Meridian.

Generating change: Changing generation

Meridian Energy Limited.

Integrated Report 2021.

Change needs energy.

Menu

This needs to change

Extreme weather events are one of the effects of climate change that directly affect Meridian. Our commitment to decarbonisation is about limiting the changes New Zealand faces.

This will change

Our contract with New Zealand's Aluminium Smelter (NZAS) runs until the end of 2024. We are looking at new ways to maximise the use of Aotearoa's renewable energy advantage to make the most of this power.

This is changing

Our partnerships focus on how we can help people and our planet.

This isn't changing fast enough

Australia's dependence on fossil fuels is holding back the adoption of renewables. This year we grew our customer base, but low wholesale prices and the uncertain policy environment are potentially stifling incentives to innovate.

Change needs energy

Big challenges and opportunities are here right now – and more are on their way. We are excited and committed to shaping the journey to a net zero world. As Aotearoa's largest renewable electricity generator and a sustainability pioneer in Australia, Meridian has the scale and the resources to help secure a clean energy future, where all New Zealanders thrive. Generating affordable, clean, renewable power is key to a more equitable and sustainable future and our goal is to make the renewable energy we generate as accessible as possible to households, businesses and industries.

The immediate challenges of a dry year, decisions around Tīwai Point, a downward-sliding trading situation in Australia and regulator rulings have been complemented by the commencement of our Harapaki wind farm, a positive trading year in New Zealand, growth in our Australian customer base and a financial result that reflects the hard work and commitment of our team.

Meridian is set on shaping a clean energy future that our customers, communities and country can be proud of. It's about working together for the long term, caring about the big things and the small things; it's in the actions we take today and how we plan for and invest in our future.

Clean energy for a fairer and healthier world.

A material difference

We rely on the effective management of a wide range of resources, including our physical assets, our technology platforms, our financial capital, our people and their knowledge, our many relationships and the natural resources we use to generate electricity and value.

We are committed to providing transparent, evidence-based information in a way that is simple to digest and is consistent with best practice.

Our process

This year we conducted a materiality assessment with key stakeholders through an independent consultant. This included reviewing the Global Reporting Initiative topics and material topics regularly reported on by electricity generators and retailers in New Zealand and Australia.

We asked our stakeholders to identify Meridian's most material topics and what we should be reporting on and addressing. We applied the outputs from this process to help develop a stakeholder strategy and inform the material topics for this annual report. As in previous years, we also examined Board papers, assessed our risk register and reviewed issues that had received media coverage.

In FY18 we identified the United Nations Sustainable Development Goals (SDGs) that we believe are most relevant to our business. Our commitment to making a renewable difference for the future led us to focus on two SDGs – SDG7 Affordable and Clean Energy and SDG13 Climate Action – as these apply to areas where we believe we can make the biggest difference.

Reducing our material topics

This year we reduced our material topics to 12 from 16 based on the materiality assessment completed with our stakeholders. In this report, we focus on:

1. Pipeline of generation options
2. Electricity pricing
3. Sustainability leadership
4. Action on climate change
5. Support for vulnerable customers
6. Distributed energy resources
7. Good governance, ethical behaviour and reporting
8. Impact on water
9. Contribution to public policy
10. Financial impacts of climate change
11. Cybersecurity
12. Impact on biodiversity

Our key stakeholders are those who can have a significant impact on our business, or on whom we can have a significant potential impact through our activities.

- Investors
- The Crown
- Ngāi Tahu and other iwi
- Shareholders
- Customers
- New Zealand public (and their elected officials)
- Regulators
- The electricity sector
- Asset communities
- Local government
- Employees
- Suppliers

Authenticity in reporting

In FY20 we were assessed for and included in the Asia Pacific Dow Jones Sustainability Index (DJSI), which adopts a robust and structured Environmental, Social, and Governance framework to assess performance. We also were assessed in FY20 under the Carbon Disclosure Project (CDP), a global environmental disclosure system, and were proud to receive an increased rating of A- for climate change in FY20. We submitted again in FY21 for inclusion in the Asia Pacific DJSI and to be assessed under the CDP framework.

We've entered our third year of completing a voluntary Climate Change Disclosure report, in accordance with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

Our annual Climate Risk Disclosure report has again been prepared in accordance with the recommendations of the TCFD. This report describes the financial impacts of climate-related risks and opportunities – including how these are governed, how risks are managed, any impacts or influences of these on our strategy and what associated metrics and targets we set for ourselves. Our FY21 Climate Change Disclosure is available at www.meridianenergy.co.nz/who-we-are/sustainability/climate-disclosures.

We also prepare our annual report to meet integrated reporting standards to ensure we communicate concisely how our strategy, governance and performance, in the context of our external environment, seek to cause balanced, sustainable value creation.

This is our business

We are one of New Zealand's largest organisations

$5b Up
NET ASSETS

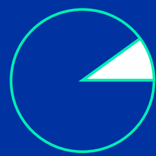
$4b Up
FY21 REVENUE

$13b Up
TOTAL MARKET CAPITALISATION

$729m Down
FY21 EBITDAF*

NZ MAJORITY OWNED BY THE NZ GOVERNMENT

10% LEGISLATED MAXIMUM NON-CROWN OWNERSHIP



LISTED ON BOTH THE **NZX + ASX**

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

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

What drives us

Our purpose of clean energy for a fairer and healthier world is at the centre of everything we do. To deliver on our purpose we have focused on areas in which we can make a meaningful difference, and that also align with our values and goals of climate action, putting our customers first, and being a great place to work and our role as a responsible generator. We strive to achieve these goals by 'being gutsy', 'being in the waka' and 'being a good human' to ensure that we are able to deliver positive outcomes for New Zealand and our shareholders.

NZ

5 offices
869 employees
(94 at our power stations)

CUSTOMERS

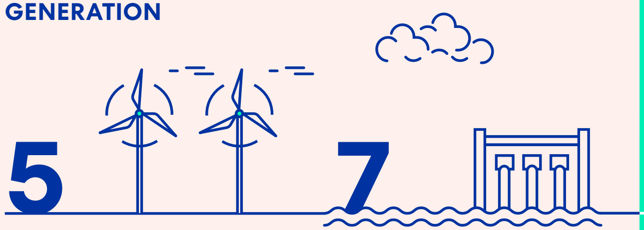
346K

Customer connections

~15% national retail volume[1]

Retailing as:
Meridian Energy
Powershop

GENERATION



~30% national electricity generation

1 Excludes Tīwai Point aluminium smelter

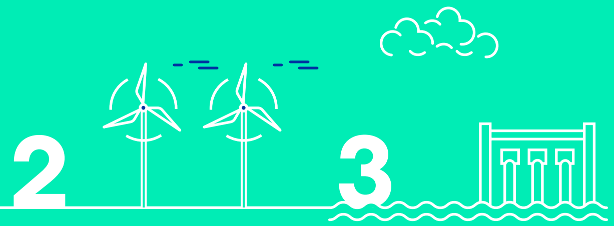
AU

1 office
88 employees
(17 at our power stations)

185K

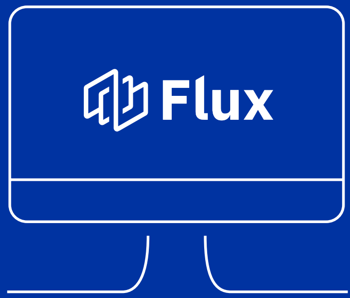
Customer connections (incl gas)

Retailing as:
Powershop, and providing energy services to Kogan Energy



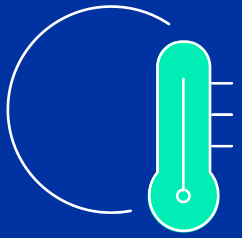
FLUX

Remote-first workforce spread across 3 countries.
131 employees



Licensing the Flux platform

Key changes this year



Environment

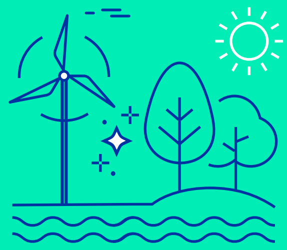
- Climate Change Commission report released, sets policy direction for decarbonisation of the economy
- Launched Process Heat Electrification Programme to electrify process heat
- Launched AC EV charging network
- 60,000 stems planted to date under Forever Forests programme

Performance

- Group retail electricity sales volumes for FY21 were 14% higher than last year
- 7% growth in New Zealand customer numbers
- Powershop passed 100,000 customers
- 4% growth in Australian electricity customer numbers
- 500,000 customers migrated to Flux

Community & people

- Issued first Modern Slavery Statement
- Reaffirmed our commitment to support KidsCan
- 92% positive staff safety, health and wellbeing sentiment
- Launched a Future of Work initiative to help future-proof our workforce



Looking ahead

- Arrangements with NZAS finalised
- Harapaki wind farm consented, construction commenced
- New demand opportunities identified

Sizing up our risks

The Board sets Meridian's overall appetite for risk and its approach to risk management. A summary of Meridian's key risks can be found in the FY21 Corporate Governance Statement, available at **www.meridianenergy.co.nz/assets/Investors/Governance/Meridian-Energy-Corporate-Governance-Statement.pdf.**

The risks identified are:

- demand risks
- market supply
- adverse hydrological conditions
- catastrophic event
- critical equipment or technology failure
- health and safety
- regulatory risk of access to water
- legislative and regulatory risk
- competitor behaviour
- information technology security
- substantial changes in the costs of different generation technologies
- transmission pricing methodology
- COVID-19.

The three risks identified as priorities are:

- **demand risks** – there is a risk that new electricity demand will not emerge to offset the reduction in electricity use caused by the expiry of our contract with NZAS and potential closure of Tiwai Point aluminium smelter 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, data centres and green hydrogen production. Meridian's 2021 Climate Related Disclosure (our TCFD report) also captures the opportunity for new electricity demand, the electrification of industrial heat and transport.
- **market supply** – there is a risk of a disorderly transition to 100% renewable electricity generation. One key risk is the premature retirement of thermal generation prior to new renewable electricity being in place – specifically the risk of the early retirement of gas generation given its role as a transition fuel. Another key risk is that market interventions will affect the potential returns from new renewable electricity projects, which would likely have a detrimental impact on investment in new generation. In addition, Meridian's 2021 TCFD report identifies the potential for an increase in electricity spot price volatility as a result of the increased proportion of renewable generation.
- In response, Meridian has adapted its underlying assumptions to the market position, updating its strategy. This flows through to the preparation for and accelerated delivery of new generation and flexible demand response investments, such as options like hydrogen and the role it could play, in a dry year scenario, operating practices and how the company engages with stakeholders and the messages it shares.
- **legislative and regulatory risk** – changes in public policy that lead to changes in 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 or from initiatives such as the NZ Battery project which may result in the Crown having a direct stake in pumped hydro generation), 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 climate change, including the Government's sustainable 2030 future of New Zealand. As such, we were the first New Zealand listed company to meet TCFD reporting requirements.

We have mitigation plans in place for all these risks.

Directors' statement

About this report

This integrated report reviews our financial, economic, social and environmental performance for the year ended 30 June (FY21). It has been prepared using the Value Reporting Foundation's integrated reporting framework.

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

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

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

About the Meridian Group

The Meridian Group is listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). It is one of New Zealand's largest companies on the NZX, with a total market capitalisation in excess of $13 billion, operating revenue in FY21 of $4 billion, EBITDAF of $729 million and net assets of $5 billion. Our workforce of around 1,088 people is directly employed by or contracted to us. Third parties provide us with ICT, facilities' management and meter-reading services.

We are majority owned by the New Zealand Government. Legislation specifically precludes our having any other significant shareholders (i.e. more than a 10% holding).

How we prepared this report

The Board has established processes to ensure the quality and integrity of this integrated report and has entrusted Management with preparing and presenting it accordingly.

To ensure all data is as accurate as possible, the financial information has been prepared in accordance with appropriate financial reporting standards (see page 119) and audited by Mike Hoshek for Deloitte Limited on behalf of the Auditor-General (see the Independent Auditor's Report on page 161).

The non-financial information has been prepared in accordance with the GRI Standards: Core option requirements of the Global Reporting Initiative's (GRI Standards) Sutainability Reporting Standards. This sustainability content has received a limited assurance engagement from Deloitte Limited (see the Independent Accountant's Assurance Report on page 165).

The Meridian Group Greenhouse Gas Inventory Report FY21 is summarised on pages 50 and 51 of this report. It has received a reasonable assurance engagement from Deloitte Limited.

Our commitment to effective governance

Our Board closely monitors how the company is managing long-term drivers of value, such as retaining access to water, building employee engagement, investing in new assets, enhancing environmental performance, satisfying customers and building our reputation and brand.

Strategy days and regular meetings allow Board members to share their thoughts and challenge Management on the direction in which they wish to take the business.

The Board also sets Meridian's overall appetite for risk and approach to risk management. Our FY21 Corporate Governance Statement summarises our key risks. You can find a copy of this Statement at **www.meridianenergy.co.nz/assets/Investors/Governance/Meridian-Energy-Corporate-Governance-Statement.pdf.** We have also included information on our risks and how we manage them in this report.

Meridian complies with the NZX Corporate Governance Code recommendations in all material respects (with the exception of recommendation 3.6 – see page 110 for more details).

Our Board structure

Meridian recruits Board members with a range of skills and experience. There are currently four female members and four male members, bringing gender balance to our Board as well as contributing to the Board's expertise.

While the company's constitution does not specifically require it, Meridian's Board has a collective view that Ngāi Tahu, which has mana whenua (authority over the land) over the majority of the South Island where most of Meridian's assets are located, is such an important stakeholder that a position on the Board for someone with connectivity to Ngāi Tahu should always be considered. This role is currently undertaken by Anake Goodall, the former Chief Executive Officer of Te Rūnanga o Ngāi Tahu (Ngāi Tahu's governing body).

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

The role of committees

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

The Board and Committees also oversee progress on our SDGs. The Safety and Sustainability Committee has responsibility for our progress on SDG7 Affordable and Clean Energy and SDG13 Climate Action.

The Board as a whole oversees our progress as a responsible generator, particularly as it pertains to the Waitaki reconsenting process. Our People and Remuneration Committee oversees Meridian's maintenance and development of being a great place to work. Our Audit and Risk Committee assists the Board in fulfilling its responsibilities in matters related to risk management and financial accounting and reporting.

Our Board

Nagaja Sanatkumar	Independent Director
Anake Goodall	Independent Director
Julia Hoare	Independent Director
Peter Wilson	Deputy Chair
Mark Cairns	Independent Director
Jan Dawson	Independent Director
Michelle Henderson	Independent Director
Mark Verbiest	Chair

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

View director biographies at:
www.meridianenergy.co.nz/who-we-are/about-meridian/board-of-directors.

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

The role of people and culture

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

The Board has approved a wide range of policies that Management are required to adhere to and incorporate in the company's operations, including a Code of Conduct, the content of which all employees agree to honour. The Code provides guidance to staff on the behaviours that are expected and how to handle the issues and challenges they may face. Our approach to remunerating our people is on page 84.

If you would like further information

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

We hope you will be able to attend the 2021 annual shareholder meeting in person. The Board has a policy of rotating the location of the meeting between Auckland, Wellington and Christchurch, and our 2021 meeting will be held in Auckland. We will provide you with more information closer to the time in the Notice of Meeting. If you can not attend, there will be a link to a live webcast on the Meridian website.

Our Executive Team

Neal Barclay	Chief Executive
Tania Palmer	Chief People Officer
Mike Roan	Chief Financial Officer
Lisa Hannifin	Chief Customer Officer
Guy Waipara	General Manager, Generation and Natural Resources
Jason Woolley	General Counsel and Company Secretary
Claire Shaw	General Manager, Corporate Affairs and Sustainabillity
Jason Stein	Chief Executive, Meridian Energy Australia Pty Limited, Powershop Australia Pty Limited
Nic Kennedy	Chief Executive, Flux Federation Limited
Chris Ewers	General Manager, Wholesale

Leadership

means speaking up when it counts

Pushing forward with change

This has been perhaps the most challenging year for Meridian since the company was listed. The announcement very early in the year of the planned closure of NZAS at Tīwai Point in Southland, the prolonged drought through the second half of the year and of course from COVID-19, all required close and careful management. Despite the challenges we were very pleased that our underlying business performance remained strong. And the opportunities for the future that are starting to take shape appear promising.

Ultimately, we believe our company is exceptionally well placed for the future, as is the electricity sector as a whole. The expiry of the NZAS contract in December 2024 and the Government's commitment to combating climate change have accelerated the opportunity to transition to a more sustainable energy sector at a much faster rate than previously imagined possible. We have an immense opportunity in front of us, and a tailwind of climate activism and global investor support for companies like Meridian that are committed to sustainability and climate action.

An exit becomes an opportunity

NZAS accounts for 13% of our country's electricity demand and is a large employer in Southland. So the quick exit of the smelter by August 2021, originally proposed by the owners, would have been very disruptive for the Southland community and the electricity sector. Consequently, we negotiated a discounted price with the smelter's owners in exchange for an extension to our fixed-price contract to December 2024. The revised pricing reflects a 'cents in the dollar' deal that was designed to buy time and does not represent pricing that is sustainable for the long term. The contract extension was critical to soften the blow on the Southland community and allow it time to transition away from a major employer in the area. The additional time will also allow the electricity sector to adapt to the loss in demand by enhancing the transmission network in the lower South Island and working with alternative industries that value renewable energy to establish new demand in the lower South Island.

In essence, the expiry of the supply contract with NZAS in late 2024 has created a 'once in a generation' opportunity to help grow Aotearoa and decarbonise our economy. Meridian's strategy to take advantage of the 5,000 GWh per annum of energy that will become available when NZAS closes is multi-faceted and can be summarised as follows:

- We have supported and appreciate Transpower's agreement to speed up the upgrade of the lower South Island grid to ensure any surplus energy in the region can be exported to the rest of New Zealand. That work should be complete by May 2022.
- We are exploring the feasibility of a grid-scale battery, located in the North Island. The battery will provide reserve energy and therefore increase the effective capacity of the Cook Strait cable and allow a greater flow of power from the South Island to the North Island.
- We continue to grow our retail customer base to, in part, offset the loss of our largest customer, NZAS.
- We have developed and launched a Process Heat Electrification Programme to support industrial customers in converting their fossil-fuel-based processes to electricity.
- We are exploring new demand opportunities that will grow economic value and jobs for the country, including green data centres and the production of green hydrogen for both export and domestic use.

We believe all these opportunities have the potential to not only enhance the value of our business, but also create long-lasting value for New Zealand.

Focusing on our customers

Our focus on delivering great value for our customers continued to pay off in FY21, and at a headline level we saw strong growth in our customer numbers on both sides of the Tasman.

In New Zealand, our dual-brand strategy and focus on customer satisfaction continued to resonate, reaching a wide group of New Zealanders by offering products for different market segments and making it easier to work with us. Powershop led the industry in engaging with customers, as was evidenced in its winning the Canstar and Consumer New Zealand awards for customer satisfaction and trust.

In Australia we continued to set the benchmark for a great customer proposition. Powershop Australia was once again recognised by Canstar Blue, Finder and Roy Morgan for customer satisfaction and market-leading products and service.

We made very good progress on our digitalisation journey and around 95% of customers' accounts were successfully migrated to our Flux customer care and billing platform. We believe Flux provides a world-class, integrated platform and it will enhance our ability to delight our customers with best-in-class products and services.

We remain very conscious of the need to support those customers facing hardship. During the lockdown in 2020 we increased our contribution to KidsCan by $1 million as we were concerned about its sources of funding drying up. In FY21 we matched that and are now working with KidsCan to leverage our contribution through its fundraising activities. We are very proud of our relationship with KidsCan as it does an amazing job in supporting under-privileged children in our society.

We continued our support of the EnergyMate programme (run by the Electricity Retailers' Association of New Zealand) and were a big advocate of the introduction by the Electricity Authority of consumer care guidelines to ensure the industry adopted a consistent approach to supporting our most vulnerable customers. We play our part with customers who have impaired credit situations and we provide products such as Level Pay and Shopper to help customers manage their energy bills.

The very high wholesale prices experienced during the year created challenges for some customers, particularly those who chose to take exposure to spot market prices. The high prices were driven by a combination of low hydro inflows and some, yet to be resolved, supply constraints in the gas market that first emerged during 2018. We believe our Wholesale Team managed our hydro storage exceptionally well as they progressively layered in hedge positions to allow us to conserve water while still meeting customer needs. Most pundits expect the gas deliverability issues to take another year or two to resolve, so relatively high wholesale prices could be a feature of the market for some time to come. Fortunately, the vertically integrated business model Meridian has adopted means we have been able to shield most of our customers, particularly retail customers, from those high wholesale prices.

The regulatory environment

Early in the year the Electricity Authority (EA) decided that an Undesirable Trading Situation (UTS) occurred during the large flood events in the South Island in December 2019. While we did not necessarily agree with the Authority's finding, we acknowledge its authority as an independent regulator to make that decision and we also acknowledge that it did consult extensively with the industry on the issue. We were pleased that the Authority cleared Meridian of the alleged breach of High Standard of Trading Conduct rules that were in place at the time.

The remedial action decided by the EA was to reset wholesale prices during December 2019. While the implementation of that reset is yet to take place, it will be completed by the end of the 2021 calendar year and the financial impact Meridian is likely to be immaterial and within the amount we provided for in last year's financial statements.

This year the EA also implemented changes to the trading conduct rules for generators offering into the whole-sale spot market. The EA has signalled increased monitoring of offers and a desire to test the new rules. More positively, the EA has made good progress on the suite of recommendations from the Electricity Price Review that was concluded in 2019. Progress has included the development of a commercial market-making framework for the exchange-traded electricity futures product in New Zealand.

For the next financial year, we expect a continued focus on security of electricity supply following the forced outages on the evening of 9 August 2021. Reviews have been initiated by the Minister of Energy and Resources and the EA.

Difficult operating conditions in Australia

While our retail sales volume increased, wholesale prices in the Australian market fell to unsustainably low levels and this impacted the performance of our generation assets. Overall, the Meridian Energy Australia Group result was down on the prior year even though we had more hydro generation available as the drought conditions, that had been a feature for the last few years, began to ease. Recently, Australian wholesale prices have lifted from the low levels during the 2021 financial year.

The strategic rationale for investing in renewable energy in Australia is still sound, and given that only around 30% of Australia's electricity is generated by renewable sources, the potential for growth in renewables is large as Australia looks to decarbonise its economy. But the energy market in Australia is highly politicised, and government and regulatory interventions at both State and Federal levels are creating significant uncertainty for our business. Accordingly, towards year end we announced we would be revisiting our growth strategy and our ownership of Meridian Energy Australia. This review will consider a full range of options, including accelerated growth as well as partial or full divestment. The ownership review is expected to take a number of months and no decision will be made on the future direction of or options for Meridian Energy Australia until the completion of that process.

The road to decarbonisation

We are supportive of the direction of travel in the Climate Change Commission's final advice to the Government. If adopted, the measures could help enable Aotearoa to change course with sufficient pace and scale to set us on a path to achieving our climate commitments. We are also supportive of the Government's recent announcements, such as the introduction of a clean car standard and the Clean Car Discount for electric vehicles (EVs). Ideally we'd like to see a fully developed and all-encompassing Emissions Trading Scheme as the key policy tool to support New Zealand's decarbonisation journey, but we also acknowledge that additional policies will be necessary to build momentum. It goes without saying that the effectiveness of policies like the EV feebate scheme should be measured and adjusted over time to ensure they are achieving the outcomes envisioned.

Electrification is critical to the delivery of a net-zero carbon economy in New Zealand, so a massive amount of electricity infrastructure will need to be built in the next 30 years. The good news is, the cost of new renewable generation has come down to a point where it is cheaper to build and operate a new renewable generator than operate an existing coal- or gas-fired generator. And there is presently more than $2 billion of announced new renewable generation projects in Aotearoa that should be producing power well before the expected significant growth in demand occurs.

The economics are driving us toward a more renewable future, and we expect the electricity grid in New Zealand to be transporting more than 90% renewable electricity on average by 2025.

The Harapaki wind farm is Meridian's contribution to the nation's current build programme, and we are working hard to grow our pipeline of additional renewable generation options. Harapaki itself is a significant investment on a New Zealand scale as it will produce enough energy to power around 70,000 Kiwi homes. It is expected to start producing that power from as soon as 2023.

New Zealand's existing hydro power stations are the foundation for the massive amount of new renewable projects that will need to be built in the next three decades. Flexible hydro is the perfect complement to more intermittent renewables like wind and solar. But across all New Zealand there is limited hydro storage available, so Aotearoa currently relies on coal- and gas-fired generation to meet consumer demand when rainfall into the hydro lakes is below average.

Aotearoa currently generates around 80–85% of its electricity from renewable sources, and as we move toward a fully renewable future and we reduce the amount of coal- and gas-fired generation available, we will need to find alternative ways to meet New Zealand's demand for electricity when the hydro lakes run low.

The Government is pursuing the NZ Battery project, which is testing the feasibility of a massive pumped hydro scheme in Central Otago as a potential means of storing water for hydro generation when we experience a dry year. While the outcome of the feasibility work is not yet known, other innovative ideas that could also help solve this problem are starting to emerge.

The work that Meridian and Contact are jointly leading on the opportunity to establish a large-scale green hydrogen production facility based in Southland is a good example of these.

Hydrogen production can be a very flexible process. If a hydrogen producer is willing to reduce production and its demand on the electricity system at times when the hydro lakes are low, it helps balance supply and demand across the whole system without introducing carbon emissions from coal or gas.

We believe this type of demand response is likely to be commercially viable for flexible processes like hydrogen production, and would deliver a very cost-efficient outcome for the electricity system as a whole and ultimately the end consumers of electricity.

On the demand side, our sense is that New Zealand business is buying in to the need to decarbonise and is getting on with it. Meridian is a member of the Climate Leaders Coalition, which represents 105 large New Zealand businesses that account for 38% of New Zealand's GDP and 59% of our greenhouse gas emissions. The Coalition members are, in total, planning to invest more than $9.5 billion in initiatives to reduce their emissions in the next five years. Each of the members is committed to playing its part in our transition away from fossil fuels in a way that is equitable and achievable.

At Meridian we are very aware of the need to show leadership and we have made a commitment to halve our gross operational emissions by 2030. We have made good progress in electrifying our vehicle fleet and now all our light passenger vehicles are electric. We have a range of other initiatives in play and are confident we can reach our 2030 goal. But we also have a strong part to play in supporting our customers to achieve their carbon-abatement targets. Our Process Heat Electrification Programme is aimed at supporting industrial customers to decarbonise and electrify their industrial plant. We can offer customers a long-term commercial package that supports their business cases for change. The reality is that these packages are enabled by the renewable energy freed up with the expected closure of NZAS.

If built, the green hydrogen opportunity referred to above would be the largest facility of its type in the world and powered by genuine renewable energy with a very high capacity factor. The potential benefits to Aotearoa are three-fold. Firstly, it will create export dollars for our renewable energy and high-value jobs in Southland. Secondly it can be scaled to meet New Zealand's domestic demand for hydrogen or ammonia as that demand grows. And thirdly, as discussed it can provide a demand response to the electricity market that will help balance demand and supply over the entire system.

The electrification of the transport sector received a leg-up this year with the introduction of EV feebates. These should encourage more businesses and individuals to go electric. This year we started building our own public charging network to support more EVs on the road. Our intermediate aim is to establish a network of 200 AC chargers in the South Island and then extend that reach to the North Island, while also supporting business customers requiring fleet charging solutions.

Research done in New Zealand and offshore shows that ultimately ceasing import-intensive petrol and diesel transport should result in higher employment, earnings, productivity and average wages. And as we electrify more of our economy, we are likely also to see lower wholesale electricity and transmission costs, alongside climate benefits as modern, lower-cost renewable generation makes up more of the supply mix. Decarbonisation for Aotearoa is an opportunity we must grasp.

Aotearoa's natural resources are our competitive advantage

Meridian welcomed the Government's plan to reform the Resource Management Act 1991 to ensure that new renewable projects of significance are supported through a swifter consenting process. This reform will be instrumental in Aotearoa meeting its decarbonisation goals. We support the Government's plan to provide better guidance on balancing the national importance of renewable projects with local environmental impacts. We will play our part in helping communities understand why more clean energy is good for New Zealand and ensure communities realise the benefits of having a renewable project in their backyard.

We are also highly conscious of the absolute need to take New Zealanders with us on this journey. We are committed to continuing our work with communities and local bodies to ensure our renewable projects mitigate any environmental impacts they cause and bring benefits to local communities beyond just the renewable energy they produce.

We specifically acknowledge iwi rights under the Treaty of Waitangi and the importance for us, as a large user of natural resources, to partner with iwi in finding ways to deliver improved environmental, commercial and cultural outcomes.

Our people have done great work

We want to pay tribute to the hard work and successes of all our people this year. Our teams responded positively and quickly to the demands of working with COVID-19 restrictions, and our business never missed a beat. We would like to acknowledge our teams based in Victoria who have endured more than a year of COVID-19-related restrictions – their commitment and resilience have been amazing. Also, many of our people are in frontline roles either maintaining our large generation fleet or servicing our customers, and they have stepped up and adapted seamlessly to new ways of operating so that our service levels remained strong.

Our team's overall engagement scores have remained high, and we know we have a committed, resilient team who are up for seizing opportunities, looking after our customers and doing right by each other.

This year we appointed a Future of Work lead to help us develop strategies that will support our people to learn, grow and adapt to new technology and ever more agile ways of working, as well as transition to other roles more easily as circumstances change. Our vision is to be an organisation that lives and breathes learning and we have committed to double our investment in training and development by 2025. We are executing our strategy through: better learning technology; educating, motivating and changing mindsets about how people learn; equipping our leaders to be learning champions; and managing learning more holistically (beyond eLearning and formal courses).

Disappointingly, our health and safety statistics slipped, with an increase in our reportable injuries, more injuries overall and more time off work due to injuries. While none of the injuries suffered by our people was serious or long lasting in nature, the Board and Management are not accepting our level of performance and we continue to have an absolute focus on keeping our people safe from harm.

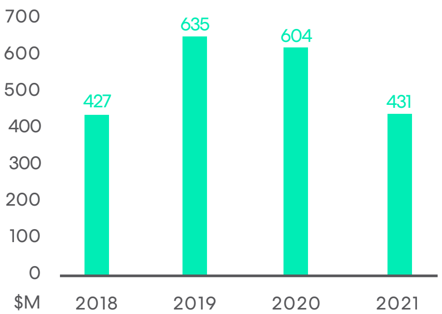
Changes at Executive and Board level

During the year we announced one change to our Executive Team. Jason Stein signalled his intention to step away from the role of Chief Executive of Meridian Energy Australia and Powershop Australia in December 2021. Jason had done an exceptional job of steering our Melbourne-based team through a prolonged lockdown and difficult trading conditions. We thank Jason for his hard work and look forward to working with him through to the end of his time with us.

The Board too worked hard during the year to oversee our strategy and provide guidance in testing times. Two members of our Board will be retiring at our Annual Shareholder Meeting (ASM) in October. Peter Wilson, Deputy Chair, and Anake Goodall, have both served on the Board since 2011 and steered us through becoming a listed company on the NZX and several wind farm developments. Peter and Anake have been strong supporters of our sustainability leadership position and we thank them for their significant contributions and guidance in the past decade.

The Board will appoint Tania Simpson as an independent director effective from the date the Electricity Authority's approval is Gazetted. Tania will bring extensive governance experience in many industries, including Tainui Group Holdings, Ngāi Tahu Tourism and Auckland International Airport. She will be standing for election at the ASM in October along with Mark Cairns, who will stand for re-election for a further two-year term.

Operating cash flow



Financial results

The previous two years saw record results powered by strong generation and growing retail sales volumes. This year we maintained that strong retail sales growth with New Zealand volumes up 14% on the prior year. Drought conditions during the second half of the financial year dampened our cash earnings by reducing generation and increasing hedge costs – that is just the nature of our business and the variable New Zealand weather. The price we negotiated with the owners of Tiwai Point Aluminum Smelter to extend operations to 2024 reduced during the second half of the year. Whilst both events impacted financial performance, the underlying drivers of future business value remained strong, in particular growth in customer sales and our commitment to build the Harapaki wind farm.

