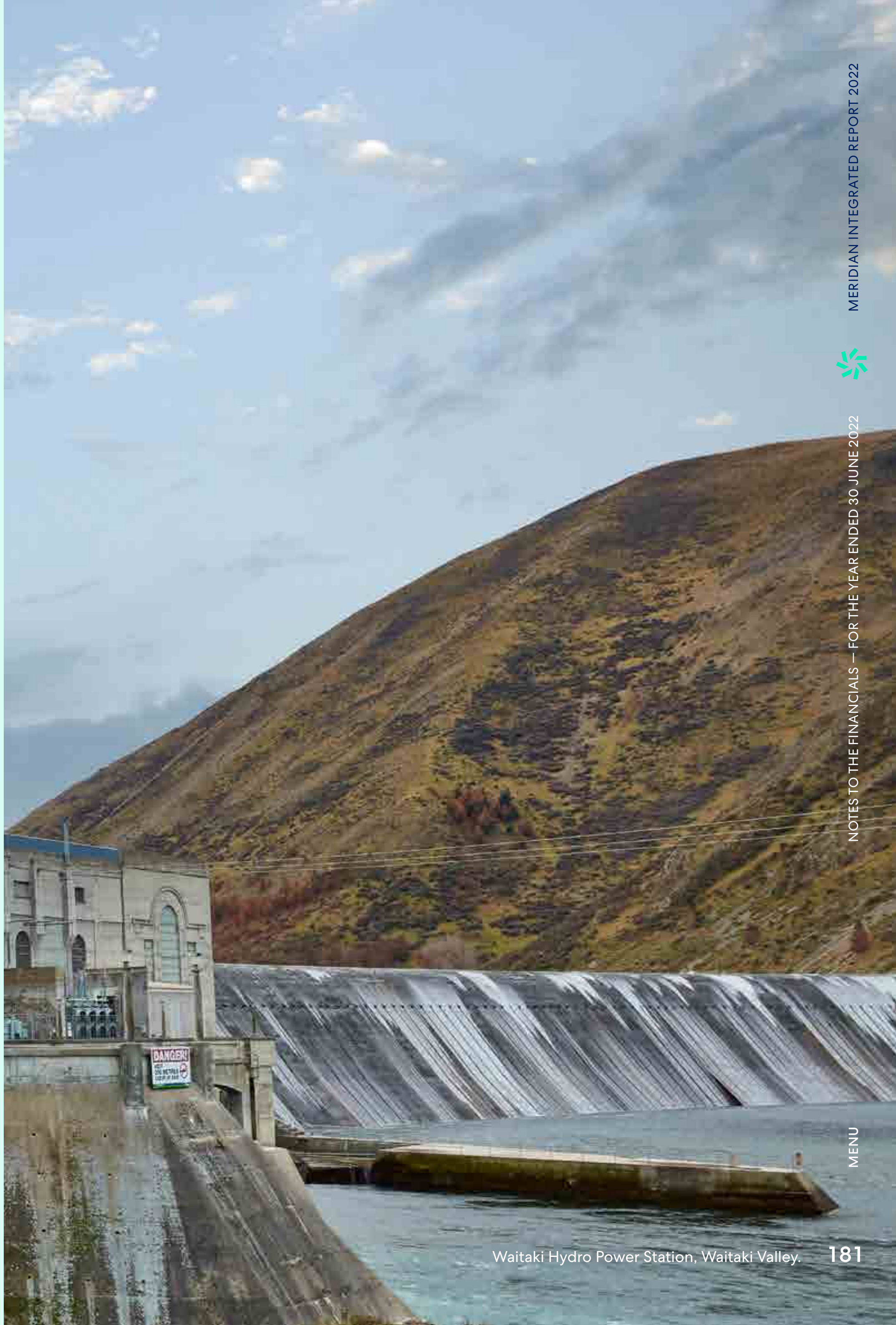

Waitaki Hydro Power Station, Waitaki Valley.

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 data on gas/oil prices, 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 credit 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 impact of COVID-19 has been considered as part of the assumptions when determining the fair value of our financial instruments however there was no impact on fair value when taking this into consideration.

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.	\$34/MWh to \$115/MWh (in real terms), excludes observable ASX prices.	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.
LGC forward contracts & options valued using DCFs/ Black Scholes	**Price**, based on a forward LGC price curve from a third party broker, and benchmarked against market spot prices.	A\$8 to A\$39 (2021)	An increase in the forward LGC price decreases the fair value of sell hedges and increases the fair value of buy hedges. A decrease in the forward LGC price has the opposite effect.

Level 3 financial instrument analysis

The following provides a summary of the movements through EBITDAF and movements in the fair value of Level 3 financial instruments:

Reconciliation of Level 3 fair value movements $M	2022 Other electricity hedges	2022 Electricity options	2022 Total	2021 Other electricity hedgess	2021 Electricity options	2021 Total
Energy hedges settled in EBITDAF:						
Operating revenue	(48)	–	(48)	(98)	–	(98)
Operating expenses	159	13	172	225	75	300
Total settlements in EBITDAF	111	13	124	127	75	202
Net change in fair value of energy hedges:						
Remeasurement	114	(9)	105	264	54	318
Hedges settled	(111)	(13)	(124)	(127)	(75)	(202)
Total realised and unrealised losses on energy hedges	3	(22)	(19)	137	(21)	116
Balance at the beginning of the period	99	29	128	(38)	50	12
Fair value movements	3	(22)	(19)	137	(21)	116
Disposals	(4)	–	(4)	–	–	–
New hedge recognised	–	32	32	–	–	–
Balance at the end of the year	98	39	137	99	29	128

Fair value movements of Level 3 energy hedges in 2022 which are held at balance date total ($4) million decrease (30 June 2021: increase of $85 million).

Movements in recalibration differencesarising from energy hedges	2022 $M	2021 $M
Opening difference	(2)	(1)
Volumes expired and amortised	2	–
Recalibration for future price estimates and time	–	(1)
Closing difference	–	(2)

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.

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 start of 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 that

- 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.

The accumulated life to date hedge accounting adjustments on the USD borrowing decrease the carrying value of the borrowing by $16 million (2021: increase by $56 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 that

- 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
- The Statement of Changes in Equity for the balance of the Cash Flow Hedge Reserve and movements during the period.

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 cashflows. 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 the 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

	2022 $M	2021 $M
Hedge Ineffectivenss gain (loss)	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 hedge accounting entries.

Hedge ineffectiveness will net to zero over the life of the hedge relationships.

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Future cash flows

The below table 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.

	2022 $M				2021 $M			
Currency as indicated below	Due within 1 year	Due within 1–2 years	Due within 2–5 years	Due after 5 years	Due within 1 year	Due within 1–2 years	Due within 2–5 years	Due after 5 years
USD Borrowings (shown in USD)	**(16)**	**(16)**	**(144)**	**(342)**	(56)	(16)	(47)	(454)
CCIRS								
– USD leg (coupons and maturity flow – shown in USD)	**16**	**16**	**144**	**342**	56	16	47	454
– Functional currency leg (coupons and maturity flow – shown in NZD)	**(26)**	**(34)**	**(240)**	**(528)**	(58)	(13)	(53)	(638)
Foreign Exchange Contracts								
– Foreign currency leg (shown in NZD)	**101**	**66**	**–**	**–**	12	95	62	–
– Functional currency leg (shown in NZD)	**(90)**	**(59)**	**–**	**–**	(11)	(90)	(59)	–

Functional currency coupons are set quarterly based on NZ and AU benchmark rates. They are shown in this table based on market forward interest rates and translated to NZD equivalent using spot AUD/NZD exchange rates at reporting date.

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.

	2022 $M			2021 $M		
	Gross Value	Value Offset	Carrying Value	Gross Value	Value Offset	Carrying Value
Financial instrument assets						
– Energy hedges	691	(175)	**516**	505	(205)	**300**
– Treasury hedges	93	–	**93**	106	–	**106**
Total financial instrument assets	784	(175)	**609**	611	(205)	**406**
Financial instrument liabilities						
– Energy hedges	(272)	175	**(97)**	(254)	205	**(49)**
– Treasury hedges	(26)	–	**(26)**	(145)	–	**(145)**
Total financial instrument liabilities	(298)	175	**(123)**	(399)	205	**(194)**
Net financial instruments	**486**	**–**	**486**	**212**	**–**	**212**

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 adjacent.

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 in order to ensure they meet their obligations as they fall due.

Name of entity	Principal activity	Functional Currency	Interest held by the group 2022	2021
Meridian Energy Limited[60]				
Flux Federation Limited	Software development	New Zealand dollar	100%	100%
Flux-UK Limited	Licence holder	British pounds	100%	100%
Three River Holdings No. 1 Limited[61]	Holding company	New Zealand dollar	–	100%
Three River Holdings No. 2 Limited[61]	Holding company	New Zealand dollar	–	100%
Meridian Energy Australia Pty Limited[62]	Management services	Australian dollar	–	100%
GSP Energy Pty Limited[62]	Electricity generation	Australian dollar	–	100%
Meridian Finco Pty Limited[62]	Financing	Australian dollar	–	100%
Rangoon Energy Park Pty Limited[62]	Wind farm development	Australian dollar	–	100%
Wandsworth Wind Farm Pty Limited[62]	Wind farm development	Australian dollar	–	100%
Meridian Energy Markets Pty Limited[62]	Non-trading entity	Australian dollar	–	100%
Meridian Wind Monaro Range Holdings Pty Limited[62]	Holding company	Australian dollar	–	100%
Meridian Wind Monaro Range Pty Limited[62]	Holding company	Australian dollar	–	100%
Mt Millar Wind Farm Pty Limited[62]	Electricity generation	Australian dollar	–	100%
Meridian Australia Holdings Pty Limited[62]	Holding company	Australian dollar	–	100%
Meridian Wind Australia Holdings Pty Limited[62]	Holding company	Australian dollar	–	100%
Mt Mercer Windfarm Pty Limited[62]	Electricity generation	Australian dollar	–	100%
Powershop Australia Pty Limited	Electricity retailer	Australian dollar	–	100%
Dam Safety Intelligence Limited	Professional services	New Zealand dollar	100%	100%
Meridian LTI Trustee Limited	Trustee	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%

60 Member of the guaranteeing group as at 30 June 2022.
61 On 31 January 2022, Meridian sold its MEA business. Accordingly as at 30 June 2022, ownership percentages above are nil.
62 On 30 June 2022, Three River Holdings No. 1 Limited and Three River Holdings No.2 Limited were amalgamated into Meridian Energy Limited. Accordingly as at 30 June 2022, ownership percentages above are nil.

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 (LTI)

In August 2019, the Board approved a new LTI plan to replace Meridian's previous LTI plan. Set out below is a summary of the previous LTI Plan which was last offered in FY19 (for the period commencing on 1 July 2018 and ending on 30 June 2021). Also set out below is a summary of the new LTI plan which was first offered in FY20 (for the period commencing on 1 July 2019 and ending 30 June 2022).

New LTI Plan

Under the new 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).

In the current financial year, 476,168 share rights were issued to eligible staff, 238,084 being ABS Rights and 238,084 being REL Rights.

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F1 Share-based payments continued

Previous LTI Plan

The previous LTI is a share loan and cash bonus scheme, where executives purchase Meridian shares via an interest-free loan from the company, with the shares held on trust by the LTI plan trustee.

Any shares awarded depend on whether the following performance hurdles are met over a three-year period:

- the company's absolute total shareholder return (TSR) must be positive; and
- the company's TSR compared to a benchmark peer group.

If the performance hurdles have been achieved, a progressive vesting scale is applied to determine how many shares vest:

- if the company's TSR over the three-year period exceeds the 50th percentile TSR of the benchmark peer group, at least 50% of an executive's shares will vest.
- 100% shares will vest on meeting the 75th percentile TSR of the peer group, with vesting on a straight-line basis between these two points.
- no shares will vest if the company's TSR is less than the 50th percentile TSR of the peer group.

Once the vesting level has been confirmed, a cash amount (after the deduction of tax), but before other applicable salary deductions, is used to repay the executive's outstanding loan balance.

For each three-year plan, an independent external expert measures TSR of Meridian and the peer group of companies along with the outcome on the progressive vesting scale. If TSR is not positive (i.e. in absolute terms is less than zero), or if TSR does not meet the peer group relative TSR hurdle of 50th percentile, all of the shares are forfeited to the trustee and the relevant executive receives no benefits under the LTI. Where the TSR is greater than the 50th percentile of the benchmark peer group, but below the 75th percentile, shares are allocated on a percentage basis and any that have not vested will also be forfeited.

For the LTI plan that vested at the end of 2021, the level of vesting was 100%. Therefore, the outstanding balance of the interest free loans at 30 June 2021 of $0.7 million has now been repaid. A total amount of 238,724 shares were transferred to the eligible participants in 2021.

Movement in zero–priced share options

				Number of options/rights				
Grant date	Vesting date	LTI Scheme & 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
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**
2021								
9/03/21	30/06/23	New – ABS	$3.53	–	238,084	–	–	238,084
9/03/21	30/06/23	New – REL	$3.75	–	238,084	–	–	238,084
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
22/08/2018	30/06/21	Previous	$1.78	238,724	–	(238,724)	–	–
Total				**648,392**	**476,168**	**(238,724)**	**–**	**885,836**

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.

Directors of the Group may be directors or officers of other companies or organisations with which members of the Group may transact.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as below:

	Group	
	2022 $M	2021 $M
Directors' Fees	**1**	1
Chief executive officer, senior management team and subsidiary chief executives		
Salaries and short-term benefits	**8**	7
Long-term benefits	**–**	1
	8	**8**

F3 Auditors remuneration

	Group	
Auditors remuneration to Deloitte Limited for:	2022 $M	2021 $M
Audit and review of New Zealand-based companies' financial statements	**0.6**	0.6
Audit of overseas-based companies' financial statements	**0.1**	0.2
Total audit fees	**0.7**	**0.8**
Other assurance fees	**0.2**	0.1
Total auditor remuneration	**0.9**	**0.9**

The Board has adopted a policy to maintain the independence of the Company's external auditor, including an approval of all other services performed by Deloitte Limited. 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 $39,973 (30 June 2021: $37,000).

Other assurance services undertaken by Deloitte Limited during the year included reviews of greenhouse gas inventory and sustainability reporting assurance, review of the interim financial statements, 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.

Meridian has also paid $17,000 (2021: $14,000) 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 addition to this, Meridian paid $62,880 (2021: nil) to Deloitte Touche Tohmatsu for assurance services relating to the sale of Meridian Energy Australia.

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F4 Contingent assets and liabilities

There were no contingent assets or liabilities at 30 June 2022 (2021: Nil).

F5 Subsequent events

In July 2022, NZAS announced they have begun exploring potential pathways with electricity generators for a future beyond 2024. Meridian will engage with NZAS as part of its process and expects this will include contract negotiations. Due to the inherent uncertainty surrounding the timing and effect of any negotiations, and regulatory requirements that may have to be met, it is not possible to determine any effect this might have on these financial statements.

In August 2022, Meridian and Contact Energy Limited entered into a swaption and a contract for difference (CfD). The two financial contracts provide Meridian with additional portfolio flexibility and are for a two year period commencing on 1 January 2023. Both financial contracts are subject to conditions precedent that Contact has obtained a certain amount of natural gas each year, with this being confirmed or otherwise no later than 15 September 2022 for the 2023 year and 15 September 2023 for the 2024 year. The swaption is limited to 150GWh per annum and may be called between 1 April and 30 September for each of 2023 and 2024. Meridian is the fixed price payer. Meridian also pays Contact a premium each year for the right to call the swaption. The CfD is for 294GWh per annum and Meridian is the fixed price payer.

There are no other subsequent events other than dividends declared on 23 August 2022 (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 2022

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 143 to 190, that comprise the consolidated balance sheet as at 30 June 2022, 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 2022, 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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, assurance of lockbox workings for the Meridian Energy Australia Group of subsidiaries, and supervisor reporting. We also carried out non-assurance assignments for the Group relating to Corporate Taxpayers Group, 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 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.

Other than in our capacity as auditor we have no relationship with, or interests in, Meridian Energy Limited or any of its subsidiaries.

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 $19 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 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 $7,472 million (2021: $8,297 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 2022. The revaluation resulted in a decrease in value by $55 million (2021: increase of $202 million). The impact of the revaluation is recognised as a decrease of $55 million in the revaluation reserve with no income statement impact in the current period (2021: increase of $202 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 COVID 19 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.	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 COVID-19 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 and the disclosures included in Note B1 are reasonable.
Valuation of Level 3 Electricity Derivatives 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 2022. Fair value measurementsgrouped 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 2022, level 3 electricity derivative assets totalled $233 million (2021: $142 million) and level 3 electricity derivative liabilities were $96 million (2021: $14 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.	Our audit procedures focused on: • The reasonableness of the future NZ wholesale electricity price paths (including the consideration of any impacts relating to COVID-19 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 derivavtives and the disclosures made in Note D1 are reasonable to estimate the fair value of the level 3 electricity derivatives.

