
01

ABOUT
THIS REPORT

04

SUSTAINABILITY
FRAMEWORK

20

FINANCIAL
PERFORMANCE

An elderly man with grey hair, wearing a blue jacket and yellow pants, is kneeling on the ground. He is holding a young child's hand as they both focus on planting a small green sapling into a hole in the soil. The child is wearing a red jacket, blue pants, and a blue beanie. A shovel is visible in the background. The scene is set outdoors under a cloudy sky.

Creating a better energy future

MERIDIAN ENERGY LIMITED SUSTAINABILITY REPORT
for the financial year 1 July 2012 to 30 June 2013

Meridian

at a Glance

Contents

- 01 About Meridian
- 01 About this Report
- 02 Our Year
- 04 Sustainability Framework - Performance Results
- 06 Water Stewardship
- 08 Renewable Energy
- 11 Energy Solutions
- 13 Engaged Communities
- 16 Working Sustainably
- 20 Financial Performance
- 24 GRI Assurance Statement
- 25 Global Reporting Initiative Index

100% RENEWABLE ENERGY GENERATION



7 HYDRO POWER STATIONS
IN NEW ZEALAND



5 WIND FARMS
IN NEW ZEALAND AND AUSTRALIA, AND TWO MORE UNDER CONSTRUCTION



NEW ZEALAND'S LARGEST GENERATOR, PRODUCING APPROXIMATELY

30%

OF THE COUNTRY'S ELECTRICITY¹



RENEWABLE PROJECTS BUILT IN
AUSTRALIA, ANTARCTICA, UNITED STATES & TONGA



MORE THAN

270,000

CONNECTIONS TO HOMES, FARMS & BUSINESSES

THROUGH THE MERIDIAN AND POWERSHOP BRANDS²



¹ Calculated as the five year average (from FY2009 to FY2013) of Meridian's total generation (GWh) as a proportion of New Zealand's total generation. The Tekapo A and B stations, which were sold to Genesis Energy in June 2011, are excluded from Meridian's stated generation volumes. Generation data sourced from the Electricity Authority.

² Based on ICP data sourced from the Electricity Authority.

About **Meridian**

Meridian is New Zealand's largest electricity generator and is committed to generating electricity from 100% renewable sources - wind, water and solar.

Meridian generates approximately 30% of New Zealand's electricity from its integrated chain of dams on the Waitaki River and Manapōuri, which is the largest hydro power station in New Zealand, and from four wind farms around the country.

Through the Meridian and Powershop brands, Meridian retails electricity to more than 270,000 customer connections, including homes, farms and businesses around the country. Our focus is to continue to achieve high levels of service and to deliver value to our customers.

Meridian owns and operates Mt Millar wind farm in South Australia and is constructing Mt Mercer wind farm in Victoria. In New Zealand, Meridian is also constructing Mill Creek wind farm near Wellington. In the last year we commissioned, Maama Mai, the first solar photovoltaic farm in Tonga.

Meridian supports a number of environmental programmes, operates community funds associated with each of its assets and runs a national sponsorship programme that supports organisations such as KidsCan, Living Legends and South Island Rowing.

The Meridian Group employs approximately 820 full-time-equivalent employees and has headquarters in New Zealand and offices in Australia and the United States.

About this **Report**

This report is a review of Meridian's sustainability performance in the financial year 1 July 2012 to 30 June 2013.

Meridian normally produces an integrated Annual Report that includes both financial and sustainability performance information and issues performance reports throughout the year.

This year, Meridian decided to produce two separate annual or performance reports due to a number of disclosure restrictions under the Government Share Offer programme.

The Group's last integrated Annual Report, a review of financial and sustainability performance, relates to the year ended 30 June 2012.

For this financial year, the Meridian Group included the parent company Meridian Energy and its subsidiaries Damwatch, Powershop, Meridian Australia, Meridian USA and Arc Innovations. This report is structured around Meridian's sustainability framework and, unless

otherwise stated, statements of non-financial information refer to the Parent company only. Care has been taken to ensure that all data in this report is as accurate as possible. Where assumptions have been made, they are clearly stated and explained.

Included in this report is a summary of the greenhouse gas (GHG) inventory for the Meridian Parent (a more detailed version of which has been audited by Deloitte) and a Global Reporting Initiative (GRI) index of reporting components covered. Meridian considers that this report meets the requirements of GRI G3.0 Level C+, and Deloitte's GRI Assurance Statement can be found on page 24.

The principles of the GRI G3.0 Reporting Guidelines and AA1000 have been followed in determining the contents of this report. Material issues have been identified and prioritised through the company's regular consultation with stakeholders, interviews with stakeholder relationship managers, and the use of Meridian's sustainability framework. These issues have then been prioritised by their

influence on our current and future performance and their importance to key stakeholders. More information on key stakeholders, their interests and Meridian's response can be found in the stakeholder analysis table on pages 22 and 23.

During the reporting period Meridian was a state-owned enterprise. It was confirmed within that period that Meridian would be listed on the New Zealand and Australian stock exchanges (NZX and ASX) in 2013, with the New Zealand Government retaining majority ownership. Meridian is now a mixed ownership model company under the Public Finance Act 1989. The New Zealand Government retains approximately 51% ownership of Meridian, and must continue to hold a minimum of 51% under statute and Meridian's constitution. As a state-owned enterprise Meridian produced and agreed a Statement of Corporate Intent – objectives, targets and measures – with Shareholding Ministers. As a mixed ownership company this process will no longer be required. The annual general meeting and shareholder resolutions will now provide opportunities for shareholders to communicate with the Board.

Our Year

As the largest generator of electricity in New Zealand, Meridian plays a key role in supplying an essential service that underpins our economy and our daily lives.



Mark Binns
Chief Executive

Producing this electricity from 100% renewable resources is the cornerstone of Meridian's business. It is our most significant commitment to being a truly sustainable business and something we all take pride in.

The company's sustainability framework provides a way in which we can set targets and monitor the performance of our business across a broad range of metrics – economic, environmental and social. The framework table on pages 4 and 5 shows our performance summary results for this year.

We also use internationally agreed standards and reporting mechanisms³ to provide assurance to ourselves and others that we seek and achieve good practice standards.

Water Stewardship

As a stakeholder in the management of New Zealand's freshwater, we were pleased to see the release of the third Land and Water Forum report on water reform in New Zealand. The report, which was a work of collaboration among key freshwater stakeholders, will help to shape the country's freshwater management framework for the future.

Engaged Communities

This year Meridian continued its support of communities where our generation assets are located. Our Community Funds programme enabled us to work with community leaders to fund dozens of community-led projects and initiatives. As part of our national sponsorship programme, we announced a major national partnership with KidsCan, an initiative that provides food and clothing to kids in low-decile schools across the country. This sponsorship is our largest and we're proud that our support has enabled KidsCan to bring more than 60 additional schools into its programme.

Energy Solutions

Through our two retail brands, Meridian and Powershop, we provide customers with the plans, tools and tariffs to help monitor and manage their electricity use and costs. Our focus is on supplying quality customer service. Specific initiatives this year included the release of a mobile application for Powershop customers to manage and monitor their electricity use and costs.



Steve Reindler
Chair of the Safety and Sustainability Committee

Financial Results

Meridian saw a significant improvement in financial performance from the record dry 2012 financial year. This was achieved while managing an extremely dry period during the summer months, 42 days of HVDC outages, three months of Tekapo canal outages, intense competition in the retail market, negotiations with the owners of the Tiwai Point aluminium smelter and continued preparations for Meridian's listing, planned for later in 2013.

Despite these challenges, Meridian delivered a strong end-of-year result to 30 June 2013 with EBITDAF* of \$584.8 million, up 23% on last year.

Renewable Energy

During the year we began construction on Mill Creek wind farm, near Wellington, and Mt Mercer wind farm in Victoria, Australia, both of which will be fully commissioned by summer 2014/15. Meridian began a \$40 million refurbishment project on the Waitaki hydro station to ensure that the company's renewable generation assets continue to operate for generations to come.

* Earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments, gain/(loss) on sale of assets and joint venture equity accounted earnings.

³ Global Reporting Initiative and the International Standards Organisation ISO 14064-1, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Working Sustainably

The Meridian Board established the Safety and Sustainability Committee in 2012. The role of the Committee, which meets quarterly, is to assist the Board in fulfilling its responsibilities and meeting its objectives and ensure the oversight and integration of safety and sustainability across the business. The Committee has reviewed the company's sustainability framework and its implementation. The Committee is satisfied that Meridian is focused on the right issues and that it is moving in the right direction.