As discussed, we are actively managing these issues and have a range of mitigations in place to improve Meridian's position progressively as we approach the end of the contract with NZAS and potential closure date in 2024. We are also reviewing our strategy in Australia.

Noting that the last financial year was a record year for earnings through generation, Group EBITDAF decreased by 15% to $729 million. Net profit after tax was impacted by fair value movements on its hedge instruments, increasing 145% to $428 million. Under-lying net profit after tax decreased 27% to $232 million.

Our balance sheet is resilient. Last year the smelter decision saw rating agency Standard & Poor's change Meridian's credit rating outlook from stable to negative. However, on the first day of the new 2022 financial year, S&P Global Ratings reaffirmed Meridian's corporate credit rating as BBB+/Stable/A-2.

The Board has declared a final ordinary dividend of 11.20 cents per share, unchanged from the previous year. This brings the total ordinary dividends declared in FY21 to 16.90 cents per share, also unchanged from the previous year. This year, for the first time, we are introducing a dividend reinvestment programme and the Board has determined that shares issued under the Plan in respect of the 2021 final ordinary dividend will be issued at a discount of 2.0% to the market price. The programme will enable investors to invest effortlessly in our future at the same time as it will enable us to reduce our debt position and manage our debt more prudently.

An exciting new context

Aotearoa's imperative to decarbonise the economy and the expiry of our contract to supply the aluminium smelter at Tīwai Point in late 2024 have reset the playing field for Meridian and the electricity sector as a whole. We believe our brands, our people and our renewable asset base serve as strong sources of competitive advantage for Meridian. Leveraging these advantages while staying true to our sustainability values means Meridian can execute our customer and renewable-generation growth strategies and continue to deliver value for all our stakeholders.

Finally, a sincere thank you, on behalf of the Board and the Executive Team, to everyone we work with or are our customers, those who invest in us and everyone in our teams for helping us to continue delivering cleaner energy for a fairer and healthier world.

Champion

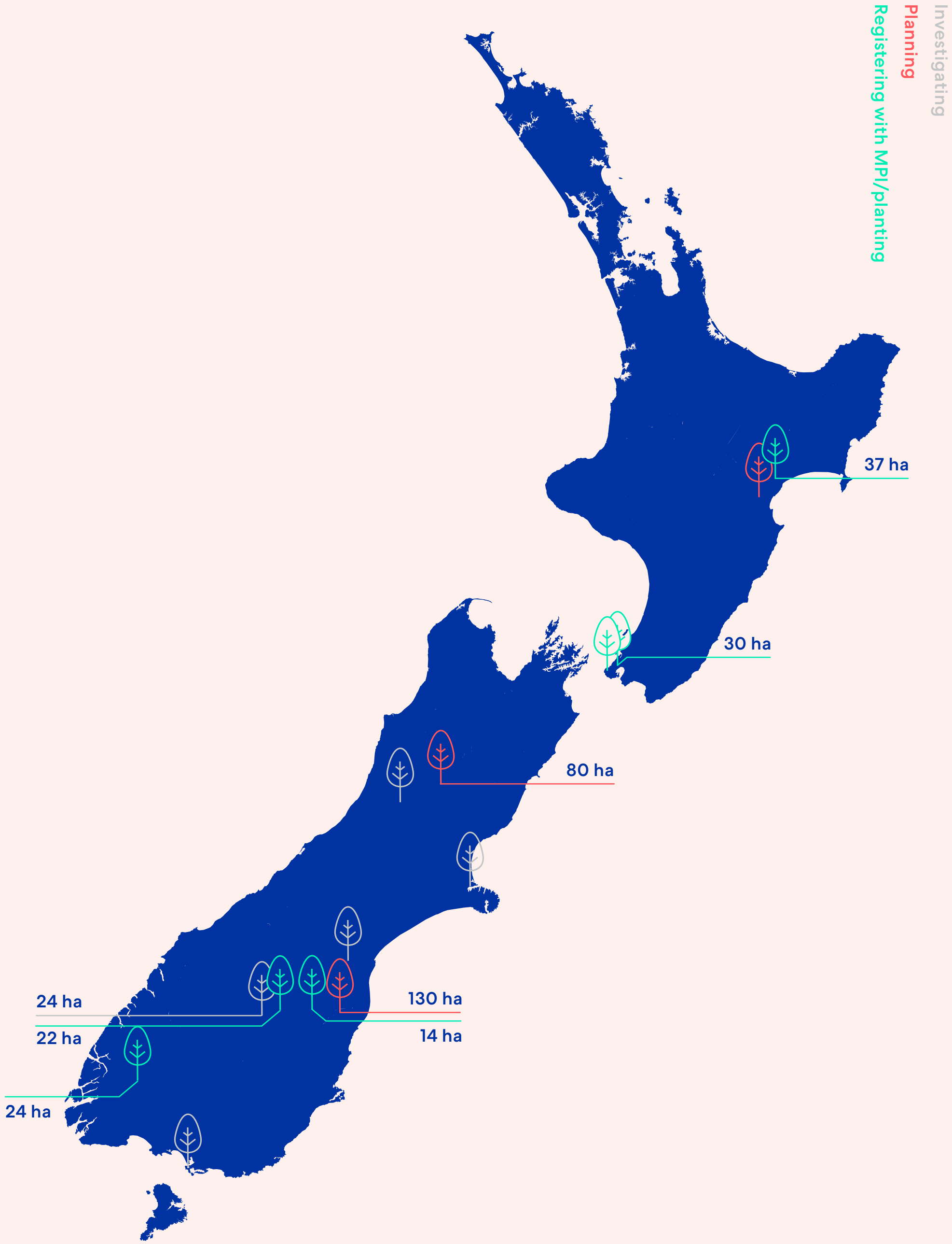
Market leadership

We are actively involved in a wide range of initiatives and engagements to transform our business, our society and our economy in response to the climate emergency facing us all.

Taking care of our own backyard

We have an ambitious target to halve our operational emissions by 2030 from a 2019 baseline, which we describe as 'Half by 30'. In the meantime, we continue to offset our emissions via the purchase and surrender of Gold Standard Verified Emission Reductions (VERs) to ensure our operations are carbon neutral. For FY21, these VER credits have been retired from two wind farms projects in India. In this decade, we will displace the use of Gold Standard VERs and through our Forever Forests programme create our own carbon sink and offset those emissions we have not been able to remove through our Half by 30 work. Forever Forests will create a carbon sink here in Aotearoa and involves planting over 1.5 million native and exotic trees over approximately 1,100 hectares.

To date our Forever Forests work resulted in 60,000 trees being planted over approximately 45 hectares of our own land representing about 4% of our total target. Our focus now is on scaling up our planting effort to date and securing access to land. We will plant another 80,000 trees in 2021. We will also look to partner with other landowners to get the rest of the stems in the ground. One partnership involves the Christchurch Foundation and Sustainable Coastline in creating the 'Tūī Corridor' initiative. This project will welcome tūī back to Christchurch by planting a corridor of tūī tucker (their favourite native plants) across the city.



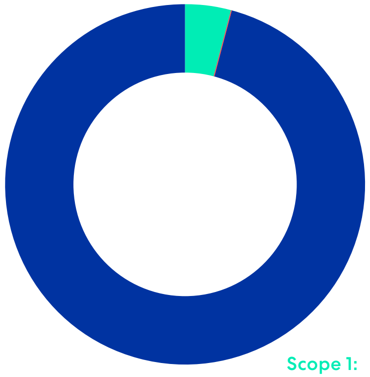
Progress towards our Half by 30 target has this year focused on reducing our light vehicle fleet and electrifying the balance, resulting in a 100% light vehicle fleet and 195 tonnes of carbon abatement every year from here. We are now investigating electric alternatives for the utility vehicles used by our hydro and wind asset maintenance teams, one third of which is already electric. We aim to complete that conversion by 2025. We are also actively assessing options to electrify our Mararoa ferry, which enables our staff to get to and from the Manapōuri Power Station each day.

Tackling the challenge of Half by 30 will require a deliberate effort across the Group and in particular include a sharp focus on our supply chain, which is where over 95% of our operational emissions lie. Achieving this will see us continue to engage and collaborate with our suppliers. In FY20 we commenced a supplier engagement plan, building on foundations set out in our Supplier Code of Conduct[2], investigating how our suppliers can take climate action in ways that work for their businesses and get us on our way to a net-zero-carbon Aotearoa in 2050. We focused on and prioritised our supplier engagement based on criticality (risk/spend), the ability to influence and the materiality of the relevant greenhouse gas footprint. In the coming financial year we will take this further and develop a Group Half by 2030 roadmap, which we will then execute and against which we will report progress. Our Greenhouse Gas Inventory for this year, with a breakdown on category movements from FY20, is available at **www.meridianenergy.co.nz/who-we-are/sustainability/greenhouse-gas-emissions**.

Also connected to our Half by 30 supplier engagement conversation, we are ensuring our suppliers meet the requirements of modern slavery legislation. In FY21 Meridian released its first Modern Slavery Statement[3]. For the purposes of the Australian Modern Slavery Act 2018, both Meridian Energy Limited and Powershop Australia Pty are considered 'reporting entities'. The 2020 Modern Slavery Statement is for the Meridian Group, both reporting entities (under the Act) and all Group operational subsidiaries. In FY21 two areas that were identified as potentially having a high risk of modern slavery amongst our Tier 1 suppliers were with our cleaning and security service providers, which are all are located in New Zealand and Australia. To assess these potential risks accurately, Meridian issued a self-assessment questionnaire to each associated supplier as well as a request for supporting documentation. Based on these further actions, we did not identify any modern slavery practices in our suppliers within the reporting period.

We have also been encouraging other companies to reduce carbon emissions from their businesses. One way we are doing that is through a collaborative partnership[4] creating a climate action toolbox. The Toolbox targets small to medium businesses (SMEs) with offers of practical advice on five areas where they can make a difference and reduce emissions: moving people; moving goods; office operations; site operations and equipment; and designing products. We look forward to enabling a scale-up of this initiative and ensuring that SMEs in Aotearoa have easy access to practical advice and are empowered to take climate action.

Total operational greenhouse gas emissions by scope (tCO_2e)

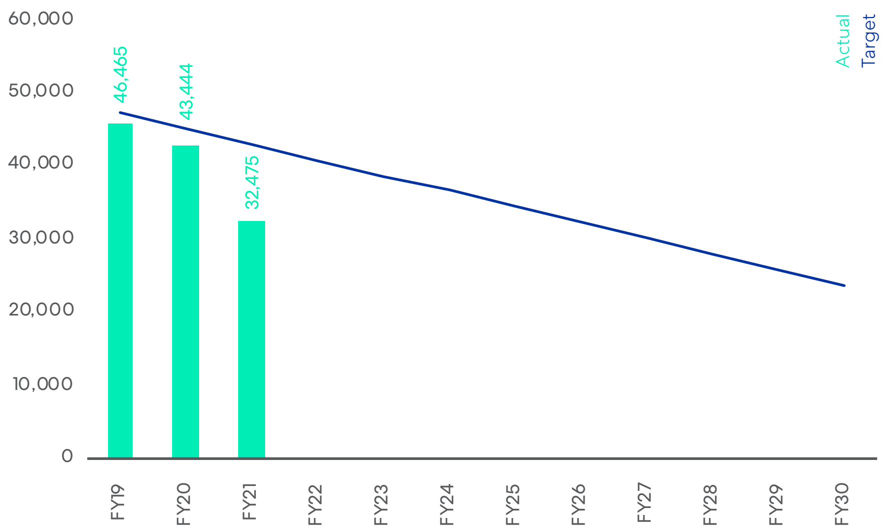


2 www.meridianenergy.co.nz/assets/Investors/Governance/Policies/Supplier_Code_of_Conduct_Rev2.pdf.
3 www.meridianenergy.co.nz/assets/Sustainability/MER0117-Modern-Slavery-Statement-8_0.pdf.
4 Created in collaboration with seven leading organisations, see more at www.tools.business.govt.nz/climate.

Working with our suppliers

The bulk of our carbon footprint is in our supply chain. This makes our work to engage our suppliers crucial if we're to achieve our reduction targets. In the generation side of our business we have local and global suppliers provide us with the parts and components needed to build and maintain our generation assets, as well as a mix of general engineering consumable and specialist parts' suppliers, and service providers including ICT and facilities' management providers. More than 1,000 people are employed directly or contracted to us. The majority of our work is conducted by permanent employees, not contractors. In our retail businesses we have very short supply chains because the physical assets used to distribute electricity and meter its use are managed by national and local lines and metering companies. Our retail operation requirements are similar to those of many corporate offices. They include physical facilities and ICT, sales and marketing, billing and governance functions.

Progress against our Half by 2030 goal (tCO_2e)



Meridian Group greenhouse gas emissions

tCO_2e	FY19	FY20	FY21
Scope 1	1,099	1,177	1,376
Scope 2	1,605	17	14
Scope 3 operational	43,761	42,250	31,085
Total Group operational emissions*	**46,465**	**43,444**	**32,475**
Scope 3 energy purchased and onsold**			
New Zealand electricity	0	0	0
Australian electricity and gas	611,822	813,054	881,461
Scope 3 one-time construction and upgrades	68	32	285
Total Group value chain emissions	**658,355**	**856,530**	**914,221**

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

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

In FY21 we applied inflation adjustments to our purchased goods and services emission factors to align with Scope 3 calculation guidance. To be consistent we also applied these adjustments to FY19 and FY20, resulting in restatements. The restated figures are used here.

Our Process Heat Electrification Programme is designed to help customers who rely on fossil fuels, mostly old coal boilers, to decarbonise their businesses by electrifying their heat processes.

The opportunity is significant. Fossil-fuel-fired industrial boilers are the second-largest source of energy-related greenhouse gas emissions, while process heat accounts for 34% of New Zealand's total energy consumption and generates 8.5 million tonnes of carbon emissions every year. Through 10-year contracts, highly competitive electricity pricing and a capital contribution towards conversion costs, we can potentially reduce carbon emissions by 100,000 tonnes per annum (the carbon emissions equivalent of more than 50,000 cars every year) and add 250 GWh to 500 GWh to our demand in sectors like food manufacturing, dairy, chemical and wood processing.

Our first three projects include ANZCO, WoolWorks and Meadow Mushrooms as pilot customers. Together we aim to remove more than 15,000 tonnes of carbon emissions every year – the equivalent of removing more than 8,000 cars from the road. Meridian's assistance will support Meadow Mushrooms, for example, to reduce its carbon emissions by 1,300 tonnes per year by decommissioning and replacing an existing diesel-fired boiler with an electric alternative.

Contribution to public policy

We actively contribute to public policy, legislative and regulatory developments[5]. We do so to share our perspective, ensure that decision-makers are fully informed, and ensure that decisions are made in the best interests of our customers and all New Zealanders. This year we provided submissions to a wide range of organisations, including the Climate Change Commission, the Electricity Authority, the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Infrastructure Commission, the Commerce Commission and Transpower.

In our assessment, intervention in the Australian electricity market and a lack of emissions pricing have led to spiralling and unintended consequences that will hinder investment in renewable generation and limit the overall ability of Australia's energy sector to mitigate climate change. By contrast, the New Zealand electricity market continues to incentivise the construction of renewable electricity generation and works well because the Government has largely stayed out of operations. Wholesale electricity prices in New Zealand have been high for much of the year due to below-average hydro inflows and gas shortages. While these prices are challenging for larger consumers exposed to the wholesale market, they reflect supply and demand and are encouraging further investment in renewable electricity generation.

We are supportive of having a policy framework in place that enables Aotearoa to change course and sets us up to deliver our climate commitments. The Government's key role in our view is to put in place conducive regulatory environments and guidelines. To that end, we remain supportive of the work of the Climate Change Commission, which has demonstrated how Aotearoa can viably achieve our emission-reductions targets while continuing to grow as a country.

The Emissions Trading Scheme with its recent improvements will play a critical role in the transition to a low-emissions future. It now provides a sinking cap on total emissions and price signals to ensure businesses are incentivised to make the transition to a low-emissions future successfully. Complementary policies may be needed in addition to the Emissions Trading Scheme, and for us priority actions include increasing the number of EVs on our roads and increasing total renewable energy use, particularly in heating for industrial processes. It is also important that the transition happens in an equitable and inclusive way.

It is vital for the country that current and future governments deliver policy stability, transparency and continuity on climate change. We look forward to the Government's first emission-reductions plan due to be published later in 2021 and expect to see a strong commitment to deliver on the recommendations of the Climate Change Commission. A response that closely aligns with the Commission's recommendations will establish expectations of the weight that future governments will give to the Commission's advice in the years to come.

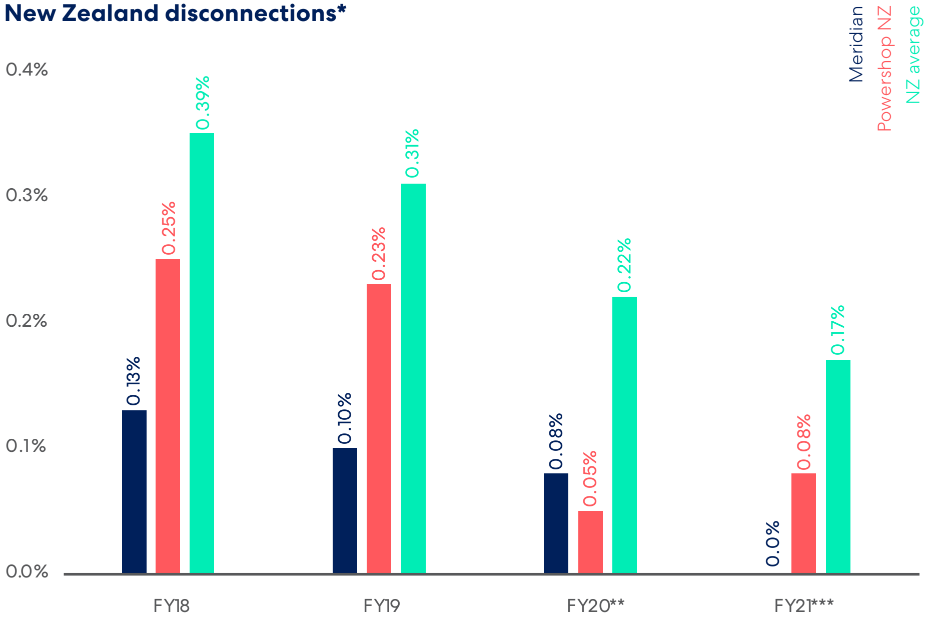
Energy wellbeing

We believe in a world where all people have access to the energy they need for wellbeing in their lives. We also believe that achieving wellbeing requires an appreciation of a range of factors such as housing quality, financial hardship, and electricity pricing. We have initiatives in place to maximise energy wellbeing while taking into account this wide set of considerations, and continually strive to do more.

New Zealand's electricity retail prices remain among the lowest in the OECD, and data from the Ministry of Business, Innovation and Employment shows that the real average annual household bill in 2020 was $140 lower than in 2014, and the real price per kilowatt hour was at its lowest level since 2012. This suggests that the healthy degree of competition and choice that comes with having more than 40 retailers competing across the market is working for customers.

5 www.meridianenergy.co.nz/investors/reports-and-presentations/submissions.

New Zealand disconnections*



Our ambition is to achieve a world with no disconnections. We continue to focus on lowering our disconnection rates, and during lockdown adopted a policy of no disconnections. We offer customers products like LevelPay and have a trained Credit team to support customers in need with alternative payment options and access to support with a range of agencies.

* Data from the Electricity Authority (emi.ea.govt.nz/Datasets/Retail/Disconnections).
** FY20 restated with four quarters of data.
** Showing as 0% due to decimal place rounding.
*** Does not include Q4 data as unavailable.

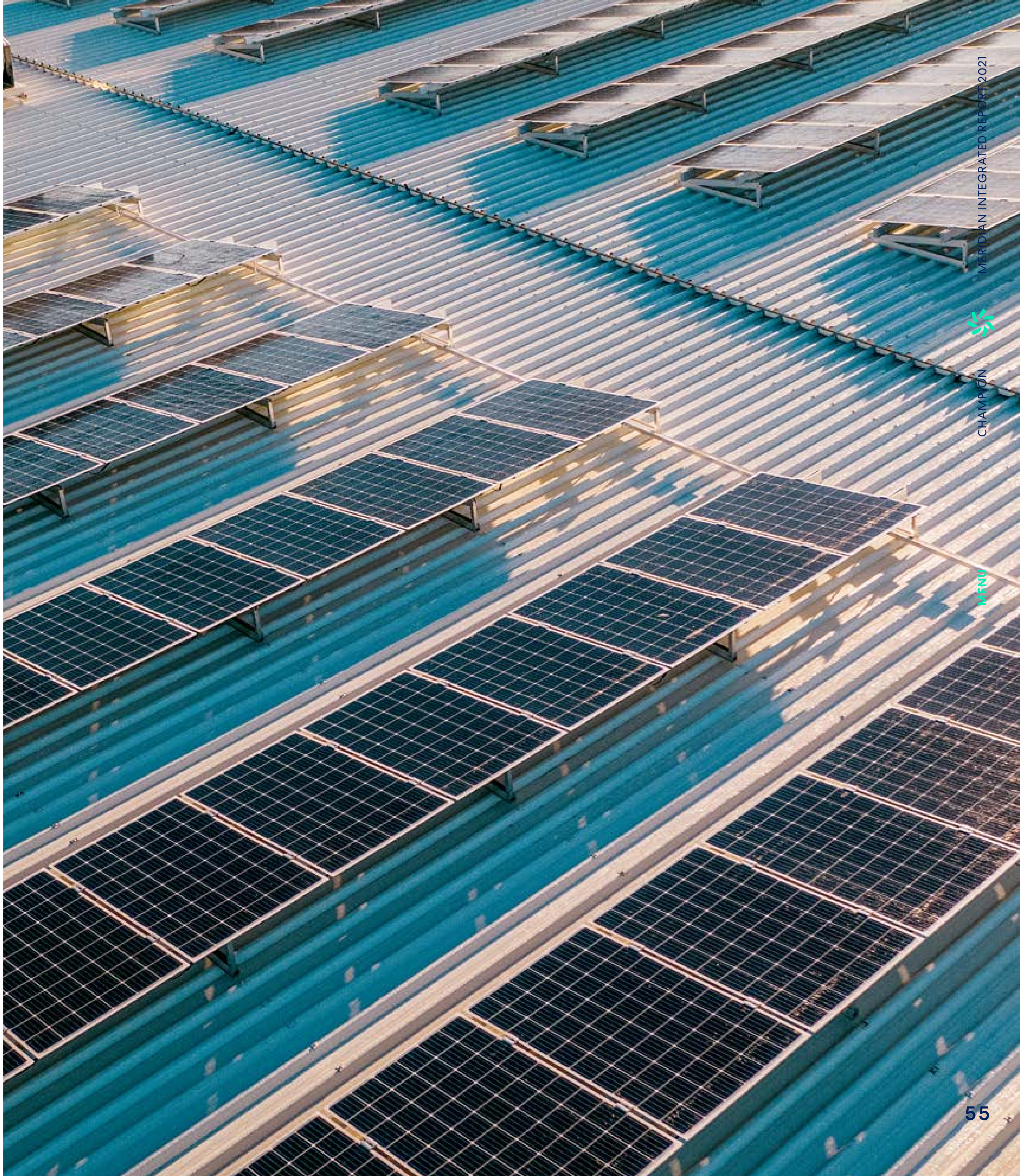
Energy retailers also have an ongoing responsibility to ensure that in situations where consumers become vulnerable, there are safeguards in place to protect them. Vulnerable Consumer and Medically Dependent Consumer guidelines have been around since the mid-2000s and were introduced in collaboration with the industry and stakeholders including Meridian. The Electricity Authority said these guidelines had "generally served New Zealand consumers well, and electricity system stakeholders could be proud of their shared commitment to implementing them." However, the Authority said that after more than 10 years the guidelines needed updating and a review. Meridian supported the review and the resulting Consumer Care Guidelines – in fact we think the Authority should now go further and make mandatory rules for all retailers to follow. We will fully align our practices with the new guidelines.

We have a trained Credit Team to support customers in need, with support that includes alternative payment options (such as our LevelPay product), and plans and support with Work and Income and FinCap. In addition, we support the funding of the Electricity Retailers' Association EnergyMate programme, which provides free in-home coaching and community hui workshops to help Kiwis in need manage their energy use are proud to see that this programme has now enabled support for more than 150 families and an expansion is planned this year to reach more than 1,500 families.

In Australia, retail prices have followed wholesale prices down to, in our view, unsustainable lows, while prolonged lockdowns have had pronounced effects on people's mental health and their ability to earn. (On the face of it, low pricing overall may seem a good thing for consumers. Our concern with the wholesale situation in Australia is that, unless prices lift, there will be no incentives to introduce new generation and the country will continue struggling to decarbonise.)

In FY21, we banded together with others to offer Australian consumers a range of supports. These included work by the Energy Cluster and campaigns to publicise the COVID-19 Support Hub. We also created a new Usage Specialist role in our Contact Centre to encourage customers to talk about minimising their usage, especially gas customers in Victoria.

Meanwhile, our Power It Forward campaign asked those Australian business customers who could afford it to pay a little more so that we could distribute the proceeds to smaller businesses affected by COVID-19. Our Switch Your Mates campaign also encouraged our current customers to refer their friends to us, with each party getting a $100 credit and $100 going to Foodbank Australia. We are proud to have raised $50,000 for Foodbank Australia to feed vulnerable people. All up, through our various initiatives for vulnerable customers in Australia this year, we raised and contributed more than $250,000. We are also planning a new Community Energy partnership in FY22.



Putting customers first

Ultimately, our retail businesses judge their success by our collective ability to secure and retain the loyalty of customers. In Aotearoa we monitor our Meridian Energy and Powershop brands using customer satisfaction and compare our brands to the average score for gentailer brands (generators and retailers combined), challenger brands and the category as a whole. We have been very pleased to see both our brands holding their own, which highlights the effectiveness of the customer focus and service ethos we have been building steadily in recent years.

Powershop New Zealand won the 2021 Consumer People's Choice Award and the 2021 Canstar Blue Most Satisfied Customers Award. It is a sign of the absolute competitiveness of this brand that we have won this prestigious award five times in the past six years. Powershop also won two Finder awards, Gentailer and Overall, for Greenest Energy Retailer. To quote Finder: *"Powershop once again showed why it tops the leaderboards when it comes to green energy in Australia. Zero emissions electricity generation, carbon-neutral plans for all customers and innovative efforts to support clean technology helped Powershop differentiate itself."* The brand also won the Roy Morgan Customer Satisfaction award – Electricity Provider of the Year 2020. It was the second year in a row that we had won this award. The breadth of awards shows Powershop leading the way in caring for both the planet and customers.

Customer satisfaction – brand monitor NZ

	June 2020	June 2021
Meridian Energy	7.40	7.49
Gentailer average	7.34	7.40
Powershop	8.03	8.04
Challenger average	7.66	7.57
Category average	7.53	7.57

* Data is collected through brand tracking and results reported on a 12-month moving average.

Green finance programme

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

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

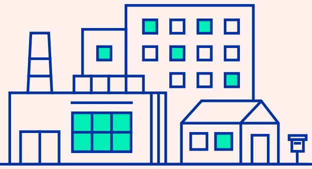
- The International Capital Market Association Green Bond Principles.
- The Climate Bonds Standard.
- The Asia Pacific Loan Market Association Green Loan Principles.

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

Page 140 also provides detailed information on the Green Debt included in the Programme for FY21.

Our customers

NZ



Meridian

241K

Customer connections
residential
business
corporate
agri-business

Powershop NZ

105K

Customer connections
residential
business

~15% national retail volume

NZAS
A large financial contract with NZAS at Tīwai Point that accounts for the equivalent of 38% of Meridian's generation

AU

Powershop AU

142K

Electricity customer connections

43K

Carbon-neutral gas customer connections

Available in four Australian states. All on the Flux platform.

Building sustainable relationships

Relationships underpin our ability to operate. This year, while the extension of NZAS's exit arrangement may have dominated headlines, we continued conversations with a wide range of groups on subjects as important as water, biodiversity and helping communities to prosper that will enable us to continue to generate 100% renewable energy.

2025 Waitaki reconsenting

The water resource consents for the Waitaki chain of power stations are due for reconsent by 2025. This is a major catchment. 18% of New Zealand's power is generated here and we are engaging with Ngāi Tahu and a full range of stakeholders.

Last year, new clean-water regulations sought to prioritise healthy water ahead of human and commercial needs and explicitly recognised the importance of maintaining flexibility at and output from the five largest hydro schemes in New Zealand, including our Manapōuri and Waitaki schemes. Keeping climate change front and centre is part of the context for the National Policy Statement for Freshwater Management 2020 and we acknowledge the vital role that hydro schemes play in allowing Aotearoa to maintain renewable electricity generation, ensure security of supply and enable and accelerate decarbonisation.

Meridian will be applying to reconsent on the basis of the current arrangements for the use and storage of water for hydro-electricity generation, such that we can retain the benefits our hydro assets provide Aotearoa. We remain strongly committed to working in good faith with all those involved to resolve this large, complex and public process.

NZAS extended exit agreement

Deliberations on the aluminium smelter at Tīwai Point took the better part of six months to resolve.

On 9 July 2020, NZAS gave notice terminating the existing electricity agreement with effect from the end of August 2021. An offer allowing for a longer exit period up to the end of 2024 was put to NZAS. Terms for an extended closure were agreed in January 2021. These give NZAS a lower price over the remaining contract and the option to reduce the contract volume from 572 MW to 400 MW with effect from 1 July 2022. NZAS consumes around 40% of Meridian's generation output in any year, depending on generation output and demand, so this negotiation was significant. Its potential exit from the market and the expiry of our contract with NZAS in four years represents a significant reduction in demand and will likely result in a near-term reduction in Meridian's revenue. However, once NZAS leaves, more renewable energy will be available to potentially displace fossil fuel use and this will make a noticeable difference to the percentage of renewable electricity on the grid.

We have been working closely with Transpower, along with Contact Energy, on the Clutha Upper Waitaki Lines Project as part of preparing the expiry of our contract with NZAS in December 2024 and their potential exit. This project is now due to be completed by May 2022. We are exploring the feasibility of a grid scale battery, located in the North Island. The battery will provide reserve energy and therefore increase the effective capacity over the Cook Strait Cable and allow a greater flow of power from the South Island to the North Island.

Hydrology this year has been challenging

Recent good hydrological years were followed this year by a record-setting drought. About mid-November, the La Niña climate pattern took hold and continued throughout summer. As a result we experienced above-average temperatures and lower-than-average rainfall across much of Aotearoa, reducing inflows to their lowest levels on record for 88 years and taking our main storage lakes to 800 GWh below average. Meanwhile in Australia, wind generation was 5% lower than at the same time in the previous year and at a 49% lower average price. Australian hydro generation improved as drought conditions eased during the second half of 2020.

Meridian is well prepared operationally to ride significant droughts, with arrangements and contingencies in place to help us conserve our hydro storage, continue to support our customers and manage the financial impacts of this challenge.

Under our contract with NZAS we can require a Smelter Demand Response if hydro storage is less than the Dry Year Trigger Level. When we issue such a notice, NZAS must manage its electricity consumption to achieve a reduction in electricity consumption of 250 GWh in 130 days.

At the end of April 2021 we agreed an electricity swap to assist NZAS to voluntarily reduce its consumption of electricity by up to 30.5 MWh through to 31 May 2021 to assist with managing the dry hydrology conditions the country was experiencing. The arrangement compensated NZAS for any load it voluntarily decided to reduce as a means of supporting us to manage the dry period. This new arrangement did not override our ability to call a Smelter Demand Response if the dry-year trigger level in our main electricity contract was reached. An extension to the electricity swap was agreed again in late May, to 30 June 2021.

Meridian has a swaption arrangement with Genesis for up to 150 MW (three tranches of 50 MW each) until the end of 2022. This financial arrangement locks in a fixed price for the volume called. The climatic downside of the swaption is that Genesis can hedge its own exposure under the swaption using thermal generation including coal, resulting in increased carbon dioxide emissions. We will continue to look for a replacement of the Genesis swaption from 2023 onwards with a range of parties.

