

Corporate Governance Statement

Meridian Energy Limited FY23



Meridian.

AUGUST 2023

Meridian's approach to corporate governance is simple: have the right structures, people, practices and policies in place to support its ability to create value in the short, medium and long term.

While delivering on this overarching objective, the Meridian Board also aims to ensure that Meridian acts transparently and in a socially and environmentally responsible way to benefit its wider stakeholder community.

As part of this commitment, the Board regularly implements and reviews Meridian's corporate governance practices, processes and policies according to the company's Constitution. It also reviews the legal and regulatory environment in which Meridian operates, and applies best-practice corporate governance principles such as those set by the New Zealand Stock Exchange (NZX), the Financial Markets Authority and the Australian Stock Exchange (ASX).

This Corporate Governance Statement provides a snapshot of these practices, processes and policies following the recommendations in the NZX Corporate Governance Code (**NZX Corporate Governance Code**). During FY23, Meridian complied with the NZX Corporate Governance Code other than in respect of recommendation 3.6 as set out below.

All of Meridian's key corporate governance documents, including charters and policies, can be found at meridianenergy.co.nz/investors/governance.

The integrated report for the financial year ended 30 June 2023 may cross-reference this Corporate Governance Statement. This statement is accurate as at 28 August 2023.

Principle 1:

Code of Ethical Behaviour

Recommendation 1.1

The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).

Meridian Group Board members and employees are expected to observe the highest standards of ethical behaviour, and support and encourage policies within Meridian that require directors and employees to observe high standards of personal integrity and display honesty in their dealings.

Meridian's Code of Conduct (the **Code**) is a Board-approved policy that sets ethical and other standards and serves as a tool to help Meridian Group employees and Board members understand Meridian's internal policies and its legal and regulatory obligations. The Code's primary objective is to help employees to understand the behaviours that Meridian expects of them and help to answer any questions, issues or challenges they may face. The Code is available at meridianenergy.co.nz/about-us/investors/governance/policies.

The Code is principles-based (the underlying policies are more detailed), with topics that include:

- Raising a concern
- How to be: Meridian's values that guide employees' behaviours and decisions
- Everyone should go home each day safe and well: safety and wellbeing is our top priority

- People are the heart of our company: we build strong relationships with communities and treat all people with respect
- We're committed to doing the right thing: we act with integrity and honesty
- Our business operates in a sustainable and ethical way: our decisions support our company ethos.

Every employee is given a copy of the Code as part of the induction process and must acknowledge that they have both read and understood its content. Employees also receive continual communications on, and training in, each of these areas. Every Meridian employee is required to complete an online training module for the Code annually.

Meridian's Whistleblowing Policy is a Board-approved policy that sets out the process for raising concerns about actual, suspected or anticipated wrongdoings within the Meridian group. The purpose of the Whistleblowing Policy is to provide an avenue for directors and employees, secondees, contractors or consultants to feel confident in raising, and provide protection to those who have raised, any such concerns. The Whistleblowing Policy also sets out the investigation process following a whistleblowing complaint being made.

The Whistleblowing Policy can be found at meridianenergy.co.nz/investors/governance/policies.

In addition, the Board-approved Delegation of Authority Policy sets out an approval process for all Related Party transactions to ensure that Meridian engages with Related Parties on an arm's-length basis and complies with the NZX Listing Rules on Related Party transactions. For this purpose, a Related Party includes the Crown and any entity in which the Crown has a controlling stake (for example other mixed ownership companies and Transpower).

Recommendation 1.2

An issuer should have a financial product dealing policy which applies to employees and directors.

Meridian has a Trading in Securities Policy that is reviewed annually by the Board. The policy relates to dealings in securities and other financial products, including Meridian shares and other companies' shares. Its purpose is to ensure that Meridian and its subsidiaries' directors, employees and contractors comply with the law prohibiting insider trading and that all their dealings in Meridian securities are beyond reproach.

The Trading in Securities Policy can be found at meridianenergy.co.nz/investors/governance/policies.



Principle 2: Board Composition and Performance

Recommendation 2.1

The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

The Board Charter sets out, in detail, the composition, responsibilities and roles of the Board and directors. The Board reviews its performance against these responsibilities annually.

The Board maintains a set of delegated authorities that clearly define the responsibilities delegated to management and those retained by the Board. These delegated authorities are subject to review and approval by the Board annually. The Chief Executive is accountable to the Board for the exercise of, and compliance with, the Delegation of Authority Policy.

The Board Charter is available at meridianenergy.co.nz/about-us/investors/governance/charters.

Recommendation 2.2

Every issuer should have a procedure for the nomination and appointment of directors to the board.

The Board as a whole considers the requirement for additional or replacement directors, subject to the limitations set out in the company's Constitution. In doing so, the Board has regard to the skills, experience and diversity on the Board, and the skills that are necessary or desirable for the Board to fulfil its governance role and contribute to the long-term strategic direction of Meridian.

The Board has an established process for selecting suitable candidates for appointment and reappointment to the Board. The process starts with a Board evaluation and the development of a Board skills matrix and ensures that:

- proper checks are done
- shareholders are provided with key information about a candidate to help in their decision-making on whether to elect or re-elect them (this includes any material adverse information the checks have revealed).

The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

When appointing new directors, the Board ensures that the constitutional requirements

in respect of directors will continue to be satisfied. The NZX Corporate Governance Code's recommendation that a majority of the Board should be independent directors is also addressed.