The safety of Meridian staff continues to be a priority company-wide. Thanks to a number of programmes, initiatives and training, it is now two years⁴ since Meridian has had a 'lost-time injury' across its permanent and contractor workforce. This year Meridian also developed a diversity and inclusion policy to help increase the current mix of gender, age and ethnicity in the organisation.

Looking Forward

Being a listed company means that, now more than ever, the company must be focused on delivering solid financial results. This will be achieved through our ongoing commitment to operate our renewable energy assets efficiently with an eye to the environment and communities and delivering exceptional service and value to our customers.

Meridian is unlikely to build any new generation capacity in New Zealand in the next three to five years due to the current levels of capacity available in the market and the lack of electricity demand growth across the country.

Stakeholder consultation and communication will be an area of focus next year. As a listed company, we expect our sustainability performance to be scrutinised by shareholders, and our ongoing reviews of the components of our sustainability framework, its integration with the business and

the company's reporting mechanisms will assist in our long-term success.

Other important challenges in the next year include potential legislative and regulatory changes in the area of water policy, the Labour-Green proposed market reform and transmission pricing. As our investment statement and prospectus⁵ states, these issues have potentially significant financial impacts on the company.



Mark Binns
Chief Executive

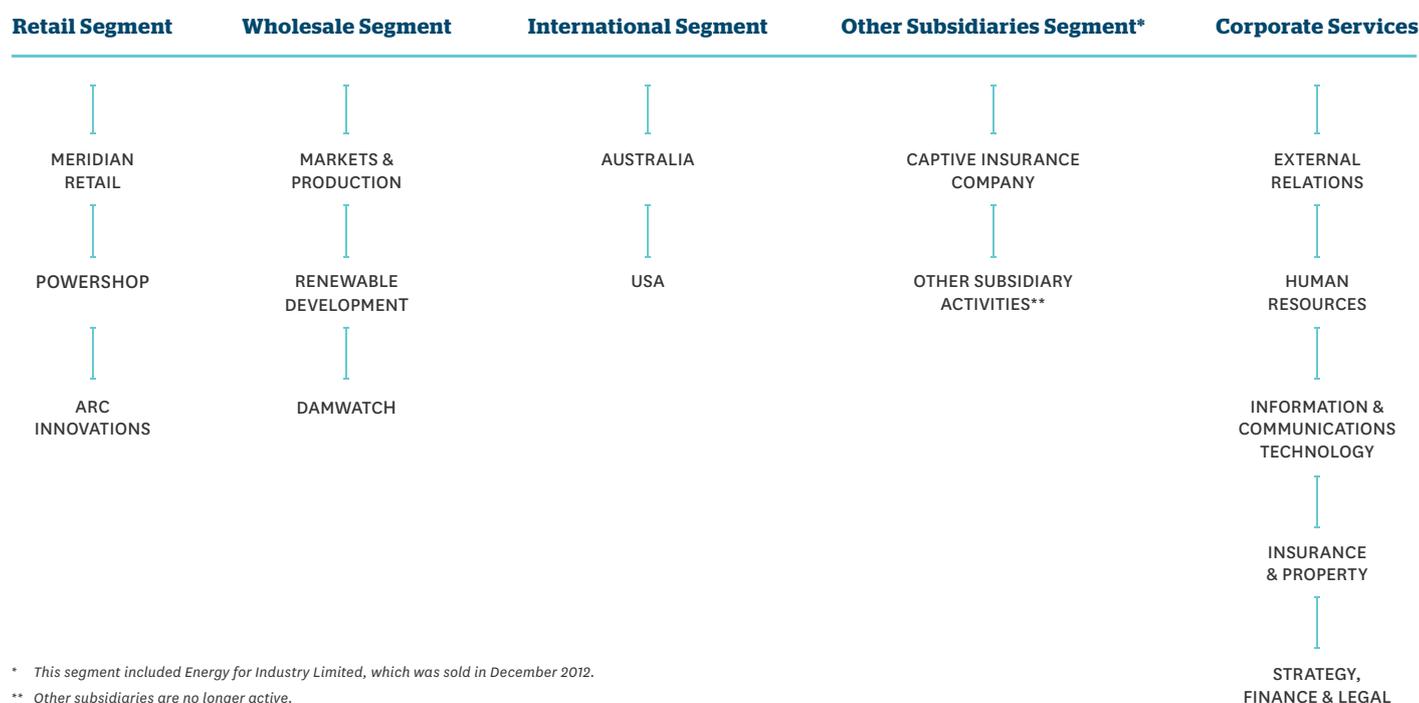


Steve Reindler
Chair of the Committee

The Meridian Group Company Structure

The Meridian Board is appointed independently by the company's shareholders and is made up of nine non-executive directors including a non-executive chairman. The Board has an obligation to avoid conflicts of interest and maintains a current interests register to ensure that this occurs.

The company's operations⁶ are structured as follows:



* This segment included Energy for Industry Limited, which was sold in December 2012.

** Other subsidiaries are no longer active.

⁴ Between August 2011 and October 2013 the company recorded no lost-time injuries across its permanent and contractor workforce.

⁵ Meridian Share Offer Investment Statement and Prospectus 20 September 2013 (as amended by an Instrument to Amend dated 27 September 2013).

⁶ A full list of subsidiaries and joint ventures is included in Meridian's Annual Reports.

Sustainability Framework

Performance Results

KEY AREA	OVERALL GOAL
 Water Stewardship	Collaborating with stakeholders to manage water catchments effectively
 Renewable Energy	Maintaining and developing renewable energy assets and helping to minimise the electricity industry’s contribution to climate change
 Energy Solutions	Empowering our customers to reduce their costs and their impacts on the planet
 Engaged Communities	Supporting and connecting with the communities in which we operate and interact with
 Working Sustainably	Incorporating sustainability in our culture, policies, processes and systems, engaging our people on sustainability issues and supporting them to make business decisions with a long-term view



Meridian staff complete a beach clean-up on the Makara coastline with Sustainable Coastlines.

KEY INDICATOR	2013 PERFORMANCE
Collaboration with stakeholders around water use	Participation in Land and Water Forum (LAWF) and Canterbury Water Management Strategy (CWMS) committees Lake Pūkaki plan change Freshwater Reform document and Resource Management Act (RMA) amendment input
Net energy output	12,071GWh
Habitat enhancement and restoration	Mill Creek and Mt Mercer construction underway Project River Recovery, Waiau River restoration, Te Uku wetlands
Sustainable offering uptake	131,000 customers taking up at least one sustainable offering (e.g. e bills)
Community funding and sponsorships	\$1.25 million granted to community organisations and sponsorship partners, including KidsCan
Lost-time injuries	0
Employee engagement	78.9%
Corporate GHG emissions	5,745tCO ₂ e



Water Stewardship

Water is the main fuel of Meridian's business and it is essential that we work collaboratively with stakeholders to manage this valuable resource.

Water is valued by communities for many reasons and current debates are focused on issues of irrigation, water quality and iwi rights and interests.

The water that we use to generate electricity is a scarce resource and there is increasing competition from other users, for example irrigation, which could cause a shortfall in the quantity of available water.

One of the focal points for the year was our contribution to water reform programmes such as the national Land and Water Forum and the Canterbury Water Management Strategy. Meridian was particularly interested in ensuring that the importance of hydro generation to New Zealand is considered in decision-making and policy development.

Protecting the local habitats of plants and wildlife in and around all generation assets is a key activity for Meridian. The company is involved in a number of initiatives, including wetland planting and creating breeding areas for native species, which resulted in a national conservation award this year⁷.

7 2012 Sustainable 60 Award – Environmental protection and restoration.

A Milestone for Water Reform

Meridian supports a water management framework that ensures good environmental outcomes, offers opportunities for iwi participation in co-governance and maintains the company's ability to continue to generate renewable energy from two of New Zealand's largest hydro catchments – the Waiau and Waitaki.



Working with Stakeholders

In April 2012 Meridian applied to Environment Canterbury for a private plan change to enable the temporary lowering of Lake Pūkaki.

This will enable Meridian to generate additional electricity when electricity conservation campaigns are in effect. Meridian worked with Environment Canterbury, Ngāi Tahu Papatipu Rūnanga, Te Rūnanga o Ngāi Tahu, local government, adjacent landowners,

Genesis Energy and the Department of Conservation, which resulted in an agreement without the need for a hearing. The plan became operative in October 2012 and will assist in reducing the likelihood of electricity shortages for consumers.