We envisage that load management (controlling how we deal with periods of peak demand) will form a key part of the arrangement going forward.

Since the Genesis swaption was agreed, we have overcome the engineering and operational issues that previously prevented us accessing the full range of Lake Pūkaki contingent storage. This has given us additional flexibility to use Lake Pūkaki down to 513.0 m in some circumstances, and our operations recognise the potential to utilise this additional water.

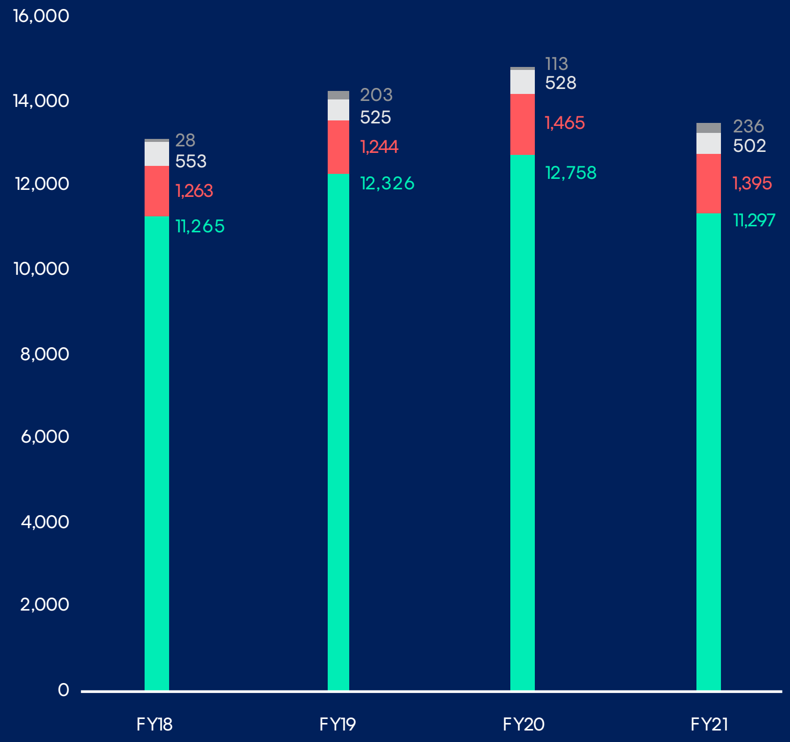
The dry conditions were part of the reason for spot prices in the wholesale market and near-future prices on the ASX climbing during the financial year. But they were not the only reason. The market also factored in a loss of gas field production because there is less gas coming off New Zealand's gas fields, and there are concerns about the implications for supply caused in part by the gas industry responding to zero-carbon policy settings. This sentiment around gas supply resiliency saw the longer-term demand curve rise.

Plant availability

%	FY16	FY17	FY18	FY19	FY20	FY21
Wind Australia	91.0	92.6	93.4	88.6	89.0	92.2
Wind New Zealand	88.9	85.4	83.9	83.3	89.8	89.0
Hydro New Zealand	93.4	91.3	90.4	91.6	88.9	91.1
Hydro Australia			85.8	80.1	68.0	70.9

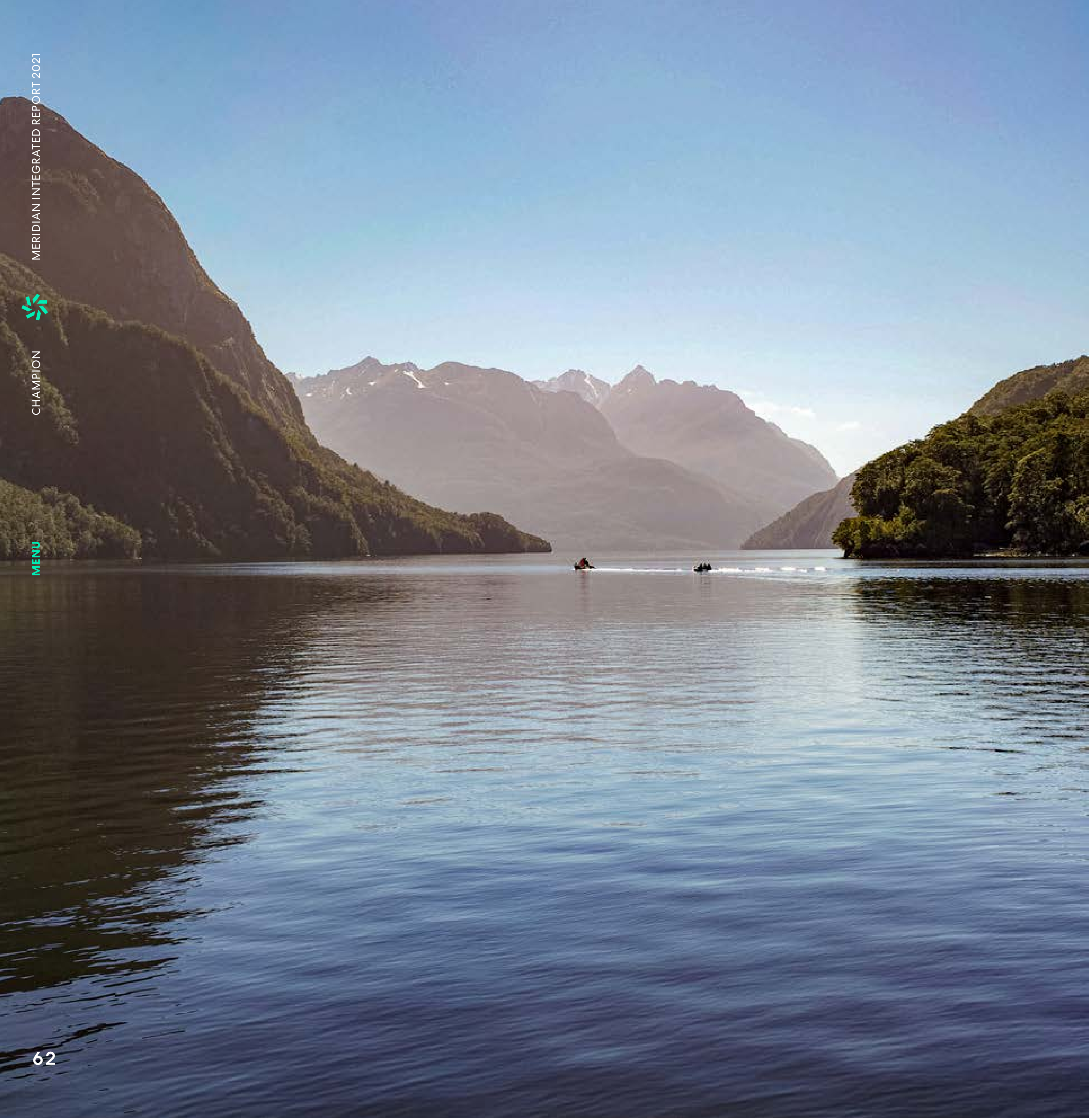
Outages for FY21 – maintenance 12,160 hours, planned 9,608 hours, forced 2,991 hours.

Generation (GWh)



Capacity (MW)

* Waitaki Power Station total generation capacity updated following restoration.
** Approval has been received for operational improvements to increase Burrinjuck capacity from 27.2 MW to 34 MW.



Relationships with local communities and iwi

Building long-term relationships with communities close to the assets we operate is an important part of what we do. Our community fund Power Up continues to support local projects in Te Āpiti, Mill Creek, Manapōuri, West Wind, White Hill, Te Uku and Waitaki. In the 14 years that we have offered this fund, we have been able to undertake a range of projects that are important to locals, and have invested more than $8.5 million back into these local communities through 1,161 projects.

We engage with our asset communities in various ways, including via dedicated Community Relationship Managers across the country. We want people, groups and communities to feel included and consulted, and that we have worked with them to understand any concerns they might have.

We also recognise the mana whenua of Ngāi Tahu, particularly in relation to our hydro schemes in the Ngāi Tahu takiwā, and engage with Ngāi Tahu and other iwi in several ways. We recognise and respond to the kaupapa of ki uta ki tai (from the mountains to the sea) and work closely with local rūnaka (Arowhenua, Awarua, Hokonui, Moeraki, Ōraka Aparima, Waihao and Waihōpai) through Te Ao Marama and the Waitaki Governance Group, as well as trusts, to enhance mahinga kai and native fish in the Waitaki and Waiau catchments. At Harapaki we are working with two iwi in the region,the Ngāti Hineuru Trust and the Maungaharuru Tangitu Trust, to determine how we can be a good long-term partner, and work together to fulfil what is culturally appropriate to iwi and good for the broader community.

We recognise the need to strengthen our iwi partnerships and have been talking with people about how they would like those arrangements to look. Over many years, together with ngā rūnaka (Arowhenua, Waihao, and Moeraki) and landowners Jan and Geoff Keeling, we have been developing a mahika kai project (gathering of food and resources) focused on the restoration of the Takiroa Stream and wetland complex in the Waitaki Valley. The wetlands and the associated rock art at Takiroa were once a seasonal settlement or nohoanga area, with rich resources of mahika kai such as raupō (bulrush), harakeke (flax), waterbirds, ducks and tuna (freshwater eels).

Impact on water

Water use in both New Zealand and Australia continues to be a highly emotive and important issue, particularly in relation to quality and access. As water and waterways are fundamental elements in our business, we are acutely aware of their value and role. We actively work with as many parties as we can to collaborate and reach agreements on the use of water. We are committed to working in good faith with all regulatory authorities involved in water access, water purity and water rights.

Hydro generation does not primarily change the chemical composition of water where it's used in our power stations. Where there are potential consequential impacts on fresh water quality, these are managed through our resource consent conditions and stakeholder agreements. The discharge of fresh water from Manapōuri Power Station into a marine environment at Deep Cove is undertaken in accordance with resource consent conditions and annual marine environment monitoring and reporting; potential risks of sediment laden and turbid water entering Lake Manapōuri is managed in accordance with our resource consent conditions and subject to annual reporting to Environment Southland. Potential for erosion in the Lower Waiau and Lower Waitaki rivers is subject to stakeholder agreements with Environment Southland and Environment Canterbury respectively, with powers for the councils holding Meridian resource consents to review our operations in the event of unexpected impacts; risks of contaminants from the stations entering water ways is protected through requirements in resource consents to operate oil interceptors with standards for contamination levels being set conservatively and with annual reporting requirements with councils.

Water quality on the Waiau and Waitaki river systems can be compromised by the activities of other users, potentially boosting the chances of algal growth and weeds. Our preference is for the water in these catchments to be as clean as possible. While we can release more water into waterways to dilute the effects of these contaminants, such actions affect the amount of renewable energy we can deliver to meet New Zealand's power needs, and our profitability.

In Australia we operate the hydro stations but we do not own the dam structures. The environmental impacts of these dam structures and the water use are the responsibility of WaterNSW.

When the Manapōuri Power Station was commissioned 51 years ago, the tailrace began discharging freshwater to Deep Cove.

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

Impact on biodiversity

Projects like the Takiroa Stream complement our extensive and ongoing work to minimise our impacts on water and biodiversity in our catchments. They include our funding of Project River Recovery (PRR), Aotearoa's longest-running conservation/business partnership, and the Waiau Fisheries and Wildlife Habitat Enhancement Trust (the Waiau Trust).

For 30 years PRR, in partnership with the Department of Conservation, has been working to preserve and restore braided river habitats in the Waitaki catchment through predator and weed eradication. This has helped to protect the endangered black-fronted tern/tarapirohe and kakī/black stilt colonies and increase their populations, as well as significantly increase the wetland areas.

In our Waiau catchment we continue to work closely with the Waiau Trust to enhance stream and wetland habitats for fisheries and wildlife.

We acknowledge that hydro generation does have impacts on native fish such as tuna (eels). We support and fund 'trap and transfer' programmes in both our hydro catchments, ensuring that as many elvers and migrant eels as possible are transported across the dam structures every year.

We are achieving co-benefits of stronger biodiversity outcomes and growing our own carbon sink through our Forever Forests programme.

We have been working with local authorities in the Waitaki District to remove wilding pines and replace them with a mixture of sterile pinus radiata and natives endemic to the area.

No serious environment breaches

All our hydro operations are governed by resource consents, and in the case of Manapōuri specific legislation, supported in many cases by agreements with groups connected with the waterways. We work closely with local bodies, particularly during planning and consenting, and we report regularly on our environmental performance and compliance with resource consent conditions. We are again pleased to report there were no prosecutions in FY21. While we did record eight breaches of environmental compliance in New Zealand, none was serious and there were no significant adverse effects. There were no breaches in Australia.

Water consumption*

Mm³	FY18	FY19	FY20	FY21
New Zealand				
Fresh surface water (lakes, rivers)	65,562	74,183	85,339	66,434
Water returned to the source of extraction at similar quality	53,823	61,832	72,994	54,769
Total net freshwater consumption**	11,739	12,351	12,345	11,665
Australia				
Fresh surface water (lakes, rivers)		3,696	2,574	3,832
Water returned to the source of extraction at similar quality		3,696	2,574	3,832

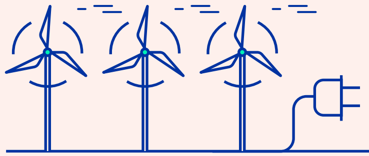
* Municipal water consumption not reported as minimal and not metered. While in New Zealand we have no exposure to water-stressed areas, in Australia our power stations are operating in areas that can suffer from drought. Note we only hold the right to generate electricity from water passing through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

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

NZ

NZ's largest electricity generator

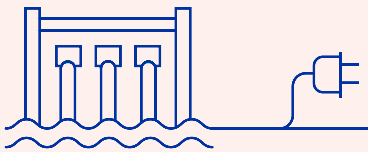
~30% national electricity generation



200K

White Hill
West Wind
Mill Creek
Te Āpiti
Te Uku
Harapaki – under development

Equivalent to the power needs of around 200,000 NZ homes yearly



1.7M

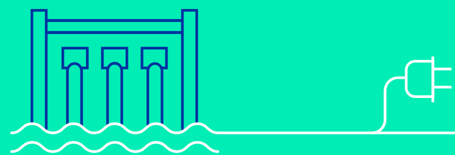
Waitaki and Manapōuri generate around 50% of NZ's total hydro

Equivalent to the power needs of around 1.7 million NZ homes yearly

AU

Generating <1% of the National Energy Market

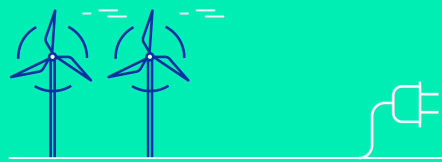
Enough electricity for about 167,000 homes yearly



46K

Hume
Burrinjuck
Keepit

Equivalent to the power needs of around 46,000 Australian homes yearly



190K

Mt Millar
Mt Mercer
Long-term power purchase agreements with two other wind farms

Equivalent to the power needs of around 190,000 Australian homes yearly

Meeting the changing needs of our customers

We are the largest generator of renewable energy in Aotearoa. Our hydro dams and wind farms generate around a third of the country's energy. In Australia our market share is much smaller, and we are seen as a challenger brand providing conscientious consumers with the ability to offset the carbon emissions associated with their energy usage, and innovative products that allow them to engage with their energy use.

Healthy customer growth across our three brands

Net double-digit growth in all segments – most notably in the Commercial and Industrial segment for Meridian and Residential and Small Business market share for Powershop – means Meridian is now the third-largest retailer in New Zealand.

New Zealand retail sales volumes for FY21 were 14% higher than last year. Sales increased in all segments; by 4% in residential, 24% in SME, 9% in agricultural, 13% in large business and 18% in corporate. Customer numbers were also up – increasing by 7% from the previous year.

Our New Zealand and Australian retail businesses, with their three distinctive customer brands, continued to deliver sustained customer growth this year.

Our Meridian brand appeals to New Zealand customers looking for a renewable energy generator that is deeply connected to the environment and New Zealand. The brand achieved profitable growth through good volume and margin management. Financial performance also improved despite increased competition and pressure on retail margins.

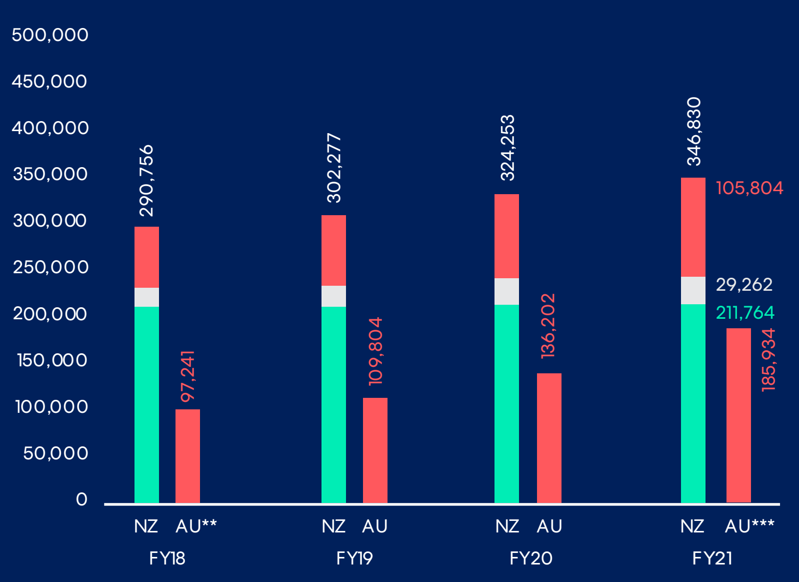
Powershop in New Zealand uses innovative marketing communications to offer customers greater personal control with its 'shop' proposition. This year the brand hit a significant milestone – surpassing 100,000 customer accounts for the first time thanks to a service proposition, pricing and brand positioning that stood out in a bustling retail energy sector.

Our Powershop brand in Australia focuses on sustainability. While the business is a small player in the Australian market overall, it continues to grow rapidly as more and more Australian consumers look for cleaner options.

The requirement to pass on lower wholesale and input costs coupled with market/default offer prices has led to continued margin pressure in retail in Australia. Nevertheless, Powershop has continued to grow its customer base in a very competitive market, and our Net Promoter Score, which measures customer satisfaction, remains very high against the market. Given the erosion of margins, our strategic focus going forward will be to lower our cost to serve without compromising quality, and offering the best range of products, priced competitively.

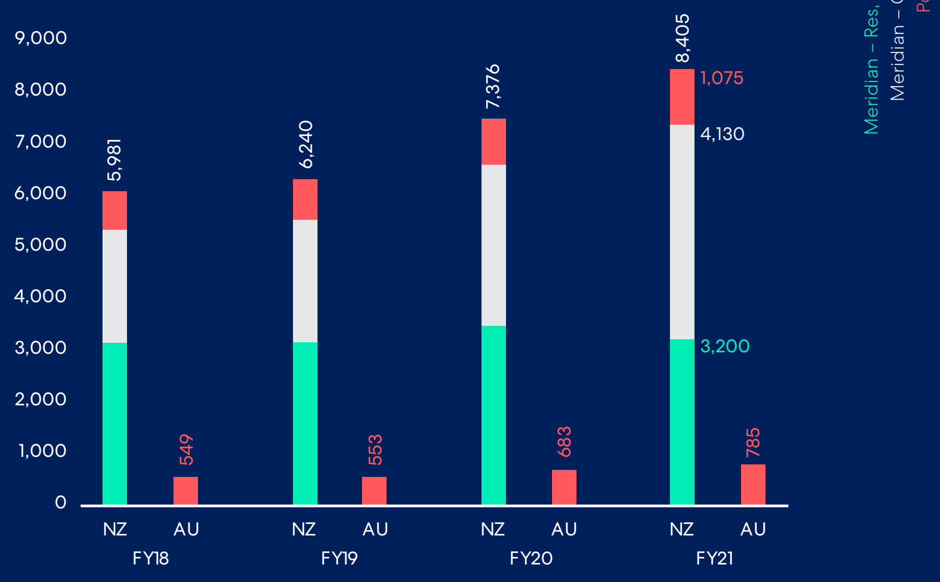
By year end, Australian electricity customer numbers were 4% higher than in the same time last year. In the same timeframe, Australian retail sales volumes were 15% higher at an 8% lower average price. Our certified carbon-neutral retail gas product, which is currently available in Victoria (and soon to be released in New South Wales), had 43,905 customer connections as at 30 June 2021, up from 37,878 the previous year.

Customer connections* (ICPs)



* Excludes the Tiwai Point aluminium smelter; <10 of the above ICPs are connected to the transmission network; around 4,700 customer connections have distributed generation metering.
** Powershop Australia FY18 figure restated to correct value of 97,241.
*** Also 43,905 gas customer connections in Australia with a total of 1,711 TJ in volume.

Customer sales volume (GWh)*



Switching rates*

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

* Data from the Electricity Authority (emi.ea.govt.nz) and Meridian analysis. Switching rates are not published by the market operator in Australia.
** Data restated based on final figures from the Electricity Authority.

Customer satisfaction*

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

* Australia surveys both residential and business customers (with exception being customers who opted "do not contact"). Powershop New Zealand and Meridian New Zealand residential customers only.
** Calculated from a survey asking customers using a 0–10 scale "How likely is it that you would recommend Meridian/Powershop to a friend or colleague?" and then subtracting the percentage of detractors from the percentage of promoters. A positive value indicates that more customers are promoters versus detractors (and vice versa). All results are a 12-month moving average from July to June each financial year.
*** Perceptive Group Limited: New Zealand and Australia NPS Industry Benchmarks. FY21 data currently unavailable.

Flux growth underpins our success

Flux is helping Meridian to lead the energy transition with flexible, innovative software that changes the way we produce, sell and use energy. The platform assists retailers with energy retail best practice, operational improvements, cost savings, risk reductions, digital transformations and change management, and data insights.

Flux's suite of market-leading software products allows energy retailers to move faster, offer more pricing options and integrate with a wide range of chosen partners. The products, which include an industry-leading complex billing engine, are backed by bespoke customer service and comprehensive privacy and security tooling. In the past year client satisfaction with the products has improved by 30%, lifting the performance of teams like Meridian and reducing the cost to serve customers.

Most of Meridian's customer base has been successfully migrated to the Flux platform under Project Momentum, with the remainder due for completion during 2021. This exciting achievement will enable Meridian to grow customer numbers with a scalable and modern platform, bringing to life new products and enabling greater innovation for the Group.

The platform is now ready for the global market, with Flux confident of impressive results as it looks to acquire new clients in its three focus markets before expanding to Asia and the United States.

Since March 2020 Flux has transitioned to remote-first working, empowering its 200+ staff to work from anywhere in New Zealand, Australia and the UK. This has seen significant reductions in costs and carbon emissions, thanks to reduced commuting and increased staff satisfaction due to flexible working arrangements.

Work on Harapaki wind farm begins

Construction has begun on our new, $395 million wind farm in Hawke's Bay; it will be our sixth wind farm in Aotearoa. New Zealand's second-largest wind farm will have 41 turbines generating up to 176 MW of renewable energy and will increase our wind assets by 40% at a time when the market is building. Construction will take around three years and is expected to create 260 new jobs.

Our investment in Harapaki will not only boost our wind farm portfolio to 542 GWh per annum, but support our plans for greater existing flexibility and continued retail customer growth.

Harapaki will boost New Zealand's overall ability to take action on climate change, help accelerate the transformation of the economy to clean energy sources, and encourage the retirement of aging thermal plant. Five big projects currently underway by various energy companies will take the country from 85% to 90% renewable energy by 2023, putting New Zealand ahead of the 90% by 2025 target.

A pipeline of generation options

Our analysis suggests New Zealand needs approximately 12 TWh of new grid generation by 2030 to meet its 100% renewable energy target. A third of that growth (our current market share) equates to at least seven Meridian generation projects by 2035. Longer-term analysis suggests further system demand growth of at least approximately 10 TWh between 2035 and 2050.

Our current development pipeline amounts to 1.9 GW (4,400 GWh), and development challenges include the likelihood of needing to re-consent consented sites for better technology fit and the reality that design, development and construction timeframes are all subject to site complexity. Inevitably, some opportunities will not crystalise, meaning more development options will be needed.

While the Government is proposing the Onslow-Manorburn pumped storage scheme as a key plank towards its 100% renewable system goal, the Tīwai Point smelter closure could see 5 TWh of excess Southland-Otago

Through integrated marketing strategies and campaigns for our brands, we successfully grew awareness, consideration and business performance across our portfolio. We also invested in our cornerstone partnerships with the Department of Conservation for the Kākāpō Recovery Programme, and KidsCan. In total, we spent $19.5 million on marketing activities.

generation attempting to flow northward by as soon as the end of 2024. In response, we are currently investigating three initiatives.

First, we are working with South Island industrial customers to assist with the decarbonisation and electrification of industrial plant. We estimate that the potential new demand opportunity here is 250 GWh to 500 GWh each year.

The second is engaging with potential developers on a green data hub in Southland that connects New Zealand to the east coast of Australia. With the Australian data centre market forecast to grow from 500 MW in 2021 to 2,200 MW in 2026, we believe Southland could have a hyperscale data centre in place in the medium term that can service Australia at significant discounts to its domestic green options.

The third is the development of green hydrogen for global industries like steel manufacturing, fertiliser manufacture and heavy transport (trucks, trains and shipping), which are traditionally carbon intensive and difficult to abate. At year end we are preparing a feasibility study to examine potential markets, the technology and engineering required and how we can incorporate dry-year flexibility. It could provide a large amount of New Zealand's dry-year reserve at a fraction of the cost of building new power stations. Having a large amount of demand with the flexibility to turn it down or turn it off during a dry year could add a huge benefit to New Zealand in managing the security of our energy supply.

That study is due to be completed in August 2021.

Significant progress was made on the Hume Battery Energy Storage System (BESS) project this year, with the Board creating a subcommittee to monitor progress and ultimately drive the project to final approval. What is unique about the Hume BESS project is it will be the first pairing of a hydro and battery storage system in the Southern Hemisphere, and the only known combination project that dispatches into multiple regions (New South Wales and Victoria).

We continue to look for new wind and solar sites to enable us to meet the expected increase in demand for renewable generation.

Distributed energy

We have been working to identify and respond to distributed energy opportunities, in particular rooftop and small-scale solar, and storage batteries.

While the electrification of transport is one of the biggest ways that we can help combat climate change, New Zealand needs a more extensive charging infrastructure to help build real momentum for the switch to electric. This year we committed $4 million to roll out a new network of at least 200 EV chargers in the next three years.

The AC chargers we are rolling out are ideally suited to shopping malls, retail and business parks and community facilities and will complement the existing DC fast chargers that are available for those who need to charge quickly and travel long distances. Twelve chargers have been installed to date.

In Australia, we have encouraged investment in battery installations through our Charge Force Virtual Power Plant programme. Through the programme we have created a battery offer for customers to cater for this distributed energy resource. We are also providing shared learnings from the programme to the industry.

Shining examples of solar

We continue to look at how we can introduce large-scale solar in the medium term to build out New Zealand's energy portfolio.

In Australia we have been encouraging the use of solar energy residentially for some time. Through Powershop Australia we have already successfully introduced a range of initiatives to help reduce demand on the electricity grid and help customers save on their energy bills. These include Grid Impact, ChargeForce, our 'Curb Your Power' demand response programme in Victoria and the 'Better Solar' advisory service.

In New Zealand we have completed four significant commercial solar projects and contracted two more under standard power purchase agreements that will total 720 kWp. All of these are with either Kiwi Property or Lincoln University.

NZ SOLAR INSTALLATIONS

	Completion date	YTD Perf against forecast	Size
Northlands Mall, Kiwi Property	June 2019	+8%	185 kWp
Te Kete Ika, Lincoln University	October 2019	+4%	102 kWp
The Plaza, Kiwi Property	January 2020	+1%	111 kWp
RFH Building, Lincoln University	July 2020	+5%	94 kWp
Rec Centre, Lincoln University	May 2021		168 kWp
Science South, Lincoln University	June 2021		60 kWp
Total		**+5%**	**720 kWp**

Equipping our people for the changes ahead

We are very proud of our people and their contributions to our success. This year, while operations returned pretty much to normal in New Zealand, our Australian team endured a severe and prolonged lockdown that saw them working out of the office for much of the year.

By the time the team in Melbourne returned to the office, they had developed new ways of working that were more effective and more connected with our Contact Centre (based in Masterton) and our customer base. Once they could return, from late March, we took the opportunity to re-order the office space to incorporate more remote working and lots of breakout areas. It is a tribute to our Australian team's resilience that they continued to work effectively and enabled us to continue growing our Australian customer base across four states.

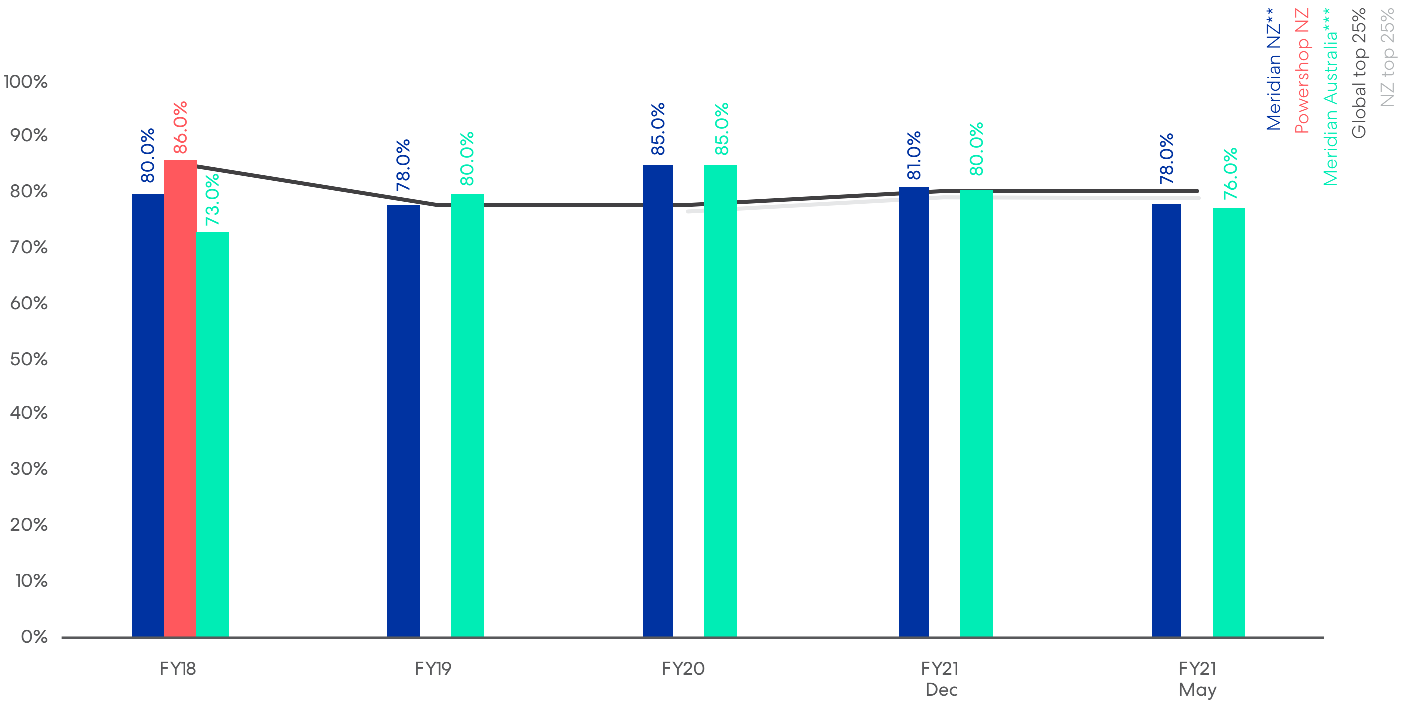
We think that helping teams perform well means making sure everyone feels included, welcomed and valued for their experiences and perspectives. Getting that mix right is important to us because it equips us to better understand and meet the needs of our changing demographics in the countries and markets in which we compete. In the case of our Flux team, adopting a remote-first approach, for example, has enabled us to source highly skilled professionals who see the offices as hubs for connection and collaboration. Fitting our work around people's lives is part of giving them the flexibility to work in ways that are best for them and their circumstances.