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 142 and 197 to 200, 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
Wellington, New Zealand
23 August 2022

Independent accountant's assurance report

Deloitte.

To the shareholders of Meridian Energy Limited for the year ended 30 June 2022

Report on sustainability content within the 2022 Integrated Report

Meridian Energy Limited's Integrated Report for the year ended 30 June 2022 (the 'Integrated Report') includes sustainability content on pages 14 to 88, 97, 103 to 120, and 197 to 200 ('Sustainability Content') prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (the 'GRI Standards').

The subject of our limited assurance engagement is the information included on pages 14 to 88, 97, 103 to 120, and 197 to 200 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 197 to 200 prepared in accordance with the GRI standards as referenced in the GRI index on pages 197 to 200. 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 14 to 88, 97, 103 to 120, and 197 to 200 of the Integrated report for the year ended 30 June 2022, 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 index on pages 197 to 200 has not been prepared, in all material respects, in accordance with the GRI Standards referenced in the GRI index on pages 197 to 200.

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 and specifically those GRI Standards set out in the GRI 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.

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 Meridian Energy 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, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited, assurance of lockbox workings for the Meridian Energy Australia Group of subsidiaries, and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate Taxpayers Group, which are compatible with those independence requirements.

In addition, principals and employees of our firm deal with the Meridian Energy Group on arm's length terms within the ordinary course of trading activities of the Meridian Energy 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 Meridian Energy Group.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements*, and *Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented 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.

We did not evaluate the security and controls over the electronic publication of the Integrated Report.

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 law, 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
Auckland, New Zealand
23 August 2022

GRI standards content index

Meridian Energy Limited has reported in accordance with the GRI Standards for the period 1 July 2021 to 30 June 2022. GRI1: Foundation 2021 has been used.

GENERAL DISCLOSURES		Pg #	Comment
GRI 2: GENERAL DISCLOSURES 2021			
2-1	Organizational details	Front cover	
2-2	Entities included in the organization's sustainability reporting	116	
2-3	Reporting period, frequency and contact point	116, 120	
2-4	Restatements of information		Discussed where relevant throughout the report.
2-5	External assurance	195-196	Refer to independent accountant's assurance report
2-6	Activities, value chain and other business relationships	35, 116-117	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	62	Headcount has been used, not FTE. Data sourced from the PayGlobal System as at the end of the reporting period. Australian employees are not included due to sale of Meridian Australia.
2-8	Workers who are not employees	117	
2-9	Governance structure and composition	66, 68, 105, 118 126-128	Refer to Corporate Governance Statement Directors Skills Matrix and Board Charter (pp 1–2)
2-10	Nomination and selection of the highest governance body	118	Refer to Constitution (pp13-15) and Board Charter (p2) plus further detail in Corporate Governance Statement
2-11	Chair of the highest governance body		Refer to Corporate Governance Statement (p5).
2-12	Role of the highest governance body in overseeing the management of impacts	105-107, 118	
2-13	Delegation of responsibility for managing impacts	106	

* Disclosures starting with "EU" are from the Electric Utilities G4 Sector Disclosure.

GENERAL DISCLOSURES		Pg #	Comment
2-14	Role of the highest governance body in sustainability reporting	105, 111	
2-15	Conflicts of interest	117	Refer to Corporate Governance Statement
2-16	Communication of critical concerns	117	Refer to Corporate Governance Statement (Principle 6)
2-17	Collective knowledge of the highest governance body	117	Refer to Board Charter (p3)
2-18	Evaluation of the performance of the highest governance body		Refer to Corporate Governance Statement (pgs 4–5) and Board Charter (p3)
2-19	Renumeration Policies	92-101	
2-20	Process to determine remuneration	92-101	
2-21	Annual compensation ratio	97	
2-22	Statement on sustainable development strategy	18-27, 70, 110, 114-120	
2-23	Policy commitments	70	
2-24	Embedding policy commitments	70-71	Refer to Corporate Governance Statement Recommendation 1.1 and Meridian Compliance Policy.
2-26	Mechanisms for seeking advice and raising concerns	71	
2-27	Compliance with laws and regulations	34	Refer to Supplier Code of Conduct
2-28	Membership associations	138	
2-29	Approach to stakeholder engagement	104-105	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	32	
EU2	Net energy output	32	
EU3	Number of customer accounts	85	
EU4	Transmission and distribution lines (length of above and underground transmission and distribution lines by regulatory regime)		Length insignificant
EU5	Allocation of CO2e emissions allowances or equivalent broken down by carbon trading framework		No emissions allowances received
EU15	Employees eligible to retire	62	

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	105	
3-2	List of material topics	108	
Economic performance			
GRI 3: Material Topics 2021			
3-3	Management of material topics	41, 88, 106-109	See also Taskforce for Climate-related Financial Disclosures (TCFD) Report at **meridianenergy.co.nz/who-we-are/sustainability/climate-disclosures.**
GRI 201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	111-113	
Water and effluents			
GRI 3: Material Topics 2021			
3-3	Management of material topics	41, 106-109	
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	31-34, 73	
303-2	Management of water discharge-related impacts	31-34	
303-3	Water withdrawal	33	Water stress not tested this FY. Data is collected by Meridian and independently audited each month. There are no priority substances that are present in our water discharge. Total then spilt into water that re-enters the same river (nonconsumptive) and water that is consumed or diverted (consumptive). Breakdown of total water withdrawal and discharged not categorised by 1000 mg/L total dissolved solids. Excludes Flux.
303-4	Water discharge	33	
303-5	Water consumption	33	
Non-GRI KPIs*	Strength of relationships with stakeholders interested in water	28-41, 73, 104-109	Includes central government, local government, Ngāi Tahu and other iwi, local community groups and the general public.

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Biodiversity			
GRI 3: Material Topics 2021			
3-3	Management of material topics	41, 106-109	
GRI 304: Biodiversity 2016			
304-2	Significant impacts of activities, products and services on biodiversity	31, 33-34, 41, 108	Excludes Flux
Emissions			
GRI 3: Material Topics 2021			
3-3	Management of material topics	41, 106-109	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	37	
305-2	Energy indirect (Scope 2) GHG emissions	37	
305-3	Other indirect (Scope 3) GHG emissions	37	
Occupational health and safety			
GRI 3: Material Topics 2021			
3-3	Management of material topics	75, 106-109	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	63-64	The OHS System is not externally audited, however a gap analysis with respect to the ISO45001 standard was undertaken with the assistance of PWC in FY22. No significant gaps were identified and the intention is to obtain accreditation to this standard in FY23. Accreditation to NZS 7901:2008 Electricity and Gas Industries Safety Management Systems for Public Safety, externally audited by Telarc, was maintained.

* 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
403-2	Hazard identification, risk assessment, and incident investigation	63-64	
403-3	Occupational health services	63-64	
403-4	Worker participation, consultation, and communication on occupational health and safety	63-64	
403-5	Worker training on occupational health and safety	63-64	
403-6	Promotion of worker health	63-64	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	63-64	
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 the OHS management system. Flux permanent employees and contractors are fully covered by Flux's health and safety management system.
403-9	Work-related injuries	65	Excludes Flux.
Diversity and equal opportunity			
GRI 3: Material Topics 2021			
3-3	Management of material topics	75, 106-109	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	66, 68-69	
405-2	Ratio of basic salary and remuneration of women to men	69	
Local communities			
GRI 3: Material Topics 2021			
3-3	Management of material topics	75, 106-109	
GRI 413: Local Communities 2016			

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
413-1	Operations with local community engagement, impact assessments, and development programs	72-73, 75	100% of our power stations have local community engagement programmes. Social and environmental impacts disclose through impacts/materiality process via annual report. We have no formal grievance policy for communities, these would be dealt with by appropriate manager and escalated through to line managers if appropriate.
Non-GRI KPIs*	Contribution to local communities in New Zealand	72-75	
Non-GRI KPIs*	Number of community fund grants in New Zealand	72	
Public policy			
GRI 3: Material Topics 2021			
3-3	Management of material topics	41, 106-109	
GRI 415: Public Policy 2016			
415-1	Political contributions		Meridian does not donate to any political parties (as specified in our Code of Conduct)
Pipeline of generation options			
GRI 3-3	Management of material topics	56, 106-109	
EU10**	Planned capacity against demand	51	
Plant performance			
GRI 3-3	Management of material topics	56, 106-109	
EU30**	Plant availiability factor	33	
Financial performance			
GRI 3-3	Management of material topics	88, 106-109	
Non-GRI KPIs*	Various financial measures	26	

* 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 the Electric Utilities G4 Sector Disclosure.

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Financial impacts of hydrology			
GRI 3-3	Management of material topics	56, 106-109	
Non-GRI KPIs*	Financial implications of variability in hydrology	26, 113	
Action on climate Change			
GRI 3-3	Management of material topics	41, 56, 75, 106-109	
Non-GRI KPIs*	Proportion of Meridian Group generation from renewable resources	13	
Non-GRI KPIs*	Support for customers' climate actions	23-24, 52-56	See also Meridian's Climate Action Plan at meridianenergy.co.nz/about-us/investors/sustainability
Non-GRI KPIs*	Support for our people's climate actions	23-24, 56	
Non-GRI KPIs*	Operational emissions reduction target	23-24	
Employee engagement			
GRI 3-3	Management of material topics	75, 106-109	
Non- GRI KPIs*	Employee engagement surveys	66	
Customer satisfaction			
GRI 3-3	Management of material topics	75, 106-109	
Non-GRI KPIs*	Level of Customer satisfaction – Brand monitor	85	
Non-GRI KPIs*	Customer retention rates	85	

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Electricity pricing			
GRI 3-3	Management of material topics	26, 113	
Non-GRI KPIs*	Price of electricity in NZ compared to other OECD countries	74	
Non-GRI KPIs*	Customer sales volume	85	
Support for vulnerable customers			
GRI 3-3	Management of material topics	75, 106-109	
Non-GRI KPIs*	Disconnections	74	
Process safety			
GRI 3-3	Management of material topics	75, 106-109	
Non-GRI KPIs*	Actions to improve process safety	63	
Dam safety			
GRI 3-3	Management of material topics	75, 106-109	TCFD report at **meridianenergy.co.nz/about-us/investors/sustainability/climate-disclosures**
Non-GRI KPIs*	Actions to improve dam safety	63	Corporate Governance Statement **meridianenergy.co.nz/investors/governance**
Information security			
GRI 3-3	Management of material topics	88, 106-109	
Non-GRI KPIs*	Actions to improve information security	54	

* Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.

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If you have any questions
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meridian.co.nz

Meridian Energy Limited. Integrated Report 2022.

Meridian.

The Power to
Make a Difference.

Meridian.

2022 Annual Results Presentation

24 AUGUST 2022

Highlights

Harapaki wind farm on schedule

Carbon neutral, stable operational emissions

NZ top 25% staff engagement, improving injury rate

300 GWh* in MoU's or contracted for South Island process heat

1.1 GW of secured development options

2.5% increase in EBITDAF**

6% customer sales volume growth

$214 million gain on sale of Australia

3% increase in ordinary dividend

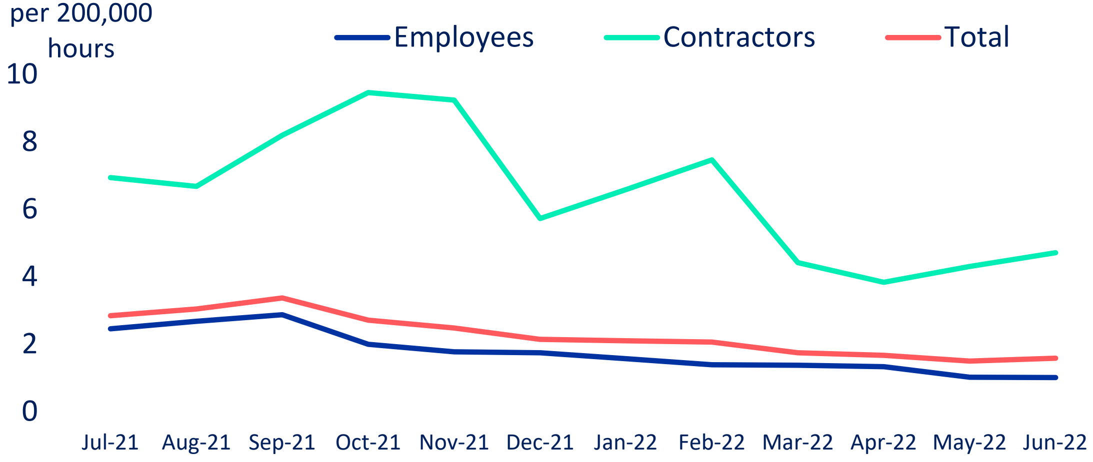
*250 GWh in Memorandums of Understanding, 50 GWh contracted (annual volumes)

**Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets

Our people

- Decreasing injury rate with 13 non-serious lost time injuries in FY22
- NZ top quartile staff engagement despite challenging employment market

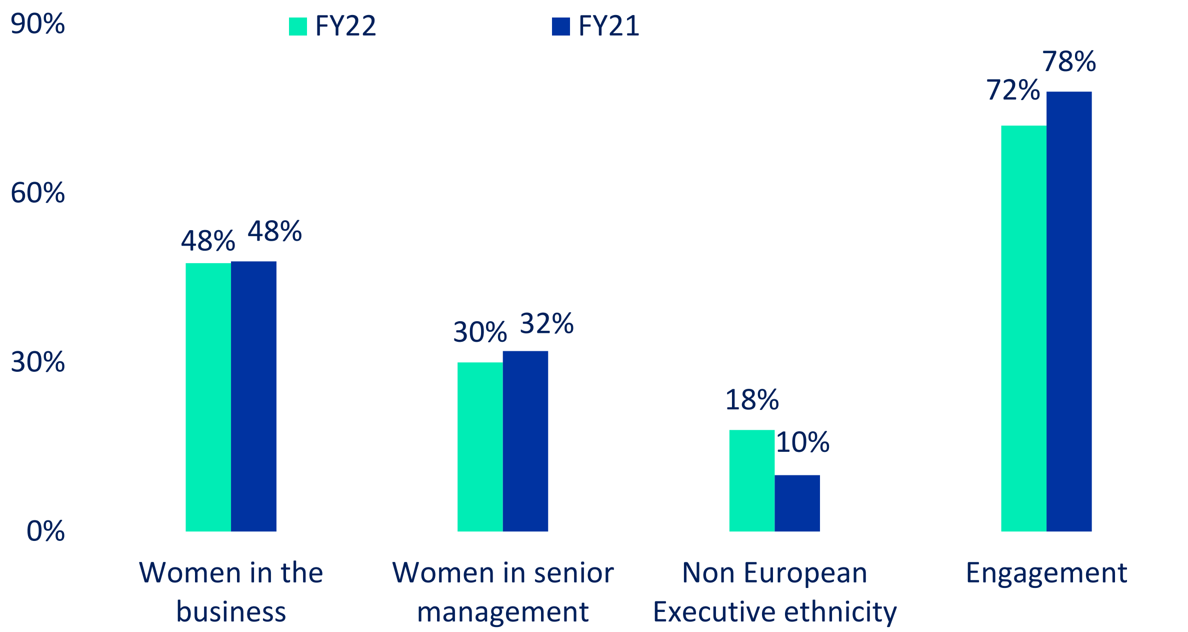
Total recordable injury frequency



12 month rolling averages

Source: Meridian

Workforce measures



Source: Meridian

Our strategy

	Champion	Optimise	Grow
Strategic initiatives	Competitive markets Sustainability Climate action	Trading and asset management Re-consenting Financing	Retail Generation Flux

5-year targets

- Grow a clear sustainable leadership position
- NZ's highest customer satisfaction
- Use our 5,000 GWh renewable opportunity to fast-track NZ's decarbonisation
- Provide the most relevant and impactful options for our customers
- Execute on options that optimise system and portfolio needs and reduce transition risks
- Develop a high quality and diverse suite of renewable energy options
- 3 million ICP's on Flux
- A resilient wellbeing and safety culture