Protecting Native Aquatic Life

The longfin eel has come into renewed focus with the recent release of the Parliamentary Commissioner for the Environment's report 'On a Pathway to Extinction'. The report outlines the current status of the longfin eel and proposes the suspension of commercial catch. Found only in New Zealand, the longfin eel is one of the largest and longest-living freshwater eels in the world. Female longfins can live for more than 100 years in freshwater rivers and lakes.

Meridian's trap and transfer programme supports the conservation of this precious species by transferring juvenile eels (elver) from the Waiau River into the headwaters of Lake Manapōuri, and relocating thousands of migrating adult eels back downstream.

In the past six years, Meridian has worked in partnership with the National Institute of Water and Atmospheric Research (NIWA) to understand the migratory habits of eels in Lake Manapōuri. This information will be used to improve the eel trap and transfer programme.

"MERIDIAN IS ONE OF THE ONLY COMPANIES IN NEW ZEALAND CONDUCTING CONSISTENT LARGE-SCALE EEL PROTECTION WORK FOR BOTH ELVER AND ADULT MIGRANTS THROUGH ITS TRAP AND TRANSFER PROGRAMME."

**DR DON JELLYMAN,
PRINCIPAL SCIENTIST, NIWA.**

"Its commitment to and support for the research programme demonstrate a genuine desire to ensure that this precious species is protected for future generations." Dr Don Jellyman, Principal Scientist, NIWA.



Waiau River Restoration

Meridian's 17-year partnership with community group the Waiau Fisheries and Wildlife Habitat Enhancement Trust has helped to protect and restore large tracts of wetlands and native bush in the Waiau River catchment.

Meridian's predecessor ECNZ provided the initial trust funds and Meridian continues to support the Trust with governance and practical assistance.

"To date, the Trust has restored 2,093 hectares of wetlands, gullies, streams and native bush,

created 25 hectares of whitebait (inanga) rearing habitat, and protected 88 kilometres of streams through a riparian fencing project with local farmers. This has resulted in a resurgence of local bird and aquatic life, including rarer species such as short-finned eel, marsh crake/koitareke and fernbird/mātātā." Jan Riddell, Waiau Trustee.

2,093 ha

OF WETLANDS, GULLIES, STREAMS AND NATIVE BUSH HAVE BEEN RESTORED BY THE TRUST TO DATE

Renewable Energy



Generating electricity from 100% renewable energy resources is the most significant contribution Meridian makes to sustainability.

Meridian has a maintenance programme for all generation assets to ensure they are performing at optimal levels. Meridian has been recognised as a highly cost efficient operator of hydro assets when benchmarked against global peers⁸ and its wind farm portfolio is significantly more productive than international averages⁹.

⁸ Based on long-run averages calculated by Meridian using data sourced from the GKS (Generation Knowledge Services) Benchmarking Survey, February 2013: a study of 419 stations (representing over 100,000MW in total) primarily from North America but also with global representation.

⁹ Based on capacity factor: the ratio of the actual energy produced in a given period to the hypothetical maximum possible. Each of Meridian's New Zealand wind farm capacity factors is compared with average capacity factors by country for 2012. Navigant Research, World Market Update 2012.

As Good as New - Refurbishing the Waitaki Dam

Built by thousands of Kiwis as a 'make-work' programme during the 1930s' Depression, the Waitaki power station is the oldest station in the Waitaki Basin.

In April 2013 Meridian began a four-year refurbishment programme of the Waitaki dam and power station. The \$40 million refurbishment will help to identify and rectify potential faults and complete erosion, seismic and flood protection work to help make the site safer. It will also increase the capacity of the station by 15MW to a total of 105MW.





Providing Expertise Overseas

In August 2012 the Maama Mai (Let there be Light) solar farm became fully operational. The public-private partnership between Meridian, the Ministry of Foreign Affairs and Trade and Tonga Power is helping the Kingdom of Tonga to reduce its reliance on costly imported diesel.

As lead developer, Meridian provided development, engineering, construction and commissioning expertise to the project. Meridian continues to provide asset management and advisory support services to Tonga Power. Full ownership of the solar farm will be transitioned to Tonga Power in 2017.

The solar farm generates approximately 1,880 megawatt hours of electricity per annum, meeting approximately 4% of Tongatapu's total electricity demand.



Generation Development

This year Meridian began building Mill Creek, a 60MW wind farm near Wellington, and Mt Mercer, a 131MW wind farm in Victoria, Australia. Both are expected to be fully commissioned by summer 2014/15.

Once these projects are complete, Meridian is unlikely to build any new generation capacity in New Zealand in the next three to five years due to the current levels of capacity available in the market and the lack of electricity demand growth across the country.



Meridian in Australia - Macarthur Wind Farm

Fully commissioned in early 2013, Meridian's joint venture with AGL Energy, the 420MW Macarthur wind farm in Victoria, Australia, resulted in what has become the largest wind farm in the Southern Hemisphere. In June of this year, Meridian announced the company's sale of its interest in Macarthur to Malakoff Corporation Berhad. While the Macarthur investment was intended to be held for the full project term, the low-interest-rate environment and the opportunity to invest in other renewable generation developments in Australia provided a compelling reason to look at a sale and the reinvestment of funds in future renewable generation options in Australia.



Compliance

Meridian's assets are operated in accordance with relevant regulatory frameworks, resource consent requirements under the Resource Management Act 1991 (RMA) and statutory plans. Meridian's approach to operations and environmental management reflects the precautionary approach of the RMA. Across Meridian's hydro and wind electricity generation and development sites there were 20 non-compliance events under related environmental acts and regulations this financial year. A further two events from the 2011/12 financial year were also identified this financial year. Most events were with respect to the RMA.

Meridian considers this to be a low rate of non-compliance events given the number of complex and wide-ranging compliance actions that were monitored and undertaken during the year. All non-compliant events identified were minor in nature, addressed thoroughly and reported to Meridian's Board.

Reliable Assets

Meridian's high standard of operations and maintenance practices has resulted in another year of high plant availability and reliability. This year's average availability for wind assets was 97.3% (compared with 97.1% last year), while the company's hydro forced outage factor (percentage of time that hydro assets are unavailable in a period owing to forced, unplanned outages) increased due to transformer maintenance programmes at Manapōuri and Benmore.

Plant Performance Metrics (New Zealand only)

	2013	2012	2011	2010	2009
Plant Availability* – Hydro	89.1%	94.5%	93.1%	91.3%	92.6%
Plant Availability* – Wind	97.3%	97.1%	96.6%	96.0%	95.6%
Hydro Forced Outage Factor**	0.86%	0.14%	0.18%	1.47%	0.43%

* 100% less planned outage duration and unplanned outage duration.

** Percentage of time that hydro assets are unavailable in a period owing to forced, unplanned outages.

Installed Generation Capacity

GENERATION	PLANT CAPACITY	2013 GWH	2012 GWH
HYDRO GENERATION – NEW ZEALAND			
Ōhau A	264	1,029	979
Ōhau B	212	875	820
Ōhau C	212	865	817
Benmore	540	2,154	1,954
Aviemore	220	950	827
Waitaki	90	499	431
Manapōuri	800	4,546	3,962
Total Hydro Generation	2,338	10,918	9,790
WIND GENERATION – NEW ZEALAND			
Te Āpiti	91	291	295
White Hill	58	188	189
West Wind	143	475	496
Te Uku	64	198	226
Total New Zealand Wind Generation	356	1,152	1,206
WIND GENERATION – AUSTRALIA			
Mt Millar	70	166	177
Macarthur (interest in joint venture sold June 2013)	420	255	0
Total Australia Wind Generation	490	421	177
WIND GENERATION – UNDER CONSTRUCTION			
Mill Creek (New Zealand)	60		
Mt Mercer (Australia)	131		
SOLAR GENERATION – UNITED STATES			
CalRENEW	5	11	11



Energy Solutions

Meridian and Powershop focus on supplying quality customer service to more than 270,000 connections to homes, farms and businesses around the country. Delivering excellent customer service is critical in a highly competitive retail electricity market.

We aim to do this by simplifying and better explaining our services, pricing plans and bills to help customers make changes to how and when they use electricity, which helps customers to reduce power usage and make savings.