We have continued to train our people in tikanga and proper pronunciation of te reo to reflect our commitment to respecting Te Ao Māori and connecting with our stakeholders. We have undertaken cultural training as a part of National Reconciliation Week in Australia to recognise Indigenous people's rights.

With the ongoing challenges COVID-19 continues to bring around the world, we are particularly mindful of the wider impacts this may be having on our people. Our Healthy Minds programme launched its second evolution during the year, providing support, guidance and understanding to those dealing with mental health issues. This included workshops and seminars for all staff.

Overall our employee engagement held up well across the Group, with engagement scores in Meridian, Powershop and our Australian companies at 78%. This year, to help round out our understanding of overall cultural commitment, we included Employee Net Promoter Score elements that asked things like "would you recommend Meridian to your friends?". 100% of our people said they would (NPS of 100, with >50 being best practice).

Employee engagement*



* Measured by 'level of agreement' – the percentage of staff who 'agree' or 'strongly agree' with the five questions that collectively determine our Engagement Index (previously calculated as a weighted mean).
** From FY19 onwards Powershop New Zealand is reported as part of Meridian New Zealand. Dam Safety Intelligence is included but does not include Flux.
*** Meridian and Powershop Australia plus the Powershop Call Centre in Masterton are all included in Australian engagement numbers.

Meridian Group Workforce

	New Zealand**		Australia***		
Permanent employees	**Female**	**Male**	**Female**	**Male**	**Total**
Permanent full time*	438	481****	25	57	1,001
Permanent part time	23	4	0	1	28
Temp/Fixed-term employees					
Temp/fixed-term full time	24	14	1	3	42
Temp/fixed-term part time	8	8	1	0	17
Total	493	507	27	61	1,088

* Two of these employees are based in the UK. Both are male.
** 131 of these employees work for Flux New Zealand.
*** 3.41% of these staff are covered by collective bargaining agreements.
**** The Meridian Australia Chief Executive is included in New Zealand as part of the Group Executive Team.

Flux has a remote-first workforce and takes a weekly 'pulse check' of all staff to gain insights into how people at Flux are feeling at work, and to enable fast action for any areas of concern. This score is currently at 4.1 (an average rating out of 5 as at 30 June 2021). Additionally and on a fortnightly basis, we ask two engagement-related questions – our average score is 8.2 (scale of 1–10) for the 12 questions asked since November 2020.

A significant percentage of our experienced staff may soon be considering retirement. To help ensure that their skills are passed on, we have actively encouraged young professionals to join our teams

Future of work

Recognising that the future of work at Meridian will be very different from what has been expected of a large gentailer, this year we introduced the role of a Future of Work lead to study pending disruptions across our business and to plan how we might respond.

The Future of Work is about more than just looking at our new, flexible way of working. It is about ensuring our people have the opportunity to learn new skills for future roles. Roughly 40–55% of our people will need to be upskilled or reskilled into new or existing roles in the next five years. Our Future of Work strategy will look at the work we do today and how it will be completed in the future, including how we create an engaging workplace experience for our people, how we take a lifelong learning approach and what is needed in our workplace environment to ensure we are set up to collaborate, innovate and create together. The initiative also involves looking at things like psychological safety (remote and face-to-face leadership), technology, digitisation, automation and outward thinking, such as the external and global forces that will lead us to a new future or force change (sustainability as an example).

Also, as part of future-proofing our workforce, we rolled out a bold new recruitment, onboarding and core people data platform that will give us much deeper insights into key first experiences and how our expectations of the people we hire compare with their actual performance. Tracking and adjusting how we look for people and how they perform inside our culture will provide us with a much more evidence-based approach to appraising performance both initially and for the longer term. Next year we will add to the resources we make available to our people with a new Learning Hub that, for the first time, will put everything learning and development in one place, meaning we can directly and easily access and align learning content and records.

Succession planning

Succession planning is a key aspect of ensuring that we are a successful business for years to come. Along with our Future of Work strategy we continue to build our talent and succession strengths with the implementation of Talent Pools for hard-to-fill roles, along with new-skilling existing employees with skills that will be more in demand in the future. We are building frameworks and success profiles for an executive development pool that, once it is operational, we will look to use through all levels of leadership.

Generation and wholesale staff turning age 65

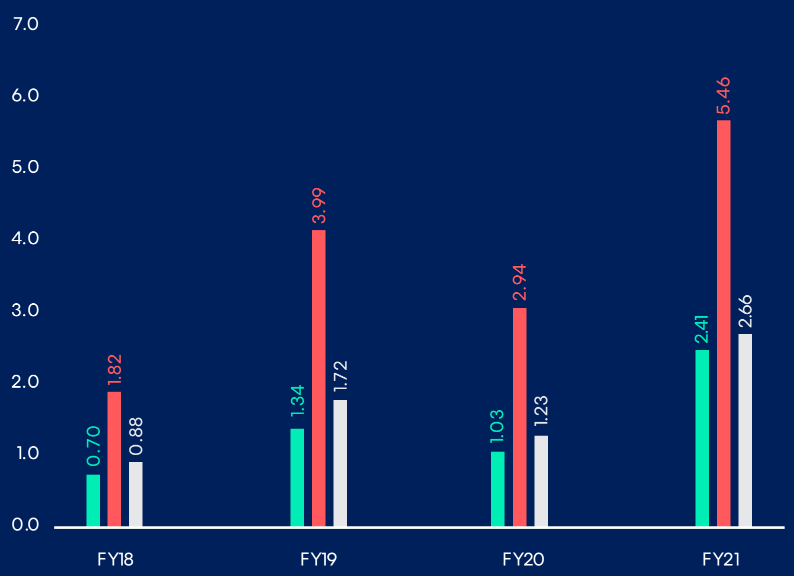
A significant percentage of our experienced staff may soon be considering retirement – especially those in our generation team. To successfully ensure that skills are passed on, we are encouraging young professionals to join our business and providing opportunities for people to complete their trade apprenticeships with us. Our goal is to ensure that, as people consider retirement, they are supported to transition out of work smoothly (for example, through part-time arrangements) and that we have clear succession plans for their areas of expertise.

Generation and Wholesale staff turning age 65

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

The common retirement age in New Zealand and Australia is 65.

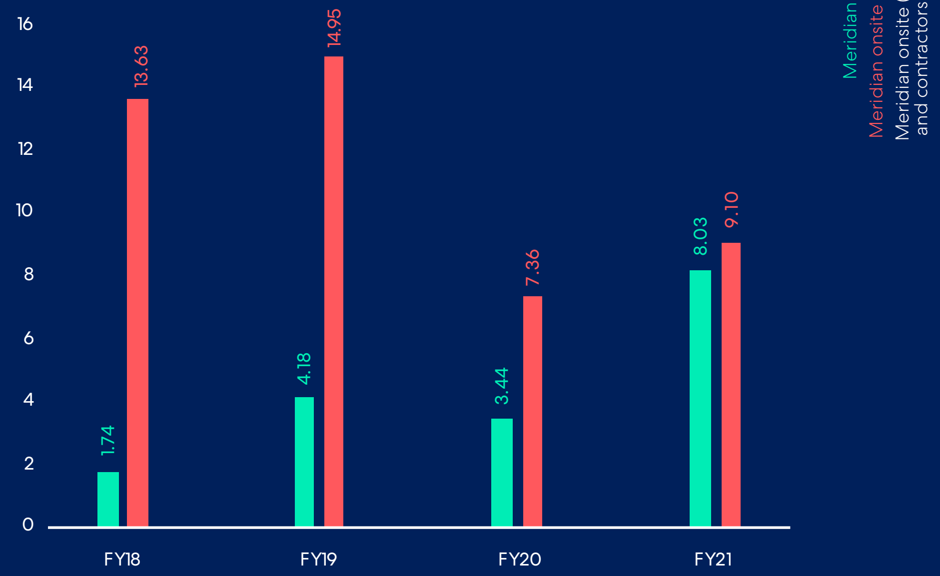
Total recordable injury frequency rate (TRIFR*)



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

* FY21 data excludes Meridian Australia, Flux and offsite contractors.

Lost time injury frequency rate (LTIFR*)



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

* FY21 data excludes Meridian Australia, Flux and offsite contractors.

More work needed to increase safety

Safety is our greatest priority. Our environments are technically challenging with extremely large electrical and mechanical assets, and our people work in locations that range from home to underground, inside large structures, on tall wind and hydro structures and close to large volumes of water. For those who predominantly work from home, risks include mental health and trip hazards. Because of the risk of incidents, we are always evolving our health and safety culture to keep our people as safe as possible and to manage wellbeing through pace and change.

There is a structured health and safety training plan for all employees relative to their job, almost always to NZQA standards. The management system is accredited to NZS7901 to meet the requirements of the Electricity Act. We're focussed on developing and maintaining an empathetic, caring culture – and the levels of safety management that we build into our daily operations reflect our concern for everyone who works with us. For example, we have site-specific Health and Safety Committees that represent all employees on our sites, including contractors, and our Learning Teams are effective in responding to events, creating an environment where speaking up without fear or blame is encouraged, and improving our opportunities to gather better operational information and increase worker engagement. More detail can be found in our Health and Safety Policy at **www.meridianenergy.co.nz/investors/governance/policies**.

These Committees meet every month to identify hazards and review incidents that have occurred. The Committee representatives are freely elected by their colleagues and receive regular training in risk identification and controls. They are further supported by dedicated business unit safety specialists who provide extensive technical expertise and support. All our people are required to log any incidents or near misses directly into our Safety Manager system. We have a stop work policy, which includes mental health risk, and all corrective actions are implemented as per our Health and Safety Policy at **www.meridianenergy.co.nz/investors/governance/policies.** We apply this approach to safety across our Australian and New Zealand assets, including Flux and our contractors.

We are an active member of Stay Live, an electricity industry forum focusing on working together across the sector to improve safety. Our Head of Safety is Deputy Chair of the forum.

Regrettably, despite all our efforts, there was an increase in our reportable injuries this year, with more injuries overall and more time off work due to injury recorded. In FY21 our calculated total recordable injury frequency rate for employees and contractors per 200,000 hours worked (TRIFR) was 2.66 (compared with 1.23 in FY20), representing 18 people hurt (three contractors and 15 employees). The main types of injury in FY21 were sprains, strains and superficial injuries; no serious injuries were reported.

Supporting the work of others

Two key reasons for people being drawn to Meridian are that they perceive us as a force for good through our commitment to renewable energy, and they consider us a good corporate citizen.

We have been a National Partner of the Department of Conservation's Kākāpō Recovery Programme for five years now, contributing to vital research to help these precious native parrots to increase in numbers. Many of our people are involved in helping change the future for the kākāpō through volunteering and raising awareness of the plight of these beautiful birds.

KidsCan is another organisation close to our hearts. This amazing charity provides essentials to children affected by poverty so they can participate in learning. As Principal Partner, we work with KidsCan to provide thousands of Kiwi kids with basics such as food, raincoats, shoes and socks and basic hygiene and healthcare items. This year, we contributed more than $1 million to help KidsCan to help young New Zealanders in need and we have committed to doing this every year for at least the next three years.

A stronger sense of belonging

Despite some good progress in attracting and appointing more female candidates this year, we still do not have a good gender balance in the engineering parts of our business or in leadership and senior-level roles throughout the business.

Currently 37.2% of our staff in people leadership and senior specialist positions below Executive Team level are women. This is a positive lift from the 34.3% achieved on this measure in 2020, but still means we have missed our target of 40% by year-end 2021. To address this we are working on initiatives to deepen our understanding of the drivers for women's aspirations to leadership within our company.

We also continue to deepen our commitment to developing staff, with a particular focus on women, to reach their full potential as leaders.

The Board has agreed a new gender-diversity, which is to achieve a gender balance in leadership and senior roles. In order to achieve this, we will strive for recruitment to result in appointments that are 45% men, 45% women and 10% any gender, by 2023. Our Gender and Team Rainbow working groups have initiatives to help with the retention of women and embedding gender and non-binary practices wherever possible to assist in achieving our goals.

In FY21, our average level of gender pay equity was similar to that of FY20 (96.7% compared with 96.3%).

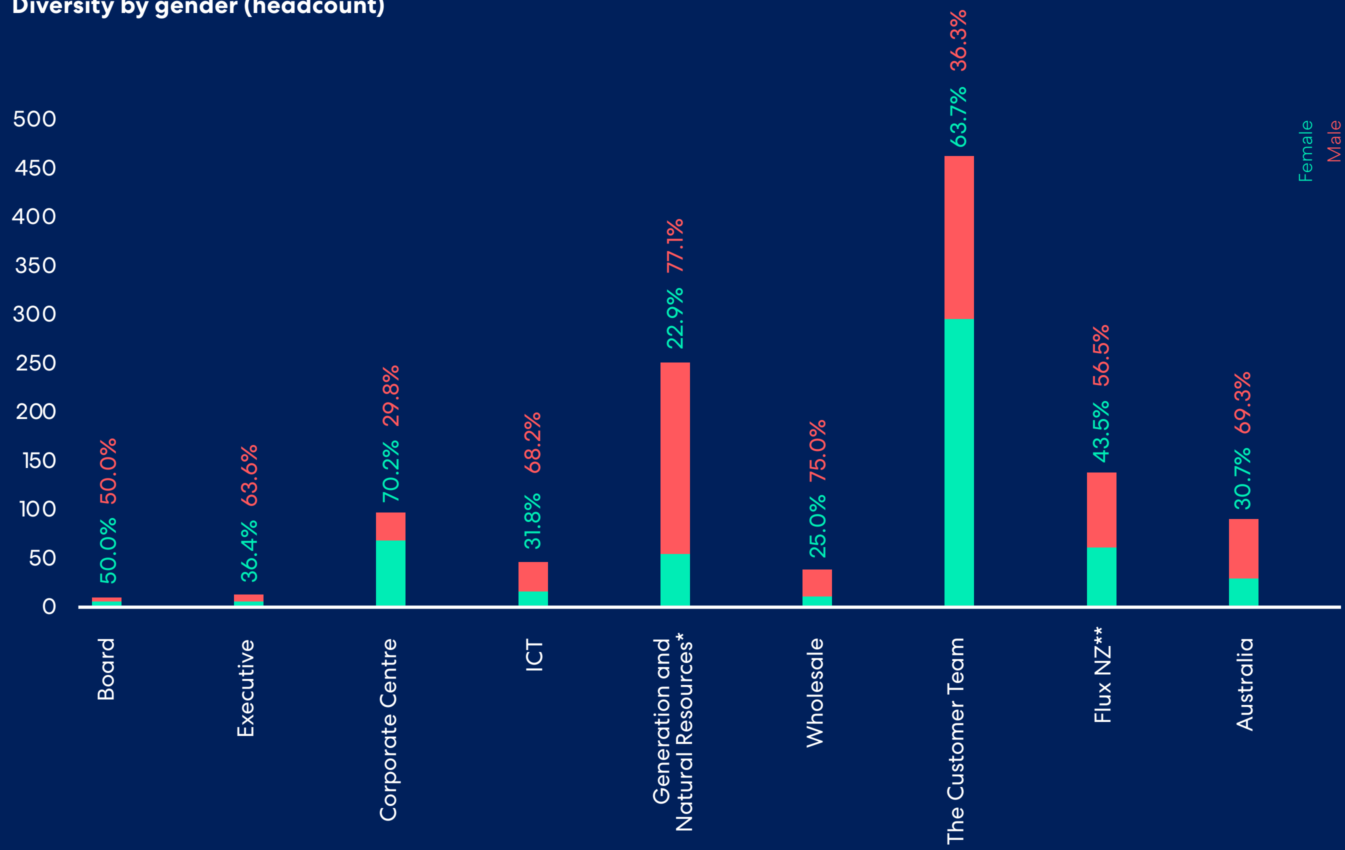
To address this, our recruitment team will build and maintain an internally run Māori and Pacifika internship programme, leverage our relationships with iwi to promote work opportunities within our company and use opportunities such as our Harapaki wind farm development to improve our relationships with iwi and promote scholarships, upskilling and job opportunities.

Women remain underrepresented in the engineering parts of our business, and in leadership and senior-level roles throughout the business. Currently 37.2% of our staff in people leadership and senior specialist positions below Executive Team level are women, against a target of 40% by year-end 2021.

Traditionally, generation, with its 80% male workforce, has had the biggest gender gap.

* Includes Dam Safety Intelligence.
** Includes Flux-UK staff.

Diversity by gender (headcount)



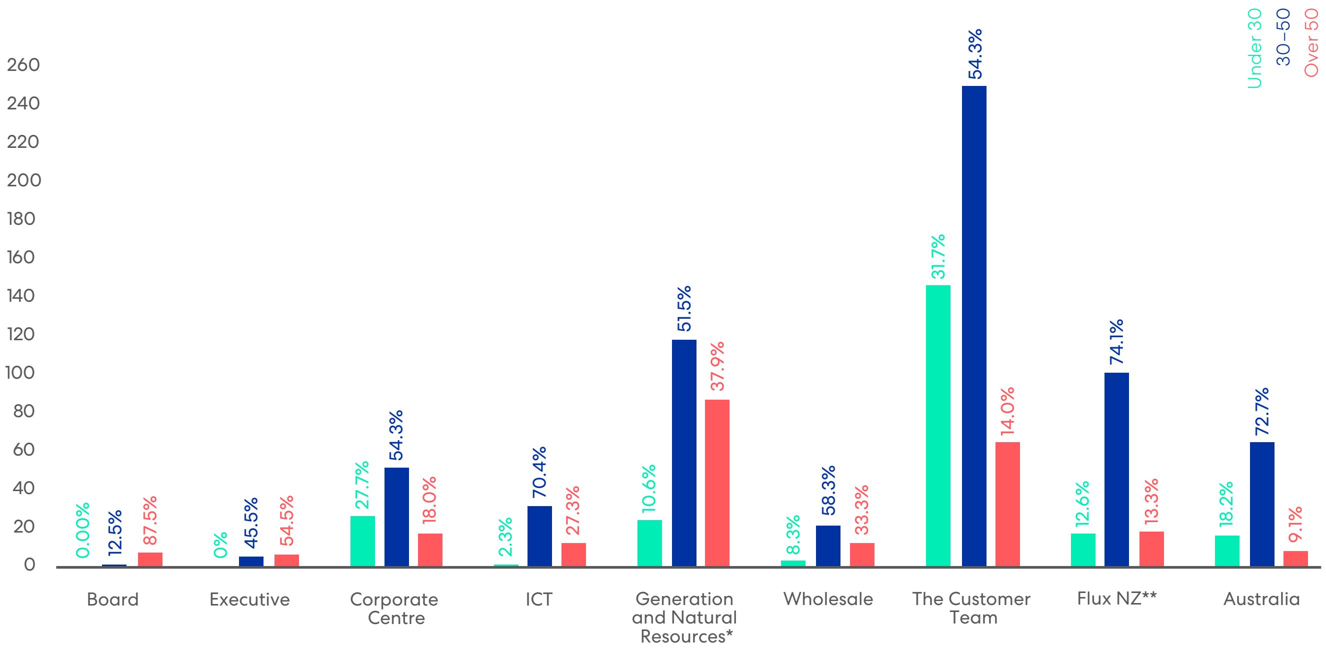
We strive to build a culture where everyone is welcome. Our people identify themselves in a range of ways.

Female representation

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

* Parent company only, women in people leadership and senior specialist roles, excluding the Executive Team.

Diversity by age (headcount)



* Includes Dam Safety Intelligence
**Includes Flux-UK staff

We are committed to achieving pay equity for all employees in similarly sized roles and with similar skills, experience and accountabilities. In FY21 the average level of gender pay equity was similar to that in FY20 (96.3 compared with 96.7). The average salary for men across the organisation remains higher than the average salary for women. There are still more men than women at senior levels. What we are seeing is a healthy increase in the proportion of females at mid-senior levels.

Group % ratio female salary to male salary

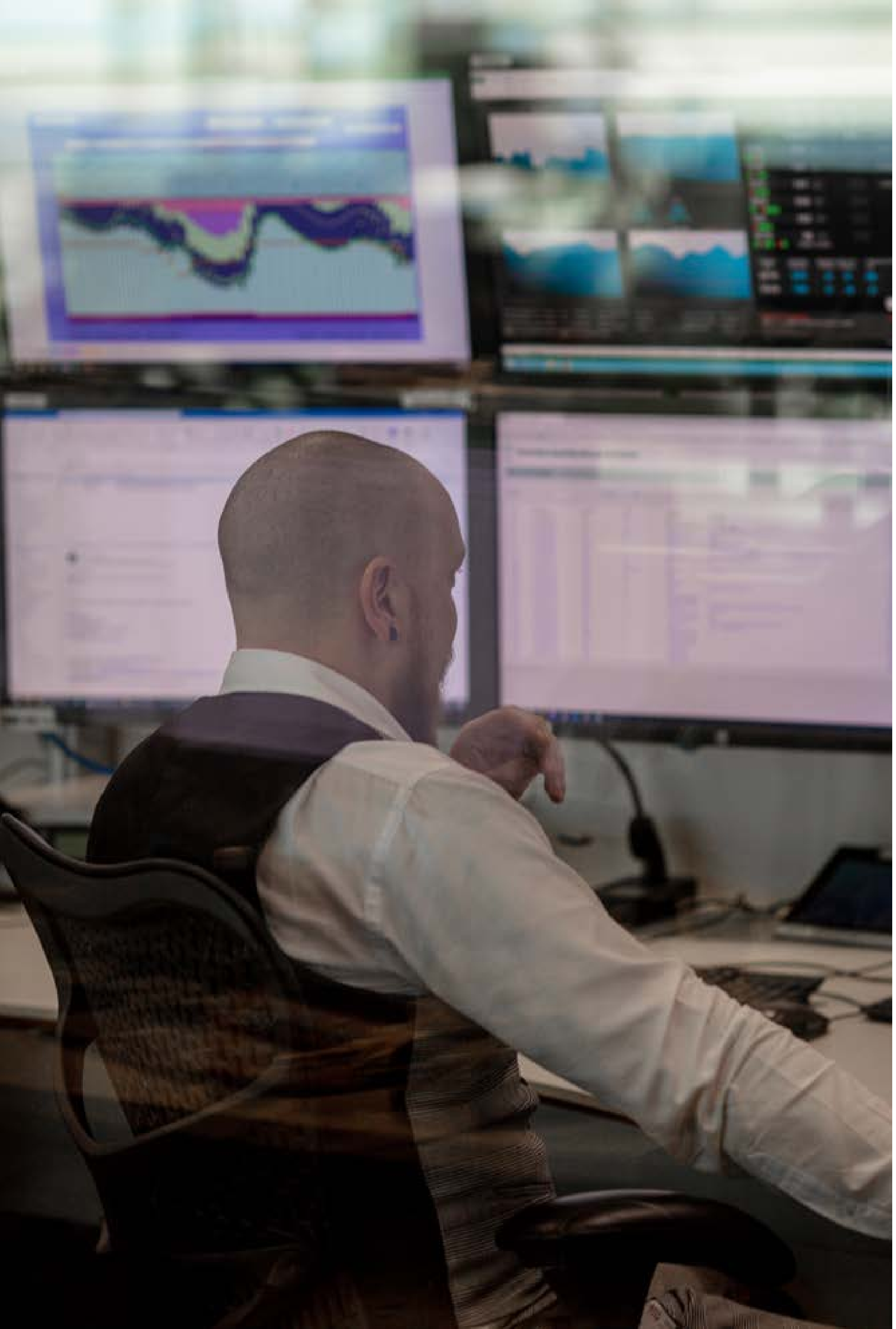
by salary band*	FY19	FY20	FY21
K–L	91.5%	89.9%	88.7%
I–J	98.1%	95.8%	98.4%
G–H	95.4%	96.1%	96.1%
E–F	99.2%	98.3%	95.4%
C–D	96.9%	97.9%	100.6%
A–B	99.7%	99.0%	100.8%
Average of averages	96.8%	96.3%	96.7%

* K and L are our highest salary bands and A and B are our lowest.

Percentage of women by salary band

by salary band*	FY19	FY20	FY21
K–L	18.5%	24.1%	28.6%
I–J	27.0%	32.0%	31.0%
G–H	30.8%	32.9%	33.2%
E–F	43.2%	43.3%	48.7%
C–D	59.7%	55.4%	54.8%
A–B	61.6%	70.8%	72.7%
Average of averages	40.1%	43.1%	44.8%

* K and L are our highest salary bands and A and B are our lowest.



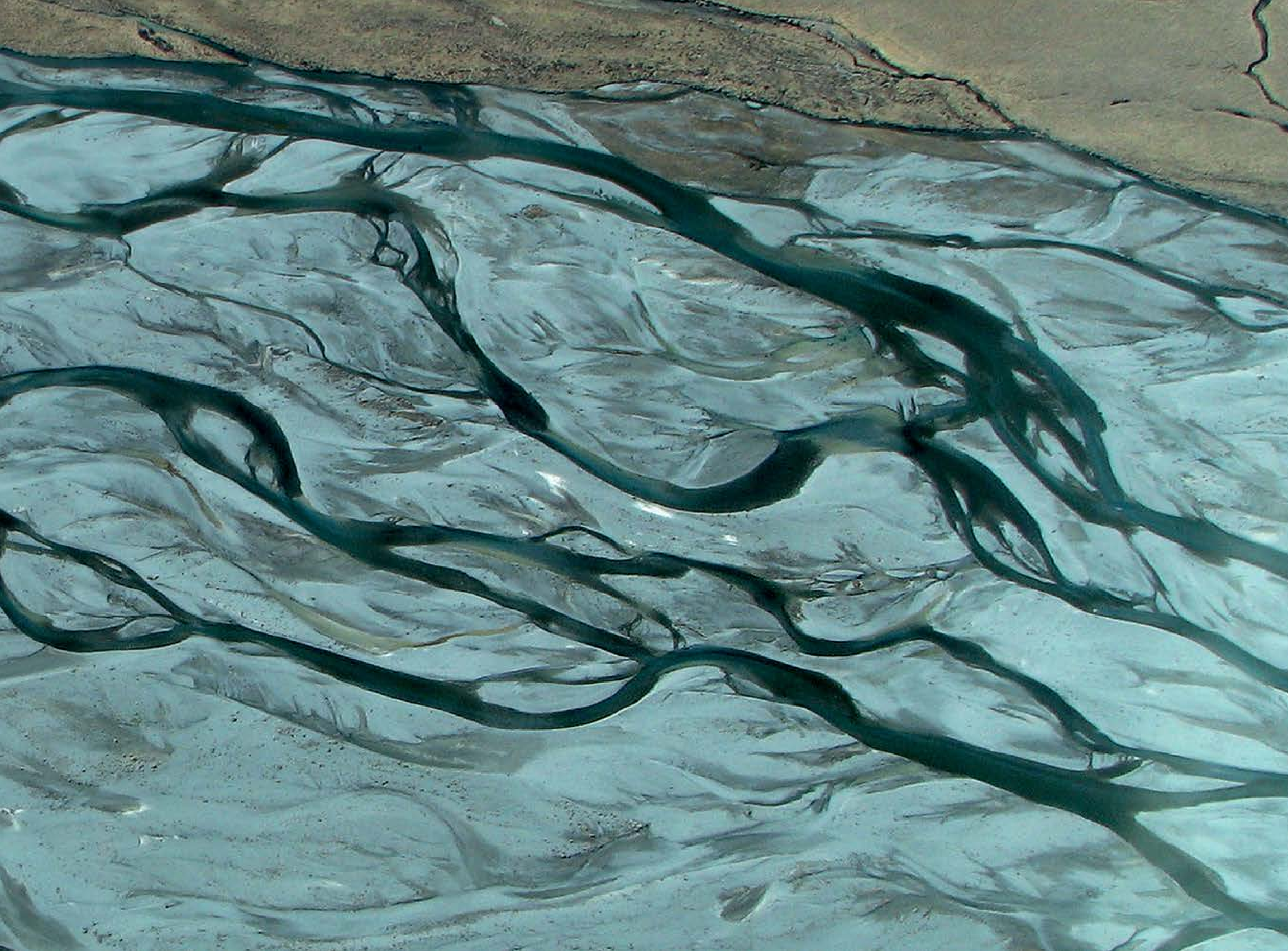
Keeping our technology systems safe, stable and secure

Increasing digitalisation, a reliance on ICT systems, and flexible approaches to working throughout the COVID-19 pandemic have made managing cyber risk an even greater priority for many industries, including our own. A failure to protect our technology systems, information and people from cyber threats could have adverse impacts on both our company and our customers.

Across the business, we apply a range of measures to manage our cyber risk, including policies and procedures, cybersecurity capabilities, continuous threat monitoring and event-detection capabilities. To equip our people with the knowledge and skills to combat cyber threats, we have developed a security training and awareness programme covering topics such as phishing, incident reporting, passwords and keeping information and devices safe. We also conduct regular exercises to test our cyber resilience and business continuity processes. We are a contributing member of several fora to collaborate with government, business partners and industry peers in understanding and responding to new and emerging threats.

In the past year we have continued to invest in and strengthen our cybersecurity capabilities, particularly in terms of embarking on 'zero trust' architecture that includes: network segregation; identity and access management; monitoring and reporting; third-party risk management; and training and awareness for our people. We remain focused on continually improving our security capabilities to counter dynamic and advanced cyber threats through an outcome-driven approach. By managing and securing our digital environment, our goal is to give our people the confidence to understand and manage cyber risk, realise new business opportunities, unlock value and continue to provide essential services to our customers.

Rewarding energy



Our approach to remunerating our people

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

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

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

The People and Remuneration Committee regularly reviews remuneration policy and practice and provides recommendations to the Board. The Board approves the executive balanced scorecard objectives, and company financial performance targets and outcomes on an annual basis.

Fixed remuneration is benchmarked to market remuneration data, and permanent employees may participate in a short-term incentive (STI) scheme at the discretion and invitation of the Board. As a minimum, Meridian pays the Living Wage for all permanent and fixed-term employees. A range of benefits is provided, including employee insurance, enhanced parental leave provisions, the ability to purchase additional leave, and access to purchasing discounts. The Executive Team and Chief Executive also have the opportunity to participate in a long-term incentive (LTI) plan. Both the STI scheme and LTI plan are variable, performance-based incentives, awarded only if specific financial and non-financial performance hurdles are met, and at the discretion of the Board.

Fixed remuneration

Fixed remuneration includes base salary and matched KiwiSaver contributions of up to 4%. Salaries are reviewed annually.

Short-term incentive (STI)

The STI is an at-risk incentive that may be offered for a specific year, by invitation from the Board. Potential STI payments reflect the achievement of predetermined company profit levels and individual performance objectives aligned to business strategies and goals, and are wholly discretionary. An STI may be paid subject to a behaviour gate and company financial performance hurdles, and at the discretion of the Board.

The STI opportunity within total remuneration reflects the complexity and level of the roles. In FY21 the Chief Executive had an STI opportunity of 50% of his salary, and the Executive Team STI opportunity was 30%.

Long-term incentive (LTI)

An LTI plan is offered at the discretion of the Board to the New Zealand Executive Team, to align executives' and shareholders' interests and optimise long-term shareholder returns.

The LTI opportunity is 40% of salary for the Chief Executive, and 30% of salary for the Executive Team. Vesting of the LTI is contingent on their meeting both absolute and relative Total Shareholder Return (TSR) performance hurdles at the conclusion of a three-year period. Further details of the LTI plan are provided on pages 156-157.

Employee share ownership

Employees are invited to join Meridian's employee share ownership plan, *MyShare*. Under *MyShare*, Meridian shares are purchased for participating employees, funded by monthly pay deductions of between $500 and $5,000 per annum. After three years participants may be eligible for award shares subject to ongoing employment (Tenure Award Shares) and the company TSR outperforming a peer group of competitors (Performance Award Shares). In FY21, 58.5% of employees participated in *MyShare*, and this has increased to 60% for FY22.