Directors may be appointed by the Board to fill vacancies, but they are then subject to re-election at the next annual shareholders meeting. In addition to directors retiring by rotation, and eligible for re-election, nominations may be made by shareholders.

Recommendation 2.3

An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

On appointment, each new director signs a written agreement that outlines the terms of their appointment. The agreement covers: expected time commitments, the role of the Board, remuneration, independence requirements, disclosure requirements, shareholding qualification requirements, confidentiality obligations, indemnity and insurance provisions, intellectual property rights and cessation of appointment.

The Board introduces new directors to senior management and the business through specifically tailored induction programmes.



Principle 2:
Board Composition
and Performance
continued

Recommendation 2.4

Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, and ownership interests, director attendance at board meetings, and the board’s assessment of the director’s independence, including a description as to why the board has determined the director to be independent if one of the factors listed in table 2.4 applies to the director, along with a description of the interest, relationship or position that triggers the application of the relevant factor.

Meridian’s director biographies can be found at meridianenergy.co.nz/about-us/board-of-directors.

Meridian director ownership interests can be found in the *Further disclosures* section of the FY23 integrated report.

Meridian director attendance at board meetings is set out below at recommendation 3.5.

Meridian director independence is discussed below at recommendation 2.8.

Recommendation 2.5

An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity’s progress in achieving them. An issuer within the S&P/NZX 20 Index at the commencement of its reporting period should have a measurable objective for achieving gender diversity in relation to the composition of its board, that is to have not less than 30% of its directors being male, and not less than 30% of its directors being female, within a specified period. An issuer should disclose its diversity policy or a summary of it.

Under Meridian’s Belonging Policy, the Board and Management are required to establish measurable objectives for achieving greater diversity and inclusion within the company. “Diversity” refers to all the ways in which we differ. It includes differences which may be visible such as gender, age, ethnicity, physical appearance/disability and nationality, as well as underlying differences such as thinking styles, religion, sexual orientation, gender identity, cultural background and family status.

The People, Remuneration and Culture Committee reviews the policy’s effectiveness and the proposed measurable objectives, and makes recommendations to the Board for approval as required. It then monitors the Group’s progress towards achieving the objectives, ensuring that the company has effective people strategies and processes in place to support these objectives.

The Belonging Policy can be found at meridianenergy.co.nz/investors/governance/policies.

Information on Meridian’s progress in achieving its objectives is in the *Humanly Possible* section of the FY23 integrated report. Meridian also includes our diversity and inclusion goals and information on gender diversity, gender pay equity, ethnic diversity and Te Kete Tikanga Māori at meridianenergy.co.nz/about-us/diversity-and-inclusion.

Board diversity

The Board aligns its diversity processes with those of Meridian, believing that this leads to better discussions on issues involving stakeholders and the best decisions for the company.

The Board is committed to ensuring a range of experiences and perspectives among its directors; this is highlighted in the directors’ biographies on the Meridian website and the directors’ skills matrix below. The Board has adopted processes and targets that align with the practices required of management.

Principle 2:
Board Composition
and Performance
continued

Processes

- All efforts are made to ensure that long lists for potential new directors include a mix of genders.
- Any future director replacements are interviewed by an initial panel comprising a mix of genders.

Targets

- The Board has a minimum of 30% of its directors being persons who self identify as male and 30% of its directors being persons who self identify as female.
- The Board has at least one director with a detailed understanding of tikanga Māori and iwi relationships, with particular reference to the significance of the Ngāi Tahu relationship with Meridian.

These processes and targets are designed to ensure that the Board make-up reflects diversity in background, gender, age, experience and thought. The Board confirms that it currently meets these targets and incorporates these processes for future director appointments.

Current Board and Executive team gender composition

In accordance with NZX Listing Rules, the gender make-up of Meridian’s directors and officers as at 30 June 2023 is¹:

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

1 The officers comprise the Chief Executive and direct reports to the Chief Executive, and corresponds to the definition of “Officers” in the Listing Rules.

Principle 2:
Board Composition
and Performance
continued

Board skills, size and composition
As part of the Board’s approach to diversity, it has identified the areas of expertise and experience that are relevant to it achieving its objectives. Based on these criteria, it considers that its members currently have the depth of expertise, understanding and experience necessary to govern Meridian.

Meridian’s director skills matrix outlines an independent view on the strategic capabilities required to be demonstrated by the Board based on external research and Board and Management perspectives. The overall assessment was based on the evaluation of feedback on directors’ contribution to the company during the year. Meridian’s matrix identifies the Board (as at 30 June 2023) has the appropriate level of capability in all areas.

The matrix is as follows:

Director tenure*					
0–5 years		5	5–10 years		2
			10+ years		1

* Note this includes Jan Dawson who ceased to be a director on 18 October 2022 and Graham Cockcroft who was appointed on 26 July 2022.

Capability	Mark Verbiest	Julia Hoare	Mark Cairns	Michelle Henderson	Nagaja Sanatkumar	Tania Simpson	Graham Cockcroft
Corporate Governance experience							
Broad commercial expertise							
Industry expertise							
Engineering / physical infrastructure							
Future of customer							
Digitalisation and Technology							
Iwi connectivity							
Accounting and finance							
Capital markets							
Sustainability							
Risk management							
Climate risk and opportunity management							
Information Technology and Security							

Principle 2:
Board Composition
and Performance
continued

Recommendation 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Meridian’s directors are expected to understand the company’s operations and undertake any necessary continuing professional development to enable them to discharge their duties. This includes:

- on appointment, participating in a robust induction programme coordinated by the Company Secretary
- attending management presentations and tutorial sessions, as appropriate, to gain a broader understanding and knowledge of Meridian
- attending briefings on relevant changes in legislative, regulatory and industry frameworks
- attending technical and professional development courses to keep up to date on relevant issues

Recommendation 2.7

The board should have a procedure to regularly assess director, board and committee performance.