SEGMENT	SALES VOLUME FY13GWH	CUSTOMER NUMBERS ICPS AS AT 30 JUNE 2013 ¹⁰
 Residential/ Small Business	2,923 (20%)	218,466
 Powershop	506 (4%)	51,271
 Commercial	2,232 (15%)	2,101
 Financial Contract Sales (including NzAs)	7,013 (49%)	15
 Spot	1,781 (12%)	239

¹⁰ The ICP numbers in this table are based on the data which appears in Meridian's financial information set out in 6 Financial Information of the Meridian Share Offer Investment Statement and Prospectus 20 September 2013 (the Offer Document). This data differs from ICP data sourced from the Electricity Authority that appears elsewhere in the Offer Document due to differences in the way ICPs are measured (including, for example, the treatment of non-active ICPs).





Serving Farmers

Meridian has an increasing customer base in the agricultural sector. We have a strong presence in the South Island and we are currently focused on growing our North Island presence, which was marked by the opening of a Hamilton office in March 2013. To support customers, we have built up a specialised agribusiness team with sales staff holding Industry Training Organisation qualifications in farming and agriculture. This has led to a number of initiatives and partnerships with agricultural buying groups, such as Farmlands and PGG Wrightson, and the sponsorship of agricultural sector awards focused on energy efficiency¹³.

¹³ The Ballance Farm Environment Award 'Meridian Energy Excellence Award' and the New Zealand Dairy Industry Awards 'Meridian Farm Environment Award'.

Serving Customers

This year both Meridian and Powershop performed well in a leading independent annual customer satisfaction survey of electricity retailers. Powershop was placed first for the fifth year running, and Meridian was ranked second out of the five major retailers¹¹. At the 2012 Deloitte Energy Excellence Awards, Powershop was also named Retailer of the Year.

Meridian offers customers opportunities to provide feedback on their customer experience. These include an email survey sent to all e-contact customers, with any poor or fair responses followed up. Meridian also monitors customer satisfaction each month using an index of customer experience survey tool. The index measures overall performance, likelihood to recommend and pride in being a customer. This year the average score across all customer segments¹² (residential, business, agribusiness) was 64.9 (six month rolling average). This is an improvement from 63.2 last year.

¹¹ TrustPower, Contact Energy, Mighty River Power and Genesis Energy.

¹² A representative sample of each customer segment is surveyed independently by Nielsen on a monthly basis using a combination of telephone interviews and online surveys. In the 2013 financial year, a total of 2,284 customers were surveyed. Customer answers to questions are rated then averaged. The four customer segment scores are then averaged to calculate the overall score. Margin for error is +/- 1.3.



Power to the People - Powershop

Powershop focuses on making it easier for customers to buy and manage electricity by offering products and services online.

Powershop customers can buy blocks of power called 'Powerpacks' through varied offers that give them choice and flexibility. The service is complemented by online self-service account management and tools that help customers to manage and monitor their electricity use and costs.

This year Powershop launched a mobile application, which lets customers manage and monitor their electricity use and costs on the go. Customers now receive notifications on their smartphones when specials become available, making it easier to take advantage of this service. The mobile application also makes it easier to monitor electricity usage and compare costs for the previous 12 months.

Engaged Communities

Building strong community relationships is essential to Meridian's long-term licence to operate as an electricity generator.

Meridian has dedicated community liaison roles working with the communities where its generation assets are located. The people in these roles take a consultative and inclusive approach to ensure that Meridian remains a good neighbour for the life of the assets and to ensure that we contribute to the communities in meaningful ways.

Community Funds

Meridian's Community Funds programme supports community projects located near its generation assets.

Funding allocations are managed by a panel of community representatives and Meridian staff, to ensure that Meridian supports projects that meet genuine community needs. A recent survey of residents in Community Fund areas revealed that 86% of respondents felt the right projects were being supported by Meridian.

This year Meridian granted over \$687,000 to projects through Community Funds. In September 2012 we launched the newest fund –

the Te Uku Community Fund. For the next three years, \$120,000 has been made available to the communities of Te Uku, Raglan, Waitetuna and Te Mata. To date, over \$38,000 has been granted to a range of projects, including a tool library for community planting projects, predator traps for a habitat restoration project, an upgrade of the Raglan Plunket rooms and a new outboard motor for Raglan's Surf Lifesaving Club.

Iwi

Meridian understands the strong relationships that iwi have with the land, rivers and water bodies within their takiwā.

As a South Island hydro generator, Meridian's ongoing relationship with Ngāi Tahu is very important. Meridian meets Te Rūnanga o Ngāi Tahu at board and senior executive level and recently developed a secondment programme designed to build capability in both organisations. This year Meridian continued to support Project Ora, a home insulation programme for South-Island-based Ngāi Tahu. Meridian staff participated in Ngāi Tahu's Aoraki Bound course, and the energy centre team, who interact with customers on a daily basis, now receive training in te reo and cultural awareness to improve understanding and pronunciation.



Sponsorships

Meridian sponsors a range of national and local sporting, environmental and community projects through financial support and staff voluntary work.

This year Meridian invested \$460,000 in three national sponsorships: South Island Rowing (a 14-year partnership), the Royal New Zealand Ballet (which finished in June 2013 after 14 years of support) and Project Crimson's Living Legends community tree planting programme. In April 2013 Meridian announced a new major partnership with KidsCan.

In addition to major corporate sponsorships, Meridian supports a number of smaller community events. This year support went to the Milford Mountain Classic, White Hill Wind Farm Classic Bike Ride and Run, Twizel Hard Labour Weekend, New Zealand Cycle Classic (stage four finishes at Te Āpiti wind farm) and Sustainable Coastlines (Te Uku riparian planting and West Wind beach clean-up).

“THIS YEAR MERIDIAN INVESTED \$460,000 IN THREE NATIONAL SPONSORSHIPS.”



Supporting KidsCan

KidsCan provides hands-on assistance to low-decile schools across the country. KidsCan's goal is to meet the physical and nutritional needs of less fortunate kids so they can be more engaged in their education and have a better chance of reaching their full potential in life.

Meridian's support has enabled more than 60 schools to be taken off the waiting list to receive assistance this year. KidsCan can now distribute an additional 16,000 raincoats, 10,000 pairs of shoes, 20,000 pairs of socks, 20,000 toothpaste and toothbrush kits, 5,000 nit treatments kits and feed 2,500 New Zealand children each day.

“We are thrilled that Meridian has come on board as our major sponsor. Their support allows us to continue to combat child poverty and make a real difference to thousands of Kiwi children.”
Julie Chapman, CEO and founder of KidsCan.



Community Funds

	START DATE	TOTAL INVESTMENT TO DATE	INVESTMENT IN FY13
Waitaki Community Fund	October 2007	\$2,178,488.70	\$330,699.11
Manapouri Te Anau Community Fund	March 2007	\$1,067,398.90	\$169,996.08
Te Āpiti Community Fund	October 2006	\$219,639.02	\$26,499.75
White Hill Community Fund	March 2009	\$111,197.29	\$24,504.29
West Wind Community Fund	May 2012	\$251,931.00	\$97,106.00
Te Uku Community Fund	September 2012	\$38,242.00	\$38,242.00
Total		\$3,866,896.91	\$687,047.23



Supporting the Waitaki

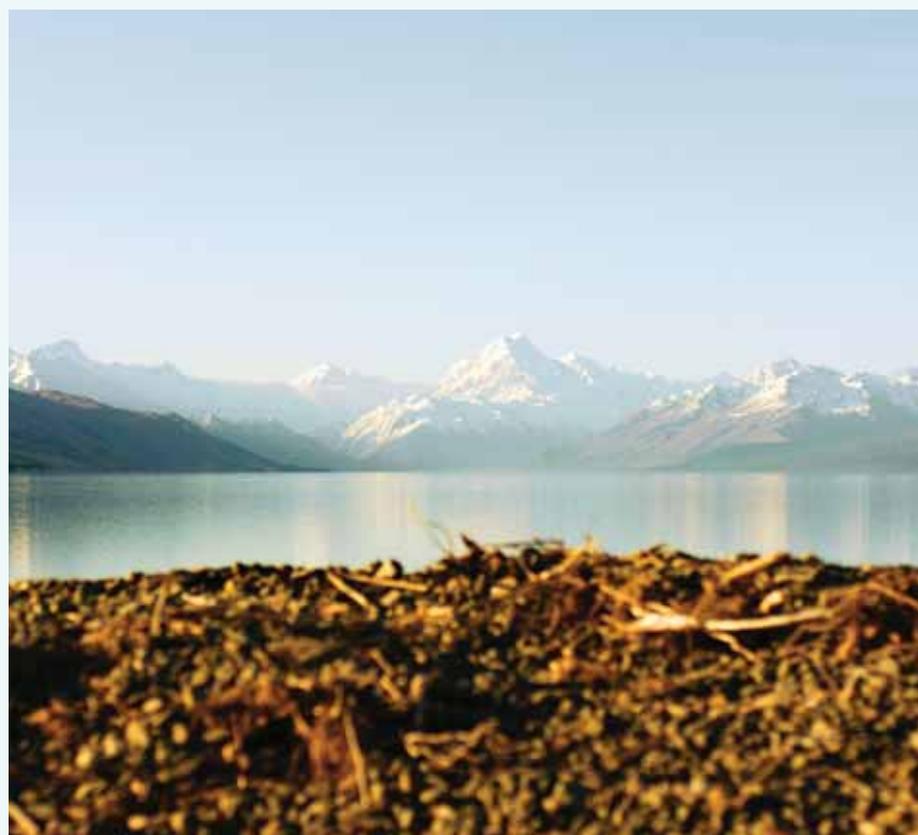
Meridian’s award-winning¹⁴ Waitaki Community Fund supports community development initiatives in the Waitaki Basin and has granted over \$2.18 million to more than 200 local community projects in the past six years, including environmental conservation, volunteer emergency services, schools, local events and heritage restoration.