Employee remuneration range

The number of employees and former employees of Meridian and its subsidiaries (not including directors) who during the year ended 30 June 2021 received cash remuneration and other benefits (including at-risk performance incentives, KiwiSaver contributions and redundancy compensation) exceeding $100,000 is outlined opposite:

Band	Total Group
100,000 – 109,999	97
110,000 – 119,999	64
120,000 – 129,999	68
130,000 – 139,999	56
140,000 – 149,999	43
150,000 – 159,999	38
160,000 – 169,999	26
170,000 – 179,999	30
180,000 – 189,999	19
190,000 – 199,999	19
200,000 – 209,999	14
210,000 – 219,999	7
220,000 – 229,999	8
230,000 – 239,999	6
240,000 – 249,999	3
250,000 – 259,999	2
260,000 – 269,999	3
270,000 – 279,999	6
280,000 – 289,999	1
290,000 – 299,999	1
300,000 – 309,999	3
310,000 – 319,999	3
330,000 – 339,999	1
340,000 – 349,999	2
350,000 – 359,999	1
360,000 – 369,999	2
370,000 – 379,999	3
380,000 – 389,999	1
390,000 – 399,999	5
490,000 – 499,999	1
520,000 – 529,999	1
530,000 – 539,999	1
610,000 – 619,999	1
820,000 – 829,999	2
830,000 – 839,999	1
2,030,000 – 2,039,999	1
	540
Terminated employees	42

Chief executive remuneration for performance periods ending 30 june 2021 and 30 june 2020

Year	Base salary	Taxable benefits[6]	Fixed rem[7]	*MyShare*[8]	Pay for performance			Total rem
					STI[9]	LTI[10]	Subtotal	
FY21	$1,071,125	$42,845	$1,113,970	$2,500	$527,910	$664,066	$1,191,976	$2,308,446
FY20	$1,071,125	$42,845	$1,113,970	$2,500	$517,216	$406,155	$923,371	$2,039,841

The Chief Executive is entitled to receive a matching employer KiwiSaver contribution of 4% of gross taxable earnings. The company's KiwiSaver contributions for the Chief Executive, paid within the FY21 period were $78,459.

Five-year remuneration summary

Year	Single figure rem	% STI against maximum	% vested LTIs against maximum	Span of LTI Performance Period
FY21	$2,308,446	66.75%	100%	FY19–FY21
FY20	$2,039,841	78.69%	100%	FY18–FY20
FY19	$1,695,195	90.91%	100%	FY17–FY19
FY18	$2,156,484	72.8%	75%	FY16–FY18
FY17	$2,379,768	79.29%	100%	FY15–FY17

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

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

Notes

The FY21 *MyShare* figure is the $2,500 award shares related to participation in the *MyShare* plan for FY19, which vested in FY21.

The FY21 LTI figure is payment relating to the vesting of the FY19 LTI plan. It is higher than the payment received in FY20 given the FY18 offer (which vested in FY20) was adjusted to reflect the fact that the Chief Executive had been appointed to that role partway through FY18.

6 Taxable benefits are 4% company KiwiSaver contributions on salary.
7 Fixed remuneration is salary plus company KiwiSaver contributions.
8 *MyShare* is gross value of award shares received in the applicable period.
9 STI is the potential payment based on performance achieved for the applicable period and includes 4% company KiwiSaver contributions.
10 LTI is grossed up for PAYE, and in FY19 included 4% company KiwiSaver contributions. The LTI plan changed in FY20.

Breakdown of Chief Executive pay for performance (FY21)

Description		Performance measures	% achieved
STI	50% of base salary. Combination of company result and a scorecard of financial and non-financial company measures	60% weighting on company performance (company profit, which comprises Group EBITDAF minus capital charge)	111.3%
		40% weighting on performance against a Board-approved scorecard comprising financial and non-financial objectives, as shown in the table below	70%
LTI	Conditional awards of shares under LTI plan. 40% of base salary	Absolute TSR over the relevant assessment period: • must be positive and >50th percentile/median TSR of the peer group[11]	Hurdle met
		Relative TSR – if positive and: • >50th percentile TSR of peer group, at least 50% vests • ≥75th percentile TSR, 100% vests • between the 50th and 75th percentile TSRs of peer group, progressively vests on a straight-line basis	100%

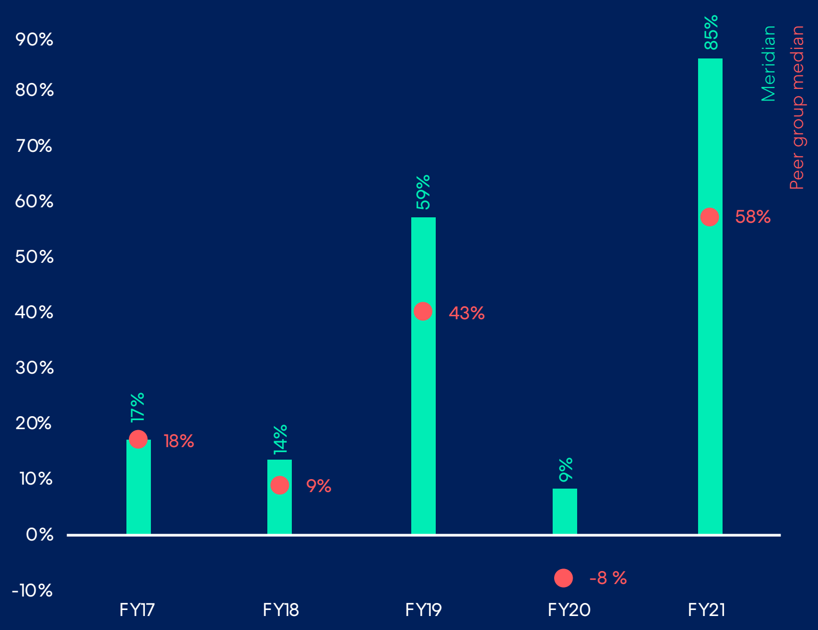
Pay for Performance Scorecard Measures for FY21

For FY21, the Board-approved scorecard comprising up to 40% of the Chief Executive's STI was measured as follows:

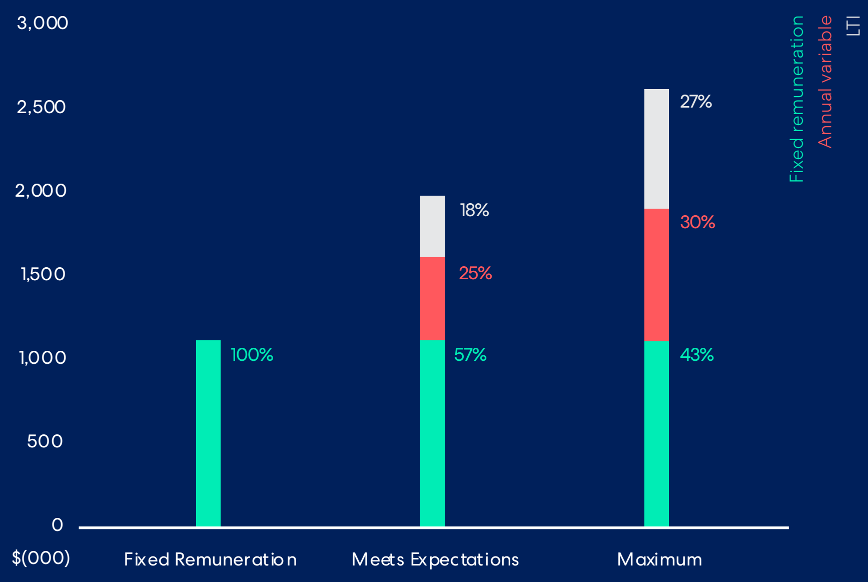
Performance area	Measures	Weighting
Employees	Trend in engagement score and TRIFR	20%
Customer	Customer growth	20%
	Australian customer numbers and assets	20%
Risk	Successful transition to accommodate significant market changes	20%
Future development	Migration to single customer platform	20%

11 The peer group comprises AGL Energy, Origin Energy, Contact Energy, Mercury NZ, Trustpower and Genesis Energy.

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



Chief Executive remuneration performance pay for FY21



The TSR summary above illustrates the performance of Meridian's shares against a peer group of companies between 1 July 2017 and 30 June 2021. TSR performance outcomes are independently validated by external experts.

The chart above depicts elements of the Chief Executive's remuneration design under various scenarios for the year ended 30 June 2021, as a proportion of total remuneration.

Other remuneration report components

LTIS

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

New LTI plan

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

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

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

Performance hurdles

Share Rights are granted in two tranches:

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

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

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

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

Previous LTI plan

The previous LTI plan was a share loan and cash bonus scheme, where executives purchased Meridian shares via an interest-free loan from the company, with the shares held on trust by the LTI plan trustee. Any shares awarded depend on whether the following performance hurdles are met over a three-year period:

- The company's absolute TSR, which must be positive.
- The company's TSR compared to a benchmark peer group.

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

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

Over the three-year period, any dividends paid on the shares are applied to the executive's loan balance. Once the vesting level has been confirmed, a cash amount (after the deduction of tax, but before other applicable salary deductions) is used to repay the executive's outstanding loan balance.

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

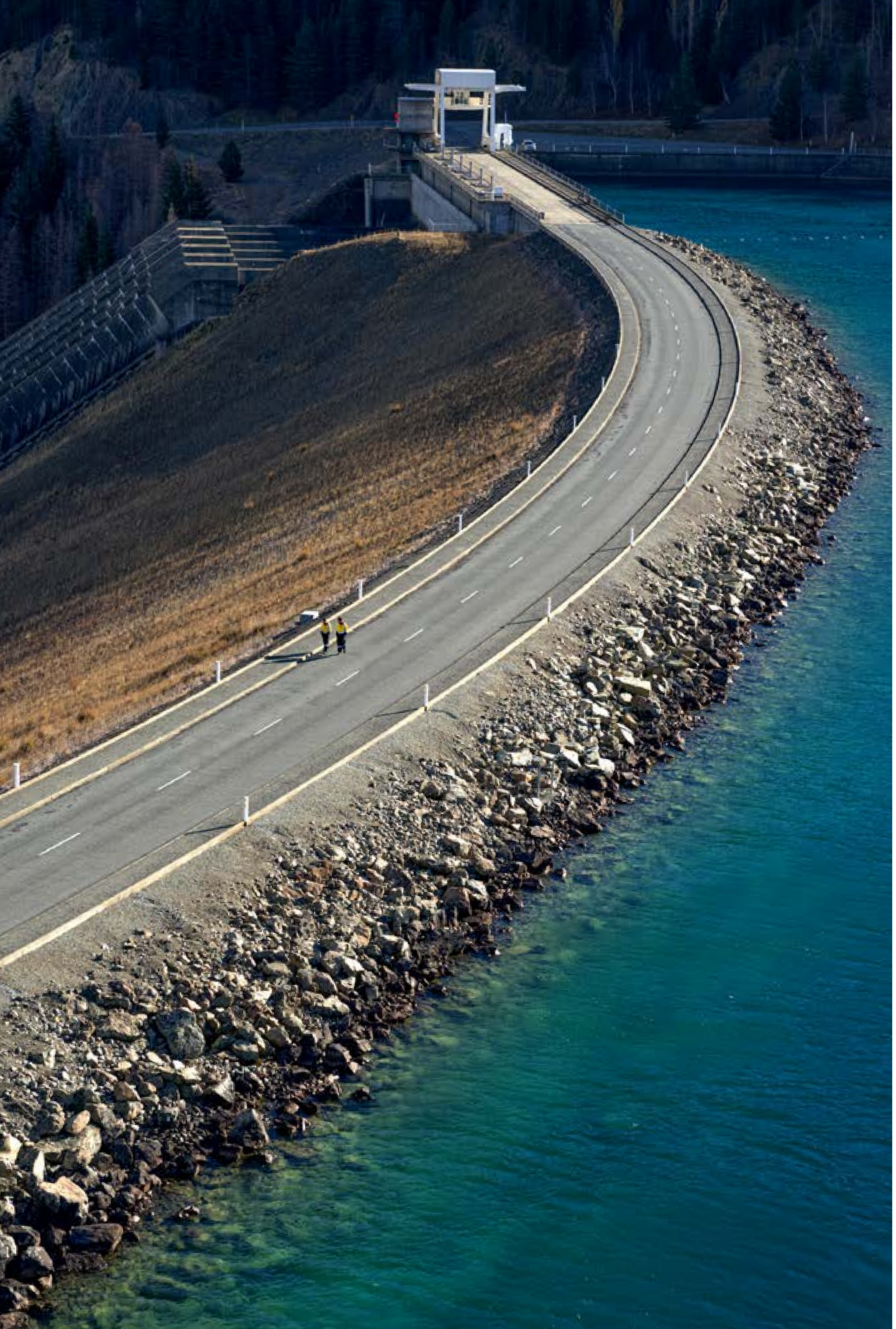
For the LTI plan that vested at the end of 2021, the level of vesting was 100% (2020: 100%). Therefore, the outstanding balance of the interest-free loans at 30 June 2021 of $0.65 million (2020: $0.5 million) has now been repaid. A total amount of 238,725 shares has been transferred to the eligible participants (2020: 208,707) and 96,173 shares forfeited for executives who are no longer employed by Meridian (2020: 154,388).

Other information

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

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

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



Approved director remuneration for FY21

Director remuneration is paid from the total director fee pool that was approved by shareholders at the Annual Meeting of 28 October 2016.

Shareholder-approved annual director fee pool

	FY20	FY21
Board fees	$1,000,000	$1,000,000
Committee fees	$100,000	$100,000
Total pool	$1,100,000	$1,100,000

Individual Board-approved annual fee breakdown

Position held	FY20	FY21
Chair	$200,000	$196,500
Deputy Chair	$140,000	$137,550
Director	$110,000	$108,075
Audit and Risk Committee Chair	$22,500	$ 22,106
Audit and Risk Committee member	$10,000	$9,825
Safety and Sustainability Committee Chair	$15,000	$14,738
Safety and Sustainability Committee member	$9,200	$9,039
People and Remuneration Committee Chair	$15,000	$14,738
People and Remuneration Committee member	$9,100	$8,941

For FY21, director remuneration for each position decreased from that payable in FY20, as the total number of directors on the Board increased, and directors also served on additional committees. However, the total director fee pool remained unchanged from the amount approved by shareholders at the Annual Meeting of 28 October 2016.

Director remuneration received in FY21

Name of director	Board fees	Audit & Risk Committee	People & Remuneration Committee	Safety & Sustainability Committee	Total remuneration
Mark Verbiest[12] (Chair)	$196,500	–	–	–	$196,500
Peter Wilson (Deputy Chair)	$137,550	$9,825	–	$9,039	$156,414
Mark Cairns	$108,075	–	–	$14,738 (Chair)	$122,813
Jan Dawson	$108,075	$9,825	$14,738 (Chair)	–	$132,638
Anake Goodall	$108,075	–	–	$9,039	$117,114
Michelle Henderson	$108,075	$9,825	–	$9,039	$126,939
Julia Hoare	$108,075	$22,106 (Chair)	–	–	$130,181
Nagaja Sanatkumar	$108,075	–	$8,941	–	$117,016
Total	**$982,500**	**$51,581**	**$23,679**	**$41,855**	**$1,099,615**

Directors are reimbursed for all reasonable and properly documented expenses incurred in performing their duties as Meridian directors. No additional payments or benefits were received by directors in FY21.

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

12 Does not receive additional fees for Committee membership.

Further disclosures

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

Meridian Energy

The table opposite outlines the current directors of Meridian Energy Limited. There were no changes among the people who held office as directors of Meridian Energy Limited during FY21.

Company name	Directors
Meridian Energy Limited	Mark Cairns, Jan Dawson, Anake Goodall, Michelle Henderson, Julia Hoare, Nagaja Sanatkumar, Mark Verbiest, Peter Wilson

The Board has determined that as at 30 June 2021, all Meridian directors are independent. The factors relevant to this determination are that no director:

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

Current Board and Executive team gender composition

In accordance with NZX Listing Rules, the gender make-up of Meridian's directors and officers as at 30 June 2021 is:

	As at 30 June 2021		As at 30 June 2020	
	Female	Male	Female	Male
Number of directors	4	4	4	4
Percentage of directors	50%	50%	50%	50%
Number of officers	4	7	4	6
Percentage of officers	36%	64%	40%	60%

Meridian subsidiaries

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

New Zealand subsidiaries

Company name	Company number	Directors	Further information
Dam Safety Intelligence Limited	6152623	Neal Barclay, Tania Palmer	No changes
Flux Federation Limited	6292491	Neal Barclay, Michael Roan	No changes
Meridian Energy Captive Insurance Limited	1612020	Neal Barclay, Michael Roan	No changes
Meridian Energy International Limited	1114014	Neal Barclay, Michael Roan	No changes
Meridian Limited	863312	Neal Barclay, Michael Roan	No changes
Meridian LTI Trustee Limited	4644639	Anake Goodall, Jan Dawson	No changes
Powershop New Zealand Limited	1978930	Neal Barclay, Michael Roan	Amalgamated with Meridian Energy Limited on 30 April 2021 and has been removed from the Companies Office register
Powershop New Zealand Limited	8184062	Neal Barclay, Michael Roan	Incorporated on 7 May 2021
Three River Holdings No. 1 Limited	1920517	Neal Barclay, Michael Roan	No changes
Three River Holdings No. 2 Limited	1920515	Neal Barclay, Michael Roan	No changes

Australian subsidiaries

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

UK subsidiaries

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

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

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

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

Name	Position	Disclosures
Mark Cairns	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	Coda GP Limited, Director** Freightways Limited, Director* Northport Limited, Director** Port of Tauranga, Employee** Port of Tauranga Trustee Company Limited, Director** Quality Marshalling Limited, Chair** Sanford Limited, Director*
Jan Dawson	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	AIG Insurance New Zealand Limited, Director Air New Zealand Limited, Bondholder** Air New Zealand Limited, Director and Shareholder Mercury NZ Limited, Shareholder Westpac New Zealand Limited, Chair
Anake Goodall	Director, Meridian Energy Limited and Meridian LTI Trustee Limited	Ekos, Chair** Impax Environmental Markets, Shareholder Moreton Resources Limited, Shareholder Seed the Change – He Kākano Hāpai, Chair
Michelle Henderson	Director, Meridian Energy Limited	Cycling New Zealand Incorporated, Board Member* Fulton Hogan Australia (Management) Pty Limited, Director* Fulton Hogan Australia Pty Limited, Director* Fulton Hogan Construction Pty Limited, Director* Fulton Hogan Industries Pty Limited, Director* Fulton Hogan Land Development Limited, Director* Fulton Hogan Limited, Director* Fulton Hogan Quarries Pty Limited, Director* Fulton Hogan Transport Pty Limited, Director* Fulton Hogan Utilities Pty Limited, Director* Southern Institute of Technology Engineering and Trades Advisory Committee, Member Youthline Southland Charitable Trust, Trustee
Julia Hoare	Director, Meridian Energy Limited	Auckland International Airport Limited, Director and Shareholder AWF Madison Limited (now known as Accordant Group Limited), Director** External Reporting Advisory Panel, Member** Institute of Directors, Vice President Mercury NZ Limited, Shareholder Port of Tauranga, Director and Shareholder* Sustainable Finance Forum, Leaders' Group, Member The a2 Milk Company Limited, Deputy Chair and Shareholder Watercare Services Limited, Deputy Chair**

Name	Position	Disclosures
Nagaja Sanatkumar	Director, Meridian Energy Limited	Amazon.com, Inc, Shareholder Cawthron Institute, Director* First Fibre Bidco NZ Limited, Director* First Fibre Midco Limited, Director* Imagen8 Limited, Director Mediaworks Investments Limited, Director* Mercury NZ Limited, Shareholder* New Zealand Post Limited, Director Nova Digital Consulting Limited, Director and Principal Trustpower Limited, Bondholder* UFF Holdings Limited, Director* Ultrafast Fibre Limited, Director* Vector Limited, Bondholder* Z Energy Limited, Bondholder*
Mark Verbiest	Director, Meridian Energy Limited	ANZ Bank New Zealand Limited, Director Freightways Limited, Chair and Shareholder Infratil Limited, Shareholder Mycare Limited, Shareholder NZ Treasury Advisory Board** Southern Alps Rescue Trust, Trustee Southern Lakes Art Festival Trust, Trustee Willis Bond Capital Partners Limited, Chair and Shareholder** Willis Bond General Partner Limited, Chair**
Peter Wilson	Director, Meridian Energy Limited	Arvida Group, Chair Contact Energy Limited, Shareholder Genesis Energy Limited, Shareholder and Bondholder Infratil Limited, Shareholder Mercury NZ Limited, Shareholder and Bondholder

* Entries added and effective during the year ended 30 June 2021.
** Entries removed during the year ended 30 June 2021.

During FY21, the disclosures opposite were made in accordance with section 148 of the Companies Act 1993.

Director	Nature of relevant interest	Date	Acquisition/ Disposal	Class	Number acquired	Consideration received per share
Michelle Henderson	Beneficial interest	1) 22 March 2021 2) 21 April 2021	Acquisition	Shares	1) 1,781.7857 2) 1,742.882	1) $5.550 2) $5.725
Julia Hoare	Beneficial interest	22 March 2021	Acquisition	Shares	4,000	$5.375
Mark Verbiest	Beneficial interest	7 April 2021	Acquisition	Shares	10,000	$5.266

Director indemnity and insurance

Pursuant to section 162 of the Companies Act 1993, as permitted by Meridian's constitution, Deeds of Indemnity have been given to directors for potential liabilities and costs they might incur for actions or omissions in their capacity as directors. From 1 May 2021, Meridian's directors' and officers' liability insurance was renewed to cover risks normally covered by such policies. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

Donations

The Meridian Energy Group made donations totalling $0.3 million during FY21. Meridian does not make donations to political parties. All donations must be approved by the Board.

Auditor

The Auditor-General has appointed Mike Hoshek of Deloitte Limited as auditor of the company. Meridian and its subsidiariets paid $0.8 million (2020: $0.8 million) to Deloitte Limited as audit fees in FY21.

The fees for other services under- taken by Deloitte Limited during FY21 totalled $0.1 million (2020: $0.1 million). These related to other assurance activities, including reviews of carbon emissions, securities registers, vesting of the executive LTI plan, the solvency return of Meridian Energy Captive Insurance Limited and trustee reporting.

Meridian has also paid $14,000 (2020: $14,000) to Deloitte Limited for administrative and other advisory services to the Corporate Taxpayers Group (CTG), of which Meridian, along-side a number of other organisations, is a member. In addition to this, Meridian has paid $5,000 (2020: nil) to Deloitte Limited for consultancy services relating to the CFO Vantage Programme.

Interests in Meridian securities

In accordance with NZX Listing Rule 3.7.1(d), as at 30 June 2021 Meridian Energy Limited directors had the following relevant interests in Meridian Energy Limited Quoted Financial Products.

Director	Number of shares*	Number of bonds
Mark Cairns	235,000	–
Jan Dawson	51,300	–
Anake Goodall	60,000	–
Michelle Henderson	3,525	–
Julia Hoare	4,000	–
Nagaja Sanatkumar	3,723	–
Mark Verbiest	45,000	–
Peter Wilson	99,170	–

* Rounded to the nearest whole number.

Senior managers' equity holdings

As at 30 June 2021, the following senior managers had relevant interests in Meridian Energy Limited shares.

Senior manager	Number of shares
Neal Barclay	725,752
Chris Ewers	91,959
Mat Bayliss	12,850
Lisa Hannifin	68,675
Mike Roan	318,999
Jason Stein	344,281
Guy Waipara	388,174

Twenty largest registered holders of quoted financial products as at the balance date

The table opposite lists the company's 20 largest registered shareholders as at 30 June 2021.

Names	Number of shares	% of issued shares
Her Majesty the Queen in Right of New Zealand Acting by and Through Her Minister of Finance and Minister for SOEs	1,307,586,374	51.01
HSBC Nominees (New Zealand) Limited	131,033,565	5.11
HSBC Nominees (New Zealand) Limited A/C State Street*	113,085,329	4.41
J.P. Morgan Chase Bank Na NZ Branch-Segregated Clients Acct*	91,811,900	3.58
Citibank Nominees (New Zealand) Limited*	89,840,670	3.50
Accident Compensation Corporation*	52,164,972	2.03
National Nominees Limited*	34,622,131	1.35
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited*	31,667,841	1.23
BNP Paribas Nominees (NZ) Limited*	29,950,059	1.16
Custodial Services Limited	28,771,467	1.12
BNP Paribas Nominees (NZ) Limited*	25,301,457	0.98
JBWere (NZ) Nominees Limited	24,059,850	0.93
Custodial Services Limited	23,098,774	0.90
Forsyth Barr Custodians Limited	18,451,631	0.72
HSBC Custody Nominees (Australia) Limited*	18,162,568	0.70
BNP Paribas Nominees (NZ) Limited*	18,141,529	0.70
TEA Custodians Limited Client Property Trust Account*	17,514,992	0.68
New Zealand Depository Nominee Limited	17,104,009	0.66
Custodial Services Limited	16,025,175	0.62
ANZ Wholesale Australasian Share Fund*	14,455,001	0.56

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

The table opposite lists the company's 20 largest registered holders of MEL030 retail fixed-rate bonds as at 30 June 2021.

Names	Number of shares	% of issued shares
BNP Paribas Nominees (NZ) Limited*	23,047,000	15.36
BNP Paribas Nominees (NZ) Limited*	21,605,000	14.40
FNZ Custodians Limited	14,557,000	9.70
Forsyth Barr Custodians Limited	11,941,000	7.96
Citibank Nominees (New Zealand) Limited*	9,552,000	6.37
Mt Nominees Limited*	4,000,000	2.67
Investment Custodial Services Limited	3,566,000	2.38
Ning Gao	3,331,000	2.22
Custodial Services Limited	3,132,000	2.09
TEA Custodians Limited Client Property Trust Account*	3,035,000	2.02
Southern Cross Medical Care Society*	3,000,000	2.00
Custodial Services Limited	2,769,000	1.85
Hobson Wealth Custodian Limited	2,733,000	1.82
ANZ Custodial Services New Zealand Limited*	2,638,000	1.76
Custodial Services Limited	2,451,000	1.63
Custodial Services Limited	2,139,000	1.43
JBWere (NZ) Nominees Limited	2,100,000	1.40
FNZ Custodians Limited	1,709,000	1.14
University of Otago Foundation Trust	1,400,000	0.93
Custodial Services Limited	1,268,000	0.85

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

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

Names	Number of shares	% of issued shares
BNP Paribas Nominees (NZ) Limited*	21,149,000	14.10
Citibank Nominees (New Zealand) Limited*	13,940,000	9.29
BNP Paribas Nominees (NZ) Limited*	11,450,000	7.63
Custodial Services Limited	8,980,000	5.99
FNZ Custodians Limited	8,048,000	5.37
Custodial Services Limited	7,349,000	4.90
HSBC Nominees (New Zealand) Limited*	7,060,000	4.71
Forsyth Barr Custodians Limited	6,700,000	4.47
Custodial Services Limited	4,818,000	3.21
Custodial Services Limited	3,956,000	2.64
Hobson Wealth Custodian Limited	3,810,000	2.54
TEA Custodians Limited Client Property Trust Account*	3,446,000	2.30
NZPT Custodians (Grosvenor) Limited*	3,000,000	2.00
Custodial Services Limited	2,636,000	1.76
BNP Paribas Nominees (NZ) Limited*	2,500,000	1.67
Adminis Custodial Limited	2,357,000	1.57
Forsyth Barr Custodians Limited	1,842,000	1.23
ANZ Custodial Services New Zealand Limited*	1,789,000	1.19
FNZ Custodians Limited	1,321,000	0.88
Woolf Fisher Trust Incorporated	1,300,000	0.87

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

The table opposite lists the company's 20 largest registered holders of MEL050 retail fixed-rate bonds as at 30 June 2021.

Names	Number of shares	% of issued shares
ANZ Custodial Services New Zealand Limited*	39,603,000	19.80
FNZ Custodians Limited	18,517,000	9.26
Forsyth Barr Custodians Limited	18,364,000	9.18
HSBC Nominees (New Zealand) Limited A/C State Street*	11,900,000	5.95
BNP Paribas Nominees (NZ) Limited*	10,083,000	5.04
Hobson Wealth Custodian Limited	9,190,000	4.60
Custodial Services Limited	8,545,000	4.27
ANZ Custodial Services New Zealand Limited*	6,708,000	3.35
HSBC Nominees (New Zealand) Limited*	5,177,000	2.59
Investment Custodial Services Limited	4,784,000	2.39
Citibank Nominees (New Zealand) Limited*	4,400,000	2.20
Custodial Services Limited	4,331,000	2.17
Mint Nominees Limited*	4,138,000	2.07
Mt Nominees Limited*	4,000,000	2.00
Custodial Services Limited	3,946,000	1.97
Custodial Services Limited	3,812,000	1.91
JBWere (NZ) Nominees Limited	2,831,000	1.42
NZPT Custodians (Grosvenor) Limited*	2,570,000	1.29
TEA Custodians Limited Client Property Trust Account*	2,390,000	1.20
Custodial Services Limited	1,950,000	0.98

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

Substantial security holder

The information opposite is given pursuant to section 293 of the Financial Markets Conduct Act 2013 (**FMCA**). According to notice given pursuant to section 280 of the FMCA, the substantial security holder in the company and its relevant interests as at the date of the notice are noted opposite. The total number of voting products in the class as at 30 June 2021 was 2,563,000,000[13].

Name	Relevant interest in number of shares	% of shares held at the date of notice	Date of notice
Ordinary shares			
Her Majesty the Queen in Right of New Zealand	1,353,786,550	52,820	6 July 2015

Distribution of shareholders and holdings as at 30 June 2021

The table opposite provides information on the distribution of shareholders and holdings of Meridian Energy Limited ordinary shares as at 30 June 2021.

Size of holding	Number of holders	%	Number of shares	Holding quantity %
1–1,000	9,225	19.94	7,134,926	0.28
1,001–5,000	21,882	47.3	62,894,346	2.45
5,001–10,000	8,370	18.09	65,601,744	2.56
10,001–50,000	6,096	13.18	123,431,771	4.82
50,001–100,000	436	0.94	30,513,812	1.19
100,001–500,000	175	0.38	33,352,802	1.30
500,001 and over	74	0.16	2,240,070,599	87.4
Total	**46,258**	**100**	**2,563,000,000**	**100**

13 As at 30 June 2021, the total number of ordinary shares was 2,563,000,000, which included 885,842 ordinary shares held by Meridian as treasury stock.

Distribution of bondholders and holdings as at 30 June 2021

The table opposite provides information on the distribution of MEL030 retail fixed-rate bonds as at 30 June 2021.

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	73	10.33	365,000	0.24
5,001–10,000	168	23.76	1,601,000	1.07
10,001–50,000	364	51.49	10,096,000	6.73
50,001–100,000	31	4.38	2,601,000	1.73
100,001–500,000	43	6.08	8,945,000	5.96
500,001 and over	28	3.96	126,392,000	84.26
Total	**707**	**100**	**150,000,000**	**100**

The table opposite provides information on the distribution of MEL040 retail fixed-rate bonds as at 30 June 2021.

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	36	5.37	177,000	0.12
5,001–10,000	104	15.52	973,000	0.65
10,001–50,000	404	60.30	10,770,000	7.18
50,001–100,000	66	9.85	5,090,000	3.39
100,001–500,000	31	4.63	7,432,000	4.95
500,001 and over	29	4.33	125,558,000	83.71
Total	**670**	**100**	**150,000,000**	**100**

The table opposite provides information on the distribution of MEL050 retail fixed-rate bonds as at 30 June 2021.

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	30	5.20	150,000	0.08
5,001–10,000	91	15.77	849,000	0.42
10,001–50,000	323	55.98	8,785,000	4.39
50,001–100,000	73	12.65	5,610,000	2.81
100,001–500,000	28	4.85	6,140,000	3.07
500,001 and over	32	5.55	178,466,000	89.23
Total	**577**	**100**	**200,000,000**	**100**

Waivers from NZX

On 31 January 2020, NZX Regulation published a waiver decision in respect of Listing Rules 5.2.1 and 8.1.5, which re-documented a prior waiver decision dated 18 September 2013. A copy of this waiver decision and a summary of all waivers granted and published by the NZX or relied on by Meridian during the 12 months preceding 30 June 2021 is available on Meridian's website at: www.meridianenergy.co.nz/investors/governance/nzx-waivers.