Current position

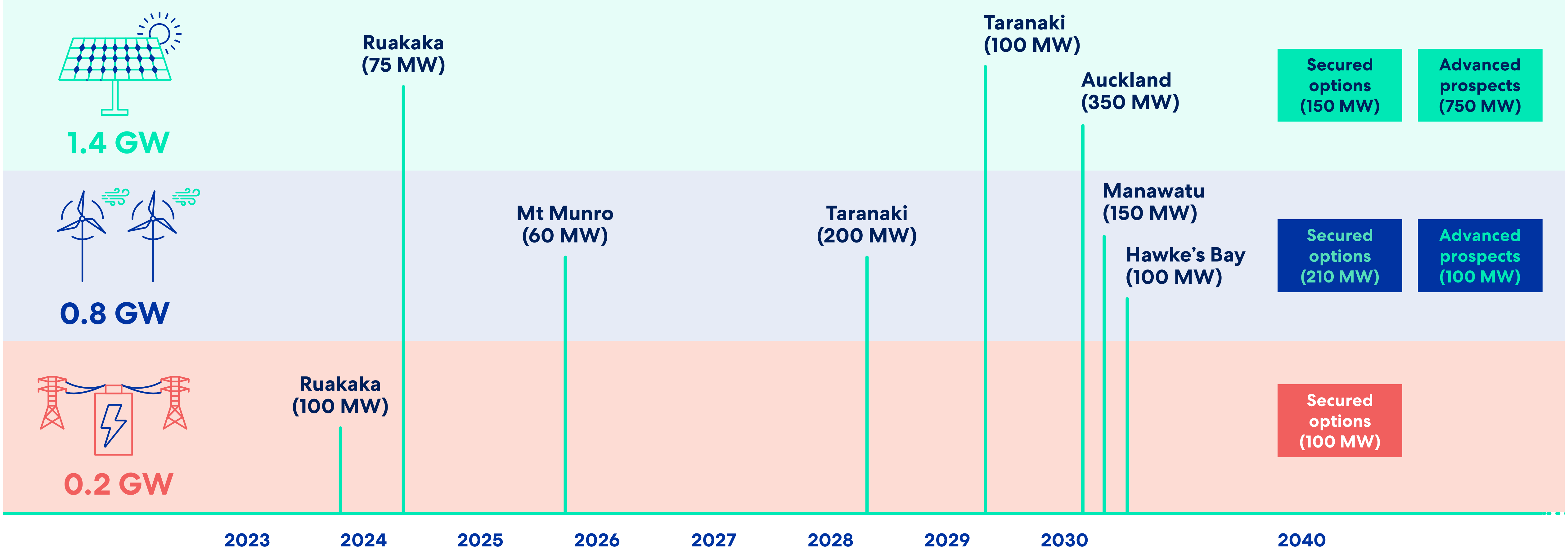
- Asia Pacific Dow Jones Sustainability Index inclusion
- Powershop market leading customer satisfaction, Meridian leading gentailer
- 1,500 GWh new demand opportunities identified
- 300 GWh of process heat under MOU
  61 public EV chargers installed
- 385 GWh of new swaptions, 250 GWh of smelter demand response
- 2.3 GW of sites/opportunities
- 540,000 ICP's on Flux
- NZ top quartile staff engagement, improving injury frequency rates

Harapaki update

- $53 million (13%) increase in total project capital costs from the original $395 million announced in February 2021 to $448 million
- First power milestone of mid 2023 and full power by mid 2024 both remain on schedule
- Additional civil costs to maintain overall programme against the impact of very wet spring and summer conditions
- COVID impacts and increases in global material, labour, shipping costs, and constraints across supply chains
- Revised roading design to address challenging site geology, improving resilience and site access
- Higher limestone extraction and transport emissions offset by lower cement production and transport emissions

Renewable development pipeline

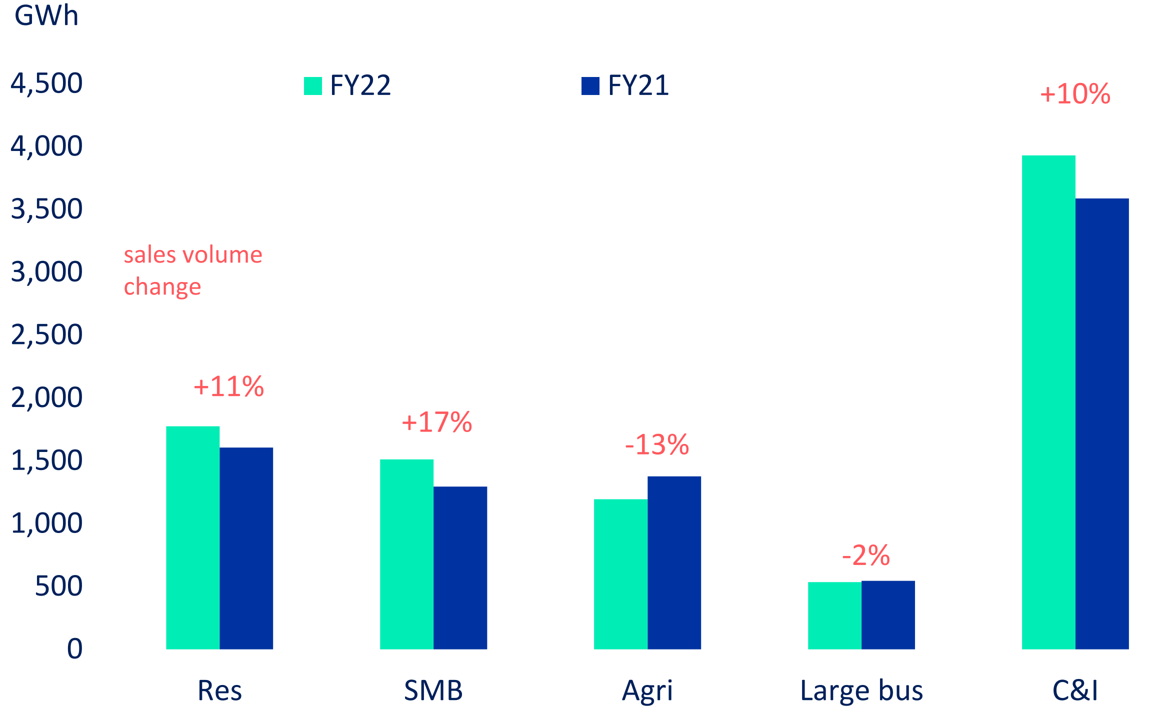
- Deep pipeline of 2.3 GW (5.4 TWh) of development options
- 1.1 GW secured, 1.2 GW in advanced prospects, further battery site acquired
- North Island focus, flexibility on South Island options maintained



New Zealand customers

- Continued sales volume growth (6% in total)
- Mass market and C&I volumes together have more than doubled in the last three years
- Expecting future growth to moderate
- Core platform transformation completion by end of 2023
- EV charging network: 61 installed, 82 committed, targeting 250 by end of 2023
- Process heat electrification programme growing: 300 GWh committed, targeting 600 GWh by 2024
- Certified renewable energy: 82 customers (180% sales growth in 2022)

New Zealand retail sales volumes



Source: Meridian

NZAS contract termination - mitigation

Current swaption

- 235 GWh Nova swaption signed in December 2021
- 17 MW Ngāwhā geothermal PPA from 2024
- Greater reliance on existing smelter demand response (250 GWh)
- 150 GWh Contact swaption signed in August 2022

Clutha Upper Waitaki Lines Project

- Project completed in April 2022
- Doubling of northward transmission capacity

NZAS contract termination - mitigation

North Island battery

- Currently tendering for 100 MW/200 MWh capacity battery
- Consent expected by September 2022, construction starting in 2023, completion now in 2024
- Construction of a utility scale solar farm (75 MW, ~$100m), consents lodged in early 2023, completion by early 2025

Process heat

- 250 GWh in MoU's, 50 GWh contracted
- Expanded GIDI fund: $650M over 4 years
- Round 4 funding closed, successful applications notified from November 2022

NZAS contract termination - mitigation

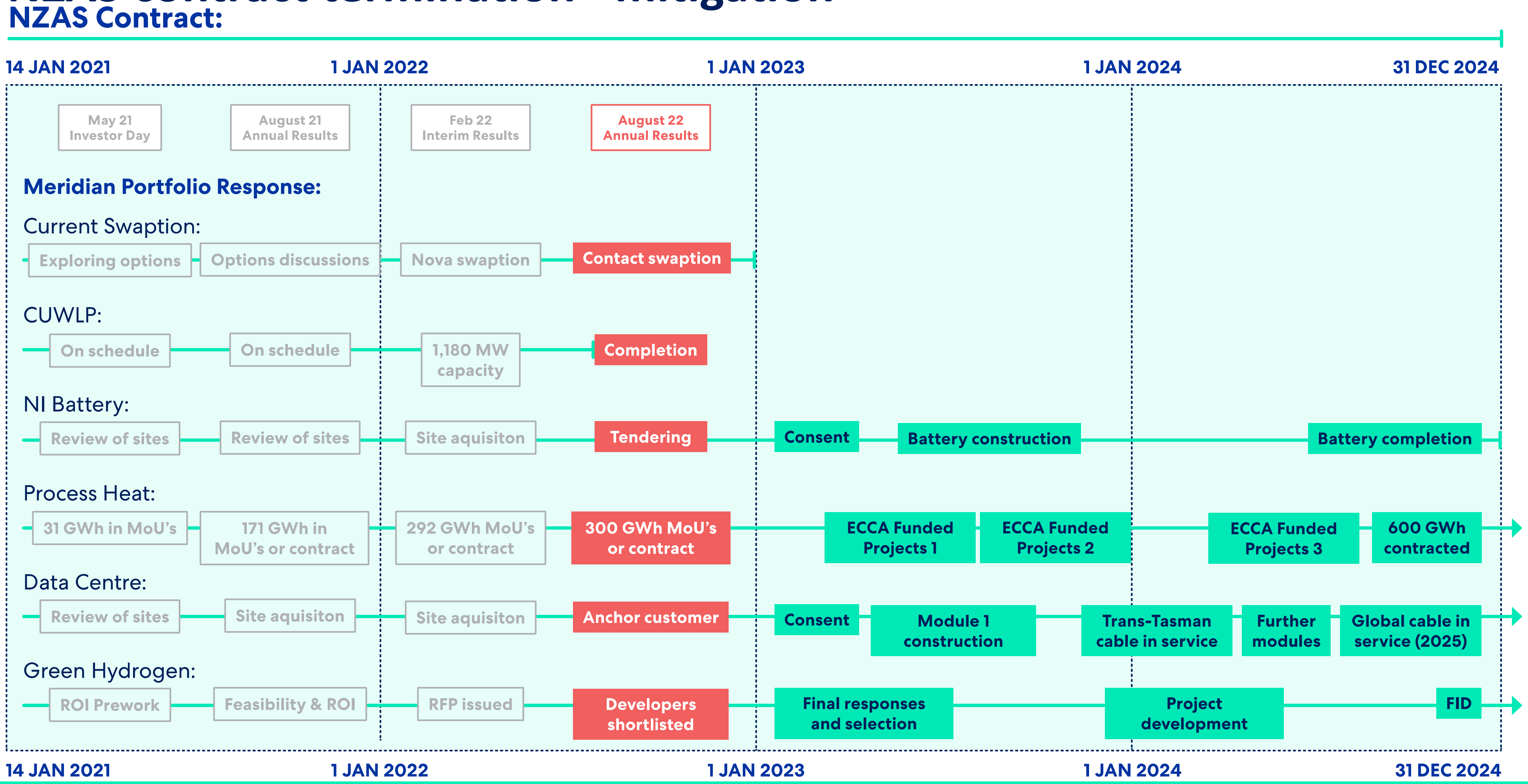
<u>Green hydrogen</u>

- Woodside and FFI have entered final stage negotiations to be lead developer
- Final responses, followed by final selection in late 2022
- Potential final investment decision by late 2024

<u>Data centre</u>

- University of Otago announced as an anchor customer
- Resource consent for construction expected to be filed this year
- Connectivity to US, Australia and Asia expected by 2025

NZAS contract termination - mitigation



New Zealand policy and regulation

<u>Emissions Reduction Plan</u>

- Released in May 2022, it sets out how NZ will meet its first emissions budget for 2022-2025
- Requires additional emissions reductions of 4%
- Plan targets transport and energy emissions
- Supported by $2.9B of funding from the Government's Climate Emergency Fund
- $1.2B earmarked for transport, including increased access to low and zero emissions vehicles
- $0.7B in funding for industrial decarbonisation

New Zealand policy and regulation

<u>Resource management reform</u>

- Reform programme risks renewable projects needing to clear a higher consenting hurdle
- Gentailer CEs have collectively written to Ministers outlining issues that need addressing, supported by Concept Consulting advice

<u>Low carbon commitment</u>

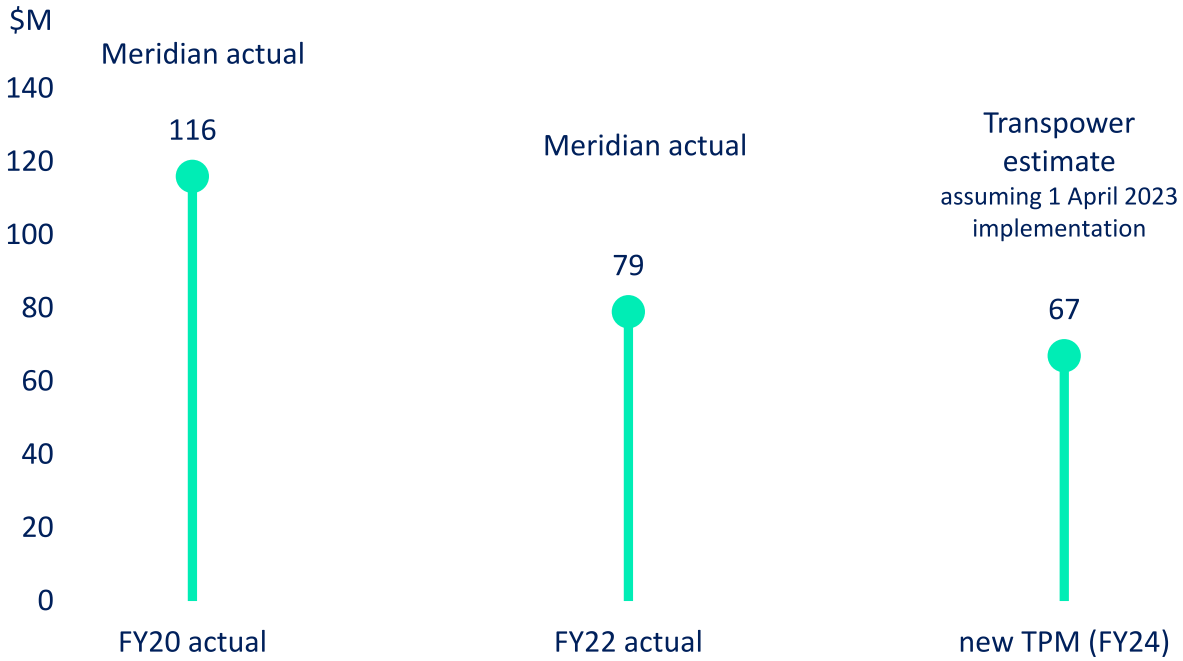
- Meridian is part of a collective sector commitment to deliver a low carbon energy system
- Development of an independent roadmap by BCG for decarbonisation of the energy system

New Zealand policy and regulation

Transmission Pricing Methodology (TPM)

- New TPM to take effect from 1 April 2023
- High Court dismissed Manawa's application for a judicial review in June 2022
- In July 2022, Nova sought leave to appeal the case to the Court of Appeal
- Transpower's indicative TPM estimates show a $67M p.a. cost estimate for Meridian
- Expecting this to lift by $10M p.a. for significantly higher Transpower asset replacement costs

Meridian's NZ transmission costs



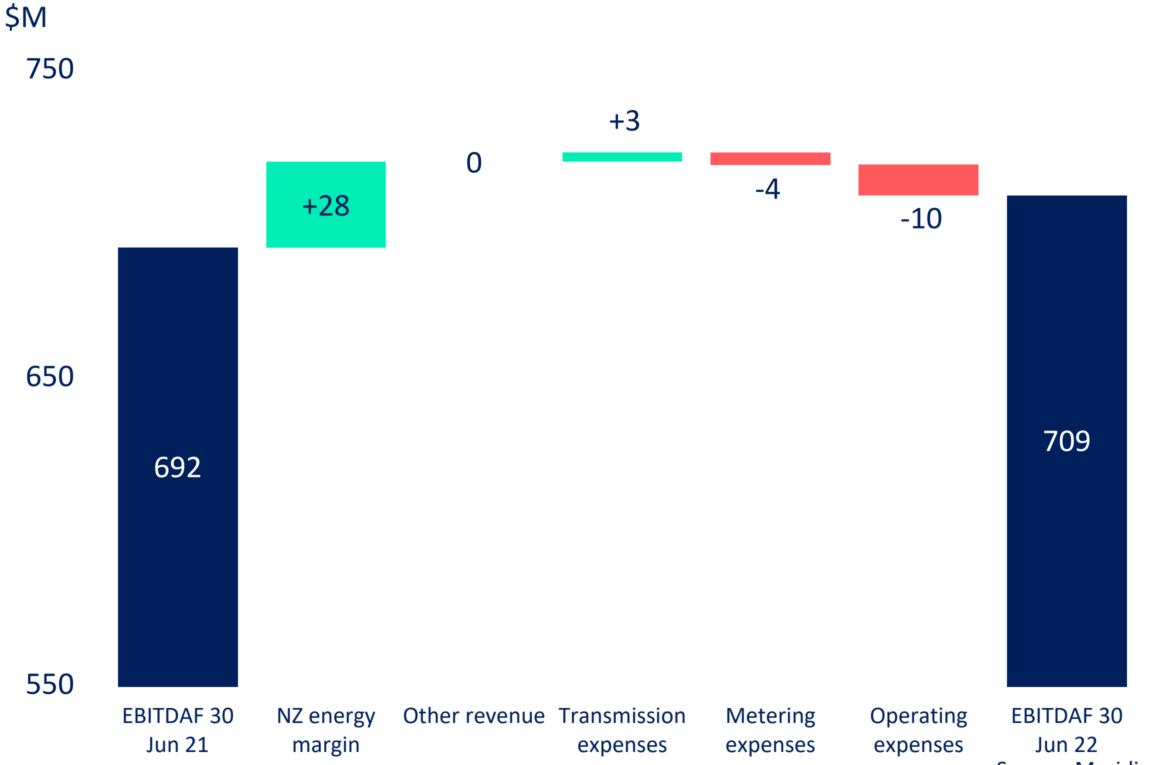
Source: Meridian, Transpower

Financial performance

EBITDAF[1]