The Board undertakes a “deep dive” evaluation of its performance every two years with the last “deep dive” being undertaken in December 2022.

In addition to the review, the Chair discusses individual performance with directors, while the Board and Board sub-committees self-evaluate their performance against their charter responsibilities, with a commitment to identifying any opportunities for improvement.

Meridian also has a process for evaluating the performance of the Senior Executive Team and the Chief Executive. The Chief Executive’s objectives and performance are reported back to, and considered and approved by, the Board. The Chief Executive’s performance is measured against Board-set targets, which include business performance, the accomplishment of key business requirements, operational performance and a number of non-quantitative objectives that are agreed at the start of the financial year. The last Chief Executive evaluation was undertaken in July 2023, relating to the year ended 30 June 2023.

The performance of the Senior Executive team (who report directly to the Chief Executive) is reviewed using a similar approach. All executives have agreed objectives that are set at the start of each financial year. They are agreed by the Chief Executive after they have been reviewed by the People, Remuneration and Culture Committee. These objectives generally link to the Chief Executive’s objectives and include a mix of business performance, operational and non-quantitative measures that reflect the success of implementing Meridian’s strategy. The last Executive team evaluation was undertaken in July 2023, relating to the year ended 30 June 2023. The outcomes were determined by the Chief Executive and reviewed by the People, Remuneration and Culture Committee.

Recommendation 2.8

A majority of the board should be independent directors.

Each director is required to provide the Board with all the information it needs to undertake an annual assessment of the director’s independence. The Board confirms that all directors are independent directors, having regard to all relevant factors, including the formal criteria for ‘independent directors’ according to the NZX Listing Rules, the NZX Corporate Governance Code and Financial Markets Authority.

Recommendation 2.9

An issuer should have an independent chair of the board.

The Chair is an independent director.

Recommendation 2.10

The chair and the CEO should be different people.

The positions of Chair and Chief Executive of Meridian are held by different people.



Principle 3:

Board Committees

The Board has established three Board Committees (described opposite) that focus on specific responsibilities in greater detail than is possible for the Board as a whole. All committee proceedings are reported back to the Board. In addition the Board periodically establishes ad hoc Committees in respect of specific projects or issues.

Each permanently established committee operates under a Board-approved written charter that sets out its delegation and responsibility. Each charter is available on Meridian’s website at meridianenergy.co.nz/about-us/investors/governance/charters.

Recommendation 3.1

An issuer’s audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board.

Audit and Risk Committee: Julia Hoare (Chair and Independent Director), Graham Cockroft (effective 26 July 2022) (Independent Director), Michelle Henderson (Independent Director) and Mark Verbiest (Board Chair and Independent Director). Each director has relevant qualifications and experience for the purposes of the Audit and Risk Committee – see the skills matrix at meridianenergy.co.nz/about-us/board-of-directors. This Committee comprises a minimum of three directors and will consist only of independent directors. Its primary objective is to assist the Board in fulfilling its responsibilities in all matters related to Meridian’s risk management and financial accounting and reporting.

The Committee meets at least four times a year and otherwise on an as required basis to ensure it fulfils its responsibilities, with agenda items generally relating to:

- financial governance
- external financial reporting
- external audit
- the internal control environment and internal audit
- risk management, compliance and insurance.

The Committee regularly reviews Meridian’s key risks and its risk management framework, which includes policies and procedures for identifying, responding to and monitoring principal business risks as well as reviewing progress against goals and targets for climate-related issues. The Committee also undertakes an annual business continuity review.

Recommendation 3.2

Employees should only attend audit committee meetings at the invitation of the audit committee.

Under the Audit and Risk Committee Charter, the Chief Executive, Chief Financial Officer and Company Secretary attend Committee meetings by invitation.

Other employees, as considered appropriate, may also attend meetings by invitation. The Audit and Risk Committee regularly meets separately with the external and internal auditors without Management present.

Recommendation 3.3

An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

People, Remuneration and Culture Committee: Tania Simpson (Chair – effective 18 October 2022 and Independent Director), Mark Verbiest (Board Chair and Independent Director), Nagaja Sanatkumar (Independent Director), Graham Cockroft (Independent Director) – effective 26 July 2022.

This Committee comprises a minimum of two directors. Its primary objective is to assist the Board in fulfilling its responsibilities in all matters related to people, remuneration and culture.

The Committee meets at least four times a year and otherwise on an as required basis to ensure it fulfils its responsibilities, with agenda items generally relating to:

- people, including diversity and inclusion
- remuneration
- culture
- the Executive team objectives and performance evaluation
- overseeing the preparation of certain reports related to the above matters.

The Chief Executive, Chief People Officer and Company Secretary attend Committee meetings by invitation. Other employees, as considered appropriate, may also attend meetings by invitation.

Principle 3:
Board Committees
continued

Recommendation 3.4

An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

Meridian does not have a separate nomination committee as its functions are carried out by the full Board in line with the responsibilities under the Meridian Board Charter. The procedures for director removals and appointments are governed by the company’s Constitution and the requirements of the NZX Listing Rules.