Non-standard designation

In New Zealand, Meridian Energy Limited has a 'non-standard' (NS) designation on the NZX Main Board. This is due to particular provisions of the company's constitution, including requirements that regulate the ownership and transfer of Meridian securities. The NS designation is also required as a condition of any NZX waivers and approvals.

Credit rating as at 30 June 2021

S&P Global Ratings reaffirmed Meridian Energy Limited's credit rating of BBB+/stable/A-2 on 30 June 2021.

Registration as a foreign company

Meridian has registered with the Australian Securities and Investments Commission as a foreign company and has been issued with the Australian Registered Body Number of 151 800 396.

ASX disclosures

Meridian holds a foreign exempt listing on the ASX. As a requirement of admission Meridian must make the following disclosures:

- Meridian's place of incorporation is New Zealand.
- Meridian is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (including substantial holdings and takeovers).

Shareholding restrictions

The Public Finance Act 1989 was amended in June 2012 to include restrictions on the ownership of certain types of security issued by each mixed-ownership-model company (including Meridian) and the consequences of breaching those restrictions. The constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of shares under the Public Finance Act and the constitution is set out below. If in the future the company issues any other class of shares, or other securities confer voting rights, the restrictions summarised below will also apply to those other classes of shares or voting securities.

51% holding

The Crown must hold at least 51% of the shares on issue.

The company must not issue, acquire or redeem any shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

10% limit

No person (other than the Crown) may have a 'relevant interest'[14] in more than 10% of the shares on issue (10% Limit).

The company must not issue, acquire, redeem or transfer any shares if it has actual knowledge that such issue, acquisition, redemption or transfer will result in any person other than the Crown exceeding the 10% Limit.

Ascertaining whether a breach has occurred

If a holder of shares breaches the 10% Limit or knows or believes that a person who has a relevant interest in shares held by that holder may have a relevant interest in shares in breach of the 10% Limit, the holder must notify the company of the breach or potential breach.

Meridian may require a holder of shares to provide the company with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have relevant interests in shares as a result of the shares held by or on behalf of that holder.

Determining whether a breach has occurred

The company has the power to determine whether a breach of the 10% Limit has occurred. In broad terms, if:

- the company considers that a person may be in breach of the 10% Limit; or
- a holder of shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the company,

Meridian is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The company must give the affected shareholder the opportunity to make representations to the company before it makes a determination on these matters.

Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice that they receive from the company requiring them to dispose of shares or their relevant interest in shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% Limit
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, the company may arrange for the sale of the relevant number of shares on behalf of the relevant shareholder. In those circumstances the company will pay the net proceeds of sale, after the deduction of any other costs incurred in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant shareholder as soon as practicable after the sale has been completed.

14 In broad terms, a person has a 'relevant interest' in a share if the person (a) is the registered holder or beneficial owner of the share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that share. A person may also have a 'relevant interest' in a share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

If a relevant interest is held in any shares in breach of the 10% Limit then, for as long as that breach continues:

- no votes may be cast directly by a shareholder in respect of any of the shares in which a relevant interest is held in excess of the 10% Limit
- a registered holder of shares in which a relevant interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the shares in which a relevant interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, the restrictions on voting and the entitlement to receive dividends and other distributions described in the preceding paragraphs will apply in respect of all the shares (as applicable) held by the relevant shareholder or holder (and not just the shares in which a relevant interest is held in excess of the 10% Limit).

The Board may refuse to register a transfer of shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within 14 days of the date on which the company gave notice to the transferee to provide such statutory declaration.

Crown directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the constitution. For example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach, the Crown may require the company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant share that has arisen as described under the heading 'Effect of exceeding the 10% Limit' above.

Trustee corporations and nominee companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions are satisfied.

Share cancellation

In certain circumstances shares can be cancelled by Meridian through a reduction of capital, share buyback or other form of capital reconstruction approved by the Board and, where applicable, shareholders.

NZX Corporate Governance Code

Meridian complied with the NZX Corporate Governance Code recommendations in all material respects during FY21 other than in respect of recommendation 3.6 as the Board has determined, given Meridian's status as a mixed-ownership model company, that it is not appropriate or necessary for Meridian to adopt a takeover protocol, although there are protocols to ensure compliance with the constitution. Meridian has a separate Corporate Governance Statement available on its website at **www.meridianenergy.co.nz/investors/governance**. The Corporate Governance Statement outlines in detail Meridian's compliance with the NZX Corporate Governance Code and is current as at 24 August 2021.

Trade associations

Largest contributions

Value to electricity customers

- Electricity Retailers' Association of New Zealand
- Australian Energy Council

Sustainable business

- Sustainable Business Council
- Sustainable Business Network
- The New Zealand Initiative

Clean energy advocacy

- Melbourne Energy Institute
- Clean Energy Council
- New Zealand Wind Energy Association
- New Zealand Hydrogen Association
- Electricity Engineers' Association
- Drive Electric

Other large business expenditure

- BusinessNZ
- The Hugo Group
- New Zealand Shareholders' Association

Generating returns

Group financial statements

Key

Subsequent event

Key judgements and estimates

Risks

Notes to the Group financial statements

Income Statement

For the year ended 30 June 2021

	Note	2021 $M	Restated* 2020 $M
Operating revenue	A2	**4,296**	3,405
Operating expenses	A3	**(3,567)**	(2,552)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		**729**	853
Depreciation and amortisation	A3	**(303)**	(312)
Reversal of previous impairment of assets	A3	**6**	(58)
Gain/(loss) on sale of assets	A3	**(1)**	–
Net change in fair value of energy hedges	D1	**169**	(113)
Operating profit		**600**	370
Finance costs	A3	**(84)**	(85)
Interest income	A2	**–**	1
Net change in fair value of treasury hedges	D1	**79**	(48)
Net profit before tax		**595**	238
Tax expense	A4	**(167)**	(63)
Net profit after tax attributed to the shareholders of the parent company		**428**	**175**

Earnings per share (EPS) attributed to ordinary equity holders of the parent		Cents	Cents
Basic and diluted earnings per share	C3	**16.7**	**6.8**

Comprehensive Income Statement

For the year ended 30 June 2021

	Note	2021 $M	Restated* 2020 $M
Net profit after tax		**428**	175
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Asset revaluation	B1	**202**	(22)
Deferred tax on the above item	A4	**(58)**	7
		144	(15)
Items that may be reclassified to profit or loss:			
Net (loss)/gain on cash flow hedges		**6**	2
Exchange differences arising from translation of foreign operations		**2**	11
Income tax on the above items	A4	**(2)**	(1)
		6	12
Other comprehensive income for the year, net of tax		**150**	(3)
Total comprehensive income for the year, net of tax attributed to shareholders' of the parent company		**578**	**172**

* Refer to Significant matters section for details on 2020 restatement.

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

Balance Sheet

As at 30 June 2021

	Note	2021 $M	Restated* 2020 $M
Current assets			
Cash and cash equivalents	C5	**148**	176
Trade receivables	C6	**491**	323
Customer contract assets		**25**	24
Financial instruments	D1	**192**	100
Other assets		**61**	42
Total current assets		**917**	665
Non-current assets			
Property, plant and equipment	B1	**8,598**	8,594
Intangible assets	B2	**84**	64
Deferred tax	A4	**35**	34
Financial instruments	D1	**214**	265
Other assets		**8**	–
Total non-current assets		**8,939**	8,957
Total assets		**9,856**	9,622

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 24 August 2021.

Mark Verbiest,
Chair, 24 August 2021

Julia Hoare,
Chair, Audit and Risk Committee, 24 August 2021

	Note	2021 $M	Restated* 2020 $M
Current liabilities			
Payables and accruals		**577**	364
Employee entitlements		**25**	24
Customer contract liabilities		**23**	23
Current portion of term borrowings	C7	**378**	88
Current portion of lease liabilities	C9	**7**	7
Financial instruments	D1	**63**	63
Current tax payable		**37**	79
Total current liabilities		**1,110**	648
Non-current liabilities			
Term borrowings	C7	**1,298**	1,600
Deferred tax	A4	**1,940**	1,850
Provisions		**23**	17
Lease liabilities	C9	**90**	97
Financial instruments	D1	**131**	279
Term payables		**40**	49
Total non-current liabilities		**3,522**	3,892
Total liabilities		**4,632**	4,540
Shareholders' equity			
Share capital	C2	**1,595**	1,598
Reserves		**3,629**	3,484
Total shareholders' equity		**5,224**	5,082
Total liabilities and shareholder's equity		**9,856**	9,622

* Refer to Significant matters section for details on 2020 restatement.

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

Statement of Changes in Equity

For the year ended 30 June 2021

$M	Note	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 July 2019		**1,599**	**1**	**5,068**	**(37)**	**(3)**	**(1,171)**	**5,457**
Net profit for the 2020 financial year		–	–	–	–	–	175	**175**
Other comprehensive income								
Asset revaluation	B1	–	–	(22)	–	–	–	**(22)**
Net gain on cash flow hedges		–	–	–	–	2	–	**2**
Exchange differences from translation of foreign operations		–	–	–	11	–	–	**11**
Income tax relating to other comprehensive income	A4	–	–	7	–	(1)	–	**6**
Total other comprehensive income, net of tax		**–**	**–**	**(15)**	**11**	**1**	**–**	**(3)**
Total comprehensive income for the year, net of tax		**–**	**–**	**(15)**	**11**	**1**	**175**	**172**
Share-based transactions	C2,F1	(1)	–	–	–	–	–	**(1)**
Dividends paid	C4	–	–	–	–	–	(546)	**(546)**
Balance at 30 June 2020 and 1 July 2020 (Restated)*		**1,598**	**1**	**5,053**	**(26)**	**(2)**	**(1,542)**	**5,082**
Net profit for the 2021 financial year		–	–	–	–	–	428	**428**
Other comprehensive income								
Asset revaluation	B1	–	–	202	–	–	–	**202**
Transferred to retained earnings on disposal		–	–	1	–	–	(1)	**–**
Net loss on cash flow hedges		–	–	–	–	6	–	**6**
Exchange differences from translation of foreign operations		–	–	–	2	–	–	**2**
Income tax relating to other comprehensive income	A4	–	–	(58)	–	(2)	–	**(60)**
Total other comprehensive income, net of tax		**–**	**–**	**145**	**2**	**4**	**(1)**	**150**
Total comprehensive income for the year, net of tax		**–**	**–**	**145**	**2**	**4**	**427**	**578**
Share-based transactions	C2,F1	(3)	–	–	–	–	–	**(3)**
Dividends paid	C4	–	–	–	–	–	(433)	**(433)**
Balance at 30 June 2021		**1,595**	**1**	**5,198**	**(24)**	**2**	**(1,548)**	**5,224**

* Refer to Significant matters section for details on 2020 restatement.

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

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $M	Restated* 2020 $M
Operating activities			
Receipts from customers		**4,164**	3,375
Interest received		**–**	1
Payments to suppliers and employees		**(3,472)**	(2,520)
Interest paid		**(82)**	(79)
Income tax paid		**(179)**	(173)
Operating cash flows	C5	**431**	604
Investing activities			
Sale of property, plant and equipment		**–**	–
Purchase of property, plant and equipment		**(76)**	(43)
Purchase of intangible assets		**(38)**	(19)
Purchase of subsidiary	E1	**–**	(2)
Investing cash flows		**(114)**	(64)
Financing activities			
Term borrowings drawn	C7	**108**	172
Term borrowings repaid	C7	**(10)**	(60)
Lease liabilities repaid	C7, C9	**(7)**	(7)
Dividends paid	C4	**(433)**	(546)
Shares purchased for long-term incentive	C2, F1	**(3)**	(2)
Financing cash flows		**(345)**	(443)
Net increase/(decrease) in cash and cash equivalents		**(28)**	97
Cash and cash equivalents at beginning of year		**176**	78
Effect of exchange rate changes on net cash		**–**	1
Cash and cash equivalents at end of year	C5	**148**	176

* Refer to Significant matters section for details on 2020 restatement.

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

About this report

In this section

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding changes in Meridian's financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Meridian;
- it helps to explain changes in Meridian's business; or
- it relates to an aspect of Meridian's operations that is important to future performance.

Meridian Energy Limited is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is Level 2, 55 Lady Elizabeth Lane, Wellington.

Meridian Energy Limited is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a mixed ownership company, majority owned by Her Majesty the Queen in Right of New Zealand, it is bound by the requirements of the Public Finance Act 1989.

These financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand and comply with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS), as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities;
- in New Zealand dollars (NZD), with all values rounded to millions ($M) unless otherwise stated; and
- using accounting policies as provided throughout the notes to the financial statements.

Key judgements and estimates

In the process of applying the Group's accounting policies and application of accounting standards, Meridian has made a number of judgements and estimates. The estimates and underlying assumptions are based on historical experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements and estimates which are considered material to understanding the performance of Meridian are found in the following notes:

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

Basis of consolidation

The Group financial statements comprise the financial statements of Meridian Energy Limited and its subsidiaries and controlled entities, as contained in Note E1 Subsidiaries.

The financial statements of members of the Group are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Group financial statements, all material intra-group transactions, balances, income and expenses have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

Foreign currency

Transactions denominated in foreign currencies are converted at the exchange rates at the date of the transactions. Foreign currency monetary assets and liabilities are translated at the rate prevailing at balance date, 30 June 2021.

The assets and liabilities of international subsidiaries are translated to NZD at the closing rate at balance date. The revenue and expenses of these subsidiaries are translated at rates approximating the exchange rates at the dates of the transactions.

When the financial statements of subsidiaries are translated into NZD, exchange differences can arise. These are recorded in the foreign currency translation reserve (within equity). If an international subsidiary is disposed of, these cumulative translation differences are recognised in the income statement in the period in which that occurs.

The principal functional currency of international subsidiaries is Australian dollars; the closing rate at 30 June 2021 was 0.9311 (30 June 2020: 0.9349).

A full list of international subsidiaries and their functional currencies are provided in Note E1 Subsidiaries.

Significant matters in the financial year

In this section

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

New Zealand Aluminium Smelter (NZAS) Exit

On 9 July 2020, the New Zealand Aluminium Smelter (NZAS) announced plans to wind-down its operation at Tiwai Point. NZAS terminated its 572MW electricity supply agreement with Meridian, giving a 14-month notice period through to 31 August 2021.

On 14 January 2021 NZAS accepted Meridian's offer of an amended contract covering an extended exit period and would continue operating through to 31 December 2024. As such, Meridian's Group financial statements have been prepared based on an extended NZAS exit date of 31 December 2024.

Hydro inflows

Meridian started the financial year with below average storage in our main hydro storage lake, Pūkaki. A series of large inflow events in September and October lifted storage to average at Lake Pūkaki and to spill levels in the Waiau. However, from mid November inflows dried up. The inflows from 1 December 2020 to 30 April 2021 were extremely low in the Waitaki River and below average in the Waiau. From May a series of fronts returned to the region and as a result Meridian finished the year with near normal storage.

Generation structures and plant revaluation

At 30 June 2021, a valuation of Meridian's generation structures and plant assets has been undertaken, to determine the fair value of the assets as at this date. The valuation has resulted in a net increase of $202 million from 30 June 2020. Meridian uses an independent valuer to determine a valuation range on which the Board's ultimate valuation decision is based. The valuation range is set using discounted cash flows (DCFs) and an income approach based primarily on capitalisation of earnings.

For more information refer to Note B1 Property, plant and equipment.

COVID-19

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

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

Significant matters continued

Implementation of IFRIC Agenda Decision

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the IFRS Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below:

SaaS

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

Financial Statement Item	2020 $M
Statement of Financial Position	
Intangible assets	(1)
Total assets	(1)
Retained earnings	1
Total equity	1
Income Statement	
Operating expenses	(1)
Profit before tax	(1)
Statement of cashflows	
Payments to suppliers and employees	(1)
Net cash generated by operating activities	(1)
Payments to acquire intangible assets	1
Net cash used in investing activities	1

Non-GAAP measures

Meridian refers to non-GAAP financial measures within these financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures.

As these measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described below, including note references for reconciliations to the financial statements.

EBITDAF

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

EBITDAF is reported in the income statement, allowing the evaluation of Meridian's operating performance without the non-cash impacts of depreciation, amortisation, fair value movements of hedging instruments and other one-off or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows a better comparison of operating performance with that of other electricity industry companies than GAAP measures that include these items.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of the wholesale electricity market and the broadly offsetting impact of wholesale prices on the cost of Meridian's retail electricity purchases and revenue from generation. Meridian uses the measure of energy margin within Meridian's segmental financial performance in Note A1 Segment performance.

Net debt

Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets. Meridian uses this measure within its capital management and this is outlined in Note C1 Capital management.

A

Financial performance

In this section

This section explains the financial performance of Meridian, providing additional information about individual items in the income statement, including:

a. accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statement; and

b. analysis of Meridian's performance for the year by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 Segment performance

The Chief Executive (the chief operating decision-maker) monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

The Chief Executive considers the business according to the nature of the products and services and the location of operations, as set out below:

New Zealand wholesale

- Generation of electricity and its sale into the New Zealand wholesale electricity market.
- Purchase of electricity from the wholesale electricity market and its sale to the NZ Retail segment and to large industrial customers, including New Zealand Aluminium Smelter (NZAS) representing the equivalent of 40% (30 June 2020: 38%) of Meridian's New Zealand generation production.
- Development of renewable electricity generation opportunities in New Zealand.

New Zealand retail

- Retailing of electricity and complementary products through two brands (Meridian and Powershop) in New Zealand.

  Electricity sold to residential, business and industrial customers on fixed price variable volume contracts is purchased from the Wholesale segment at an average annual fixed price of $88 per megawatt hour (MWh) and electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices.

  Agency margin from spot sales is included within "Contracted sales, net of distribution costs".
- Meridian provides front line customer and back office services for Powershop Australia from New Zealand based offices. Revenue of $3 million has been recorded in 'other revenue' and is eliminated on Group consolidation.

Australia

- Generation of electricity from Meridian's two wind farms and three hydro power stations, and acquired under power purchase agreements, for sale into the Australian wholesale electricity market.
- Retailing of electricity and gas, mainly through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.

Other and unallocated

- Other operations, that are not considered reportable segments, include licensing of the Flux developed electricity and gas retailing platform.
- Activities and centrally based costs that are not directly allocated to other segments.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (a definition of these measures is included within significant matters in the financial year) before unallocated central corporate expenses. Balance sheet items are not reported to the Chief Executive at an operating segment level.

A

A1 Segment performance continued

	NZ Wholesale		NZ Retail		Australia		Other and Unallocated		Inter-segment		Total	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Contracted sales, net of distribution costs	**489**	531	**944**	796	**172**	182	**–**	–	**–**	–	**1,605**	1,509
Cost to supply customers	**(3,020)**	(1,558)	**(782)**	(625)	**(115)**	(139)	**–**	–	**906**	697	**(3,011)**	(1,625)
Net cost of hedging	**271**	11	**–**	–	**(9)**	(9)	**–**	–	**–**	–	**262**	2
Generation spot revenue	**2,193**	1,266	**–**	–	**50**	89	**–**	–	**–**	–	**2,243**	1,355
Inter-segment electricity sales	**906**	697	**–**	–	**–**	–	**–**	–	**(906)**	(697)	**–**	–
Virtual asset swap margins	**(3)**	9	**–**	–	**–**	–	**–**	–	**–**	–	**(3)**	9
Other market revenue/(costs)	**(5)**	(6)	**1**	1	**(1)**	(1)	**–**	–	**–**	–	**(5)**	(6)
Energy margin	**831**	**950**	**163**	**172**	**97**	**122**	**–**	**–**	**–**	**–**	**1,091**	**1,244**
Other revenue	**3**	3	**14**	13	**2**	3	**55**	32	**(45)**	(24)	**29**	27
Dividend revenue	**–**	–	**–**	–	**–**	–	**52**	27	**(52)**	(27)	**–`**	–
Energy transmission expense	**(82)**	(116)	**–**	–	**(5)**	(7)	**–**	–	**–**	–	**(87)**	(123)
Electricity metering expenses	**–**	–	**(39)**	(36)	**–**	–	**–**	–	**–**	–	**(39)**	(36)
Gross margin	**752**	**837**	**138**	**149**	**94**	**118**	**107**	**59**	**(97)**	**(51)**	**994**	**1,112**
Employee expenses	**(29)**	(32)	**(32)**	(32)	**(15)**	(13)	**(36)**	(38)	**–**	–	**(112)**	(115)
Other operating expenses	**(59)**	(61)	**(33)**	(34)	**(41)**	(39)	**(34)**	(23)	**14**	13	**(153)**	(144)
EBITDAF	**664**	**744**	**73**	**83**	**38**	**66**	**37**	**(2)**	**(83)**	**(38)**	**729**	**853**
Depreciation and amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(303)**	(312)
Impairment of assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	(58)
Gain/(Loss) on sale of assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	–
Net change in fair value of energy hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**169**	(113)
Operating profit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**600**	**370**
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(84)**	(85)
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1
Net change in fair value of treasury hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**79**	(48)
Net profit before tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**595**	**238**
Tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(167)**	(63)
Net profit after tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**428**	**175**
Reconciliation of energy margin												
Energy sales revenue, net of hedging	**3,178**	2,271	**1,663**	1,453	**332**	351	**–**	**–**	**(906)**	(697)	**4,267**	3,378
Energy expenses, net of hedging	**(2,347)**	(1,320)	**(914)**	(714)	**(130)**	(142)	**–**	**–**	**906**	697	**(2,485)**	(1,479)
Energy distribution expenses	**–**	(1)	**(586)**	(567)	**(105)**	(87)	**–**	–	**–**	–	**(691)**	(655)
Energy margin	**831**	**950**	**163**	**172**	**97**	**122**	**–**	**–**	**–**	**–**	**1,091**	**1,244**

A

A2 Income

Operating revenue	2021 $M	2020 $M
Energy sales to customers	2,165	1,994
Generation revenue, net of hedging	2,102	1,384
Energy related services revenue	10	10
Other revenue	19	17
	4,296	3,405

Total revenue by geographic area	2021 $M	2020 $M
New Zealand	3,948	3,039
Australia	333	353
United Kingdom	15	13
Total operating revenue	4,296	3,405

	2021 $M	2020 $M
Interest income	–	1

Operating revenue

Energy sales to customers

Revenue received or receivable from residential, business and industrial customers. This revenue is influenced by customer contract sales prices and their demand for electricity and gas.

Generation revenue, net of hedging

Revenue received from:

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

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

Key judgements and estimates – Revenue

Electricity consumption

Meridian exercises judgement in estimating retail electricity sales, where customer electricity meters are unread at balance date. These estimates of customer electricity usage in the unread period are based on the customers' historical consumption patterns.

Revenue is recognised at the time of supply and customer consumption. Elements of the sale price such as discounts and credits given to customers and any incremental costs incurred obtaining or retaining a customer contract are deferred to customer contract assets on the balance sheet on a portfolio basis and released to the income statement over the contract tenure.

Supply contract with NZAS

The agreement with New Zealand Aluminium Smelters (NZAS) has been recognised in these financial statements in a manner consistent with fixed price supply agreements with other industrial customers. Revenue is recognised as electricity sales revenue in the income statement and the estimated future cash flows are included in the fair value of generation structures and plant assets on the balance sheet.

Discounts and payment terms

Where a discount is offered, revenue is initially recognised net of estimated discount based on accumulated experience used to estimate the amount of discounts taken by customers.

There are no significant differences between the payment terms and this policy.

A

A3 Expenses

Operating expenses	2021 $M	2020 $M
Energy expenses, net of hedging	**2,485**	1,479
Energy distribution expenses	**691**	655
Energy transmission expenses	**87**	123
Employee expenses	**112**	115
Energy metering expense	**39**	36
Other expenses	**153**	144
	3,567	**2,552**

Operating expenses

Energy expenses, net of hedging

The cost of:

- energy purchased from wholesale markets to supply customers;
- net settlement of buy-side energy hedges; and
- related charges and services.

Energy expenses are influenced by quantity and timing of customer consumption and wholesale spot prices.

Energy distribution expenses

The cost of distribution companies transporting energy between where energy is transmitted/stored and customers' properties.

Energy transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Energy metering expenses

The cost of electricity meters, meter reading and data gathering of retail customer electricity consumption in New Zealand. Metering expenses in Australia are bundled with electricity distribution costs.

Employee expenses

Provisions are made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Contributions to defined contribution plans (largely KiwiSaver) were $5 million in 2021 (30 June 2020: $5 million).

Depreciation and amortisation	Note	2021 $M	2020 $M
Depreciation	B1	**285**	288
Amortisation of intangibles	B2	**18**	24
		303	**312**

Finance costs	Note	2021 $M	2020 $M
Interest on borrowings		**78**	77
Interest on electricity option premium		**1**	2
Interest on lease liabilities	C7, C9	**5**	6
		84	**85**

Impairment and gain on sale of assets	Note	2021 $M	2020 $M
Impairment of property, plant and equipment	B1	**–**	58
Remeasurement of Australian remediation assets and liabilities		**(6)**	–
(Gain)/Loss on sale on disposal of assets		**1**	–

Impairment of non-financial assets

Meridian reviews the recoverable amount of its tangible and intangible assets at each balance date. They are grouped into cash-generating units with separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell, and present value of future cash flows expected to be generated by the assets (also known as value in use). If the carrying value of an asset exceeds the recoverable amount, an impairment expense is recognised in the income statement. For assets that are revalued refer to Note B1 Property, plant and equipment for specific treatment.

In 2020, $57 million of the impairment is a result of the revaluation of our Australia generation structures and plant. Refer to Note B1 Property, plant and equipment for further detail.

The Group recognises an asset and liability for decommissioning its Australian wind farm assets when they reach the end of their useful lives. Because of the long term nature of these, there is considerable uncertainty in estimating the costs that will be incurred. In 2021, a $6 million gain was recorded from changes in the assumptions used to calculate this estimate.

A4 Taxation

Tax expense	2021 $M	2020 $M
Current income tax expense	137	169
Adjustments to tax of prior years	–	(1)
Total current tax expense	**137**	**168**
Deferred tax	30	(106)
Other	–	1
Total tax	**167**	**63**
Reconciliation to profit before tax		
Profit before tax	**595**	**238**
Income tax at applicable rates	166	65
Expenditure not deductible for tax	2	–
Income tax (over)/under provided in prior year	–	(1)
Other	(1)	(1)
Tax expense	**167**	**63**

Current tax expense

Tax expense components are current income tax and deferred tax.

Current income tax expense is the income tax assessed on taxable profit for the year. Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other years, and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates enacted at balance date, being 28% for New Zealand and 30% for Australia.

A

A4 Taxation continued

Deferred tax assets and liabilities	2021 $M	2020 $M
Balance at beginning of year	**1,816**	1,928
Temporary differences in income statement:		
Depreciation/amortisation	**(52)**	(69)
Term payables	**9**	5
Financial instruments	**70**	(45)
Australia tax losses utilised	**(1)**	7
Customer contract assets	**–**	1
Other – payables & receivables	**3**	(5)
	29	**(106)**
Temporary differences in other comprehensive income:		
Revaluation reserve movements	**58**	(7)
Other	**2**	1
Balance at end of year	**1,905**	**1,816**
Made up of:		
Property, Plant and Equipment	**1,941**	1,935
Term payables	**(13)**	(22)
Financial instruments	**6**	(64)
Customer contract assets	**7**	7
Other – payables & receivables	**(1)**	(6)
Deferred tax liability	**1,940**	1,850
Carried forward unused tax losses	**(33)**	(32)
Deferred income	**(2)**	(2)
Deferred tax asset	**(35)**	**(34)**
Total deferred tax	**1,905**	**1,816**

Deferred tax assets and liabilities

Deferred tax is income tax which is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences. These arise from differences in the recognition of assets and liabilities for financial reporting and from the filing of income tax returns. Deferred tax is recognised on all temporary differences, other than those arising:

- from goodwill; and
- from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

The majority of Meridian's deferred tax balance is made up of temporary differences on the revaluation of property, plant and equipment. This balance will only reverse if the fair value of these assets declines back to their original historical cost.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Unused tax losses

The deferred tax asset relates to unused tax losses from our Australian operations and will be utilised against future taxable income from retail and generation activities in that country.

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

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset only if there are legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to the same taxable entity and taxation authority.

B

Assets used to generate and sell electricity

In this section

This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenue. In this section of the notes there is information about:

a. property, plant and equipment; and

b. intangible assets.

B1 Property, plant and equipment

$M	Generation structures and plant at fair value	Land and buildings at cost	Other plant and equipment at cost	Right of Use Lease Assets	Work in progress at cost	Total
Cost or fair value	8,655	20	160	–	96	**8,931**
Less accumulated depreciation	(1)	(5)	(97)	–	(3)	**(106)**
Net book value at 30 June 2019	**8,654**	**15**	**63**	**–**	**93**	**8,825**
Additions	–	–	–	–	38	**38**
Transfers – work in progress	24	–	5	–	(29)	**–**
Lease assets transferred on implementation of NZ IFRS 16	–	–	(27)	27	–	**–**
Lease assets recognised on implementation of NZ IFRS 16	–	–	–	75	–	**75**
Adjustment of Right of Use lease assets				1		**1**
Decommisioning Asset – remeasurement	6	–	–	–	–	**6**
Foreign currency exchange rate movements[15]	14	–	1	–	–	**15**
Generation structures and plant revaluations:						**–**
Decrease taken to revaluation reserve	(21)	–	–	–	–	**(21)**
Decrease taken to income statement	(57)	–	–	–	–	**(57)**
Depreciation expense	(275)	–	(7)	(7)	1	**(288)**
Net book value at 30 June 2020	**8,345**	**15**	**35**	**96**	**103**	**8,594**
Cost or fair value	8,593	20	130	111	105	**8,959**
Less accumulated depreciation[16]	(248)	(5)	(95)	(15)	(2)	**(365)**
Net book value at 30 June 2020	**8,345**	**15**	**35**	**96**	**103**	**8,594**
Additions	–	–	–	1	79	**80**
Transfers – work in progress	4	1	17	–	(22)	**–**
Adjustment of Right of Use lease assets	–	–	–	1	–	**1**
Decommisioning Asset – remeasurement	11	–	–	–	–	**11**
Disposals	(1)	–	(4)	(4)	–	**(9)**
Foreign currency exchange rate movements[15]	4	–	–	–	–	**4**
Generation structures and plant revaluation:		–		–	–	**–**
Increase taken to revaluation reserve	202	–	–	–	–	**202**
Depreciation expense	(268)	(1)	(9)	(6)	(1)	**(285)**
Net book value at 30 June 2021	**8,297**	**15**	**39**	**88**	**159**	**8,598**
Cost or fair value	8,314	21	143	109	162	**8,749**
Less accumulated depreciation[16]	(17)	(6)	(104)	(21)	(3)	**(151)**
Net book value at 30 June 2021	**8,297**	**15**	**39**	**88**	**159**	**8,598**

15 Through the foreign currency translation reserve in other comprehensive income.
16 Includes the reversal of accumulated depreciation on generation structures and plant at revaluation date.

B

B1 Property, plant and equipment continued

At 30 June 2021, had the generation structures and plant not been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $2.0 billion (30 June 2020: $2.3 billion).

Recognition and measurement

Generation structures and plant assets (including land and buildings) are held on the balance sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Meridian uses an independent valuer, who uses an income valuation approach based primarily on discounted cash flows (DCFs) and capitalisation of earnings to establish a valuation range on which the Board's ultimate valuation decision is based.

Any increase arising on revaluation is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement. In that case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged to the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation represents the revalued amount.

Subsequent additions to generation structures and plant assets are recorded at cost, which is considered fair value, including costs directly attributable to bringing the asset to the location and condition necessary for its intended purpose, and financing costs where appropriate.