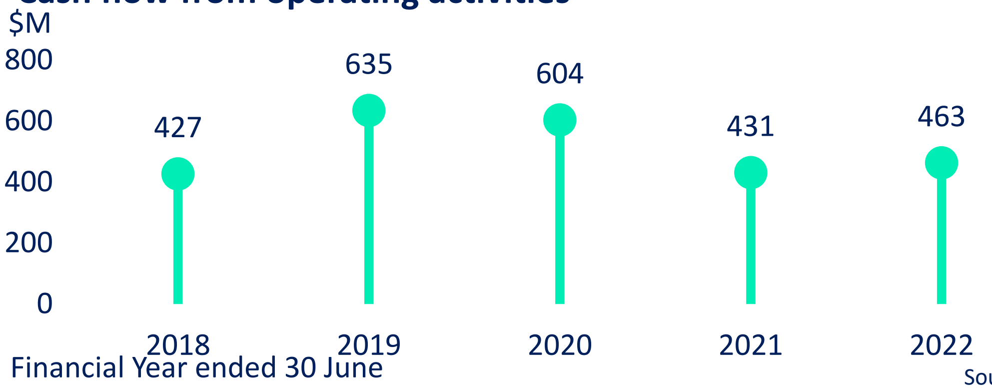
- FY22 EBITDAF +2.5% on FY21 (continuing operations)
- Strong retail sales performance in New Zealand
- Q3-Q4 drought conditions again in FY22
- 5% growth in operating costs
- 7% growth in operating cash flows

EBITDAF movement



Source: Meridian

Cash flow from operating activities



Source: Meridian

[1]Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets

Dividends

- Final ordinary dividend declared of 11.55 cps (+3%), 76% imputed
- Brings FY22 full year ordinary dividend declared to 17.4 cps (+3%), 79% imputed
- Represents 86% payout of free cash flow
- Dividend reinvestment plan will apply to this final dividend at 0% discount

$M	Free cash flow	
	2022	**2021**
Net profit after tax	**664**	428
Fair value movements	**(260)**	(248)
Impairment/remediation of assets	**2**	(6)
Gain on sale	**(214)**	1
Tax effect	**78**	72
Adjusted NPAT	**270**	**247**
Depreciation and Amortisation	**300**	303
Stay in business capital expenditure	**(50)**	(65)
Free cash flow	**520**	**485**
Annual dividend declared	**448**	433
Annual dividend declared (cps)	***17.40***	*16.90*
Payout ratio	**86%**	89%

Dividends declared

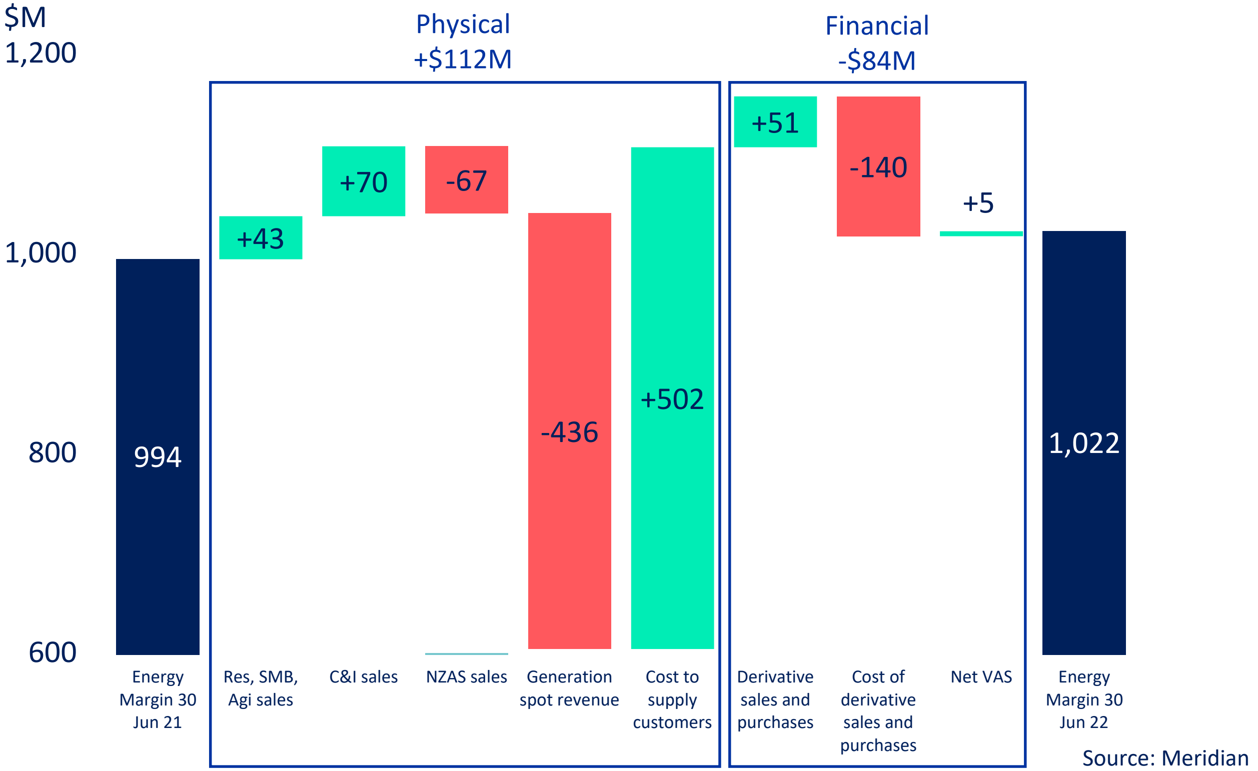
Source: Meridian

Dividend Reinvestment Plan Dates			
Ex dividend date	7 Sep	Strike price announced	14 Sep
Record date	8 Sep	Dividend paid/shares issued	23 Sep
Elections close	9 Sep		

New Zealand energy margin

- $113M customer revenue growth across mass market and C&I segments
- 55% increase in financial contract sales volumes
- 2H generation length again impacted by drought
- Lower wholesale market prices were reflected in lower spot generation and hedging revenues
- Those lower prices also decreased costs in the portfolio
- Higher hedging volumes needed to manage periods of low physical generation

New Zealand energy margin movement



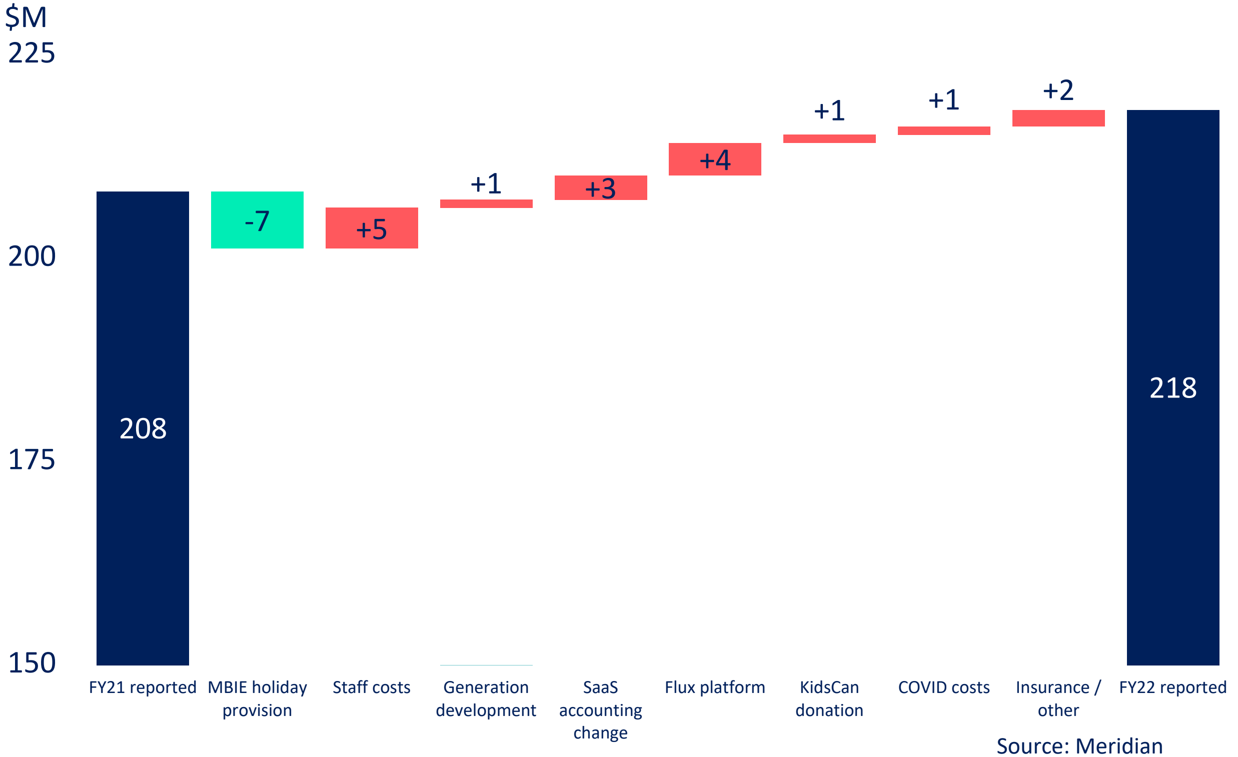
Source: Meridian

Refer to page 39 for a further breakdown of New Zealand energy margin

Operating costs

- Midpoint of the $215M-$220M guidance range
- $10M (5%) increase in FY21 operating costs
- $17M (8%) increase including release of provision on Holidays Act payroll remediation:
    - Higher staff costs, including Aus services
    - Growth in development and Flux spend
    - Higher SaaS and insurance costs
    - COVID costs

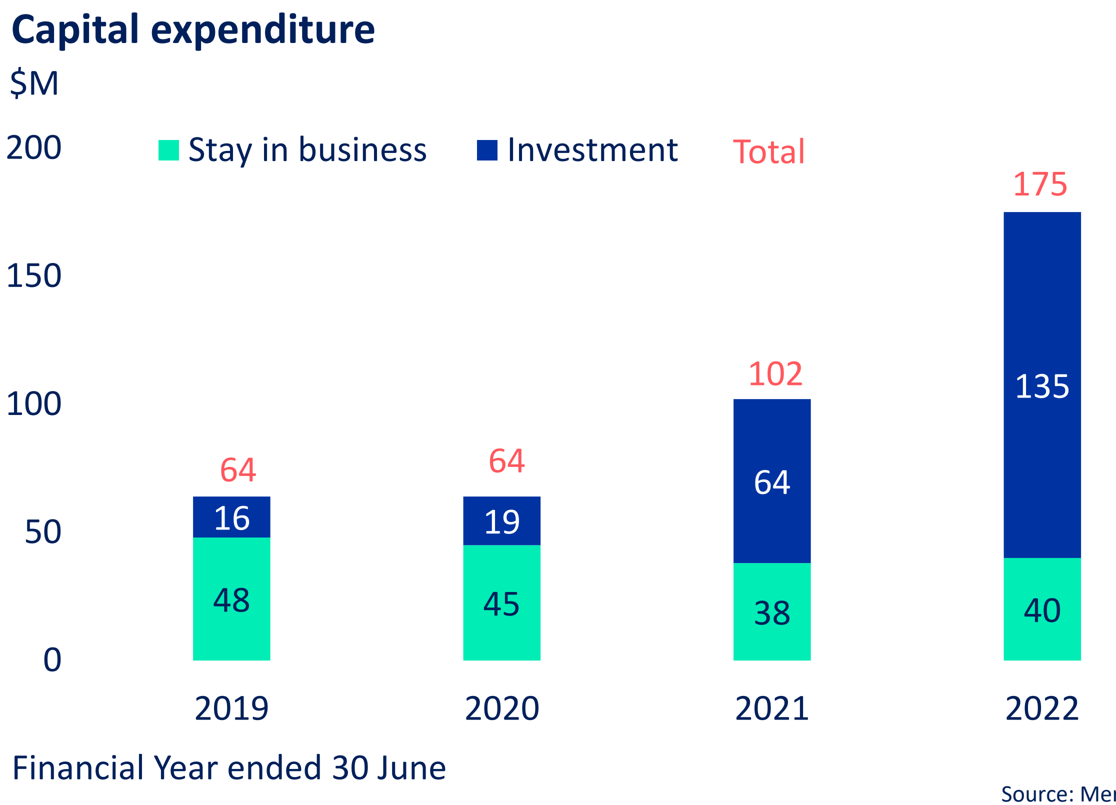
Operating cost movement



Source: Meridian

Capital expenditure

- Top end of the $165M-$175M guidance range
- Consistent level of stay in business capex
- Largely consists of system and generation asset enhancement spend
- Harapaki investment spend of $86M in FY22



Source: Meridian

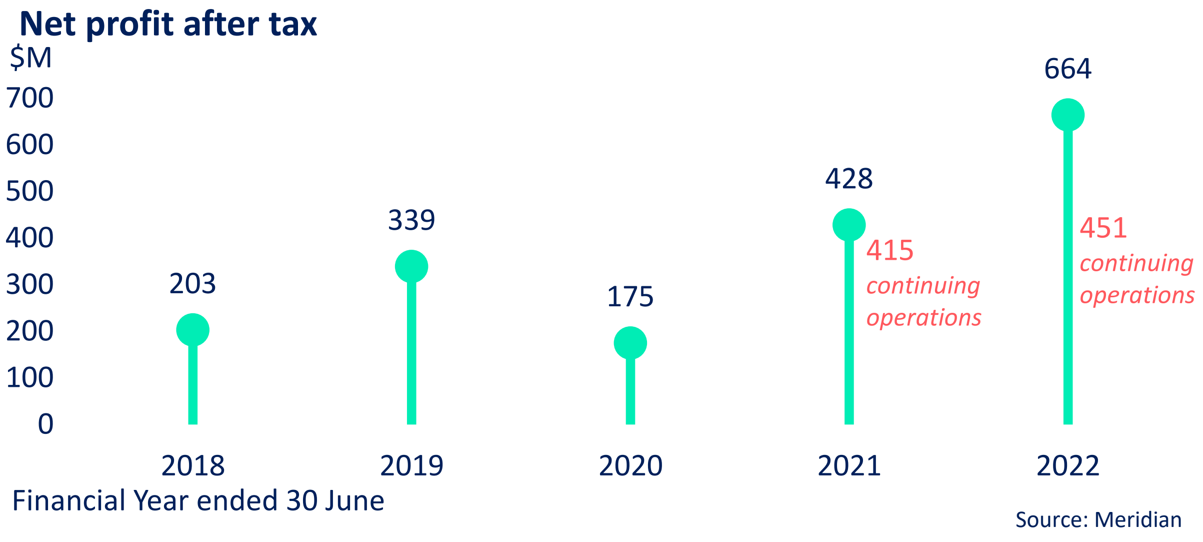
Cost guidance

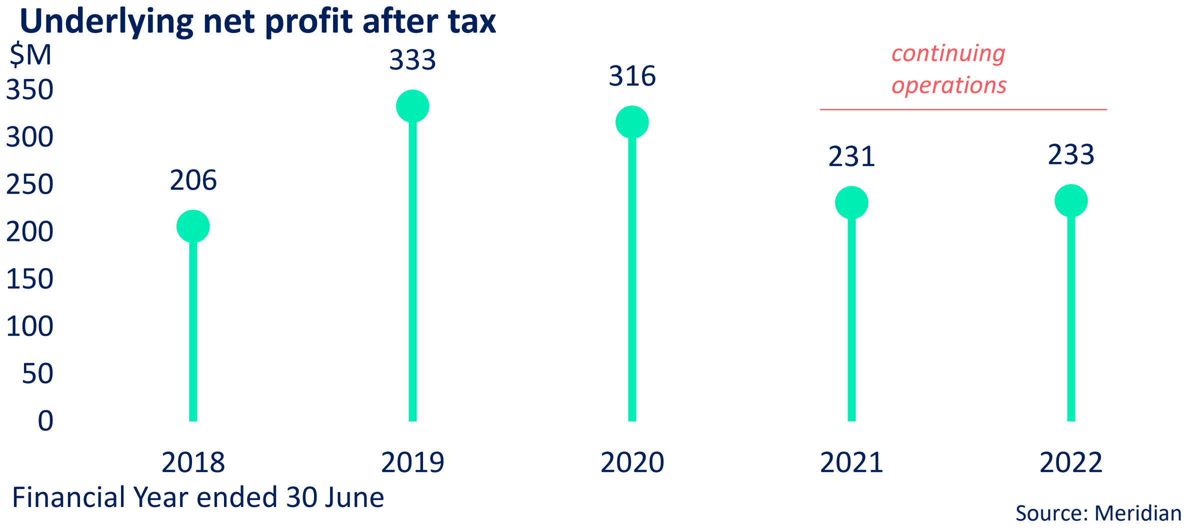
- Including total cash spend on maintenance and enhancement of generation assets
- 11%-13% operating cost growth expected in FY23:
  - Full year of Australia call centre costs (previously eliminated, now revenue recovery)
  - 7% average salary uplift reflecting current cost of living challenges for staff
  - Growth in Flux and generation development