A recent community project supported through this Fund was a \$40,000 grant to assist Land Search and Rescue (LandsAR) volunteers in the Mackenzie district to build a new combined LandsAR and Coastguard operation based in

Twizel. Work began on building a combined storage unit and emergency incident management room behind the Twizel police station in February 2013 and will be completed before the end of the year.

“Our Search and Rescue team has been operating out of a garden shed, and the Coastguard has been based at the local school’s old dental room. Having a combined, functional base means we can increase the effectiveness of our response in an emergency.” Dene Madden, President, Coastguard Mackenzie Lakes.

14 Meridian Energy’s Waitaki Community Fund is a Sustainable 60 Award winner. The Awards recognise some of New Zealand’s most sustainable businesses. Find out more at www.sustainable60.co.nz



Staff Volunteering

In February and April this year staff helped to clear rubbish from the coast near Meridian’s West Wind farm, as part of the Sustainable Coastlines initiative. Staff managed to clean up more than 360 kilograms of rubbish in those two days.



Working Sustainably



Governance

Meridian is one of the few businesses in New Zealand to have a Safety and Sustainability Committee appointed by its Board of Directors. The Committee members are Steve Reindler (Chair) and Sally Farrier.

Meridian is also a long standing and active member of two national sustainability interest groups for business – the Sustainable Business Council and the Sustainable Business Network (SBN). This year Meridian won SBN’s Central Region Trailblazer Large Business Award. The Awards recognise some of New Zealand’s most sustainable businesses.

Meridian does not make donations to political parties.

Safety First

Ensuring that staff are safe and well when they are at work is important to Meridian. In the year to 30 June 2013, Meridian recorded no lost-time injuries across the company’s permanent and contractor workforce, which is well below the industry average of 6.1.

We have a number of initiatives in place to ensure staff health and safety, including an employee-driven safety culture initiative, the Safety Climate Project, and a company-wide process for recording health and safety incidents including near-misses, improving awareness of site hazards, and safety audits. Meridian also supports the industry-sector safety forum, StayLive.

Each of Meridian’s sites has a health and safety committee made up of volunteer staff representatives. These committees represent all employees and are overseen by the Corporate Health and Safety Manager and the senior

executive team, who personally undertake site safety audits throughout the year. Meridian contractors work in a range of sites including office, construction and asset sites. Meridian has a comprehensive process containing specific health and safety requirements that need to be met at various stages of contract management, from scoping to close-out. Contractor hours worked and incidents on site are reported to the executive and Board on a monthly basis.

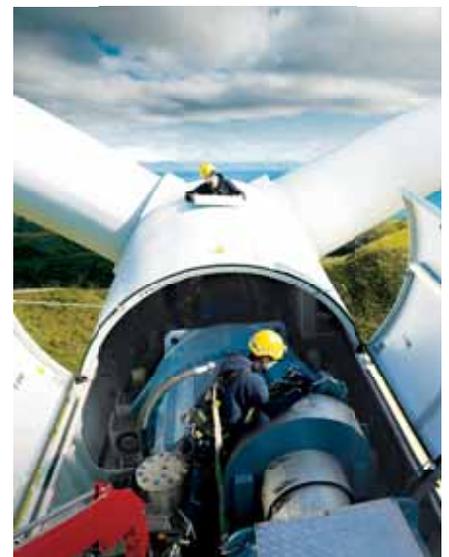
Meridian retained tertiary status under ACC’s Workplace Safety Management Practices programme.

HEALTH AND SAFETY STATISTICS ¹⁵	FY13	FY12
Number of Lost-Time Injuries (employees and contractors)	0	2
Lost-Time Injury Frequency Rate*	0.0	0.9
Lost Days from Lost-Time Injuries**	0	4
Fatalities	0	0
Serious Harm/Lost-Time Incidents	2	2
Medical Treatments (related to LTI)	14	7
First Aid Treatments	31	30
Near-Miss Incidents	52	193
Positive Safety Observations	246	489

* Incidents per million hours worked – the industry average is 6.1.

** Lost-day count begins on the next rostered working day.

¹⁵ Figures relate to the Meridian Parent company only, except lost-time Injuries, which include on-site contractors.



Efficient Resource Use - Managing Emissions

Meridian's electricity generation from the renewable sources of wind and water does not produce GHG emissions.

Meridian's total GHG emissions this year were 31,577 tCO₂e. Using thermal fuel such as coal or gas to produce a similar amount of electricity would result in millions of tonnes of CO₂ emissions.

Meridian has voluntarily calculated the company's 'carbon footprint' since 2001 and is certified by Landcare Research's Certified Emissions Management and Reduction Scheme (CEMARS®)¹⁶. Meridian's reporting processes are also consistent with international standards¹⁷.

¹⁶ Meridian's CEMARS disclosure statement can be viewed at www.carbonzero.co.nz/cemars/cemarscertified.asp#Meridian

¹⁷ These include the International Standards Organisation ISO 14064-1, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).



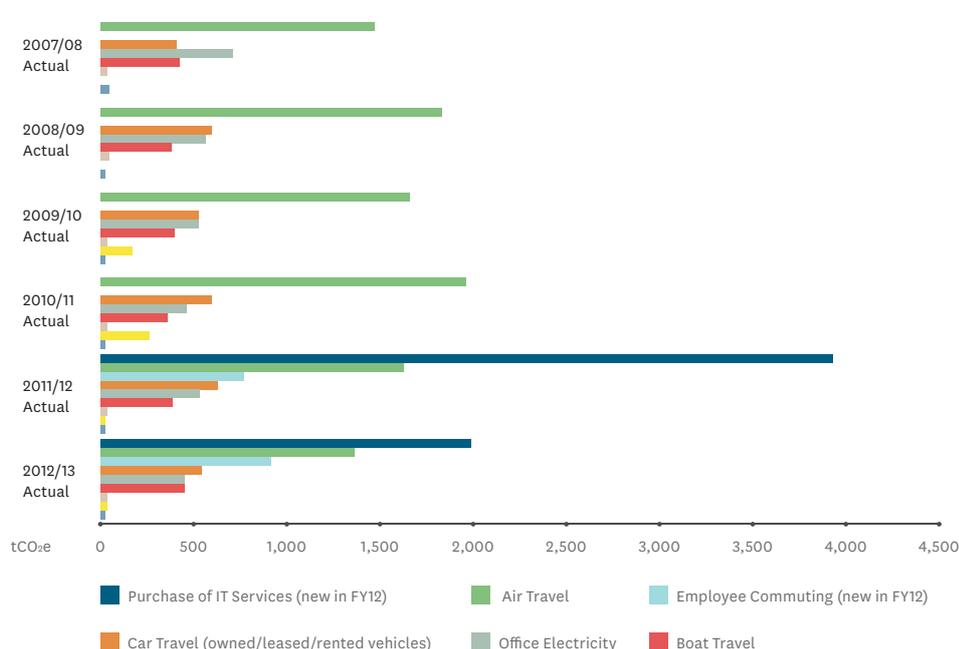
Our Performance

Meridian focuses on reducing the corporate GHG emissions resulting from activities over which the company has the most control. These include business travel (air, car and boat), waste, purchased goods and services and office electricity. The corporate emissions portion of our overall footprint of 31,577 tCO₂e this year was 5,745 tCO₂e. Relative to the number of full-time employees, this is a 30%¹⁸ decrease from last year. This decrease was achieved through a significant reduction in purchased IT goods and services¹⁹ and initiatives to reduce emission sources such as air travel and electricity consumption.