Meridian engaged an independent valuer to assess its generation structures and plant assets at 30 June 2021. At this date an independent valuer assessed values using DCFs and capitalisation of earnings when determining a valuation range.

At 30 June 2021, the revaluation resulted in a net increase of $202 million (2020: net decrease of $78 million) in the carrying value of our generation structures and plant assets. The impact of the revaluation was recognised as a increase of $202 million (2020: decrease of $21 million) in the revaluation reserve and a nil impairment expense (2020: impairment expense of $57 million) of generation assets recognised in the income statement.

As a consequence of this revaluation, accumulated depreciation on most generation assets is reset to nil. Accumulated depreciation of two sites (Mt Millar and Mt Mercer) are not reset to nil, as their current carrying value was the same as the estimated fair value at 30 June 2021. There was no depreciation impact of this revaluation in the income statement.

B

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

The Meridian Board uses its judgement to decide on the appropriateness of key valuation techniques and inputs for fair value measurement. Judgement is also used in determining the estimated remaining useful lives of assets. As the valuation of generation structures and plant does not fully use observable market data, it continues to be classified as Level 3 under Meridian's fair value hierarchy defined in Note D1 Financial risk management.

As discussed above, the independent valuer uses an income approach which involves incorporating two techniques in establishing a valuation range being DCF and capitalisation of earnings. The fair value adopted aligns closely with the DCF and capitalisation of earnings value.

The DCF methodolgy involves calculating the present value of future cashflows expected to be produced over a projection period including forecast revenues and forecast future generation output.

The capitalisation of earnings methodology calculates value by reference to an assessment of future maintainable earnings and capitalisation multiples as observed from market prices of listed companies with broadly comparable operations to Meridian. In preparing the capitalisation of earnings valuation, an EBITDAF multiple range at which to capitalise Meridian's historical and forecast earnings is determined.

In determining the maintainable earnings, observable wholesale electricity prices extracted from the ASX have been used.

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

Key input to measure fair value	Description	Range ofunobservable inputs	Sensitivity	Impact on valuation
Future NZ wholesale electricity prices	The price received for NZ generation	$42MWh to $118MWh by 2035 (in real terms)	+ $3MWh - $3MWh	$442M ($442M)
Future Australia wholesale electricity prices	The price received for Australian generation, inclusive of LGCs	A$31MWh to A$104MWh by 2035 (in real terms)	+ 5% - 5%	A$31M (A$31M)
Weighted Average Cost of Capital (WACC)	The discount rate takes into account the time value of money and relative risk of achieving the cash flow forecast	6.25% to 7.90%	+ 0.5% - 0.5%	($693M) $810M
New Zealand generation volume	Annual generation production	13,059GWh p.a. to 14,024GWh p.a.	+ 250GWh - 250GWh	$234M ($234M)
Australian generation volume	Annual generation production	762GWh p.a. to 579GWh p.a.	+ 5% - 5%	A$33M (A$33M)
Operating expenditure (excluding electricity related expenditure – refer Note A3 Expenses)	Meridian's cost of operations	$280M p.a.	+ $10M - $10M	($124M) $124M
EBITDAF earnings multiple	Valuation multiple (including control premium of 20%) derived from earnings and valuations of comparable companies	14 x EBITDAF	+ 0.5x - 0.5x	$360M ($360M)

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

B

B1 Property, plant and equipment continued

Depreciation

Depreciation of property, plant and equipment assets, other than freehold land, is calculated on a straight-line basis. This allocates the cost or fair value amount of an asset, less any residual value, over its estimated remaining useful life.

Right of Use Assets are depreciated over the term of their underlying lease arrangement.

Useful lives

Meridian uses its judgement in determining the remaining useful lives and residual value of assets, which are:

- generation structures and plant – up to 80 years;
- buildings – up to 67 years;
- other plant and equipment – up to 20 years; and
- right of use lease assets – up to 27 years.

The residual value and useful lives are reviewed, and if appropriate adjusted, at each balance date.

Disposals or retirement

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

B2 Intangible assets

$M	Goodwill	Software	Total
Cost or fair value	–	158	158
Less accumulated amortisation	–	(99)	(99)
Net book value at 30 June 2019	–	59	59
Additions	5	25	30
Amortisation expenses	–	(24)	(24)
Expensed to Income Statement[17]	–	(1)	(1)
Net book value at 30 June 2020	5	59	64
Cost or fair value	5	182	187
Less accumulated amortisation	–	(123)	(123)
Net book value at 30 June 2020	5	59	64
Additions	–	40	40
Expensed to Income Statement[17]	–	(2)	(2)
Amortisation expenses	–	(18)	(18)
Net book value at 30 June 2021	5	79	84
Cost or fair value	5	220	225
Less accumulated amortisation	–	(141)	(141)
Net book value at 30 June 2021	5	79	84

17 Adjustment for SaaS costs transferred to Income Statement

Software

Acquired computer software licences (that are not considered an integral part of related hardware) are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Additionally, costs directly associated with the production of identifiable and unique software products that will generate economic benefits beyond one year are also recognised as intangible assets.

All these costs are amortised over their useful lives on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Useful lives

Meridian uses its judgement in determining the remaining useful lives and residual value of intangible assets, which are:

- electricity and gas retail platform – up to 5 years;
- generation control – up to 10 years; and
- other software – up to 3 years.

These are reviewed, and, if appropriate, adjusted at each balance date.

Goodwill

Goodwill represents the excess of the cost of a business acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is assessed as having an indefinite useful life and is not amortised. Instead, it is subject to impairment testing at each reporting date or whenever there are indications of impairment. Goodwill has been allocated to the following business units:

$M	2021	2020
Rangoon Energy Park Pty Ltd	4	4
Wandsworth Wind Farm Pty Ltd	1	1
	5	5

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

C
Managing funding

In this section

This section explains how Meridian manages its capital structure and working capital, the various funding sources and how dividends are returned to shareholders. In this section of the notes there is information about:

a. equity and dividends;

b. net debt;

c. receivables and payables; and

d. leases and commitments.

C1 Capital management

Capital risk management objectives

Meridian's objective when managing capital is to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimise the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

Meridian regularly monitors its capital requirements using various measures which consider debt facility financial covenants and credit ratings. The key measures are net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard & Poor's.

Meridian is in full compliance with debt facility financial covenants.

	Note	2021 $M	2020 $M
Share capital	C2	**1,595**	1,598
Retained earnings		**(1,548)**	(1,542)
Other reserves		**5,177**	5,026
		5,224	**5,082**
Drawn borrowings	C7	**1,589**	1,491
Lease liabilities payable	C9	**97**	104
Less: cash and cash equivalents	C5	**(148)**	(176)
		1,538	**1,419**
Net capital		**6,762**	**6,501**

	Note	2021 $M	2020 $M
Net debt to EBITDAF			
Drawn borrowings	C7	**1,589**	1,491
Lease liabilities	C9	**97**	104
Less: cash and cash equivalents	C5	**(148)**	(176)
Add back: restricted cash	C5	**97**	67
Add back: cash buffer[18]		**13**	27
Net debt (A)		**1,648**	**1,513**
EBITDAF (B)		**729**	**853**
Net debt to EBITDAF (times) (A/B)		**2.3**	**1.8**

	Note	2021 $M	2020 $M
EBITDAF Interest cover			
EBITDAF (B)		**729**	853
Interest on borrowings	A3	**78**	77
Interest on lease liabilities	A3	**5**	6
Interest (C)		**83**	83
EBITDAF interest cover (times) (B/C)		**8.8**	10.3
Standard & Poor's rating		**BBB+**	**BBB+**

18 The cash buffer is calculated as 25% of unrestricted cash and cash equivalents.

C

C2 Share Capital

Share capital	Shares	2021 $M	Shares	2020 $M
Shares issued	2,563,000,000	1,600	2,563,000,000	1,600
Treasury shares held	(1,359,011)	(5)	(1,212,448)	(2)
Share capital	**2,561,640,989**	**1,595**	**2,561,787,552**	**1,598**

All shares issued are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the company.

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

C3 Earnings per share

Basic and diluted earnings per share (EPS)	2021	Restated* 2020
Profit after tax attributable to shareholders of the parent company ($M)	428	175
Weighted average number of shares used in the calculation of EPS	2,563,000,000	2,563,000,000
Basic and diluted EPS (cents per share)	16.7	6.8

* Refer to Significant matters section for details on 2020 restatement.

C4 Dividends

Dividends declared and paid	2021 $M	2020 $M
Interim ordinary and special dividend 2021: 5.7cps (cents per share) (2020: 8.14cps)	**146**	209
Final ordinary and special dividend 2020: 11.2cps (2019: 13.16cps)	**287**	337
Total dividends paid	**433**	**546**
Dividends declared and not recognised as a liability		
Final ordinary dividend 2021: 11.2cps (2020:11.2cps)	**287**	287
Imputation credit balance		
Imputation credits available for future use	**89**	94

Dividend policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short and medium-term economic, market and hydrology conditions.

On 30 March 2021, the Board approved a dividend reinvestment plan offering shareholders the opportunity to reinvest the net proceeds of their dividends from Meridian shares into additional, fully paid shares. This will apply from the payment of the 30 June 2021 final dividend on 15 October 2021.

Subsequent event – dividend declared

On 24 August 2021 the Board declared a partially imputed final ordinary dividend of 11.20 cents per share.

Imputation credit balance

Imputation credits allow Meridian to pass on to its shareholders the benefit of the New Zealand income tax it has paid by attaching imputation credits to the dividends it pays, reducing the shareholders' net tax obligations.

The imputation credits available for future use reflect the balance available on 24 August 2021, therefore recognising any tax payments between balance date and 24 August 2021.

C

C5 Cash and cash equivalents

Cash and cash equivalents	2021 $M	2020 $M
Current account	148	154
Money market account	–	22
Cash and cash equivalents	**148**	**176**

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are not subject to a significant risk of change in value.

Restricted cash

Meridian trades electricity hedges on the ASX using Macquarie as a broker. As a result, a proportion of the funds it holds on deposit are pledged as margin which varies depending on market movements and contracts held.

At 30 June 2021, this collateral was $97 million (30 June 2020: $67 million).

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

Reconciliation of net profit after tax to cash flows from operating activities	2021 $M	2020 $M
Net profit after tax	**428**	**176**
Adjustments for operating activities' non-cash items:		
Depreciation and amortisation	303	312
Movement in deferred tax	29	(106)
Net change in fair value of financial instruments	(248)	161
Electricity option premiums	(21)	(22)
Share-based payments	2	1
	65	**346**
Items classified as investing activities:		
Remeasurement of Australian remediation assets and liabilities	(6)	58
(Gain)/Loss on sale of assets	1	–
	(5)	**58**
Changes in working capital items:		
(Increase) in accounts receivable	(168)	(31)
(Increase) in customer contract assets	(1)	(3)
(Increase) in other assets	(19)	(8)
(Decrease)/increase in payables and accruals/employee entitlements	214	68
Increase in customer contract liabilities	–	7
Increase/(decrease) in current tax payable	(42)	(1)
Working capital items in investing activities	(17)	(21)
Working capital items in financing activities and other non-cash items	(24)	14
	(57)	25
Cash flow from operating activities	**431**	605

C6 Trade receivables

Trade receivables	2021 $M	2020 $M
Accrued receivables	**429**	262
Current billed	**50**	57
Past due 1 to 30 days	**14**	10
Past due 31 to 60 days	**3**	3
Past due 61 to 90 days	**1**	1
Past due greater than 90 days	**3**	6
Less: credit loss allowance	**(9)**	(16)
Total trade receivables	**491**	**323**
Accounts receivable past due but not impaired	**12**	10

Movement in provision for credit loss allowance		
Opening provision	**(16)**	(5)
Provision released (created) in the year	**3**	(14)
Provision used in the year	**4**	3
Closing provision for credit loss allowance	**(9)**	**(16)**

Trade receivables, measurement and recognition

Trade receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. The overdue amounts are largely related to energy sales to retail customers in New Zealand and Australia.

Trade receivables written off during the year were $4 million (30 June 2020: $3 million).

Receivables are written off at the point where Meridian believe there is no reasonable expectation of recovery, which is typically a combination of an overdue amount, no communication or response from the debtor, and no payments received. Receivables written off are handed to collection agencies for enforcement.

Credit losses

The allowance for credit losses are an estimate of the Group's expected credit losses over the lifetime of the current amounts receivable. Or rather, it is the difference between the face value of trade receivables and the future cash flows we expect to receive. Additions to the provision are recognised in the income statement.

We estimate collective future cash flows by considering customer credit history, historical recovery performance and trends, through which we build default matrices that apply a probability of default given the ageing of debtors. Forward-looking employment statistics are also monitored for both New Zealand and Australia, with a large rise in forecast unemployment acting as a trigger for us to reconsider the probability rates in our matrices.

As noted in the Significant matters section, Meridian continues to hold a higher provision for credit losses in light of continuing economic uncertainty in response to COVID-19.

C

C7 Borrowings

$M	Currency borrowed in	2021 Drawn facility amount	2021 Transaction costs paid	2021 Fair value adjustment	2021 Carrying amount	2020 Drawn facility amount	2020 Transaction costs paid	2020 Fair value adjustment	2020 Carrying amount
Current borrowings									
Unsecured borrowings	NZD	321	(1)	–	320	89	(1)	–	88
Unsecured borrowings	USD	47	–	11	58	–	–	–	–
Total current borrowings		**368**	**(1)**	**11**	**378**	**89**	**(1)**	**–**	**88**
Non –current borrowings									
Unsecured borrowings	NZD	665	(1)	–	664	800	(2)	–	798
Unsecured borrowings	USD	556	(1)	79	634	602	(1)	201	802
Total non –current borrowings		**1,221**	**(2)**	**79**	**1,298**	**1,402**	**(3)**	**201**	**1,600**
Total borrowings		**1,589**	**(3)**	**90**	**1,676**	**1,491**	**(4)**	**201**	**1,688**

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amount (net of transaction costs paid) and are subsequently held at amortised cost using the effective interest method. Any borrowings which have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements – refer to Note D1 Hedge accounting section for further detail on this. Any borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date. Any retranslation effect is included in the "Fair value adjustment" column in the table, along with any amounts relating to fair value hedge adjustments.

Meridian uses cross-currency interest rate swap (CCIRS) hedge contracts to manage its exposure to interest rates and borrowings sourced in currencies different to that of the borrowing entity's reporting currency. More information on Meridian's risk management and hedge accounting practices can be found in Section D Financial instruments used to manage risk.

Fair value of items held at amortised cost	2021 $M Carrying value	2021 $M Fair value	2020 $M Carrying value	2020 $M Fair value
Retail bonds	500	540	500	558
Floating Rate Notes	50	51	50	51
Unsecured term loan (EKF facility)	50	52	60	64

Within term borrowings there are longer dated instruments which are not in hedge accounting relationships. The carrying values and estimated fair values of these instruments are noted in the table above.

Fair value is calculated using a discounted cash flow calculation and the resultant values would be classified as Level 2 within the fair value hierarchy.

The Retail Bonds are listed instruments; however, a lack of liquidity on the NZX precludes them from being classified as Level 1 (a definition of hierarchy levels is included in Note D1 Financial risk management).

Carrying value approximates fair value for all other instruments within term borrowings.

C7 Borrowings continued

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

2021											
$M	Balance at 30 June 2020	Term borrowings drawn	Term borrowings repaid	Valuation adjustments	Foreign Exchange	Transaction costs paid & accrued	Lease liabilities recognised	Lease liabilities paid	Lease derecognition	Unwind of discounting	Balance at 30 June 2021
Unsecured borrowings – NZD	886	108	(10)	–	–	–	–	–	–	–	984
Unsecured borrowings – USD	802	–	–	(58)	(52)	–	–	–	–	–	692
Lease Liabilities	104	–	–	–	–	–	1	(7)	(5)	5	97
Total	**1,792**	**108**	**(10)**	**(58)**	**(52)**	**–**	**1**	**(7)**	**(5)**	**5**	**1,773**

2020											
$M	Balance at 1 July 2019	Term borrowings drawn	Term borrowings repaid	Valuation adjustments	Foreign Exchange	Transaction costs paid & accrued	Lease liabilities recognised	Lease liabilities paid	Lease derecognition	Unwind of discounting	Balance at 30 June 2020
Unsecured borrowings – NZD	775	172	(60)	–	–	(1)	–	–	–	–	886
Unsecured borrowings – USD	695	–	–	80	27	–	–	–	–	–	802
Lease Liabilities	32	–	–	(1)	(1)	–	75	(7)	–	6	104
Total	**1,502**	**172**	**(60)**	**79**	**26**	**(1)**	**75**	**(7)**	**–**	**6**	**1,792**

		2021			2020		
Sources of funding – $M	Currency borrowed in	Facility amount	Drawn facility amount	Undrawn facility amount	Facility amount	Drawn facility amount	Undrawn facility amount
Bank facilities							
New Zealand bank funding[19]	NZD	770	161	609	600	200	400
EKF funding[20]	NZD	50	50	–	60	60	–
Total bank facilities		**820**	**211**	**609**	**660**	**260**	**400**
Other sources of borrowing							
Retail bonds[21]	NZD	500	500	–	500	500	–
Floating rate notes[19]	NZD	50	50	–	50	50	–
Fixed rate bonds[22]	USD	603	603	–	602	602	–
Commercial paper[23]	NZD	225	225	–	79	79	–
Total other sources of borrowing		**1,378**	**1,378**	**–**	**1,231**	**1,231**	**–**
Total sources of funding		**2,198**	**1,589**	**609**	**1,891**	**1,491**	**400**

19 Funding bears interest at the relevant market floating rate plus a margin.
20 EKF facility is an unsecured amortising term loan, provided by the official export credit agency of Denmark, for the construction of Te Uku wind farm.
21 Retail Bonds are senior unsecured retail bonds bearing interest rates of 4.53%, 4.88% and 4.21%.
22 USD fixed rate bonds are unsecured fixed rate bonds issued in the United States Private Placement Market.
23 NZD commercial paper comprises senior unsecured short-term debt obligations paying a fixed rate of return over a set period of time.

C

C8 Green Financing

To recognise Meridian's commitment, leadership and investment in renewable energy, Meridian has designed a Green Finance Programme which covers both existing and future issuances of debt instruments (Programme).

The Programme Framework (Framework) sets out the process, criteria and guidelines under which Meridian intends to issue and/or manage existing and future bonds and loans under the Programme which contribute towards achieving Meridian's sustainable objectives. The Framework is aligned with the following market standards as at the date of the Framework:

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

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

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

Green Debt Instruments under Meridian's Green Finance Programme

Green Debt allocated to the Hydro Pool[24]

Type – $M	CUSIP/NZX Code	Currency borrowed in	30 June 2021 Facility amount	30 June 2021 Drawn facility amount
USPP Series 2014-1 Tranche A[25]	Q5995*AA6	USD	47	47
USPP Series 2014-1 Tranche B[25]	Q5995*AB4	USD	117	117
USPP Series 2019-1 Tranche A[25]	Q5995#AE4	USD	183	183
USPP Series 2019-1 Tranche B[25]	Q5995#AF1	USD	183	183
USPP Series 2019-1 Tranche C[25]	Q5995#AG9	USD	73	73
Total USPP			**603**	**603**
Wholesale FRN – 10yr		NZD	50	50
Bank Facilities[26]		NZD	770	161
Commercial Paper[27]		NZD	225	225
Total Green Debt allocated to the Hydro Pool			**1,648**	**1,039**

Green Debt allocated to the Wind Pool[28]

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

24 Verified as meeting the criteria established for Meridian by DNV GL which align with the stated definition of Green Bonds and Loans within the Green Bond/Loan Principles.
25 United States private placement (USPP) Notes are included as the NZD equivalent under the Cross-Currency Interest Rate Swaps related to the Issue.
26 Committed Bank facilities are included at the face value of the facilities.
27 Commercial Paper is included as the amount on issue.
28 Climate Bonds Standard Certified

C9 Lease Liabilities

Lease liabilities analysis	2021 $M	2020 $M
Minimum lease payments		
Not later than 1 year	**10**	10
Later than 1 year and not later than 3 years	**19**	20
Later than 3 years and not later than 5 years	**18**	19
Later than 5 years	**99**	109
Gross future lease payables	**146**	158
Less future finance costs	**(49)**	(54)
Present value of lease liabilities	**97**	**104**
Analysed as:		
Not later than 1 year	**7**	7
Later than 1 year and not later than 3 years	**13**	14
Later than 3 years and not later than 5 years	**12**	13
Later than 5 years	**65**	70
Present value of lease liabilities	**97**	**104**
Comprising:		
Current	**7**	7
Non-current	**90**	97
	97	**104**

Lease liabilities, measurement and recognition

Meridian recognises the present value of expected lease payments under lease arrangements as lease liabilities payable. Subsequent repayments are split between principal and interest expense. The interest reflects a constant periodic charge over the expected term of the lease.

A number of our lease arrangements contain options to extend. Where we are reasonably certain of taking up those options, they are included in the lease liability. If there is any uncertainty around whether a lease extension will be taken up, it is excluded from the liability value.

Lease liabilities are classified as financial liabilities at amortised cost.

The weighted average discount rate applied in the calculation of lease liabilities is 3.10% (30 June 2020: 3.11%).

Lease details

Meridian's leases relate to office spaces, transmission connection assets at Mill Creek and Mt Mercer, and land access arrangements at our Australian generation and development sites.

Meridian reported interest expense on lease liabilities of $5 million (30 June 2020: $6 million) in the income statement.

Refer to Note B1 Property, plant and equipment for details of the related right of use lease assets.

C

C10 Commitments

	Group	
Capital expenditure commitments	**2021 $M**	**2020 $M**
Property, plant and equipment	328	8
Software	1	–
Total capital expenditure commitments	**329**	**8**

Guarantees

Various entities within the Group provide guarantees to external counterparties, with these mostly relating to security for energy market clearing and lines companies. The maximum liability under these guarantees is $166 million (30 June 2020: $75 million).

In addition to the above Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Windfarm Pty Limited. The maximum liability under these guarantees is $29 million (30 June 2020: $30 million).

D

Financial instruments used to manage risk

In this section

This section explains the financial risks Meridian faces, how these risks affect Meridian's financial position and performance, and how Meridian manages these risks. In this section of the notes there is information:

a. outlining Meridian's approach to financial risk management; and

b. analysing financial (hedging) instruments used to manage risk.

D1 Financial risk management

Meridian's activities expose it to a variety of financial risks. Its financial risk management framework focuses on the unpredictability of financial markets and wholesale energy markets. The Board approves policies including Group Treasury, Energy Hedging and Credit Policies which set appropriate principles and risk tolerance levels to guide management in carrying out financial risk management activities to minimise potential adverse effects on the financial performance and economic value of the Group. The key risks managed are discussed further below.

In order to help balance certain risk exposures, Meridian uses a variety of financial instruments (hedges). Hedges are categorised as either "Treasury" or "Energy" related, based on their underlying nature. A small number of Treasury hedges are designated in hedge accounting relationships (refer to Hedge accounting section for further detail). Meridian does not enter into speculative trades.

Financial instrument recognition

Meridian designates or classifies financial hedging instruments as:

- **Fair value hedge**, hedges of the fair value of recognised assets or liabilities or a firm commitment; or
- **Cash flow hedge**, hedges of a particular cash flow associated with a recognised asset or liability or a highly probable forecast transaction; or
- **Held for trading**, financial instruments which have not been designated in a hedging relationship.

Meridian accounts for derivative and certain designated financial instruments as fair value through the income statement.

Hedges are initially recognised at fair value on the dates the contracts are agreed, and are subsequently remeasured on a periodic basis. Remeasurement is recognised in the income statement.

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

Fair value (or unrealised) changes are recognised in "Net change in fair value of energy hedges" or "Net change in fair value of treasury hedges", depending on the underlying business nature of the hedge.

Calculation of fair value for financial instruments

Meridian uses quoted prices and/or a discounted cash flows approach in order to calculate fair values for financial instruments. Fair value measurements are grouped within a three-level fair value hierarchy based on the observability of inputs to the valuation process:

- **Level 1 Inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at reporting date;
- **Level 2 Inputs:** either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1; or
- **Level 3 Inputs:** inputs that are not based on observable market data (i.e. unobservable inputs).

Meridian has a number of energy hedges that require management estimation and judgement in order to generate a fair value at each reporting date. These estimates can have a significant risk of material adjustment in future periods. This is discussed in more detail later in this section.

D

D1 Financial risk management continued

Credit risk

Meridian is exposed to the risk of default in relation to energy sales to wholesale and retail customers, hedging instruments, guarantees and deposits held with banks and other financial institutions.

For retail customers, credit checks are carried out before new customers are accepted. The credit team oversees the collection of receivables and works with customers to minimise the chances of bad debts occurring. Management monitors the size and nature of retail customer exposures on a regular basis and acts to mitigate the risk if deemed to exceed acceptable levels.

For banks and financial institutions, only independently related parties with a minimum rating of 'A' are accepted.

For wholesale customers, individual credit limits are set based on internal or external credit ratings in accordance with limits set by the Board. Where customers are not independently credit rated, an assessment of credit quality is made, taking into account financial position, past experience and other relevant factors. If appropriate, letters of credit/guarantees are obtained from counterparties to reduce credit risk to acceptable levels. These assessments and the utilisation of credit limits and security provided by wholesale customers are reviewed and monitored by the Chief Financial Officer.

The carrying amounts of financial assets recognised on the balance sheet best represent Meridian's maximum likely exposure to credit risk at the date of this report. Refer to Note C6 Trade receivables for a description of how we provide for any credit losses. Meridian does not have any significant credit risk concentrations.

Liquidity risk

Meridian is exposed to the dynamic nature of energy markets and weather patterns, which can affect liquidity.

Meridian ensures flexibility in funding by maintaining committed surplus credit lines available of at least $200 million (refer to Note C7 Borrowings for details of undrawn facilities). This helps ensure Meridian has sufficient headroom under both normal and abnormal hydrological conditions.

Meridian manages its term debt requirements on a portfolio basis. To reduce concentration risk on any one lender or funding type, Meridian uses a range of different funding sources and currencies. Meridian also monitors contractual maturities and ensures these are well spaced (or laddered) so that refinancing risks are manageable.

In addition to borrowings, Meridian has entered into a number of letters of credit and guarantee arrangements which provide credit support of $166 million for Meridian's general operations (30 June 2020: $75 million). Meridian indemnifies the obligations of the bank in respect of the letters of credit and performance guarantees issued by the bank to counterparties of Meridian.

D1 Financial risk management continued

Liquidity Risk – Contractual maturities

The following tables are an analysis of the contractual undiscounted cash flows (settlements expected under the contracts) relating to financial liabilities and a reconciliation from total undiscounted cash flows to carrying amounts. Meridian expects to meet its future obligations from operating cash flows and debt financing.

2021 $M	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest/FX discounting	2021 carrying value
Borrowings	475	207	554	650	**1,886**	(3)	(207)	**1,676**
Lease liabilities	10	19	18	99	**146**	–	(49)	**97**
Payables, accruals, provisions and option premiums	626	40	–	35	**701**	–	(13)	**688**
Treasury hedges	40	30	57	34	**161**	–	(16)	**145**
Energy hedges	27	7	15	–	**49**	–	–	**49**
	1,178	**303**	**644**	**818**	**2,943**	**(3)**	**(285)**	**2,655**

2020 $M	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest/FX discounting	2020 carrying value
Borrowings	144	174	778	753	**1,849**	(4)	(157)	**1,688**
Lease liabilities	10	20	19	109	**158**	–	(54)	**104**
Payables, accruals, provisions and option premiums	410	42	9	24	**485**	–	(8)	**477**
Treasury hedges	43	42	92	75	**252**	–	(14)	**238**
Energy hedges	27	21	31	29	**108**	(1)	(3)	**104**
	634	**299**	**929**	**990**	**2,852**	**(5)**	**(236)**	**2,611**

D

Market risk

Meridian is involved in both the energy and financial markets and as such is exposed to rises and falls in those markets and the subsequent income statement volatility this can cause. The main sub-types of market risk that we are exposed to are discussed below.

Commodity price risk

Meridian trades in the wholesale energy markets and so is exposed to volatility in forward energy prices.

Being both a generator and a retailer of energy means that Meridian has a natural hedge for most of the exposure to future energy prices.

Meridian also uses derivatives to help manage its net energy position, some of which are traded in quoted markets, and some of which are traded directly with other energy market participants. Energy hedges are not placed in hedge accounting relationships.

Foreign exchange risk

Meridian is exposed to foreign exchange risk arising from sales and procurement of goods and services denominated in foreign currencies and also from term debt raised in foreign currencies.

For exposures resulting from Meridian's general operations, foreign exchange spot or forward contracts are used to fix the value in reporting currency terms. Material items may be placed in hedge accounting relationships and can be either fair value hedges or cash flow hedges, depending on the nature of the transaction/underlying exposure.

For term debt raised in US dollars, cross currency interest rate swaps (CCIRS) are used to convert the proceeds back to functional currency. These derivatives minimise foreign exchange risk on both the notional and the coupon flows over the life of the debt. CCIRS are placed in both fair value and cash flow hedge accounting relationships.

Interest Rate risk

Meridian is exposed to interest rate risk arising from its funding portfolio, which is a mix of fixed and floating rate debt.

Meridian issues debt on both a fixed and a floating basis and is thus exposed to changes in interest rates over time.

A portfolio of interest rate swaps (IRS) is then used to manage the net exposure to interest rate risk, in line with a Board approved hedging policy and profile. Please also refer to the Foreign exchange risk section for derivatives used for term debt raised in foreign currencies.

Meridian swaps a significant portion of its borrowings to floating rates at loan inception, and hedges the resulting interest rate exposure over a tenure based profile of fixed IRS. This is achieved using a combination of CCIRS and IRS hedges. Where Meridian borrows in foreign currency it uses CCIRSs to swap all foreign currency denominated interest and principal repayments to the reporting currency. This results in floating rate borrowings in the entity's reporting currency. Meridian uses IRS hedges to fix floating interest rates in line with the Board approved hedging policy and profile.

Meridian groups its financial instrument into two categories – Treasury hedges and Energy hedges.

	Fair value on the balance sheet			
	2021		2020	
$M	Assets	Liabilities	Assets	Liabilities
Treasury hedges	106	(145)	223	(238)
Energy hedges	300	(49)	142	(104)
	406	**(194)**	**365**	**(342)**
of which				
Current	192	(63)	100	(63)
Non Current	214	(131)	265	(279)
	406	**(194)**	**365**	**(342)**

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

D

D1 Financial risk management continued

Treasury hedges

Hedges in the Treasury category generally relate to management of the interest rate risk and foreign exchange risk that arise from Meridian's funding activities and from general Group operations.

The instruments used are CCIRS, IRS and forward exchange contracts (FX).

		Fair value on the balance sheet				Fair value movements in the income statement		Outstanding aggregate notional principals[34]	
		2021 $M		2020 $M		2021 $M	2020 $M	2021 $M	2020 $M
Treasury hedges	Level	Assets	Liabilities	Assets	Liabilities				
CCIRS									
– Interest Rate Risk[29]		62	–	118	–	(1)	(2)		
– Basis and Margin Risk[30]		(6)	–	(4)	–	–	–		
– Foreign Exchange Risk[31]		28	–	80	–	–	–		
	2	84	–	194	–	(1)	(2)	602	602
IRS[32]	2	16	(145)	29	(238)	80	(46)	1,502	1,427
FX[33]	2	6	–	–	–	–	–	165	16
Treasury hedges		**106**	**(145)**	**223**	**(238)**	**79**	**(48)**		

Meridian uses CCIRS to hedge risks involved with long term debt issued in USD. In the above table the CCIRS are separated into component parts as follows:

29 Interest rate risk: this is the movement in value of the CCIRS due to changes in benchmark interest rates. The other side of this movement is recorded in the income statement in the "Net change in fair value of treasury instruments", together with changes in the fair value hedge adjustments on the designated USD borrowings.

30 Basis and margin risk: this is the movement in the value of the CCIRS due to changes in basis (excluding foreign exchange) and credit margin. The other side of this movement is recorded in the income statement in the "Net change in fair value of treasury instruments", together with cash flow hedge accounting adjustments that transfer effective hedge portions to the Cash Flow Hedge Reserve within Equity.