	FY23 Cost Guidance			FY22 Actual		
	Generation	**Flux**	**Total Meridian**	Generation	Flux	Total Meridian
Operating Costs		$18M	$242M-$247M		$14M	$218M
Stay in Business			*$50M-$55M*			*$40M*
Growth			*$360M-$380M*			*$135M*
Total Capital Expenditure			$410M-$435M			$175M
Total Cash Costs	$83M-$88M			$84M		

Below EBITDAF

- 8% increase in depreciation following 2021 revaluation
- $55M June 2022 revaluation (decrease)
- $213M net profit after tax from discontinued operations ($214M gain on Australia sale)
- $145M increase in NPBT[1] from fair value of electricity hedges from higher forward electricity prices ($157M increase in FY21)
- $136M increase in NPBT from fair value of treasury instruments from higher forward interest rates ($79M increase in FY21)
- Resulting 55% increase in FY22 net profit after tax (9% on continuing operations basis)
- Adjusting for fair value movements and discontinued operations, Underlying NPAT[2] increased slightly in FY22





[1]Net profit before tax

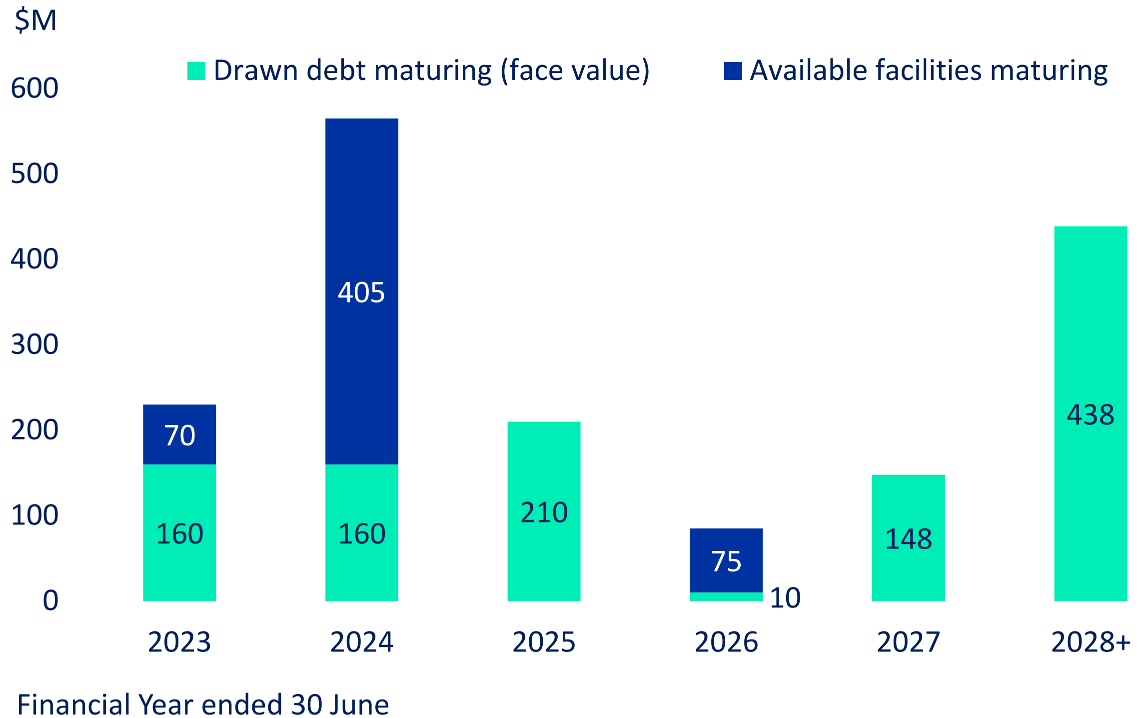
[2]Net profit before tax adjusted for the effects of changes in fair value of hedges and other non-cash items

A reconciliation of NPAT to Underlying NPAT is on page 43

Debt and funding

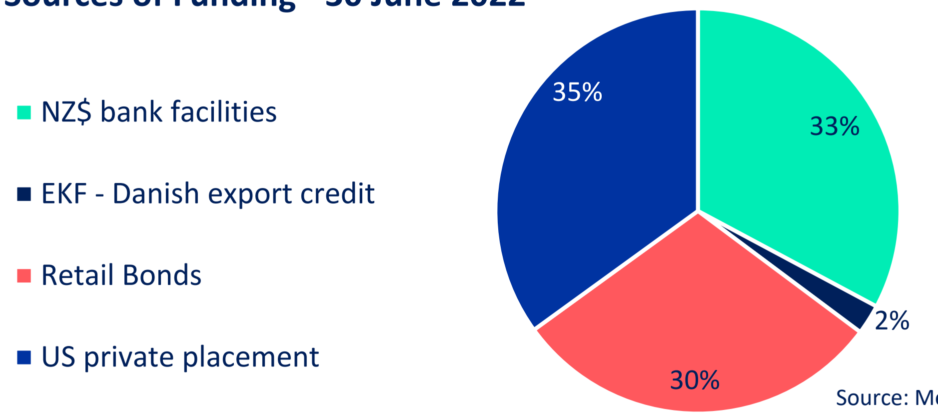
- June 2022 total borrowings of $1,163M
- Total funding facilities of $1,676M, of which $550M were undrawn
- All facilities classified under Meridian's Green Finance Programme
- Net debt of $847M, down 48% from FY21
- Net debt to EBITDAF at 1.2x (FY21: 2.4x)
- Credit rating maintained at BBB+/Stable

Debt maturity profile as at 30 June 2022



Source: Meridian

Sources of Funding - 30 June 2022



Source: Meridian

Closing comments

- Portfolio response to NZAS exit is well established
- Development pipeline is deep and diverse
- Successful exit from Australia
- The Government's first emissions reduction plan commits billions to transport and industrial decarbonisation
- Solid July 2022 operating result with significantly improved hydro storage

Questions

Additional information

Segment results

- Flux Federation included in 'other and unallocated' segment

$M	Wholesale		Retail		Australia		Other & unallocated		Inter-segment		Discontinued op's		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Contracted sales	**525**	489	**1,057**	944	**96**	172	**-**	-	**-**	-	**(96)**	(172)	**1,582**	1,433
Cost to supply customers	**(2,554)**	(3,020)	**(874)**	(782)	**(82)**	(115)	**-**	-	**965**	906	**82**	115	**(2,463)**	(2,896)
Net cost of hedging	**148**	271	**-**	-	**1**	(9)	**-**	-	**-**	-	**(1)**	9	**148**	271
Generation spot revenue	**1,757**	2,193	**-**	-	**46**	50	**-**	-	**-**	-	**(46)**	(50)	**1,757**	2,193
Inter-segment electricity sales	**965**	906	**-**	-	**-**	-	**-**	-	**(965)**	(906)	**-**	-	**-**	-
Virtual asset swap margins	**2**	(3)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2**	(3)
Other market revenue/(costs)	**(5)**	(5)	**1**	1	**(1)**	(1)	**-**	-	**-**	-	**1**	1	**(4)**	(4)
Energy margin	**838**	**831**	**184**	**163**	**60**	**97**	**-**	**-**	**-**	**-**	**(60)**	**(97)**	**1,022**	**994**
Other revenue	**2**	3	**14**	14	**-**	2	**41**	55	**(30)**	(45)	**-**	(2)	**27**	27
Dividend revenue	**-**	-	**-**	-	**-**	-	**-**	52	**-**	(52)	**-**	-	**-**	-
Energy transmission expense	**(79)**	(82)	**-**	-	**(3)**	(5)	**-**	-	**-**	-	**3**	5	**(79)**	(82)
Electricity metering expenses	**-**	-	**(43)**	(39)	**-**	-	**-**	-	**-**	-	**-**	-	**(43)**	(39)
Gross margin	**761**	**752**	**155**	**138**	**57**	**94**	**41**	**107**	**(30)**	**(97)**	**(57)**	(94)	**927**	**900**
Employee expenses	**(26)**	(29)	**(32)**	(32)	**(10)**	(15)	**(42)**	(36)	**-**	-	**10**	15	**(100)**	(97)
Other operating expenses	**(60)**	(59)	**(36)**	(33)	**(19)**	(42)	**(34)**	(34)	**12**	15	**19**	42	**(118)**	(111)
Operating expenses	**(86)**	(88)	**(68)**	(65)	**(29)**	(57)	**(76)**	(70)	**12**	15	**29**	57	**(218)**	(208)
EBITDAF	**675**	**664**	**87**	**73**	**28**	**37**	**(35)**	**37**	**(18)**	**(82)**	**(28)**	**(37)**	**709**	**692**

Six monthly results

$M	1H			2H			Total		
	2022	2021	change	2022	2021	change	2022	2021	change
Contracted sales	**788**	716	72	**794**	717	77	**1,582**	1,433	149
Cost to supply customers	**(905)**	(951)	46	**(1,558)**	(1,945)	387	**(2,463)**	(2,896)	433
Net cost of hedging	**(4)**	24	(28)	**152**	247	(95)	**148**	271	(123)
Generation spot revenue	**661**	755	(94)	**1,096**	1,438	(342)	**1,757**	2,193	(436)
Virtual asset swap margins	**3**	1	2	**(1)**	(4)	3	**2**	(3)	5
Other market revenue/(costs)	**(6)**	(2)	(4)	**2**	(2)	4	**(4)**	(4)	-
Energy margin	**537**	**543**	**(6)**	**485**	**451**	**34**	**1,022**	**994**	**28**
Other revenue	**14**	11	3	**13**	16	(3)	**27**	27	-
Energy transmission expense	**(38)**	(41)	3	**(41)**	(41)	-	**(79)**	(82)	3
Electricity metering expenses	**(21)**	(20)	(1)	**(22)**	(19)	(3)	**(43)**	(39)	(4)
Gross margin	**492**	**493**	**(1)**	**435**	**407**	**28**	**927**	**900**	**27**
Operating expenses	**(98)**	(98)	-	**(120)**	(110)	(10)	**(218)**	(208)	(10)
EBITDAF	**394**	**395**	**(1)**	**315**	**297**	**18**	**709**	**692**	**17**
Depreciation & amortisation	(144)	(137)	(7)	(149)	(134)	(15)	(293)	(271)	(22)
Impairment of assets	-	-	-	(2)	-	(2)	(2)	-	(2)
Net change in fair value of electricity and other hedges	(68)	73	(141)	213	84	129	145	157	(12)
Operating Profit	**182**	**331**	**(149)**	**377**	**247**	**130**	**559**	**578**	**(19)**
Finance costs	**(39)**	(41)	2	**(31)**	(40)	9	**(70)**	(81)	11
Net change in fair value of treasury instruments	**58**	25	33	**78**	54	24	**136**	79	57
Net profit before tax	**201**	**315**	**(114)**	**424**	**261**	**163**	**625**	**576**	**49**
Income tax expenses	**(56)**	(88)	32	**(118)**	(73)	(45)	**(174)**	(161)	(13)
Net profit after tax from continuing operations	**145**	**227**	**(82)**	**306**	**188**	**118**	**451**	**415**	**36**
Net profit after tax from discountinued operations	(12)	-	(12)	225	13	212	213	13	200
Net profit after tax	**133**	**227**	**(94)**	**531**	**201**	**330**	**664**	**428**	**236**
Underlying net profit after tax	**145**	**149**	**(4)**	**88**	**82**	**6**	**233**	**231**	**2**

Earnings from continuing operations

NZ Operations

Financial year ended 30 June $M	2022	2021	2020	2019	2018	2017
Contracted sales	1,582	1,433	1,327	1,178	1,064	968
Cost to supply customers	(2,463)	(2,896)	(1,486)	(1,874)	(1,194)	(707)
Net cost of hedging	148	271	11	126	41	(4)
Generation spot revenue	1,757	2,193	1,266	1,672	1,039	684
Virtual asset swap margins	2	(3)	9	11	(2)	4
Other market revenue/(costs)	(4)	(4)	(5)	(5)	(4)	(5)
Energy margin	**1,022**	**994**	**1,122**	**1,108**	**944**	**940**
Other revenue	27	27	24	23	21	19
Energy transmission expense	(79)	(82)	(116)	(125)	(122)	(125)
Energy metering expense	(43)	(39)	(36)	(33)	(31)	(30)
Gross margin	**927**	**900**	**994**	**973**	**812**	**804**
Operating expenses	(218)	(208)	(207)	(199)	(190)	(183)
EBITDAF	**709**	**692**	**787**	**774**	**622**	**621**

New Zealand retail

Customer sales	Average price ($/MWh)	Total sales volume (GWh)	North Island sales volume (GWh)	South Island sales volume (GWh)
FY22				
Residential		1,775	980	745
Small medium business		1,507	936	509
Agricultural		1,194	389	1,013
Large business		537	339	209
Total mass market	$127	5,012	2,645	2,466
Corporate	$107	3,929	2,646	1,283
FY21				
Residential		1,605	860	745
Small medium business		1,294	785	509
Agricultural		1,376	363	1,013
Large business		544	335	209
Total mass market	$123	4,819	2,353	2,466
Corporate	$98	3,586	2,432	1,154

Average price ($/MWh)	FY18	FY19	FY20	FY21	FY22
Mass market	$117	$114	$114	$123	$127
Corporate	$83	$89	$99	$98	$107

New Zealand retail

Customers

- 5% increase in customers since June 2021

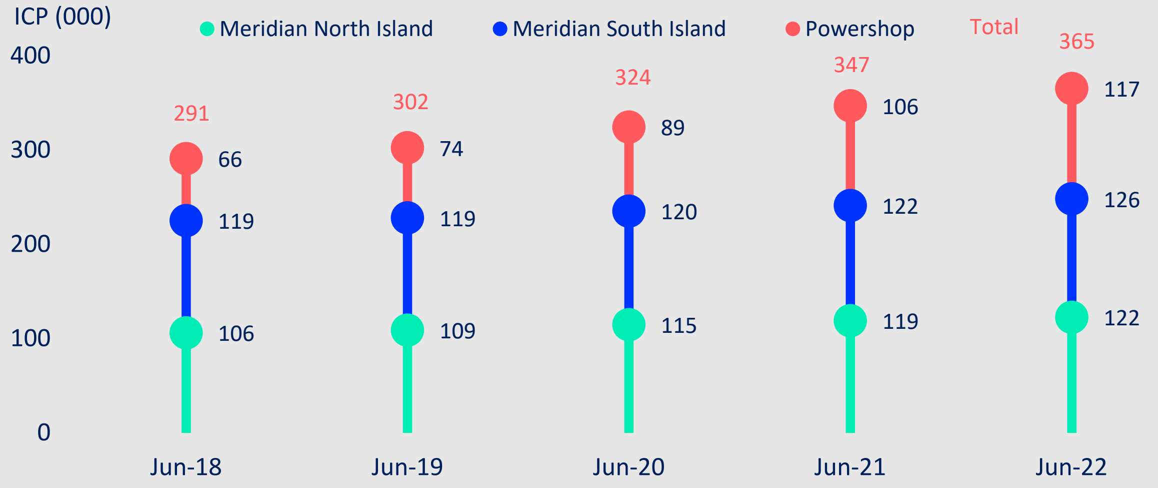
Residential, business, agri segment

- 11% increase in residential volumes
- 17% increase in small business volumes
- 13% decrease in agri volumes
- 2% decrease in large business volumes
- 3% increase in average sales price