¹⁸ Decrease is relative to the number of full-time employees compared with base year (2011/12).

¹⁹ Emission factors for purchased goods and services are measured in dollars spent, reducing measurement accuracy. More accurate measures are being explored.

CORPORATE EMISSIONS (tCO₂e)



Continuing Reductions

Meridian has developed a five-year emission reduction plan, which has an overall target to reduce corporate GHG emissions per full-time staff member by 10%.

Efficiencies will be gained through a range of initiatives, including solar panels recently installed at Meridian’s Twizel office and air, car and taxi travel reductions. This year, several ICT sustainability projects were implemented and Meridian was recognised as a global leader in sustainable ICT practices²⁰.

Initiatives such as the removal of desk bins at corporate sites encourage staff to think about sustainability in the workplace. This has resulted in changing behaviours, with 63%²¹ of staff reporting that Meridian’s focus on sustainability has changed their behaviour at work or at home. In addition, 77% of staff consider the person they report to supports and encourages sustainability within Meridian.

Meridian adopted the Corporate Value Chain Standard in 2012, substantially increasing Scope 3 emission sources and requiring a change of base year from 2008 to 2012. In addition, 2012 was a ‘dry’ year, in which low inflows required Meridian to purchase electricity for retail customers in excess of its generation, adding 35,102 tCO₂e to the Scope 3 total.

Emissions for Scopes 1 and 2 and each Scope 3 category have been quantified using a calculation method based on activity data multiplied by GHG emission factors. Emission factors have been supplied by or approved by Landcare Research as part of Meridian’s participation in the CEMARS programme.

To minimise uncertainties in accuracy, data has been sourced from verifiable sources wherever possible. Detailed GHG emissions information is provided at www.meridian.co.nz/greenhousegas

²⁰ An ICT sustainability assessment undertaken by Fujitsu gave Meridian an ICT sustainability index score of 81.1%, putting Meridian in the top 6% of the 1,000 global companies audited.

²¹ 2013 Employee Engagement Survey managed by Kenexa.

Carbon Trading

As a renewable electricity generator, Meridian has no direct obligations under the Emissions Trading Scheme for fossil fuel generation. Meridian’s Te Āpiti and White Hill wind farms continue to be allocated Kyoto-compliant carbon credits under the Government’s Projects to Reduce Emissions Scheme.

SOURCE	2012 CREDITS RECEIVED (CALENDAR YEAR)
Te Āpiti	47,898
White Hill	102,220



Total GHG Emissions by Scope (tCO₂e)

SCOPE	2011/12	2012/13 TCO ₂ E
Direct Emissions (Scope 1)	1,102	964
Indirect Emissions (Scope 2) Electricity Consumption	3,641	2,408
Indirect Emissions (Scope 3)	68,770	28,204
Total Emissions (S1, 2 & 3)	73,513	31,576

Developing People - Capability and Diversity

Meridian works hard to make sure that staff have opportunities to develop their skills and grow within the company.

All permanent employees have development plans and objectives, which are reviewed six-monthly. These objectives connect directly to the company strategy to ensure that individual and company goals are aligned. Meridian also invests in graduate and apprenticeship programmes. Employee wages and benefit details are contained in Meridian’s Annual Report²².

Employees participate in annual surveys facilitated by Kenexa. This year Meridian achieved an employee engagement score of 78.9% – a 2.9% improvement from last year. Results are used to identify development opportunities. This year 89% of staff participated, and the results compare favourably with global best-practice benchmarks.



²² www.meridianenergy.co.nz/about-us/media-centre/media-releases/market-announcements/meridian-energy-2013-annual-report.

Recognised Leadership

Meridian's leaders have been recognised with a number of leadership awards this year including:

- Chief Financial Officer Paul Chambers was awarded CFO of the Year (Public Sector) at the 2012 NZCIA Leadership Awards for excellence in financial management and leadership.
- Meridian's Energy Centre Manager Tony Sumner was awarded Young Executive of the Year at the 2012 Deloitte Energy Excellence Awards.
- Agribusiness Sales Manager Natasha King was awarded a Nuffield Scholarship to research energy efficiency and environmentally responsible effluent management on dairy farms.

A Diverse Workforce

A diverse and inclusive workforce where remuneration is based on ability is a strategic advantage. This year Meridian developed and adopted a diversity and inclusion policy to help increase the current mix of gender, age and ethnicity in the organisation. The organisation is working towards specific objectives to increase the number of women in senior leadership roles and to increase the ethnic diversity of front-line customer service staff. Progress is reported at Board level. Champions have been identified across the business to act as leaders for current and future diversity initiatives.



Key Statistics as at 30 June 2013



43%
OF ALL GROUP EMPLOYEES
WERE FEMALES



32%
OF MANAGERS
WERE FEMALE



33%
OF THE BOARD
WERE FEMALE



57%
MALES (2012 60%)



2.9%
IMPROVEMENT IN STAFF ENGAGEMENT

People

As at 30 June 2013, the Group had a total of 827 full-time-equivalent employees²³, with the composition shown in the table.

CATEGORY	NUMBER	AGE GROUP	% OF STAFF
Markets and Production	213	18-25	12.13%
Damwatch	34	26-35	28.62%
Retail	244	36-45	31.92%
Powershop	74	46-55	18.61%
Arc Innovations	83	56-65	8.01%
Corporate and Shared Services	88	65+	0.35%
Information and Communications Technology	54	Less than 18	0.12%
Australia	32	Unknown	0.24%
United States	5	Grand Total	100.00%

²³ Employee numbers are for full-time-equivalent employees and do not include contractors or consultants. Employee numbers in each category have been rounded to the nearest employee.

Financial Performance



A key part of being a sustainable business is ensuring that Meridian is commercially competitive and achieves positive financial outcomes for shareholders. Positive economic returns also enable Meridian to invest in asset maintenance and local economies, support community projects and environmental initiatives, and invest in the development of innovative products and services for customers.

Full-Year Results to 30 June 2013

This year Meridian posted a strong result in a year characterised by improved inflows, but with periods of market disruption and intense retail competition.

During the year the company managed periods of low inflows into South Island hydro catchments during the summer period, three months of decreased flows into Lake Pūkaki while the Tekapo canal was repaired, and 42 days of HVDC outages to support a capacity increase in the transmission link between the North and South Islands.

Meridian was also involved in other significant projects, including preparing for listing on the New Zealand and Australian stock exchanges, and contractual negotiations with the company's largest customer – the owners of Tiwai Point aluminium smelter.

Meridian's results were positively affected by the sale of Macarthur wind farm in Australia in June, which resulted in a pre-tax gain of \$101.4 million, and a \$5.9 million gain on the sale of one of the company's subsidiaries, Energy for Industry.

Meridian's retail business performed well in a year characterised by flat demand and strong competition. Net contracted revenue increased by 2.6% on last year's performance, primarily through an improved portfolio mix. Meridian's online retail business, Powershop, had another strong year with an increase in sales and customer connections, and an entry into the Australian market in the state of Victoria.

Group operating costs increased 8.0% to \$245.4 million, reflecting one-off items relating to development and Government Share Offer costs.

\$101M



Pre-tax gain

FROM THE SALE OF MACARTHUR WIND FARM

\$95M

Improvement in net cash flow
FROM OPERATING ACTIVITIES

3%

Net contracted increase

ON LAST YEAR'S PERFORMANCE



Managing Weather Risk

As a renewable generator of electricity, Meridian relies on rain and wind to generate power. These sources can be variable and unpredictable.

In 2012 for example, which was one of the driest years on record, Meridian had to purchase a significant volume of electricity on the spot market at a time of high prices to meet customer commitments, which negatively affected the company's financial results that year.

Meridian has developed an approach to risk management that enables the company to

manage its financial performance through periods of adverse weather and market conditions. Central to this approach is the ability to enter into hedge contracts with other generators as well as being an active participant on the ASX futures exchange. Being an integrated generator and retailer of electricity also helps to provide a more stable earnings profile.

Financial Implications of Climate Change

Meridian regularly reviews the potential impacts of climate change on its business.