Recommendation 3.5

An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

In addition to the Audit and Risk Committee and People, Remuneration and Culture Committee, the Board considers it appropriate to have a Safety and Sustainability Committee.

Safety and Sustainability Committee: Mark Cairns (Chair and Independent Director), Michelle Henderson (Independent Director), Nagaja Sanatkumar (Independent Director) and Tania Simpson (Independent Director).

This Committee comprises a minimum of two directors. Its primary objective is to assist

the Board in fulfilling its responsibilities and objectives in all matters related to safety and sustainability.

The Committee meets at least four times a year and otherwise on an as required basis to ensure it fulfils its responsibilities. This includes at least three meetings and an operational site visit which may be undertaken by the full Board. Agenda items relating to safety generally include:

- reviewing Meridian’s policies related to Health and Safety
- reviewing Meridian’s health and safety initiatives
- our safety culture and performance including actions to improve our systems
- how we manage our Health & Safety risks and the supporting assurance programme

- Agenda items relating to sustainability generally include:
- monitoring compliance with Meridian’s Sustainability Policy, available at meridianenergy.co.nz/about-us/investors/governance/policies
 - ensuring Meridian has an effective sustainability strategy and appropriate reporting and supporting processes
 - monitoring progress against Meridian’s climate-related opportunities
 - monitoring human rights (including modern slavery) due diligence and mitigation processes
 - reviewing Meridian’s sustainability initiatives and outcomes

Board and Committee meeting attendance

The table below sets out the attendance details for each Board and Committee meeting during FY23².

	Board	Audit and Risk Committee	People, Remuneration and Culture Committee	Safety and Sustainability ommittee
No. of meetings	11	6	6	4
Mark Cairns	11			3
Graham Cockroft ³	11	6	5	2
Jan Dawson ⁴	4	2	3	
Michelle Henderson	11	6		4
Julia Hoare	11	6		
Nagaja Sanatkumar	11	1	6	4
Tania Simpson	11	1	6	4
Mark Verbiest	11	4	6	2

2 For the purposes of this table, attendance includes any part attendance of meetings by the directors.
3 Graham Cockroft was appointed to the Audit & Risk Committee and People, Remuneration and Culture Committee, effective 26 July 2022.
4 Jan Dawson ceased to be director, effective 18 October 2022.

Principle 3:
Board Committees
continued

Recommendation 3.6

The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

As a mixed-ownership company, majority-owned by The Sovereign in Right of New Zealand, Meridian is bound by the requirements of the Public Finance Act 1989. This means there are legislative and constitutional restrictions on any party owning more than 10% of Meridian’s shares. These restrictions are explained further in the *Further disclosures* section of the FY23 integrated report and in the Fact Sheet about Meridian Shares available on Meridian’s website. Given those restrictions, the Board has determined it is not appropriate nor necessary to adopt a takeover protocol, although there are protocols to ensure compliance with the company’s Constitution.



Principle 4: Reporting and Disclosure

Recommendation 4.1

An issuer's board should have a written continuous disclosure policy.

Meridian has a Market Disclosure Policy under which it is committed to promoting investor confidence by providing timely and balanced disclosures of all material matters relating to the company. Meridian believes that high standards of reporting and disclosure are essential for proper accountability between the company and its investors, employees and stakeholders. No-one is permitted, until adequate public disclosure has been made, to communicate to anyone any material information concerning the business and affairs of Meridian and its subsidiaries, except in accordance with the company's Market Disclosure Policy.

The policy includes a requirement for the Board to consider at each Board meeting whether any information its members discuss requires disclosure.

The Market Disclosure Policy is available at meridianenergy.co.nz/about-us/investors/governance/policies.

Recommendation 4.2

An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Corporate Governance Code, together with any other key governance documents, available on its website.

Key governance documents are available to investors and stakeholders on Meridian's website at meridianenergy.co.nz/about-us/investors. These include the Code of Conduct, Trading in Securities Policy, Market Disclosure Policy, Belonging Policy, Remuneration Policy, Whistleblowing Policy, Audit Independence Policy, Sustainability Policy, and Board and Committee Charters. Meridian's Constitution, Trust Deed and NZX Waivers are also available on our website.

Recommendation 4.3

Financial reporting should be balanced, clear and objective.

Meridian publishes interim and audited full-year financial statements that are prepared in accordance with relevant financial standards.

Recommendation 4.4

An issuer should provide non-financial disclosure at least annually, including considering environmental, social sustainability and governance factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.

Meridian's annual report is an integrated report which reviews Meridian's financial, economic, social and environmental performance for the financial year ending 30 June 2023 and is prepared in accordance with the core requirements of the 2021 Global Reporting Initiative's Sustainability Reporting Standards. The Annual Report is independently assured against these GRI Standards. The material impacts are discussed (including how those impacts are managed and how non-financial targets are measured). Risks are also covered in this Corporate Governance Statement (see Principle 6).

In addition to interim and full-year financial statements, and integrated reporting, Meridian regularly publishes investor presentations. These presentations provide readers with regular updates on the progress against Meridian's strategy, areas of the company's environmental, social and governance performance and longer-term sector developments.



Principle 4: Reporting and Disclosure continued

Each month Meridian also publicly discloses an operating report, intended to provide readers with access to timely information on the electricity market and Meridian's performance. The report contains information on current conditions in the electricity market, such as national lake storage levels, forward wholesale prices and customer switching levels. The report also has information on Meridian's operating performance in the previous month, including the company's inflow, storage levels, generation and sales. Meridian hosts a quarterly operating results call in April and October each year during which Meridian provides a summary of operating performance in the previous quarter.