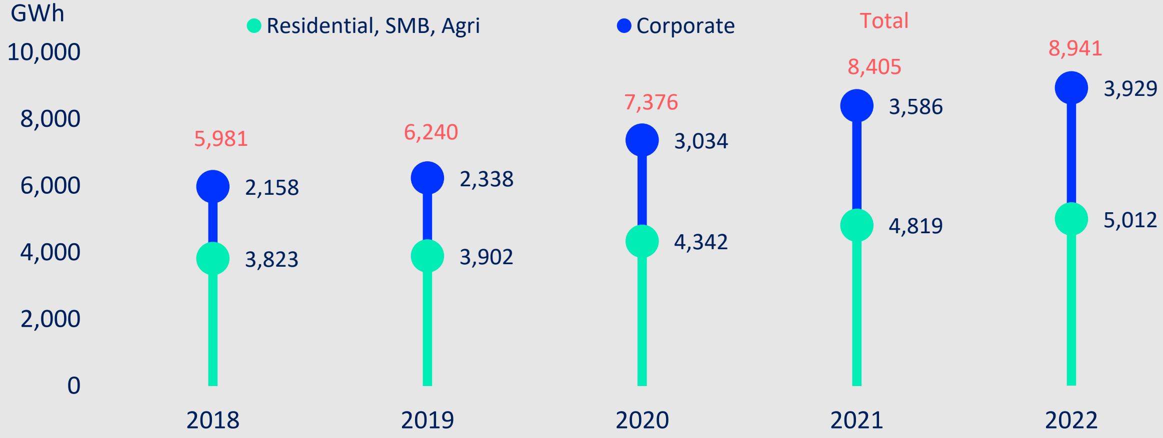
Corporate segment

- 10% increase in volumes
- 10% increase in average sales price

New Zealand customer connections



New Zealand retail sales volumes



Financial Year ended 30 June

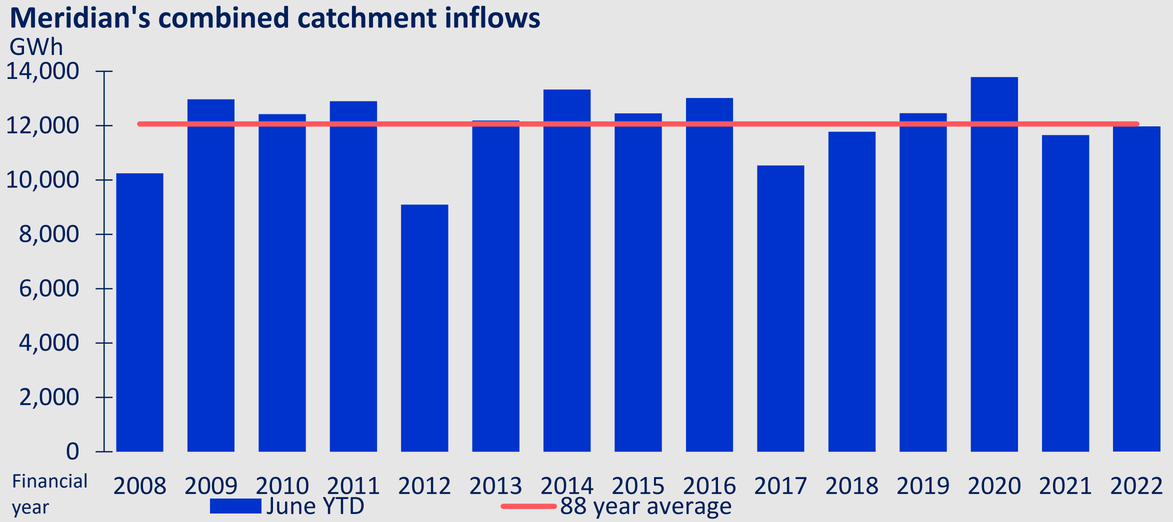
New Zealand hydrology

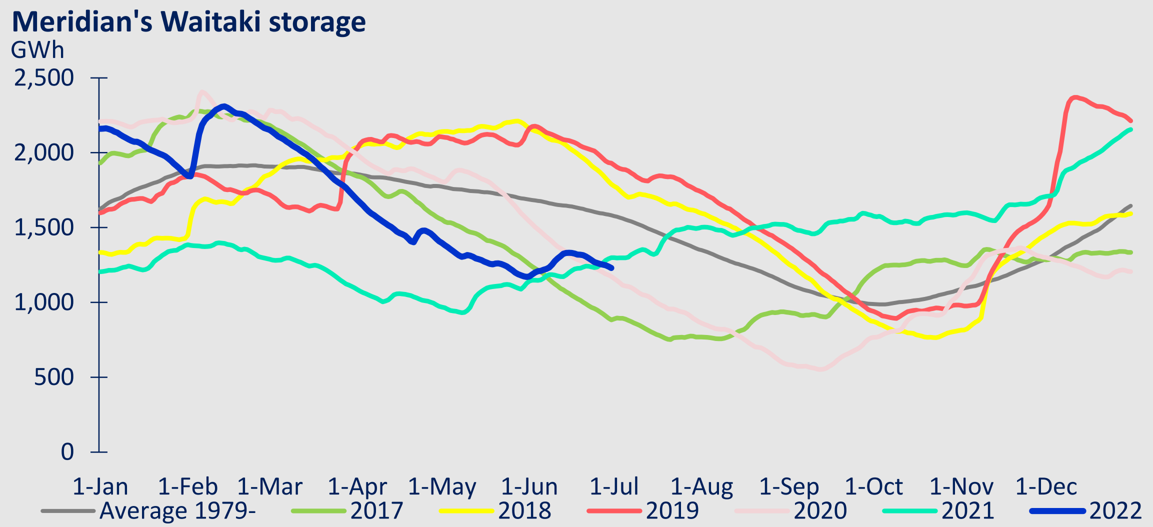
Inflows

- FY22 inflows were 99% of average
- July 2022 inflows were 183% of average

Storage

- Meridian's Waitaki storage at 30 June 2022 was 78% of average
- By 31 July 2022, this position was 144% of average





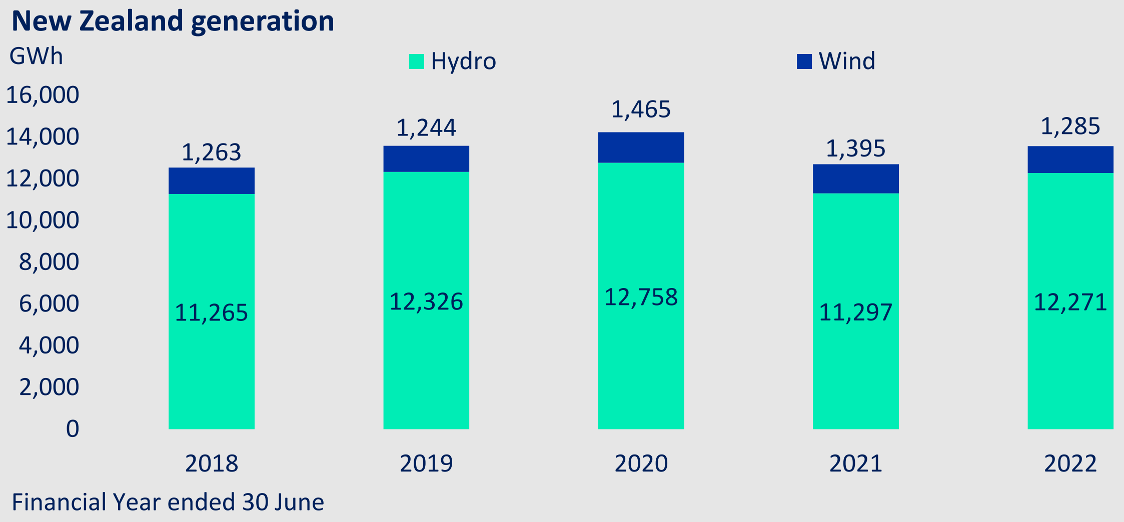
New Zealand generation

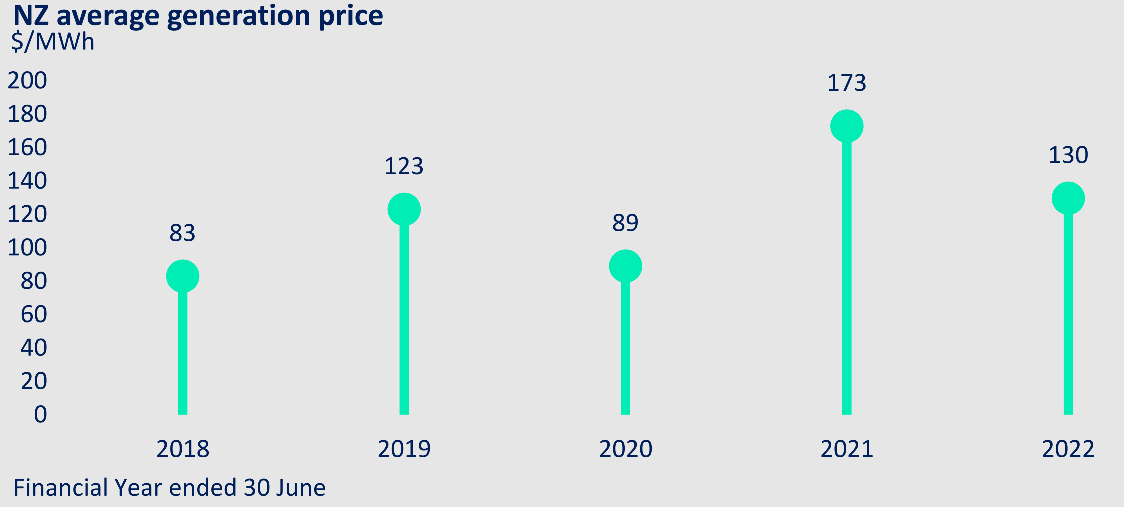
Volume

- FY22 generation was 7% higher than FY21, with higher hydro and wind generation

Price

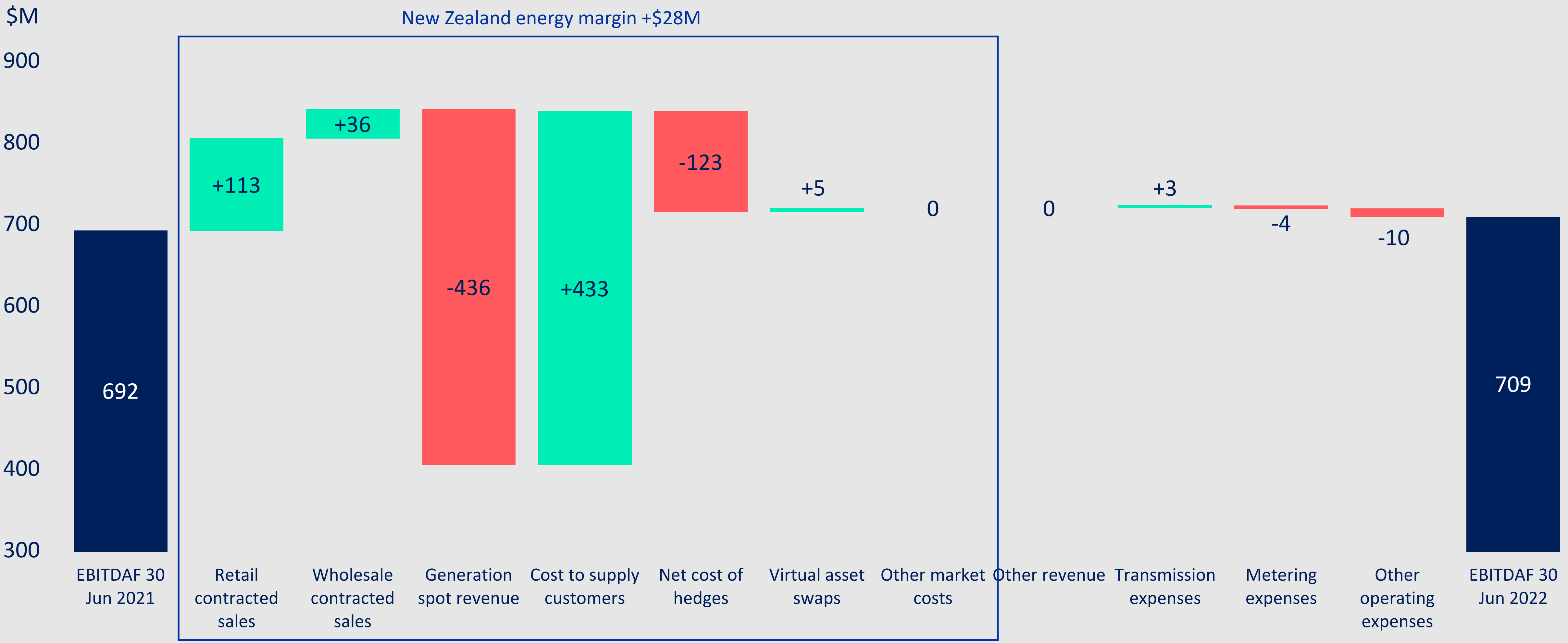
- FY22 average price Meridian received for its generation was 25% lower than FY21
- FY22 average price Meridian paid to supply customers was 23% lower than FY21



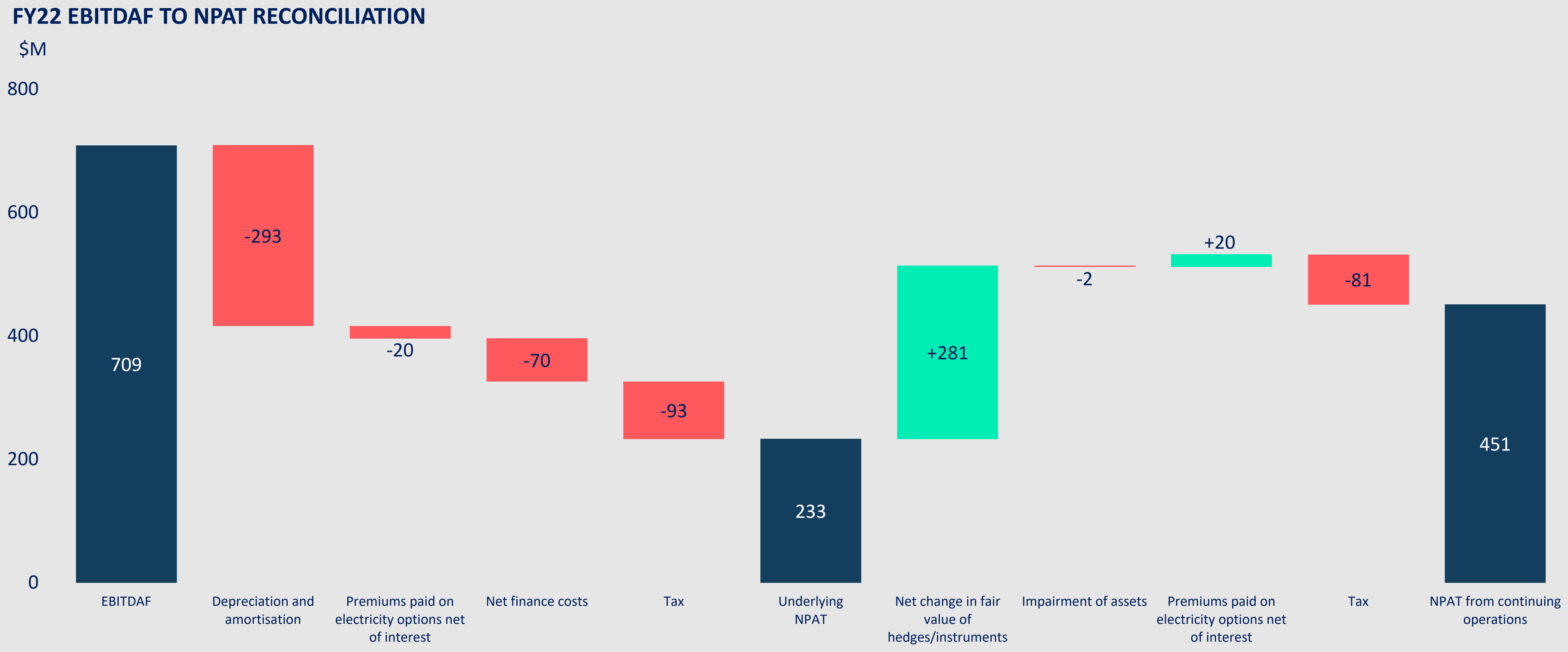


FY22 EBITDAF

Movement in EBITDAF



EBITDAF to NPAT



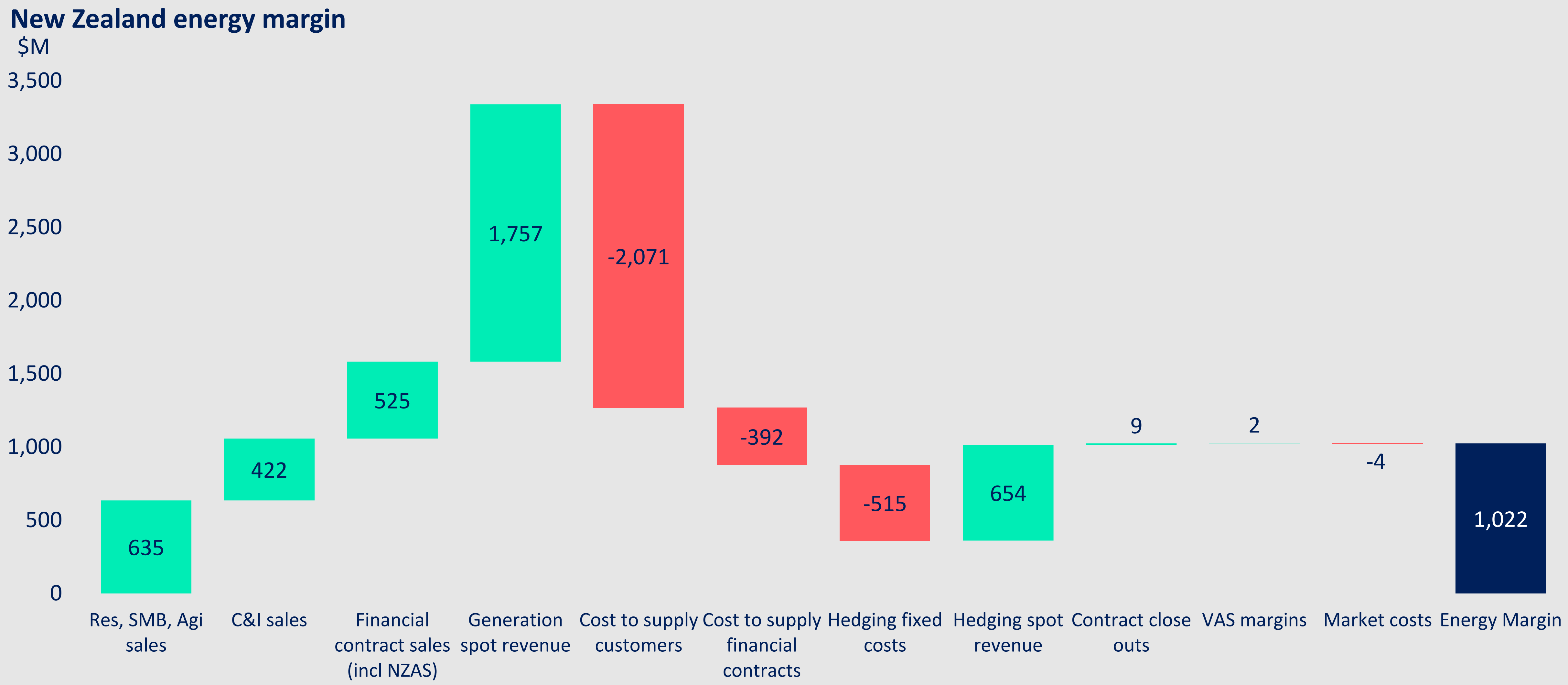
Energy margin

- A non-GAAP financial measure representing energy sales revenue less energy related expenses and energy distribution expenses
- Used to measure the vertically integrated performance of the retail and wholesale businesses
- Used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