An analysis completed in early 2013 and reported to the Board indicated that forecast increased weather variability caused by climate change does not currently pose any significant physical risks to the company. Meridian is aware of the impacts that extreme international weather events continue to have on local insurance costs, and how rising temperatures will change demand peaks. The risks of climate change patterns are within the range of variability already managed from hydrology and revenue perspectives.



Financial Results - Year Ended 30 June 2013

\$295.1M

Net profit after tax

NPAT UP 296% ON LAST YEAR

\$152.6M

Year-end shareholder dividend

(FOLLOWING AN INTERIM DIVIDEND OF \$99.8 MILLION PAID IN APRIL)

\$416.7M

Net cash flow

FROM OPERATING ACTIVITIES, AN IMPROVEMENT OF 29% ON LAST YEAR

\$162.7M

Underlying NPAT

(WHICH EXCLUDES THE EFFECTS OF NON-CASH FAIR VALUE MOVEMENTS, GAINS ON SALE OF ASSETS, IMPAIRMENTS AND OTHER ONE-OFF ITEMS) INCREASED 53%

\$584.8M

EBITDAF

EARNINGS BEFORE INTEREST AND TAXATION, DEPRECIATION AND AMORTISATION AND FAIR VALUE ADJUSTMENTS (EBITDAF) WERE UP 23% FROM LAST YEAR'S RESULT

STAKEHOLDER	KEY INTERESTS AND CONCERNS	MERIDIAN'S RESPONSE	ENGAGEMENT METHOD
Generation Communities	<ul style="list-style-type: none"> Honest and open communication and engagement. Consequences of our role as a generator – environmental, commercial, social and cultural. 	<ul style="list-style-type: none"> Ongoing participation in the community where appropriate. Early engagement and consultation. Compliance with resource consent conditions. Community Funds. 	<ul style="list-style-type: none"> Newsletters. Community meetings. Open days and drop-in hubs. Community liaison. Participation in community events e.g. project milestone celebrations. Community surveys. Asset-based event sponsorship e.g. White Hill Wind Farm Classic Bike Ride and Run.
Iwi	<ul style="list-style-type: none"> Tangata whenua – guardians of the natural resources within their rohe. Consequences of the company's role as a generator – environmental, commercial, social and cultural. Honest and open communication. Strategic engagement. Commercial partnership opportunities. 	<ul style="list-style-type: none"> Consultation on management of natural resources. Memoranda of understanding. Mitigation responses. Partnership approaches that recognise iwi aspirations. Sponsorship opportunities. Capability-building. 	<ul style="list-style-type: none"> Iwi engagement. Participation in iwi events. Regular meetings/hui. Event hosting.
Customers	<ul style="list-style-type: none"> Affordable power. Customer service. Accurate billing. Access to data to help understand energy use. Security of supply. Energy efficiency and sustainability. 	<ul style="list-style-type: none"> Assistance to customers during state of emergency. Unbundling of network and energy costs in billing. Improved disconnection process. Smart meters and regular meter reads. Energy efficiency advice and sustainability offerings. 	<ul style="list-style-type: none"> Customer contact centre and account managers. Newsletters. Website and customer portal. Customer satisfaction surveys. Direct mail and email. Sponsorship.
Employees	<ul style="list-style-type: none"> An employment experience that meets expectations. An employer who genuinely cares for the wellbeing of staff. An employer who is well respected in the community. 	<ul style="list-style-type: none"> Focus on leadership, capability development and performance. Management development programme. Graduate and apprenticeship programmes. Health and safety at work focus, including wellness programme. Recognition of staff requirements during uncertain times. Credible approach to sustainability. 	<ul style="list-style-type: none"> Employee engagement surveys. Intranet. Senior management updates to staff. Staff events. Competency-based learning modules. Leadership and capability development programmes. Individual development plans for employees. 1:1 performance reviews and feedback.
Shareholder	<ul style="list-style-type: none"> Commercial performance. Efficient delivery of services, transparency around drivers of performance/profit. Responsible employer. 	<ul style="list-style-type: none"> Sound business planning based on long-term financial objectives. Improved reporting including quarterly operational reports and material disclosures. Commitment to health and safety and corporate social responsibility. 	<ul style="list-style-type: none"> Annual and half-year reports. Statement of Corporate Intent. Annual public meeting. Regular meetings and briefings with Government officials.

STAKEHOLDER	KEY INTERESTS AND CONCERNS	MERIDIAN'S RESPONSE	ENGAGEMENT METHOD
Government & Electricity Sector	<ul style="list-style-type: none"> Contribution to economic growth through development. Efficient use of resources. Environmental responsibility. Competitive market outcomes. 	<ul style="list-style-type: none"> Engagement with the Government electricity regulator and electricity sector on key energy policy issues. Development of cost-competitive renewable energy generation. Commitment to sustainability and environmental stewardship. Submissions supporting competitive and rational market outcomes. 	<ul style="list-style-type: none"> Policy submissions. Open engagement. Participation in appropriate forums.
Suppliers & Contractors	<ul style="list-style-type: none"> Insights into timing and certainty of future work programmes and initiatives. Accurate and timely service request data. Fair and open procurement. 	<ul style="list-style-type: none"> Promote early notification of significant work programmes. Active application of supplier relationship management practices. Fair, open, transparent and reasonable market engagement processes. Develop clear and well defined requirements. Encourage local business participation wherever possible. 	<ul style="list-style-type: none"> Market engagement documentation. Contract negotiations. Supplier meetings to discuss ongoing relationship. Supplier briefings. Conferences/speaking engagements.
General Community	<ul style="list-style-type: none"> Security of supply. Leader in sustainability and renewable generation. Contributor to communities from social, economic and environmental perspectives. 	<ul style="list-style-type: none"> Management of water resources. Development of cost-competitive renewable energy generation. Commitment to renewable energy generation, sustainability and corporate social responsibility. Sustainable procurement policy. 	<ul style="list-style-type: none"> Brand advertising campaigns. Website. Sponsorship. Annual Report. Media releases. Educational material. Public meetings.
Local Government	<ul style="list-style-type: none"> Responsible developer of infrastructure. Security of supply. Contribution to the local economy. Sustainably manage resources. 	<ul style="list-style-type: none"> Participation in processes to support best practice. Commitment to sustainability and environmental stewardship. 	<ul style="list-style-type: none"> Meetings. Submissions. Hearing presentations. Working group and committee participation.
Non-Government Organisations	<ul style="list-style-type: none"> Impacts on natural resources and local community initiatives. Open and honest communication. 	<ul style="list-style-type: none"> Engagement and consultation as appropriate. Support for projects as appropriate. Sustainability framework to reduce impacts of operations. 	<ul style="list-style-type: none"> Meetings. Correspondence. Joint membership of forums. Presentations. Membership of organisations. Respond to information requests.
Investors (Lenders)	<ul style="list-style-type: none"> Profitable, good employer. Socially and fiscally responsible. Return on investment. Ability to meet interest and principal obligations on debt. Open and honest communication. 	<ul style="list-style-type: none"> Sound business planning based on long-term financial objectives. Clear and regular operation reports and material disclosures. 	<ul style="list-style-type: none"> Regular meetings and open engagement. Asset tours. Prospectus. Investment statement. Rating reports. Investor briefings. Clear and regular operation reports and material disclosures.

Independent Assurance Report to the Directors of Meridian Energy Limited

We have been engaged by the Directors to conduct a limited assurance engagement over selected aspects of the Meridian Energy Limited's Sustainability Report (the "Report") for the financial year ending 30 June 2013 as described below.

- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3.0) Reporting Principles – providing limited assurance whether management's assertion that the GRI G3.0 Reporting Principles have been applied in defining the report content is fairly stated;
- GRI G3.0 Application Level – providing limited assurance as to whether management's assertion that the GRI Content meets the GRI G3.0 application level C+ requirements is fairly stated;
- GRI G3.0 Profile Disclosures and Selected Indicators – providing limited assurance as to whether information reported under the requirements of GRI Profile Disclosures and Selected Indicator Protocols is fairly stated.

This report is provided solely to the Directors of Meridian Energy Limited (the "Directors") in accordance with our letter of engagement dated 1 October 2013. Our work has been undertaken so that we might state to the Directors those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume duty, responsibility or liability to anyone other than the Directors for our work, for this independent assurance report, or for the conclusions we have formed including, without limitation, liability for negligence.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for:

- The preparation and compilation of the Report, including adherence to the GRI G3.0 principles for defining report content and compliance with the disclosure requirements of the GRI G3.0;
- The identification of stakeholders and material issues and for determining the objectives in respect of sustainability performance;
- Establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived; and
- The fair presentation of the information and statements contained within the Report.