Meridian also annually discloses:

- A Climate-related disclosure – in FY23, aiming for early voluntary alignment with the Aotearoa New Zealand Climate Standards, and produced in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures.
- A Greenhouse Gas Inventory – prepared in accordance with the Greenhouse Gas Protocol and information stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018'), the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) ('the GHG Protocol') and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) ('the Corporate Value Chain Standard'). GHG Inventories are independently assured to a reasonable level of assurance.
- A Modern Slavery Statement – outlining the due diligence and remediation processes in place and any in-year impacts.



Principle 5: Remuneration

Recommendation 5.1

An issuer should have a remuneration policy for the remuneration of directors. An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Meridian's Remuneration Policy contains the policy for remuneration of directors. In accordance with the Remuneration Policy and company's Constitution, shareholder approval is sought on any increase in the pool available to pay directors' fees. The Remuneration Policy is available at meridianenergy.co.nz/about-us/investors/governance/policies.

Information on Meridian's director remuneration can be found in the *The right remuneration* section of the FY23 integrated report. As noted in the Remuneration Policy, our integrated report includes a breakdown of remuneration for committee roles and the fees and benefits received for any other services provided to Meridian (of which there was none). Meridian does not offer performance-based remuneration, equity-based remuneration or retirement payments for directors.

The director fee pool was last approved by shareholders in October 2021. Meridian's Board considered and presented the proposal to increase the director fee pool and sought and considered independent advice from Pricewaterhouse Coopers (PwC), which reviewed the remuneration of directors of comparable listed companies in New Zealand. A copy of the Summary Directors' Fees Report was provided to shareholders and can be found at meridianenergy.co.nz/about-us/investors/reports/shareholder-meetings.

Recommendation 5.2

An issuer should have a remuneration policy for remuneration of executives which outlines the relative weightings of remuneration components and relevant performance criteria.

The Board (on the recommendation of the People, Remuneration and Culture Committee) sets Meridian's Remuneration Policy and framework, which supports the company in attracting, retaining and motivating high-calibre people to achieve its business objectives and create shareholder value.

The Remuneration Policy provides the principles for remuneration decision-making, ensuring overall alignment with business needs.

Meridian also has a policy under which participants in the executive long-term incentive plan are not permitted to enter into transactions (through the use of derivatives or otherwise) that limit the economic risk of participating in the plan. More information on remuneration can be found in *The right remuneration* section of the FY23 integrated report.

Recommendation 5.3

An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.

Information on the Chief Executive's remuneration can be found in *The right remuneration* section of the FY23 integrated report.



Principle 6: Risk Management

Recommendation 6.1

An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

Approach to risk management

Meridian's risk management programme is operated according to a Risk Management Policy and framework that meets ISO 31000 Risk management—Guidelines 2018.

The policy and framework was developed to embed a group-wide risk management capability that takes a consistent and integrated approach to identifying, assessing, controlling, monitoring and reporting on the key risks that may affect the company's ability to achieve its objectives and/or protect its people, assets and reputation.

Risk management responsibilities

Risk management is ingrained in Meridian's strategic and operational activities, including business planning, investment analysis, portfolio and project management and day-to-day operations. Meridian adopts a managed approach to risk that sets tolerances for appropriate risk taking, depending on the consequences and likelihood of risks' occurrence, and the potential associated benefits or opportunities.

When assessing risk, Meridian considers the potential impact on its business across a number of categories that include, but are not limited to, the following areas:

- **People** – due but not restricted to a safety and wellbeing related event, climate change or an adverse human rights impact, impacting staff, contractors, suppliers, customers and the public (including public property, communities, iwi and mana whenua)
- **Financial** – increasing costs, causing loss of revenue and reduction in value
- **Environmental** – not limited to but effecting emissions, river flows, water quality, biodiversity and waste disposal practices
- **Reputational** – events that cause the deterioration of Meridian's reputation
- **Operational** - including demand and market supply risks such as adverse hydrological conditions, and
- **Strategic** – events that reduce the ability to deliver Meridian's strategy

The Board have overall responsibility for ensuring risks are managed effectively and in exercising this function delegates responsibility for oversight of risk management activities to the Audit & Risk Committee.

The Audit and Risk Committee ensures that Meridian's risk management framework, including policies, is appropriate and that it appropriately identifies, considers and manages risks.

The Audit and Risk Committee reviews the company's risk profile along with new and emerging risks regularly, and receives reports on the operation of risk management policies and procedures. The Safety and Sustainability Committee reviews any emerging safety and sustainability risks.

The Risk & Assurance function delivers risk management services independently across the Group. Specific responsibilities include the annual review of Meridian's Risk Management policy and Framework, ensuring risk management capability is in place across the business and preparing risk reporting for the Audit and Risk Committee. The Risk and Assurance function, with support from an external service provider as part of a co-sourced model, also provides assurance to the Audit and Risk Committee on the extent and effectiveness of Meridian's financial controls, and the Committee reports this information to the Board.

The Audit and Risk Committee reviews Meridian's Risk Management Policy and Risk Management Framework annually, and, once satisfied, recommend that the Meridian Board approve both the Policy and Framework.