Defined as

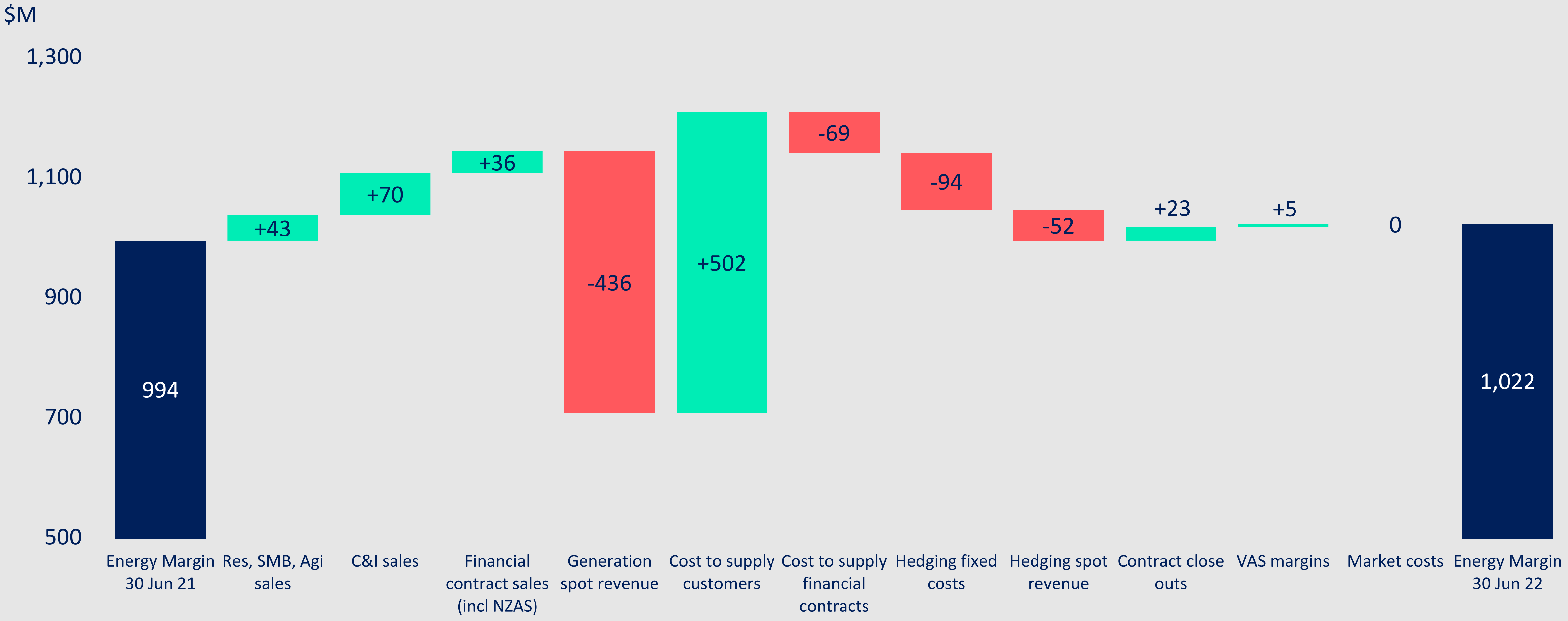
- Revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from financial contracts sold (contract sales revenue)
- The volume of electricity purchased to cover contracted customer sales and financial contracts sold (cost to supply customers)
- The fixed cost of derivatives used to manage market risks, net of spot revenue received from those derivatives (net cost hedging)
- Revenue from the volume of electricity that Meridian generates (generation spot revenue)
- The net margin position of virtual asset swaps with Genesis Energy and Mercury New Zealand
- Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues, such as frequency keeping

New Zealand energy margin



New Zealand energy margin

New Zealand energy margin movement



New Zealand energy margin

	FY22			FY21		
	Volume	VWAP	NZD M	Volume	VWAP	NZD M
Res, business, agri sales	5,012	$127	635	4,819	$123	592
Corporate and industrial sales	3,929	$107	422	3,586	$98	352
Retail contracted sales	8,941	$118	1,057	8,405	$112	944
NZAS sales	4,992			5,011		
Financial contract sales	2,963			1,906		
Wholesale contracted sales	7,955	$66	525	6,917	$71	489
Cost to supply retail customers	9,433	-$149	(1,407)	8,828	-$193	(1,704)
Cost to supply wholesale customers	4,992	-$133	(665)	5,011	-$173	(869)
Cost of financial contracts	2,963	-$132	(392)	1,906	-$170	(323)
Cost to supply customers and contracts	17,389	-$142	(2,463)	15,745	-$184	(2,896)
Hedging costs	4,376	-$118	(515)	3,883	-$108	(421)
Hedging spot revenue	4,376	$149	654	3,883	$182	706
Close-outs			9			(14)
Net cost of hedging			148			271
Hydro generation	12,271			11,297		
Wind generation	1,285			1,395		
Generation revenue	13,556	$130	1,757	12,692	$173	2,193
Virtual asset swap margins	0		2	1,049		(3)
Other			(4)			(4)
Energy margin			**1,022**			**994**

Funding metrics

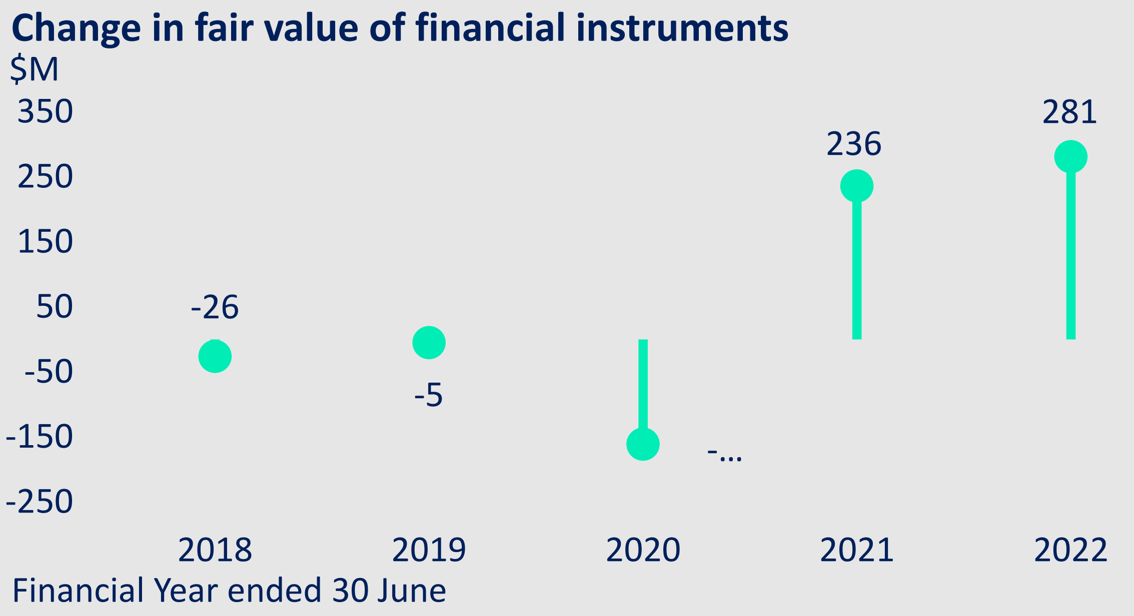
- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of net debt/EBITDAF includes numerous adjustments to reported numbers;
  - Borrowings adjusted for the impact of leases
  - Cash balances adjusted for restricted cash

Net debt to EBITDAF

Financial year ended 30 June $M	2022	2021	2020	2019	2018
Drawn borrowings	1,126	1,589	1,491	1,376	1,428
Finance lease payable	41	97	104	32	48
Operating lease commitments	-	-	-	91	76
Less: cash and cash equivalents	(363)	(148)	(176)	(78)	(60)
Add back: restricted cash	43	97	67	27	29
Net debt	847	1,635	1,486	1,448	1,521
EBITDAF	709	692	853	838	666
Net debt to EBITDAF (times)	**1.2**	**2.4**	**1.7**	**1.7**	**2.3**

Fair value movements

- Meridian uses derivative instruments to manage interest rate, foreign exchange and electricity price risk
- As forward prices and rates on these instruments move, non-cash changes to their carrying value are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- $145M increase in NPBT from fair value of electricity hedges from higher forward electricity prices ($157M increase in FY21)
- $136M increase in NPBT from fair value of treasury instruments from higher forward interest rates ($79M increase in FY21)



Income statement

Income statement Financial year ended 30 June $M	2022	2021	2020	2019	2018
New Zealand energy margin	1,022	994	1,122	1,108	944
Australia energy margin			122	118	86
Other revenue	27	27	27	25	22
Energy transmission expense	(79)	(82)	(123)	(131)	(127)
Electricity metering expense	(43)	(39)	(36)	(33)	(31)
Employee and other operating expenses	(218)	(208)	(259)	(249)	(228)
EBITDAF	**709**	**692**	**853**	**838**	**666**
Depreciation and amortisation	(293)	(271)	(312)	(276)	(268)
Impairment of assets	(2)	-	(58)	(5)	(2)
Gain/(loss) on sale of assets	-	-	-	3	7
Net change in fair value of electricity and other hedges	145	157	(113)	58	(22)
Net finance costs	(70)	(81)	(84)	(83)	(81)
Net change in fair value of treasury instruments	136	79	(48)	(63)	(4)
Net profit before tax	**625**	**576**	**238**	**472**	**296**
Income tax expense	(174)	(161)	(63)	(133)	(95)
Net profit after tax from continuing operations	**451**	**415**	**175**	**339**	**201**
Net profit after tax from discontinued operations	213	13	-	-	-
Net profit after tax	**664**	**428**	**175**	**339**	**201**

Underlying NPAT reconciliation

UNPAT Financial year ended 30 June $M	2022	2021	2020	2019	2018
Net profit after tax	664	428	175	339	201
Underlying adjustments					
Discontinued operations	(213)	(13)	-	-	-
Hedging instruments					
Net change in fair value of electricity and other hedges	(145)	(157)	113	(58)	22
Net change in fair value of treasury instruments	(136)	(79)	48	63	4
Premiums paid on electricity options net of interest	(20)	(20)	(20)	(17)	(13)
Assets					
(Gain)/loss on sale of assets	-	-	-	(3)	(7)
Impairment of assets	2	-	58	5	2
Total adjustments before tax	(512)	(269)	199	(10)	8
Taxation					
Tax effect of above adjustments	81	72	(58)	4	(3)
Underlying net profit after tax	**233**	**231**	**316**	**333**	**206**

Cash flow statement

Cash flow statement Financial year ended 30 June $M	2022	2021	2020	2019	2018
Receipts from customers	3,934	4,164	3,375	3,463	2,765
Interest and dividends received	2	-	1	1	1
Payments to suppliers and employees	(3,254)	(3,472)	(2,520)	(2,628)	(2,152)
Interest and income tax paid	(221)	(261)	(252)	(201)	(187)
Operating cash flows	**461**	**431**	**604**	**635**	**427**
Sale of property, plant and equipment	2	-	-	-	23
Sales of subsidiaries and other assets	768	-	-	-	-
Purchase of property, plant and equipment	(141)	(76)	(43)	(45)	(33)
Stamp duty/capitalised interest	-	-	-	-	(10)
Purchase of intangible assets and investments	(31)	(38)	(21)	(24)	(204)
Investing cash flows	**598**	**(114)**	**(64)**	**(69)**	**(224)**
Term borrowings drawn	210	108	172	439	462
Term borrowings repaid	(685)	(10)	(60)	(484)	(200)
Shares purchased for long-term incentive	(2)	(3)	(2)	-	-
Lease liabilities repaid	(7)	(7)	(7)	(1)	-
Dividends and finance lease paid	(360)	(433)	(546)	(500)	(487)
Financing cash flows	**(844)**	**(345)**	**(443)**	**(546)**	**(225)**

Balance sheet

Balance sheet Financial year ended 30 June $M	2022	2021	2020	2019	2018	2017
Cash and cash equivalents	363	148	176	78	60	80
Trade receivables	416	491	323	292	261	260
Customer contract assets	16	25	24	20	19	18
Other current assets	282	253	142	152	109	91
Total current assets	**1,077**	**917**	**665**	**542**	**449**	**449**
Property, plant and equipment	7,830	8,598	8,594	8,825	7,941	7,961
Intangible assets	85	84	64	59	60	58
Other non-curent assets	377	257	299	231	182	215
Total non-current assets	**8,292**	**8,939**	**8,957**	**9,115**	**8,183**	**8,234**
Payables, accruals and employee entitlements	488	602	388	320	283	311
Customer contract liabilities	13	23	23	16	14	-
Current portion of term borrowings	159	378	88	167	450	170
Other current liabilities	66	107	149	117	96	98
Total current liabilities	**726**	**1,110**	**648**	**620**	**843**	**579**
Term borrowings	1,004	1,298	1,600	1,303	1,023	1,022
Deferred tax	1,932	1,940	1,850	1,968	1,683	1,715
Other non-current liabilities	184	284	442	309	260	272
Total non-current liabilities	**3,120**	**3,522**	**3,892**	**3,580**	**2,966**	**3,009**
Net assets	**5,523**	**5,224**	**5,082**	**5,457**	**4,823**	**5,095**

Glossary

Hedging volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers (including NZAS) and financial contracts
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of hedges	volume weighted average price Meridian pays for derivatives acquired
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales and financial contracts
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections (NZ)	number of installation control points, excluding vacants
FRMP	financially responsible market participant
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 84 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Electricity Authority's reconciled grid demand www.emi.ea.govt.nz
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Financial contract sales	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
TJ	Terajoules
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mercury New Zealand. They do not result in the physical supply of electricity

Disclaimer

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This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the company's financial statements, which are included in Meridian's integrated report for the year ended 30 June 2021 and is available at:

www.meridianenergy.co.nz/investors

All currency amounts are in New Zealand dollars unless stated otherwise.

Changing Step. Together.

Meridian.

Meridian Energy Limited. **Investor Letter.**

There's a powerful future ahead

The 2021/2022 financial year was challenging, but one that proved successful in positioning us for growth. We continued to make good progress in supporting decarbonisation and doing all we can to bring new reliability and capacity to the electricity sector as a whole. A prolonged drought, particularly around Lakes Te Anau and Manapōuri, was a clear reminder that the ongoing vagaries of the weather will only become more volatile – and that our response must blend significant climate action with active and agile risk management and mitigation.

We have pushed ahead with our transition to a more sustainable energy sector, deepening our partnerships, building our development pipeline, supporting our commercial and industrial customers to electrify and making good progress with alternative use of our Southland resources, particularly in the area of hydrogen where interest has really gathered pace in the past year.