AUDITOR'S RESPONSIBILITY

It is our responsibility to independently express an opinion on the reliability of management's assertions on selected subject matters as outlined above.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE (NZ) 3000"). To achieve limited assurance the ISAE (NZ) 3000 requires that we review the processes, systems and competencies used to compile the information on which we provide limited assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE(NZ) 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed the work to obtain all the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions.

The evaluation criteria used for our assurance are based on:

- the GRI G3.0 Sustainability Reporting Guidelines for Level C+ application
- relevant reporting guidelines and methodologies for selected GRI G3.0 Indicator Protocols as set out in the GRI Content.

Our procedures included:

- Understanding and analysing the process for preparing the Report;
- Assessing the Report against the requirements GRI G3.0 'C+' application level;
- Interviewing the senior executives and group level business sustainability and public affairs teams responsible for preparing the Report;
- Analysing the process of compiling and validating information received from data owners for inclusion in the Report; and
- Reviewing the Report against the findings of our work and, as necessary, providing recommendations for improvement.

Other than in our capacity as auditors of the statutory financial statements on behalf of the Auditor-General, we have no relationship with or interests in the Company or any of its subsidiaries. Furthermore, principals and employees of our firm deal with the Company on arm's-length terms within the ordinary course of the Company's trading activities. Other than this limited assurance engagement, the financial statutory audit and arm's-length transactions, we have no relationship with or interests in the Company, or any of its subsidiaries.

OPINION

Based on the procedures performed, in all material respects:

- GRI G3.0 Reporting Principles – nothing has come to our attention to suggest that Meridian Energy Limited's self declaration of the application of the GRI G3.0 Reporting Principles for defining report content is not fairly stated;
- GRI G3.0 Application Level– nothing has come to our attention to suggest that Meridian Energy Limited's self declaration of GRI application level C+ is not fairly stated;
- GRI G3.0 Profile Disclosures and Selected Indicators – nothing has come to our attention to suggest that the information provided in the Report to meet the requirements of the GRI Profile Disclosures and the GRI Indicator Protocols identified on page 25 is not fairly stated.



Chartered Accountants
11 December 2013
Wellington, New Zealand

Global Reporting Initiative Index

This report meets the requirements of GRI G3.0 Level C+.

DISCLOSURE OR INDICATOR	STATUS	PAGE	COMMENT
Profile Disclosures			
1.0 Strategy and Analysis			
1.1	Statement from the CE and Chairman of S&S Committee	Full	2, 3
1.2	Description of key impacts, risks and opportunities	Partial	2, 3, 21
2.0 Organisational Profile			
2.1	Name of reporting organisation	Full	1
2.2	Primary brands, products and/or services	Full	Cover
2.3	Operational structure of the organisation	Full	3
2.4	Location of the organisation's headquarters	Full	1
2.5	Countries in which the organisation operates	Full	1
2.6	Nature of ownership and legal form	Full	1
2.7	Nature of markets served	Full	Cover, 9, 11-12
2.8	Scale of the reporting organisation	Full	11, 20-21
2.9	Significant changes in size, structure or ownership	Full	1
2.10	Awards received in the reporting period	Full	6, 12, 19
EU1	Installed capacity	Full	10
EU2	Net energy output	Full	10
EU3	Number of customer accounts	Full	11
EU4	Length of transmission and distribution lines	N/A	Length not significant
EU5	Allocation of CO ₂ e emission allowances	Full	18
3.0 Report Parameters			
3.1	Reporting period	Full	1
3.2	Date of most recent previous report (if any)	Full	1
3.3	Reporting cycle (annual, biennial etc)	Full	1
3.4	Contact point for questions regarding the report or its questions	Full	Cover
3.5	Process for defining report content	Full	1
3.6	Boundary of the report	Full	1
3.7	Specific limitations on the scope or boundary of the report	Full	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Full	1
3.9	Data measurement techniques and the basis of calculations	Full	1
3.10	Explanation of the effects of any restatements	Full	18
3.11	Significant scope, boundary or measurement changes	Full	18
3.12	GRI index table	Full	25
3.13	External assurance policy and practice	Full	1, 7
4.0 Governance, Commitments and Engagement			
4.1	Governance structure of the organisation	Full	1, 3, 16
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Full	3
4.3	Independence of the Board	Full	3
4.4	Mechanisms to provide recommendations to the Board	Full	1 There are no direct mechanisms for employees to provide recommendations to the Board
DISCLOSURE OR INDICATOR			
full	Processes for avoiding conflicts of interest	Full	3
4.7	Processes for determining qualifications and expertise of the members of the Board	N/A	Board appointed by the Government
4.11	How the precautionary principle is addressed	Full	10
4.14	List of stakeholder groups engaged by the organisation	Full	22-23
4.15	Identification and selection of stakeholders	Full	1
4.16	Approaches to stakeholder engagement	Full	22-23
4.17	Key topics and concerns from stakeholder engagement	Full	22-23
Economic Performance Indicators			
Main economic impacts of the organisation throughout society, flow of capital amongst stakeholders			
EC1	Direct economic value generated and distributed	Partial	20-21
EC2	Financial implications and other risks and opportunities due to climate change	Full	21
EU10	Planned capacity against demand	Full	3, 9
Environmental Performance Indicators			
Impacts on living and non-living natural systems			
EN13	Habitat enhancement and restoration	Partial	7
EN16	Direct and indirect greenhouse gas emissions (Scopes 1 & 2)	Full	18
EN17	Indirect greenhouse gas emissions (Scope 3)	Full	18
EN18	Initiatives to reduce greenhouse gas emissions	Partial	17-18
EN28	Compliance with environmental laws and regulations	Full	10
Labour Practices and Decent Work Performance Indicators			
Adherence to internationally recognised universal standards			
LA1	Total workforce by employment type, employment contract and region	Partial	19
LA6	Percentage of total workforce represented in formal health and safety committees	Full	16
LA7	Health and safety data (injuries, lost time)	Full	16
LA12	Percentage of total workforce receiving regular performance and career reviews	Full	18
LA13	Workforce diversity	Partial	19
Society Performance Indicators			
Impacts on communities in which we operate and risks of unethical behaviour			
S01	Programmes and practices that assess and manage the impacts of operations on communities	Partial	13
S05	Public policy positions and participation in public policy development and lobbying	Partial	3, 6
S06	Financial contributions to political parties	Full	16
Product Responsibility Performance Indicators			
Effects of our products/services upon customers			
PR5	Customer satisfaction practices and measures	Full	11-12
EU30	Average plant availability factor	Full	10

Deloitte's limited assurance report on page 24 covers the disclosures and indicators that are identified above as fully reported.

Directory

REGISTERED OFFICE

Level 1
33 Customhouse Quay
Wellington Central
Wellington 6011
New Zealand

OFFICES

33 Customhouse Quay
Wellington Central
Wellington 6011

PO Box 10840
The Terrace
Wellington 6143
New Zealand

Telephone +64 4 381 1200
Facsimile +64 4 381 1201

104 Moorhouse Avenue
Addington
Christchurch 8011

PO Box 2146
Christchurch 8140
New Zealand

Telephone +64 3 357 9700

State Highway 8
Private Bag 950
Twizel 7944
New Zealand

Telephone +64 3 435 0818
Facsimile +64 3 435 0939

Meridian Energy Australia
Pty Ltd
9 Queen Street
Melbourne VIC 3000
Australia

Telephone +61 3 8370 2100
Facsimile +61 3 9620 9955

SUSTAINABILITY REPORT AUDITOR

Deloitte

STATUTORY AUDITOR

Michael Wilkes
On behalf of the Office
of the Auditor-General
Deloitte
PO Box 248
Christchurch 8140
New Zealand

BANKER

Westpac
Wellington
New Zealand

DIRECTORS

Chris Moller, Chair
Peter Wilson, Deputy Chair
John Bongard
Mark Cairns
Jan Dawson
Mary Devine
Sally Farrier
Anake Goodall
Stephen Reindler

MANAGEMENT TEAM

Mark Binns, Chief Executive
Neal Barclay
Ben Burge
Paul Chambers
Jacqui Cleland
Alan McCauley
Glen McLatchie
Jason Stein
Guy Waipara



meridian

meridian.co.nz

If you would like to comment on Meridian's Sustainability Report,
or if you have questions you'd like answered, please email sustainability@meridianenergy.co.nz.