Material Risks:

- **Demand risks** – there is a risk that new electricity demand may not emerge to offset the reduction of electricity use caused by the closure of Tiwai Point in December 2024. The key mitigation here is Meridian's project to find new sources of demand, which includes projects such as process heat electrification and green hydrogen production. During FY23, Meridian announced that the Southern Green Hydrogen project, with support of Ngāi Tahu and in partnership with Woodside Energy and Mitsui & Co Ltd, is moving towards detailed design. Meridian's FY23 Climate-related Disclosure identifies new markets – Green Hydrogen and Electrification of Transport and Process Heat as opportunities, with associated programmes of work outlined.



Principle 6: Risk Management continued

- **Market supply** – there is a risk of a disorderly transition to meet the government’s renewable electricity generation target, which is also identified in Meridian’s FY23 climate-related disclosure under risk *Power system flexibility*. One key risk is the premature retirement of thermal generation prior to new renewable electricity being in place – specifically the risk of early retirement of gas generation given its role as a transition fuel. Another key risk is market interventions impacting the potential returns from new renewable electricity projects which would likely have a detrimental impact on investment in new generation. In response, Meridian has adapted its strategy which flows through to preparation for and accelerated delivery of new generation and flexible demand response investments, operating practices and how the company engages with stakeholders and the messages it shares. Meridian’s range of development options has more than doubled during FY23 and includes wind, solar and grid-scale batteries with the Harapaki Wind farm, due to be completed in FY24.
- **Adverse hydrological conditions** – dry periods or drought conditions in the Waitaki or the Waiau catchments may reduce water levels and significantly affect our generation capability. Meridian has a number of mitigations in place to manage water during a dry period, including wholesale hedge products and a demand response agreement with NZAS to enable demand response flexibility through to the end of 2024. One of the potential benefits of an investment in hydrogen production in the lower South Island is the potential for demand response during future dry periods.

Additionally, through Meridian’s Process Heat Electrification Programme, we have been working with South Island Industrial customers to decarbonise and electrify their industrial plant which will further improve dry year demand response availability.

- **Catastrophic event** – a catastrophic event such as a major earthquake, fire, flood, cyclone, explosion or act of terrorism affecting Meridian’s power stations, the national high voltage transmission grid or a large power station of another participant in the New Zealand generation market may disrupt generation or Meridian’s operations. Recent updates to seismic models and GNS Science analysis of the probability of an Alpine fault rupture, further highlight the potential risk that earthquakes pose to Meridian’s operations and inform seismic assessments. Through seismic strengthening we are also looking to upgrade the seismic resilience of Benmore’s concrete penstocks to further mitigate the Alpine fault risk. Meridian has a range of mitigations to ensure that the consequences post a catastrophic event at our wind and hydro assets are minimised, including well developed emergency response processes and protocols designed to respond to all potential catastrophic events. Additionally, Meridian carries material damage and business interruption insurance cover.
- **Critical equipment or technology failure** – failure of critical equipment or technology at Meridian’s power stations through issues such as asset condition or human error could result in unplanned power station outages, replacement or repair. Meridian has a range

of mitigations to such risks for wind and hydro assets including a range of engineering protections, ongoing internal and external expert assessments leading to planned engineering works, process safety practices and preventative maintenance practices. Meridian is currently investing in a multi-million automation upgrade of the Manapouri site which will involve upgrading and repairing units at the site over the next three years.

- **Health and safety** – there is always a risk that an incident will lead to a fatality or serious injury for a staff member, contractor, customer or member of the public given Meridian’s technically challenging operating environment. Meridian has a broad control framework to manage these critical health and safety risks and a strategy to continually improve and strengthen our health and safety systems. With the current cost of living challenge, we are seeing an increase in customer-related concerns and have well-embedded customer care processes and training to ensure our customer services representatives appropriately assist our customers alongside the Energy Hardship Programme we have recently implemented. Meridian also has a programme in place to support the mental wellbeing of our staff to manage both risks within our workplace and those that are generated externally through our customer interactions.
- **Access to water** – restrictions, conditions or costs related to Meridian’s use of and access to water. Here, Meridian actively participates with all local and national regulatory processes and engages with key stakeholders including local communicates, other water users and local iwi.



Principle 6: Risk Management continued

- **Legislative and regulatory risk** – changes to public policy that lead to amendments to legislation or regulation, including electricity regulation (i.e. change to market regulation and potentially market structures resulting from ongoing scrutiny and evolving attitudes to regulation of wholesale market trading), changes in policies to support renewable energy, and new or amended environmental regulations. Meridian engages with Government and industry regulators and is involved in relevant regulatory processes. Meridian actively supports work on energy hardship, through its Energy Wellbeing Programme, and climate change. An example of regulatory change in progress includes resource management reform, including the Natural and Built Environment Act which received royal assent in August 2023. The Act not only introduces a long transition period, which creates uncertainty for Manapouri planning and reconsenting, but also increase the hurdle and challenges that new decarbonisation projects will face to gain approval. These reforms do not have cross party support therefore medium and long-term strategies for New Zealand remain politically uncertain and contentious.
- **Competitor behaviour** – competitor behaviour resulting in a reduction in Meridian's market share or increased costs. To continue to stay competitive in the New Zealand market, Meridian makes ongoing investments to ensure that the company remains attuned to customer demands (including maintaining high customer satisfaction across the Meridian and Powershop NZ brands) and best manages ongoing operational costs. A key initiative has been to move to having all retail

operations on the Meridian owned Flux platform which was completed during FY23. This will help provide improved service, customer experience and provide further automation while supporting the implementation of key decarbonisation initiatives. The platform will enable us to lift how we work with our customers around the power they themselves generate and how they access our network of EV chargers.