A generational opportunity

We continue to plan for an exit of New Zealand's Aluminium Smelter (NZAS) from Southland in 2024. While we note that NZAS has said publicly that it is reassessing its position in light of stronger aluminium prices globally, the eventual outcome remains uncertain. Importantly, the proposed closure of the smelter has created a generational opportunity, in both senses of the term, to re-energise Aotearoa/New Zealand and decarbonise our economy. We've done what we can to minimise the disruption to the local economy, negotiating an 'extended exit' deal that encouraged this large regional employer to stay on for three years longer than it had proposed. That deal bought the electricity sector time to enhance the transmission network in the lower South Island and enabled us to explore innovative arrangements with emerging industries that will change where and how our generation capacity is utilised. It also bought time for NZAS to work on an environmental mitigation plan and business model that may see it continue to operate in New Zealand beyond 2024.

Irrespective of what NZAS ultimately decides, re-orienting our strategy in response to its original exit decision has brought to light opportunities we literally hadn't thought possible just a short time earlier. The feasibility of a large-scale green hydrogen plant in Southland has evolved into an opportunity that could well redefine New Zealand's energy independence and position New Zealand as a leader at the heart of an exciting new global industry. Our goal for FY23 is to choose the right partner for this hydrogen opportunity and advance the project to the development stage.

At the same time, we've progressed our Process Heat Electrification Programme and we're making a real difference in supporting industrial customers to convert their fossil-fuel-based processes to electricity. Again, this is an opportunity that was not even on our radar 18 months ago, and one that we believe will only gain greater traction given the recent increase in Government Investment in Decarbonising Industry (GIDI) Fund support.

Strong customer gains

We continued to make excellent progress in growing our customer base this year, with both Powershop and Meridian adding strong sales volumes and, in the case of Meridian, maintaining the best customer retention rate of all electricity retailers in New Zealand. Powershop once again proved to be a real winner with consumers who enjoy the ability to buy their power, their way, from a retailer with an attractive personality. At the same time, Meridian's appeal to environmentally conscious customers saw another uplift in customer numbers this year.

We're well advanced in the digitalisation journey for most of our customers, which means that all our household and small business customers are being served from our Flux customer care and billing platform. This world-class, integrated platform has lifted the experiences we can offer New Zealanders and made it simpler than ever before for us to be responsive in market. The migration of our more complex commercial and industrial customers is taking a bit longer than expected, but we're confident that we'll have all our customers on the Flux platform by the end of the calendar year.

We remain conscious too that many customers are facing significant cost-of-living increases, making it even harder to make ends meet. While cost pressures meant we had to raise residential prices this year, we managed to keep the average price increase to around half that of the consumers price index increase across the whole economy. And we continue to offer energy wellbeing support for our most vulnerable customers and Level Pay for those wishing to manage their energy bills evenly throughout the year. This year we also commenced an Energy Wellbeing pilot. More details can be found on page 74 of the 2022 *Integrated Report*.

Our sponsorship of the amazing work done by KidsCan now includes both a cash contribution to its running costs and direct assistance with its fundraising activities. Two years ago we increased the contribution we make to KidsCan to $1 million per year. We're proud of the difference that this funding support makes to under-privileged children in Aotearoa.

Successful sale in Australia

We successfully completed the sale of our business in Australia this year after 10 years building that business. The original intention was to continue investing there until FY25, but the market itself has become a lot more volatile in recent years and our sense was that our risks there were increasing. With those factors in mind, we began looking at our options mid-2021.

The sale of Meridian Energy Australia delivered a healthy gain on sale as well as a sizeable amount of cash to reinvest in renewable energy and, potentially, technologies like hydrogen in New Zealand. Our balance sheet is healthy and will ensure our ongoing participation in New Zealand's decarbonisation efforts.

Advancing decarbonisation

We were pleased to see the Government largely adopting the Climate Change Commission's recommendations and setting in place the country's first Emissions Reduction Plan with the first three carbon budgets. Globally we see carbon prices lifting. We continue to advocate for an effective and all-encompassing emissions trading scheme to support New Zealand's decarbonisation journey, but we also recognise well targeted policy support will help build momentum. The 10-fold lift in the GIDI Fund to $650 million is a powerful catalyst and a clear signal to the market of Government endorsement for industrial decarbonisation. The Clean Car Discount also seems an effective policy lever.

Clearly, electrification is the key enabler of a net-zero-carbon economy in New Zealand. A massive amount of investment in electricity infrastructure will need to take place in the next 30 years to support the country in meeting its climate goals. In that context, it's critical that the resource management framework in Aotearoa appropriately allows consenting authorities to balance localised environmental impacts and mitigations associated with renewable electricity projects with the positive climate benefits those projects bring. Responsible developers must take account of the views of the communities they affect and also appropriately mitigate the environmental impacts they may cause. But balance is key, and we believe the current direction of travel for the resource management reform process may cause many renewable projects to run into environmental 'bottom lines' that will materially slow or halt developments. Renewable developers are presenting a united view of the issues we see emerging through that process to Ministers and Government officials. We have identified and put forward pragmatic suggestions that will provide balance and allow for appropriate trade-off discussions to occur.

All that said, we're getting on with it. Progress in building the Harapaki wind farm has been very challenging given the record-setting wet weather the project team has encountered during the first year of construction, but overall the project remains on schedule. We have experienced some inflationary cost pressures and have had to make some changes to the roading design due to the sodden ground conditions, so the forecast cost to complete has escalated by $53 million (13%). We still believe the project represents a sound investment for Meridian and much-needed renewable generation for New Zealand as it will power the equivalent of 70,000 Kiwi homes when complete. We'll start producing that power from as soon as 2023.

Harapaki is one of a number of renewables projects started by major energy companies in the past two years, as the New Zealand electricity sector continues to phase out existing fossil-fuel-based power stations.

Alongside these new developments, we've been rethinking how we use our renewable generation assets to best effect. Aotearoa currently generates around 80–85% of its electricity from renewable sources (mostly hydro), supported by coal- and gas-fired generation as needed. But as those fossil-fuel generators are phased out and replaced by wind, solar and geothermal we'll need to flex our hydro generation capability and storage differently from how we have in the past to offset the intermittency inherent in wind and solar generation.

Flexible demand will also become more valuable as a means of managing renewable intermittency. That's a key part of the value proposition of a large-scale hydrogen production facility in Southland. Producing hydrogen from electrolysis is inherently flexible, and if the hydrogen producer can reduce production at times when the electricity system is stressed, the electricity it would have consumed can effectively be reallocated to other energy consumers. We believe this creates a win-win scenario, as the hydrogen producer benefits by being recompensed for forgone production, other electricity consumers benefit from a more reliable, cost-effective supply and there is less need to produce carbon emissions from coal or gas. This type of demand response is part of wider discussions on how new, and potentially existing, industry can align their energy requirements with the nation's needs. If we can make such flexibility commercially viable, that will deliver a very cost-efficient solution to renewable intermittency in the electricity system.

During FY22 we developed a refreshed *Climate Action Plan*. The Plan sets out a roadmap for delivering our Half by 30 and Forever Forests programmes. It also accounts for the work we're doing to support our customers in their decarbonisation efforts.

Our Half by 2030 target means we plan to halve our gross scope 1, 2 and 3 operational emissions by FY30 on an FY21 baseline. We were pleased to recently get approval from the Science Based Targets initiative (SBTi) that our near-term emission reduction targets are science-aligned*. So far we've electrified all our light passenger vehicles and made good progress with the rest of our fleet.

We also continue to make good progress with our Forever Forests initiative, and are on track to cover our remaining gross operational emissions by 2030.

Between our Half by 2030 and Forever Forests initiatives our overall aim is to manage the relationship between Meridian's operations and climate change directly and ensure that relationships are net zero.

From a customer perspective, our Process Heat Electrification Programme is targeting 600 gigawatt hours (GWh) of industrial

* The SBTi has approved that Meridian's underlying target 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 our further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe (excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects).

heat electrification. We're building our own public electric vehicle (EV) charging network, with 61 chargers now installed, as well as establishing EV charging products for business and residential customers to make it as simple as possible for New Zealanders to drive away from fossil fuels. Our Certified Renewable Energy product has also enabled more than 80 customers to purchase more than 660GWh of Renewable Energy Certificates this year. Further, we have made a commitment to reinvest all the Renewable Energy Certificates into decarbonisation projects.

Partnerships are vital

The many changes ahead of us can seem daunting. New Zealand's response to decarbonisation must be nuanced, sensitive, intelligent and bold. The needs and priorities of many different stakeholders must be assessed wisely, and decisions made that work in the best interests of the country and the world collectively. We don't presume to tackle such challenges alone.

And we're determined that our partnership and stakeholder relationship model will be robust and as effective as possible. Our approach stems from a key word in our purpose – fair. As we work with all stakeholders around consents for natural resources, and in particular iwi, we aim to improve the economic, cultural and biodiversity impacts of our business. Our overriding goal is to create fair outcomes for all.

Our working style continues to evolve

Our people have continued to deliver great work. Their responses to COVID-19 restrictions have helped reshape how we think about our working styles, and as a result we've developed a framework for flexible working that we believe works for individuals and the company.

Flexible working arrangements are a core part of our strategy to support diversity and inclusion in our teams, but it is clear that the stresses and strains on many of our people living in this changing world are becoming more significant, not less. That's why we've put considerable effort into supporting our people's general wellness and, in particular, their mental wellbeing. It was pleasing to see our efforts recognised at the Safeguard Awards (New Zealand Workplace Health and Safety Awards), where Meridian won the Wellbeing award for our 'Care Team' process. Our Care Teams take a structured approach to wrapping support around people who need time to heal and help to return to work.

We have a comprehensive safety-improvement plan in play across the business, and our key lagging safety measure of total recordable injury frequency improved this year. More importantly, we're confident that our staff and contractors are as actively engaged in safety as ever, evidenced by a noticeable lift in positive safety observation and incident reporting in the past year. The Board and Management recognise that building a strong and positive safety culture must continue to be our number one priority, and we intend to intensify our focus on keeping our people safe from harm, particularly as we embark on more construction as part of our development programme.

We have noted an overall dip in our staff engagement scores this year, so we have more work to do. The Board and Management are committed to supporting our people and ensuring our overall employee proposition remains strong and keeps pace with market developments. As such our remuneration-review process this year was costed to keep pace with the cost of living. We were pleased to award to staff an across the board, special bonus of $1,000 after tax.

Changes at Executive Team and Board level

Our Board is now more diverse than it has ever been and has the relevant capabilities to oversee Meridian's strategy and guide the business through the decisions that lie ahead. The appointment of Tania Simpson in particular will help us grow our iwi relationships.

Graham Cockroft was appointed as Non-Executive Director on 26 July 2022. Graham brings a strong finance and energy industry background to the Board and will add to the Board's skills and expertise following the retirement of longstanding Director Jan Dawson, whose term will conclude at our next Annual Shareholders' Meeting.

This year has also seen important changes in our Executive Team. Tania Palmer shifted from Chief People Officer to head up our Generation team. Her proven sector experience and people-leadership skills are well suited to leading that part of the business and making strong changes that will future-proof the business. Meanwhile Jason Stein, who had been Chief Executive of our Australian operations, took over the Chief People Officer role, in which he will continue to focus on enhancing our safe and inclusive culture. Finally, our long-time Chief Information Officer (CIO) Bharat Ratanpal has joined the Executive Team, adding his invaluable technical skills to how we think about deploying technology to improve our customer propositions and our business performance as well as protecting our technology systems. It's a sign of the diversity and breadth of skills in our leadership ranks that we have been able to make all these key appointments from within our existing talent pool.

A strong financial result

Despite challenging hydro conditions in the Waiau catchment, this year's financial result was still strong and exceeded our expectations. The result was once again powered by good generation numbers and a surge in retail sales volumes, with our customer base up by more than 18,000 on the prior year.

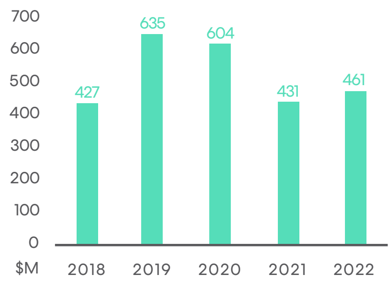
The sale of our Australian operations bolstered our balance sheet and gave us the cash to push forward confidently with our development options. With Harapaki due to be completed in the next year, developments like the Ruakākā Energy Park and Mt Munro wind farm are well advanced and the prospects for hydrogen are looking encouraging. The Board and Management believe that Meridian is well placed to make a sizeable contribution to the decarbonisation of New Zealand.

Meridian Energy has reported $664 million of net profit after tax for the year ended 30 June 2022, including the benefit of $214 million gain on the sale of its Australian business and $281 million of positive non-cash movements in the value of hedge instruments.

The Board has declared a final ordinary dividend of 11.55 cents per share, up 3% from the previous year. This brings the total ordinary dividends declared in FY22 to 17.40 cents per share, 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.

Operating cash flow



Underlying net profit after tax reconciliation ($M) Financial year ended 30 June	FY22	FY21
Net profit after tax	664	428
Underlying adjustments		
Discontinued operations	(213)	(13)
Hedging instruments		
Net change in fair value of electricity and other hedges	(145)	(157)
Net change in fair value of treasury instruments	(136)	(79)
Premiums paid on electricity options net of interest	(20)	(20)
Assets		
(Gain)/loss on sale of assets	–	–
Impairment of assets	2	–
Total adjustments before tax	(512)	(269)
Taxation		
Tax effect of above adjustments	81	72
Underlying net profit after tax	**233**	**231**

3%
NZ energy margin

3%
EBITDAF

$233m
Underlying net profit after tax

7%
Operating cash flow

17.40cps
Ordinary Dividend

Developing a better future, together

Our momentum to contribute to decarbonising the economy continued to grow this year as we looked forward to an exciting future. Building our partnerships is part of forging a strong, shared pathway for the future along with an active development programme. We're working with our customers to make it possible for them to evolve to a renewable future as well. The strength of our brands and the resilience of our people remain key advantages in our bid to do right by New Zealand and continue to deliver value for all our stakeholders.

On behalf of the Board and the Executive Team, we would like to thank our customers, our partners, our investors and everyone in our teams for your commitment to cleaner energy for a fairer and healthier world.

Visit **meridian.co.nz/investors** to download the full Meridian Integrated Report for the year ended 30 June 2022.

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Results announcement

Results for announcement to the market		
Name of issuer	Meridian Energy Limited	
Reporting Period	12 months to 30 June 2022	
Previous Reporting Period	12 months to 30 June 2021	
Currency	NZD	
	Amount (NZ$m)	**Percentage change**
Revenue from continuing operations	$3,703	-7%
Total Revenue	$3,703	-7%
Net profit/(loss) from continuing operations	$451	+5%
Total net profit/(loss)	$664	+55%
Interim/Final Dividend		
Amount per Quoted Equity Security	NZ $0.11550000 Final Ordinary Dividend	
Imputed amount per Quoted Equity Security	NZ $0.03413667	
Record Date	8/09/2022	
Dividend Payment Date	23/09/2022	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$1.99	$1.89
A brief explanation of any of the figures above necessary to enable the figures to be understood	For commentary on the operational results please refer to the media announcement and final results presentation. This announcement should be read in conjunction with the attached Annual Financial Statements for the year ended 30 June 2022.	
Authority for this announcement		
Name of person authorised to make this announcement	Jason Woolley	
Contact person for this announcement	Jason Woolley	
Contact phone number	+64 4 381 1206	
Contact email address	Jason.Woolley@meridianenergy.co.nz	
Date of release through MAP	23/08/2022	

Audited financial statements accompany this announcement.

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Distribution Notice

Section 1: Issuer information				
Name of issuer	Meridian Energy Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	MEL			
ISIN (If unknown, check on NZX website)	NZMELE0002S7			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	X		
Record date	Close of trading on 08/09/2022			
Ex-Date (one business day before the Record Date)	07/09/2022			
Payment date (and allotment date for DRP)	23/09/2022			
Total monies associated with the distribution[1]	$297,708,733			
Source of distribution (for example, retained earnings)	Retained Earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$0.14963667			
Gross taxable amount [3]	$0.14963667			
Total cash distribution[4]	$0.11550000			
Excluded amount (applicable to listed PIEs)	$0.00000000			
Supplementary distribution amount	$0.01549059			
Section 3: Imputation credits and Resident Withholding Tax[5]				
Is the distribution imputed	Partial imputation			
If fully or partially imputed, please state imputation rate as % applied[6]	76%			
Imputation tax credits per financial product	$0.03413667			

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Gross taxable amount" is the gross distribution minus any excluded income.

[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

Resident Withholding Tax per financial product	$0.01524343	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	0.0%	
Start date and end date for determining market price for DRP	07 September 2022	13 September 2022
Date strike price to be announced (if not available at this time)	14 September 2022	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New Issue	
DRP strike price per financial product	$TBC	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	9 September 2022	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Jason Woolley	
Contact person for this announcement	Jason Woolley	
Contact phone number	+64 4 381 1206	
Contact email address	jason.woolley@meridianenergy.co.nz	
Date of release through MAP	24/08/2022	