- **Cyber security** – as critical national infrastructure, we recognise that failure to protect our digital assets and information could have serious adverse impacts on Meridian and our wider community. For example, an event that compromises our critical information technology or operational technologies could not only disrupt our business operations and cause considerable damage to our assets, leading to substantial financial losses and reputational harm, but pose potential risks to safety and well-being. In response to the intensifying global cyber threat environment, as underscored by recent high-profile attacks in Australia and New Zealand, we have established a comprehensive security risk management programme designed to counter these cyber threats and bolster our preparedness for potential incidents. To ensure we can continue to safely leverage rapidly advancing and transformative new technologies, we continually invest in our cybersecurity resilience and capabilities.
- **Peak Capacity** – the risk of insufficient national generation and reserve offers to meet electricity demand and provide N-1 security for a contingent event continues while the margin of generation offered over peak periods remains tight compared to forecasted demand.

Transpower have updated their processes and communications to mitigate this risk while Meridian has also further reviewed and adapted its asset management processes to reduce the likelihood of a peak capacity shortage event. Additionally, Meridian announced that it will begin construction of the Ruakākā Battery Energy Storage System, which will make a significant contribution to the reliability of the overall electricity grid allowing more intermittent wind and solar renewable electricity generation to be efficiently accommodated within the system.

- **Economic climate** – Supply disruptions caused by COVID, the Russian-Ukraine conflict and growing global demand for renewables have stressed global supply chains. While post-covid freight delays and costs have largely moderated in recent months, the current trend of constrained availability, broadly increasing raw material prices, energy costs and interest rates combined with a tight labour market are expected to continue into the near future. To mitigate the risk on operational budgets and project progress, Meridian continues to plan, manage interest rate risk, forecast, monitor, actively engage and ensure adequate levels of stock exist to reduce potential disruption. The cost of renewable energy technologies can also change when compared to other forms of electricity generation impacting Meridian's options for new generation. Meridian continues to monitor technology cost trends.
- **Climate-related risks** – Meridian evolved its climate risk and opportunity methodology during the year in line with the methodologies outlined by Intergovernmental Panel on Climate Change (IPCC) material and Aotearoa New Zealand's National Climate Change



Principle 6: Risk Management continued

Risk Assessment (NCCRA) method report. A change programme is also underway to further embed climate considerations into our business processes and decision making. Meridian management adopted a new approach to the annual exercise of identifying and assessing climate-related risks and opportunities this financial year. The process applies our newly adopted climate scenarios (building on our incumbent Evolution and Revolution scenarios) and aligns with Meridian's updated Risk Management Policy and Risk Management Framework. Climate-related risks can be driven by the physical impacts of climate change (such as more intense extreme rainfall events in hydro catchments) or transitional impacts (regulatory / policy impacts increasing global demand for renewables and the potential for Technology and supply chain cost increases). More information on the risks and opportunities of climate change on our business can be found in Meridian's FY23 Climate Related Disclosure which is publicly available on our website.

Recommendation 6.2

An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.

Meridian's risk management approach is outlined in Recommendation 6.1.

The Meridian Board established the Safety and Sustainability Committee to assist the Board in fulfilling its responsibilities and objectives in all matters related to safety and sustainability. The Committee oversees initiatives including the Fatal Risk Programme and the development of the company's safety framework, while continually reviewing reported data to ensure that the company operates in the safest way possible. Meridian has also established an Executive Health and Safety and Process Safety Committee whose role is to ensure that Meridian has a resilient approach to Health and Safety and Process Safety risk management, that the safety culture within Meridian is healthy, encouraging of learning and founded on the engagement of its people and that its legal obligations are met.

Meridian's Safety and Wellbeing Policy underpins the company's core values and behaviour. It applies to all Meridian sites, operations and subsidiaries. Meridian has many initiatives in place to ensure staff safety and health, including a company-wide process for recording health and safety incidents, including near-misses, improving awareness of site hazards and safety audits.

Meridian strives to ensure its people are engaged and have opportunities to engage in health and safety. All operational sites have daily pre-start meetings where the health and safety aspects of the work are discussed. Business Units and office sites have active health and safety committees, made up of staff representatives and supported by the Health and Safety Business Partners. Meridian uses Learning Teams as an engaging and empowering way for Meridian people and contractors to learn and improve in the health and safety arena. An annual continuous improvement plan is overseen by the Head of Safety and Wellbeing and the Executive team, who personally undertake site safety visits throughout the year. Contractor safety performance is integrated within Meridian's monitoring processes and performance is reported monthly to the Executive team and Board.

Meridian is compliant in all aspects of NZS 7901:2014 – Electricity and gas industries – Safety management systems for public safety, and operates in a continual safety improvement environment.

Meridian takes the wellbeing of its staff seriously, with initiatives such as the Meridian Healthy Minds programme which raises awareness and the use of Care Teams to support people who are struggling.

Meridian's health and safety performance is in the *Focusing on our critical risks* section of the FY23 integrated report.



Principle 7: Auditors

Recommendation 7.1

The board should establish a framework for the issuer’s relationship with its external auditors.

Meridian’s Audit Independence Policy is available at meridianenergy.co.nz/about-us/investors/governance/policies. The Meridian Board has adopted a strict policy to maintain the independence of the company’s external auditor. The Audit Independence Policy requires lead audit partner and concurring partner rotation after a maximum of every five years with a mandatory five year stand down period.

All assurance work must be approved by the Chief Financial Officer. The external auditor’s firm cannot perform any non-assurance work.

The Audit and Risk Committee is responsible for making recommendations to the Board on the appointment of Meridian’s external auditor and their terms of engagement. Under section 29B of the Public Finance Act 1989, the Auditor-General has appointed Mike Hoshek of Deloitte to audit Meridian. The external auditor meets regularly with the Audit and Risk Committee, a minimum of twice yearly without management present.

Recommendation 7.2

The external auditor should attend the issuer’s Annual Meeting to answer questions from shareholders in relation to the audit.

Meridian’s external auditor is invited to Meridian’s annual shareholder meetings and has attended either in person or through a designate since listing in 2013. The Chair of the Board announces the auditor’s attendance and shareholders can ask questions of the external auditor should they wish.

Recommendation 7.3

Internal audit functions should be disclosed.

Meridian operates a co-sourced internal audit (**Business Assurance**) model consisting of dedicated Meridian Business Assurance staff and an external service provider. This function remains independent from the business and has no direct operational responsibility over the areas reviewed as part of the Business Assurance programme as outlined in Meridian’s Audit Independence Policy. Meridian retains control over the Business Assurance function whilst leveraging the internal audit resources of the external provider for specialised skills as required. For the year ending 30 June 2023 this external expertise has been provided by Pricewaterhouse Coopers (PwC).

The co-sourced internal auditors meet the Audit & Risk Committee quarterly with time set aside without Management present. The Business Assurance function undertakes a number of regular probity and process reviews together with more in-depth reviews on specific matters agreed with the Audit & Risk Committee. When developing its Business Assurance programme, Business Assurance aligns assurance activity with Meridian’s strategic and enterprise risks.

Business Assurance activity updates are provided quarterly to the Audit & Risk Committee.

Business Assurance are also responsible for the monitoring of actions that come out of individual reviews and undertake quarterly Fraud and Probity reporting which is reported to the Chief Financial Officer. Significant issues identified during Fraud and Probity reporting are included within Business Assurance’s quarterly Audit and Risk Committee updates.



Principle 8: Shareholder Rights and Relations

Recommendation 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Key investor information can be found at meridianenergy.co.nz/about-us/investors.

Recommendation 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including by designing its shareholder meeting arrangements to encourage shareholder participation and by providing shareholders the option to receive communications from the issuer electronically.

Meridian's Shareholder Communications Policy is designed to ensure that communication with Meridian's shareholders and the wider investment community is effective and consistent and adheres to the principles of continual disclosure. A copy can be found at meridianenergy.co.nz/about-us/investors/governance.

The Board reviews the Shareholder Communications Policy annually. It also reviews the investor relations programme to ensure the full, fair and timely disclosure of relevant information to Meridian's shareholders and the investment community on a broad, non-exclusive basis. The primary aim of the investor relations programme is to support financial market participants' understanding of the company's business, governance, financial performance and prospects.

Meridian provides options for shareholders to receive and send communications electronically, to and from both Meridian and Meridian's share registrar.

In recognition of Meridian's national retail shareholder and stakeholder base, the Board's policy is to rotate the locations of Meridian's annual shareholder meetings. Meridian's 2019 and 2020 meetings were held in Christchurch and Wellington respectively, and the 2021 meeting was fully-virtual due to COVID-19 restrictions. The 2022 shareholder meeting was a hybrid meeting which took place in Auckland and online via an internet connection (using a computer, laptop, tablet or smartphone). The 2023 meeting is intended to be a hybrid meeting again and shareholders will have the opportunity to attend and participate in Christchurch or online via an internet connection. A link will also be provided on Meridian's website to a live webcast. More information will be provided in the Notice of Meeting.

In the meantime, shareholders may, at any time, direct questions or requests for information to directors through the Chair or to management through Meridian's website (meridianenergy.co.nz), or by directly contacting the Investor Relations Manager (investors@meridianenergy.co.nz).

Recommendation 8.3

Quoted equity security holders should have the right to vote on major decisions which may change the nature of the company in which they are invested.

Meridian is committed to timely and balanced disclosure, which includes advising shareholders on any major decisions. Meridian has processes to ensure that it follows the mandatory listing rule requirements relating to change in the essential nature of the business, including major transactions under the Companies Act 1993.

Recommendation 8.4

If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro-rata basis, and on no less favourable terms, before further equity securities are offered to other investors.

Meridian has not sought additional equity capital but offers a Dividend Reinvestment Programme to shareholders.

Recommendation 8.5

The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Meridian's Notice of Meeting was made available on its website at least 20 working days prior to the FY22 annual meeting of shareholders.



Additional Disclosures

Additional Disclosures

Breaches of law or Meridian policy relating to	Number of breaches
Corruption or bribery	0
Discrimination or harassment	0
Customer privacy data	34
Conflicts of interest	0
Money laundering or insider trading	0

Privacy breaches

Under the Privacy Act 2020, Meridian is required to have (and does have) a Privacy Officer.

There were no privacy breaches in FY23 which approached the harm threshold at which notification to the Privacy Commissioner would have been required.

Average Tenure of Directors

The average director tenure is 4 years.⁵

Expertise on Board

Mark Cairns, Graham Cockroft, Michelle Henderson and Mark Verbiest fill the industry expertise seats on the board.



5 Includes all directors as at 28 August 2023.





Meridian.

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