31 Foreign Exchange Risk: this is the movement in value of the CCIRS due to changes in spot foreign exchange rates. The impact of retranslation is recorded in the income statement in "Net change in fair value of treasury instruments" and is offset by equal and opposite retranslation effects on the related borrowings.

32 Changes in fair value of IRS are recognised in the income statement within "Net change in fair value of treasury instruments".

33 Changes in fair value of FX contracts are recognised in the income statement within "Net change in fair value of treasury instruments", together with cash flow hedge accounting adjustments that transfer effective hedge portions to the Cash Flow Hedge Reserve within Equity.

34 These cover multiple legs including offsetting legs and maturities out to 2036.

In the table above, fair value movements in the income statement are shown net of any related hedge accounting adjustments and retranslation of foreign currency borrowings.

Refer to the Hedge Accounting section of Note D1 Financial risk management for further detail on fair value and cash flow hedge relationships.

Treasury hedges – sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the valuation of Treasury hedges and therefore on Meridian's after tax profit and equity.

Note that changes in the fair value of the CCIRS are fully offset by opposite impacts from hedge accounting entries and the FX retranslation of the USD debt. Therefore, the CCIRS P&L sensitivity is nil and is not shown in the below table.

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

		Impact on after tax profit & equity	
	Sensitivity	2021 $M	2020 $M
Interest rates			
New Zealand benchmark bill rate	-100 basis points (bps)	**(38)**	(40)
	+100 bps	**38**	44
Australian benchmark bill rate	-100 bps	**(3)**	(4)
	+100 bps	**3**	4
Foreign Exchange Rates			
Effect of movement in foreign exchange rates on foreign exchange contracts	-20%	**(1)**	–
	+20%	**1**	–

D1 Financial risk management continued

Energy hedges

Hedges in this category relate to Meridian's management of risk arising from the generation, purchase and sale of energy.

Meridian is exposed to changes in the spot price of electricity it receives for electricity generated, or pays to buy electricity and gas to supply customers. Additionally, inflows into Meridian's storage lakes are variable, therefore the volume of electricity required to supply customers may exceed (or fall short of) generation production.

Meridian's hedging strategy focuses on its net exposure by estimating both expected generation and energy purchases required to support contracted sales. Execution of this strategy is guided by Board approved parameters. Changes in the fair value of energy hedges are recognised in the income statement within "Net change in fair value of energy hedges". Hedge accounting is not applied to Energy hedges.

		Fair value on the balance sheet				Fair value movements in the income statement		Outstanding aggregate notional volumes[35]	
		2021 $M		2020 $M		2021 $M	2020 $M	2021	2020
Energy hedges	Level	Assets	Liabilities	Assets	Liabilities				
Market traded electricity hedges	1	149	(21)	57	(16)	47	(23)	20,158 GWh	16,982 GWh
Market traded gas hedges	1	–	–	–	(2)	2	(2)	322 TJ	549 TJ
Other electricity hedges	3	113	(14)	27	(65)	132	(34)	13,734 GWh	21,086 GWh
Other gas hedges	2	3	–	–	(10)	13	(10)	3,749 TJ	3,678 TJ
Electricity options	3	29	–	50	–	(21)	(20)	1,722 GWh	2,855 GWh
Large Scale Generation Certificates (LGCs)									
LGC – Holdings created from wind farm generation	1	5	–	6	–	(1)	1	0.2 million	0.1 million
LGC – Hedges	2	1	(14)	2	(11)	(3)	(25)	2.2 million	2.1 million
		6	(14)	8	(11)	(4)	(24)		
Energy related hedges		**300**	**(49)**	**142**	**(104)**	**169**	**(113)**		

35 These cover multiple legs including offsetting legs and maturities out to 2030

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

The "Other electricity hedges" and "Other gas hedges" categories contain over-the-counter derivatives, where counterparties include customers, other energy market participants and financial institutions. These hedges are generally longer-term, larger volume contracts that manage specific risks that can not be managed through exchange-based markets.

Meridian trades electricity options with other generators. These are used to support the management of inflow and storage variability in the catchments where it generates electricity.

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

D

D1 Financial risk management continued

Energy hedges – sensitivity analysis

The table below summarises the impact of changes in significant inputs (assuming all other variables are held constant) on the valuation of Energy hedges and therefore on Meridian's after tax profit and equity.

	Sensitivity	Impact on after tax profit & equity 2021 $M	2020 $M
Energy hedges			
Energy prices	-10%	**(75)**	(53)
	+10%	**76**	55
Discount rates	-100 bps	**1**	(2)
	+100 bps	**(1)**	2
Call volumes	-10%	**(2)**	(3)
	+10%	**2**	3
LGC prices	-10%	**2**	2
	+10%	**(2)**	(2)

Settlements of energy hedges

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

	2021							2020						
	Market-traded electricity hedges	Market-traded gas hedges	Other electricity hedges	Other gas hedges	Electricity Options	LGC related	Total	Market-traded electricity hedges	Market-traded gas hedges	Other electricity hedges	Other gas hedges	Electricity Options	LGC related	Total
Operating revenue	**(47)**	**–**	**(98)**	**–**	**–**	**19**	**(126)**	24	–	(14)	–	–	38	48
Operating expenses	**58**	**(2)**	**225**	**1**	**75**	**(16)**	**341**	(50)	–	69	–	4	(15)	8
Total settlements in EBITDAF	**11**	**(2)**	**127**	**1**	**75**	**3**	**215**	**(26)**	**–**	**55**	**–**	**4**	**23**	**56**

Fair value technique and key inputs

In estimating the fair value of an asset or liability, Meridian uses market-observable data to the extent that it is available. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (DCFs), a number of inputs and assumptions are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market data on gas/oil prices, published market interest rates and published forward foreign exchange rates;
- Meridian's best estimate of electricity volumes called over the life of electricity options;
- discount rates based on market wholesale interest rate curves, adjusted for counterparty credit risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate; and
- contracts run their full term.

The impact of COVID-19 has been considered as part of the assumptions when determining the fair value of our financial instruments. However, there was no impact on fair value when taking this into consideration.

The table below describes any additional key inputs and techniques used in the valuation of Level 2 and 3 energy hedges.

Financial asset or liability	Description of input	Range of significant unobservable inputs	Relationship of input to fair value
Other electricity hedges, valued using DCFs	**Price,** where quoted prices are not available or not relevant (i.e. for long-dated contracts), Meridian's best estimate of long-term forward wholesale electricity price is used. This is based on a fundamental analysis of expected demand and the cost of new supply and any other relevant wholesale market factors.	$26/MWh to $98/MWh (in real terms), excludes observable ASX prices.	An increase in the forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in the forward wholesale electricity price has the opposite effect.
LGD forward contracts & options valued using DCFs / Black Scholes	**Price**, based on a forward LGC price curve from a third party broker, and benchmarked against market spot prices. **Other factors**, include: · Calibration factor applied to forward price curves as a consequence of initial recognition differences.	A$8 to A$39	An increase in the forward LGC price decreases the fair value of sell hedges and increases the fair value of buy hedges. A decrease in the forward LGC price has the opposite effect.

D

D1 Financial risk management continued

Level 3 financial instrument analysis

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

	2021			2020		
Reconciliation of Level 3 fair value movements $M	Other electricity hedges	Electricity options	Total	Other electricity hedgess	Electricity options	Total
Energy hedges settled in EBITDAF:						
Operating revenue	(98)	–	**(98)**	(14)	–	(14)
Operating expenses	225	**75**	**300**	69	4	73
Total settlements in EBITDAF	**127**	**75**	**202**	**55**	**4**	**59**
Net change in fair value of energy hedges:						
Remeasurement	264	54	**318**	21	(16)	5
Hedges settled	(127)	(75)	**(202)**	(55)	(4)	(59)
Total realised and unrealised losses on energy hedges	**137**	**(21)**	**116**	**(34)**	**(20)**	**(54)**
Balance at the beginning of the period	(38)	50	**12**	(4)	70	66
Fair value movements	137	(21)	**116**	(34)	(20)	(54)
Balance at the end of the year	**99**	**29**	**128**	**(38)**	**50**	**12**

Fair value movements of Level 3 energy hedges in 2021 which are held at balance date total $85 million (30 June 2020: $52 million).

Movements in recalibration differences arising from energy hedges	2021 $M	2020 $M
Opening difference	**(1)**	(3)
Initial differences on new hedges	–	–
Volumes expired and amortised	–	1
Recalibration for future price estimates and time	**(1)**	1
Closing difference	**(2)**	**(1)**

Initial recognition difference

An initial recognition difference arises when the modelled value of an energy hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the income statement over the remaining life of the contract.

Hedge accounting

Meridian makes use of hedge accounting for USD borrowings, certain highly probable forecast transactions and the financial instruments that are used to economically hedge these exposures. Refer to the start of the Risk Management section for a description of the key risks Meridian manages.

Meridian only designates hedge accounting relationships where the underlying exposure and the hedge are eligible for hedge accounting and are an economic match, where credit risk is not expected to dominate the fair value of the hedge, and where we expect the hedge relationship to remain effective over its life.

The USD borrowings (hedged items) and the CCIRS (hedging instruments) present Meridian with risks which we account for in the following ways:

Interest rate risk

The USD borrowings are fixed rate liabilities and thus present interest rate risk, should benchmark interest rates change. This risk is neutralised by receiving the same fixed rate on the USD leg of the matching CCIRS. Meridian designates the interest rate risk on USD borrowings in fair value hedge accounting relationships.

This means that

- the carrying value of the USD borrowings are adjusted for changes in the fair value of the hedged risk – noted as "hedge accounting adjustments" in Note C7 Borrowings; and
- the CCIRS are revalued to the income statement for this same risk.

As long as the hedge accounting relationships remain effective, the revaluations of both the hedged item and hedging instrument should net to a minimal amount in the income statement. This residual difference is referred to as hedge ineffectiveness.

The accumulated life to date hedge accounting adjustments on the USD borrowing total $56 million (2020: $114 million).

Basis and margin risk

The combination of USD borrowings and CCIRS economically results in Meridian having floating rate NZD borrowings. This presents a risk of variability in future cash flows. As such, Meridian designates basis risk (excluding FX) and margin risk into cash flow hedge relationships.

This means that:

- the CCIRS are revalued to the income statement for basis risk and margin risk; and
- the effective portions of the hedge are moved from the income statement to the Cash Flow Hedge Reserve within Equity.

As noted earlier, there may be small differences between the above entries which result in hedge ineffectiveness in the income statement.

Refer to:

- Note C7 Borrowings for the carrying value of the hedged items (USD borrowings);
- Note D1 Treasury hedges for further information on the hedging instruments (CCIRS), including notionals and changes in fair value during the period; and
- the Statement of Changes in Equity for the balance of the Cash Flow Hedge Reserve and movements during the period.

On the balance sheet, USD borrowings are included within Term Borrowings and CCIRS are included within Financial Instruments.

Foreign exchange risk

Meridian has hedged highly probable forecast capital expenditure denominated in currencies other than NZD using forward exchange contracts. The foreign currency exposures give rise to the risk of variability to future cashflows. To mitigate this risk forward foreign exchange contracts have been entered into. The cash flows associated with these contracts are timed to mature when the payment for the capital expenditure is made. For contracts designated as cash flow hedges for accounting purposes, when the cash flows occur Meridian adjusts the carrying value of the asset acquired.

Hedge ineffectiveness

The table below summarises hedge ineffectiveness. This is included within "Net change in fair value of Treasury Hedges" in the income statement.

Impact on income statement

	2021 $M	2020 $M
Hedge Ineffectiveness	–	(2)

Ineffectiveness is primarily caused by credit counterparty risk on CCIRS. This risk is part of the CCIRS fair value but is not included in the hedge accounting entries.

D

D1 Financial risk management continued

Future cash flows

The table below estimates the contractual undiscounted future cash flows that we expect on hedge accounted items. Amounts noted include coupons and repayment/exchange of notionals on maturity.

	2021 $M				2020 $M			
Currency as indicated below	Due within 1 year	Due within 1–2 years	Due within 2–5 years	Due after 5 years	Due within 1 year	Due within 1–2 years	Due within 2–5 years	Due after 5 years
USD Borrowings (shown in USD)	**(56)**	**(16)**	**(47)**	**(454)**	(17)	(56)	(47)	(469)
CCIRS								
– USD leg (coupons and maturity flow – shown in USD)	**56**	**16**	**47**	**454**	17	56	47	469
– Functional currency leg (coupons and maturity flow – shown in NZD)	**(58)**	**(13)**	**(53)**	**(638)**	(11)	(57)	(34)	(627)
Foreign Exchange Contracts								
– Foreign currency leg (shown in NZD)	**12**	**95**	**62**	**–**	–	–	–	–
– Functional currency leg (shown in NZD)	**(11)**	**(90)**	**(59)**	**–**	–	–	–	–

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

The foreign currency leg of foreign exchange contracts is translated to NZD using spot exchange rates at reporting date.

Financial instruments which are offset

In certain circumstances Meridian offsets the fair value of financial instruments where it has legal agreements in place that permit netting of positions and net settlement.

	2021 $M			2020 $M		
	Gross Value	Value Offset	Carrying Value	Gross Value	Value Offset	Carrying Value
Financial instrument assets						
– Energy hedges	505	(205)	**300**	205	(63)	142
– Treasury hedges	106	–	**106**	223	–	223
Total financial instrument assets	611	(205)	**406**	428	(63)	365
Financial instrument liabilities						
– Energy hedges	(254)	205	**(49)**	(167)	63	(104)
– Treasury hedges	(145)	–	**(145)**	(238)	–	(238)
Total financial instrument liabilities	(399)	205	**(194)**	(405)	63	(342)
Net financial instruments	**212**	**–**	**212**	**23**	**–**	**23**

E

Group structure

In this section

This section provides information to help readers understand the Meridian Group structure and how it affects the financial position and performance of the Group. In this section of the notes there is information about Meridian's Subsidiaries.

E1 Subsidiaries

The consolidated financial statements include the financial statements of Meridian Energy Limited and the subsidiaries listed below.

They all have share capital consisting solely of ordinary shares that the Group holds directly, and the proportion of ownership interests held equals the Group's voting rights.

Meridian Energy Limited provides support to its subsidiaries where necessary in order to ensure they meet their obligations as they fall due.

Name of entity	Principal activity	Functional Currency	Interest held by the group 2021	2020
Meridian Energy Limited[36]				
Powershop New Zealand Limited[37]	Electricity retailing	New Zealand dollar	–	100%
Flux Federation Limited	Software development	New Zealand dollar	100%	100%
Flux-UK Limited	Licence holder	British pounds	100%	100%
Three River Holdings No. 1 Limited[36]	Holding company	New Zealand dollar	100%	100%
Three River Holdings No. 2 Limited[36]	Holding company	New Zealand dollar	100%	100%
Meridian Energy Australia Pty Limited[36]	Management services	Australian dollar	100%	100%
GSP Energy Pty Limited	Electricity generation	Australian dollar	100%	100%
Meridian Finco Pty Limited[36]	Financing	Australian dollar	100%	100%
Rangoon Energy Park Pty Limited[38]	Wind farm development	Australian dollar	100%	100%
Wandsworth Wind Farm Pty Limited[38]	Wind farm development	Australian dollar	100%	100%
Meridian Energy Markets Pty Limited[36]	Non-trading entity	Australian dollar	100%	100%
Meridian Wind Monaro Range Holdings Pty Limited[36]	Holding company	Australian dollar	100%	100%
Meridian Wind Monaro Range Pty Limited[36]	Holding company	Australian dollar	100%	100%
Mt Millar Wind Farm Pty Limited[36]	Electricity generation	Australian dollar	100%	100%
Meridian Australia Holdings Pty Limited[36]	Holding company	Australian dollar	100%	100%
Meridian Wind Australia Holdings Pty Limited[36]	Holding company	Australian dollar	100%	100%
Mt Mercer Windfarm Pty Limited[36]	Electricity generation	Australian dollar	100%	100%
Powershop Australia Pty Limited	Electricity retailing	Australian dollar	100%	100%
Dam Safety Intelligence Limited	Professional services	New Zealand dollar	100%	100%
Meridian LTI Trustee Limited	Trustee	New Zealand dollar	100%	100%
Meridian Energy Captive Insurance Limited	Insurance	New Zealand dollar	100%	100%
Meridian Limited	Non-trading entity	New Zealand dollar	100%	100%
Meridian Energy International Limited	Non-trading entity	New Zealand dollar	100%	100%
Powershop New Zealand Limited[37]	Non-trading entity	New Zealand dollar	100%	–

36 Members of guaranteeing group.
37 On 30 April 2021, Powershop New Zealand Limited was amalgamated into Meridian Energy Limited. The Powershop entity was removed from the companies office register and a new entity created (under the same name) for copyright purposes.
38 On 3 March 2020, Meridian Energy Australia Pty Ltd acquired 100% shareholdings in Rangoon Energy Park Pty Limited and Wandsworth Wind Farm Pty Limited.

F
Other

In this section

This section includes the remaining information relating to Meridian's financial statements which is required to comply with financial reporting standards.

F1 Share-based payments

Long term incentive (LTI)

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

Previous LTI Plan

The previous LTI is a share loan and cash bonus scheme, where executives purchase Meridian shares via an interest-free loan from the company, with the shares held on trust by the LTI plan trustee. Any shares awarded depend on whether the following performance hurdles are met over a three-year period:

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

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

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

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

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

For the LTI plan that vested at the end of 2021, the level of vesting was 100% (2020: 100%). Therefore, the outstanding balance of the interest free loans at 30 June 2021 of $0.7 million has now been repaid (2020: $0.5 million). A total amount of 238,724 shares have been transferred to the eligible participants (2020: 208,707). In 2020 154,388 shares were forfeited which are now held in trust by Meridian LTI Trustee Limited until reallocation.

F1 Share-based payments continued

New LTI Plan

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

The number of Share Rights that vest is dependent on:

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

Performance Hurdles

Share Rights are granted in two tranches:

- Absolute Return Share (ABS) Rights; and
- Relative Return Share (REL) Rights.

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

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

For each three-year plan, an independent external expert measures the TSR of Meridian and the peer group of companies along with the outcome on the progressive vesting scale.

Share Rights will lapse if the Vesting Conditions are not satisfied (although this is subject to the Board's discretion in relation to the Employment Condition).

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

F

F1 Share-based payments continued

Movement in zero-priced share options

Grant date	Vesting date	LTI Scheme & Type	Weighted average fair value of option	Number of options: Balance at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
2021								
9/03/21	30/06/23	New – ABS	**$3.53**	**–**	**238,084**	**–**	**–**	**238,084**
9/03/21	30/06/23	New – REL	**$3.75**	**–**	**238,084**	**–**	**–**	**238,084**
7/10/2019 & 28/2/20	30/06/22	New – ABS	**$3.54**	**204,834**	**–**	**–**	**–**	**204,834**
7/10/2019 & 28/2/20	30/06/22	New – REL	**$3.36**	**204,834**	**–**	**–**	**–**	**204,834**
22/08/2018	30/06/21	Previous	**$1.78**	**238,724**	**–**	**(238,724)**		**–**
Total				**648,392**	**476,168**	**(238,724)**	**–**	**885,836**
2020								
7/10/2019 & 28/2/20	30/06/22	New – ABS	$3.54	–	204,834	–	–	204,834
7/10/2019 & 28/2/20	30/06/22	New – REL	$3.36	–	204,834	–	–	204,834
22/08/2018	30/06/21	Previous	$1.78	334,897	–	–	(96,173)	238,724
07/09/2017	30/06/20	Previous	$1.61	266,922	–	(208,707)	(58,215)	–
Total				**601,819**	**409,668**	**(208,707)**	**(154,388)**	**648,392**

F

F2 Related parties

Meridian transacts with other Government-owned or related entities independently and on an arm's-length basis. Transactions cover a variety of services including trading energy, transmission, postal, travel and tax.

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

Compensation of key management personnel

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

	Group	
	2021 $M	2020 $M
Directors' Fees	**1**	1
Chief executive officer, senior management team and subsidiary chief executives		
Salaries and short-term benefits	**7**	8
Long-term benefits	**1**	1
	8	**9**

F3 Auditors remuneration

	Group	
Auditors remuneration to Deloitte Limited for:	2021 $M	2020 $M
Audit and review of New Zealand-based companies' financial statements	**0.6**	0.6
Audit of overseas-based companies' financial statements	**0.2**	0.2
Total audit fees	**0.8**	0.8
Other assurance fees	**0.1**	0.1
Total auditor remuneration	**0.9**	**0.9**

The Board has adopted a policy to maintain the independence of the Company's external auditor, including a review of all other services performed by Deloitte Limited and recommending to the Office of the Auditor-General that there be lead partner rotation after a maximum of five years. The Auditor-General has appointed Mike Hoshek of Deloitte Limited as auditor of the company.

The audit fee includes Office of the Auditor-General overhead contribution of $37,000 (30 June 2020: $33,300).

Other assurance services undertaken by Deloitte Limited during the year included reviews of greenhouse gas inventory and sustainability reporting assurance, review of the interim financial statements, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Energy Captive Insurance Limited and supervisor reporting.

Meridian has also paid $14,000 (2020: $14,000) to Deloitte Limited for administrative and other advisory services to the Corporate Taxpayers Group, of which Meridian, alongside a number of other organisations, is a member. In addition to this, Meridian has paid $5,000 (2020: nil) to Deloitte Limited for consulting services relating to the CFO Vantage Programme.

F

F4 Contingent assets and liabilities

There were no contingent assets or liabilities at 30 June 2021 (2020: Nil).

F5 Subsequent events

In August 2021, the directors of Meridian Energy Limited released an Information Memorandum to interested parties for the sale of its investment in Meridian Energy Australia ("MEA") which is held by Three River Holdings No. 2 Limited (a 100% owned subsidiary of Meridian Energy Limited). The MEA investment includes the ownership and operation of wind and hydro assets and retail activities under the Powershop brand. If we proceed, any potential transaction will likely be confirmed before the end of December 2021. The financial performance of the MEA business is presented in the Australia segment in Note A1 Segment performance. The carrying value of the assets and liabilities of the MEA investment as at 30 June 2021 was $778 million and $416 million respectively. A significant amount of uncertainty surrounds the amount of any sale proceeds and therefore it is not possible to accurately estimate the financial effect of the transaction if it proceeds.

In August 2021, the Electricity Authority (EA) released its final decision on actions to correct the December 2019 Undesirable Trading Situation. This decision relates to the floods of December 2019 when hydro generators were managing record breaking inflows and spill past hydro power stations was inevitable. Meridian's financial statements have been prepared on the basis of the final EA decision which resets prices during the trading periods concerned. The impact on the financial statements by making this adjustment was insignificant.

There are no other subsequent events other than dividends declared on 24 August 2021 (refer to Note C4 Dividends for further details)

F6 Changes in financial reporting standards

All mandatory amendments and interpretations have been adopted in the current year. None have had a material impact on these financial statements. Refer to Significant Matter section for details regarding the 2020 restatement as a result of the IFRIC Agenda Decision.

Meridian is not aware of any standards issued but not yet effective that would materially affect the amounts recognised or disclosed in the financial statements.

Deloitte.

Independent auditor's report

To the shareholders of Meridian Energy Limited for the year ended 30 June 2021

The Auditor-General is the auditor of Meridian Energy Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 115 to 160, that comprise the consolidated balance sheet as at 30 June 2021, the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the audit, our firm carries out other assurance assignments for the Group in the areas of greenhouse gas inventory assurance, limited assurance of the sustainability content in the integrated report, review of the interim financial statements, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate Taxpayers Group and the CFO Vantage Programme, which are compatible with those independence requirements.

In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence as auditor of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the consolidated financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group consolidated financial statements as a whole to be $16 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of Generation Structures and Plant As explained in note B1 in the Group financial statements, generation structures and plant are carried at fair value less any subsequent accumulated depreciation and impairment losses at balance sheet date. The net book value of generation structures and plant as reflected in note B1 is $8,297 million (2020: $8,345 million). The Group obtains an independent valuation every year to ensure that the carrying value does not differ significantly from the fair value at balance date. As a result of this independent valuation, generation structures and plant have been revalued this year as at 30 June 2021. The revaluation resulted in an increase in value by $202 million. The impact of the revaluation is recognised as an increase of $202 million in the revaluation reserve with no income statement impact in the current period (2020: decrease of $21 million in the revaluation reserve and $57 million impairment in the income statement was recorded). The valuation methodology determines an enterprise value range by considering a primarily discounted cashflow (DCF) approach, supported by a capitalisation of earnings approach. This is with reference to a) a discounted cash flow valuation, which primarily focuses on free cash flows of business units such as estimated future earnings before interest, tax, depreciation, amortisation, changes in fair value hedges, impairments, and gains or losses on sale of assets ('EBITDAF'), as well as capital expenditure, working capital movements and cash tax amounts, as well as the discount rate used within the model, and b) a capitalisation of earnings approach.The inputs do not fully use observable market data and require significant judgement and estimates to be made by the valuer. As outlined in note B1 the valuer has considered the impact of COVID-19 on the valuation. We include valuation of generation structures as a key audit matter because of the inherent technical and judgemental complexity associated with determining the fair value. Specifically, the determination of the expected cashflows, in particular the determination of forward price paths, as well as the appropriate discount rate.	Our audit procedures focused on: • The reasonableness of the key assumptions used in the discounted cash flow (DCF) model, specifically the reasonableness of the WACC rate used, and of the price paths utilised in the models; • The reasonableness of other free cash flows inputs such as estimates of EBITDAF and capital expenditure; and • The impact of COVID-19 on the estimates used within the valuation. Our procedures included: • Evaluating the Group's processes for the independent valuation of the generation structures and plant; • Reviewing the valuation methodology and the reasonableness of the significant underlying assumptions; • Assessing the competence, objectivity and integrity of the independent registered valuer. We assessed their professional qualifications and experience. We also obtained representation from them regarding their independence and the scope of their work; • Meeting with the valuer to understand the valuation process adopted to identify and challenge the critical judgement areas in the valuation; • Utilising our in-house valuation specialists to assess the appropriateness of the valuation methodology and the reasonableness of the valuation range determined by the independent valuer, including WACC rates, forward price path, and reasonableness of earnings multiples applied; • Evaluating the adequacy of the Group's disclosures in respect of the valuation of generation structures and plant.
Valuation of Level 3 Electricity Derivatives As explained in note D1, the Group's activities expose it to commodity price, foreign exchange and interest rate risks which are managed using derivative financial instruments. These instruments are carried at their fair value as at 30 June 2021. At 30 June 2021, level 3 electricity derivative assets totalled $142 million (2020: $77 million) and level 3 electricity derivative liabilities were $14 million (2020: $65 million). We include valuation of level 3 electricity derivatives as a key audit matter for the following reasons: • The price used in the valuation of electricity hedges is based on the Group's best estimate of the long-term forward wholesale electricity price, which involves significant judgement and estimates regarding discount factors, expected demand, cost of new supply, and other relevant market factors; and • The complexity and judgement involved in the valuation techniques and the judgement involved in evaluating the long-term expected call volumes and discount factor used to determine the fair value of electricity options and swaps.	Our audit procedures focused on: • The appropriateness of the valuation techniques ; • The reasonableness of the wholesale electricity price path; • The reasonableness of the underlying assumptions and inputs in the valuation models; • The impact of COVID-19 on the estimates used within the valuation. Our procedures included: • In conjunction with our internal experts, evaluating the appropriateness of the methodology applied in the valuation models for these electricity hedges, options and swaps and ensuring that the methodology has been consistently applied with the prior year where appropriate; • Challenging the key assumptions applied, including the long-term forward wholesale electricity price, long-term expected call volumes, day one adjustments and discount rates; • Agreeing underlying data to contract terms, specifically the contract term, price and volumes; and • Evaluating the adequacy of the Group's disclosures in respect of the valuation of level 3 electricity derivatives.

Other information

The Directors on behalf of the Group are responsible for the other information. The other information comprises the information included on pages 1 to 114, and 167 to 174, but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Mike Hoshek, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand
24 August 2021

Deloitte.

Independent accountant's assurance report

To the directors of Meridian Energy Limited

Report on sustainability content within the 2021 Integrated Report

Meridian Energy Limited ('Meridian) and its subsidiaries' (the 'Group') Integrated Report for the year ended 30 June 2021 (the 'Integrated Report') includes sustainability content on pages 2 to 81, 111 and 167 to 170 ('Sustainability Content') prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (the 'GRI Standards'): Core option.

The subject of our limited assurance engagement is the information included on pages 2 to 81, 111 and 167 to 170 of the integrated report, prepared in accordance with Reporting Principles of the GRI Standard 101 for defining report content and report quality; and the disclosures listed in the GRI index on pages 167 to 170 prepared in accordance with the GRI standards as referenced in the GRI index on page 167 to 170. Our report does not cover forward looking statements or online supplements.

Conclusion

This conclusion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

Based on the evidence obtained from the procedures we have performed, nothing has come to our attention that causes us to believe that:

- the Sustainability Content on pages 2 to 81, 111 and 167 to 170 of the Integrated report for the year ended 30 June 2021, has not been prepared, in all material respects, in accordance with the Reporting Principles of GRI Standard 101 for Defining the Report Content: materiality, stakeholder inclusiveness, sustainability context and completeness and for Defining Report Quality: balance, comparability, accuracy, timeliness, clarity and reliability; and
- the disclosures listed on the GRI index on pages 167 to 170 has not been prepared, in all material respects, in accordance with the GRI Standards referenced in the GRI index on pages 167 to 170.

Basis for Conclusion

Our engagement has been conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000 (Revised)') issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Board of Directors' Responsibility

The Board of Directors is responsible for:

- ensuring that the Sustainability Content is prepared in accordance with the GRI Standards: Core option and specifically those GRI Standards set out in the GRI Index;
- determining Meridian Energy Limited's objectives in respect of sustainability reporting;
- selecting the material topics; and
- establishing and maintaining appropriate performance management and internal control systems in order to derive the Sustainability Content.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement and our role as auditor of the statutory financial statements on behalf of the Auditor-General, our firm carries out other assurance assignments for the Group in the areas of greenhouse gas inventory assurance, review of the interim financial statements, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate

Taxpayers Group and the CFO Vantage Programme, which are compatible with those independence requirements.

In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence for the purposes of this engagement. Other than these engagements and arm's length transactions, we have no relationship with, or interests in, the Group.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Accountant's Responsibility

Our responsibility is to conduct a limited assurance engagement in order to express an opinion whether, based on the procedures performed, anything has come to our attention that causes us to believe that the Sustainability Content has not been prepared, in all material respects, in accordance with the GRI Standards: Core option.

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

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with the GRI Standards is likely to arise.

Our procedures included:

- Obtaining an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- A review of the materiality process followed to determine the material topics chosen for inclusion in the Sustainability Content;
- Analytical review and other test checks of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI Standards: Core option; and
- Evaluating whether the information presented is consistent with our overall knowledge and experience of sustainability reporting processes at Meridian Energy Limited.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether Meridian Energy Limited's Sustainability Content has been prepared, in all material respects, in accordance with the GRI Standards: Core option.

Inherent Limitations

Because of the inherent limitations of any limited assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance with the GRI Standards: Core option as it generally comprises making enquiries, primarily of the responsible party, and applying analytical and other review procedures. The conclusion expressed in this report has been formed on the above basis.

A limited assurance engagement does not provide assurance on whether compliance with the GRI Standards will continue in the future.

Use of Report

Our assurance report is made solely to the directors of the Group in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors of Meridian Energy Limited for our work, for this assurance report, or for the conclusions we have reached.

Deloitte Limited

Chartered Accountants
Auckland, New Zealand
24 August 2021

GRI standards content index

This report has been prepared in accordance with the GRI Standards: Core option. The specific GRI Standards reported against are in italics below.

GRI 101: Foundation 2016

GENERAL DISCLOSURES		Pg #	Comment
GRI 102: General Disclosures 2016			
ORGANISATIONAL PROFILE			
102-1	Name of organisation	Front cover	
102-2	Activities, brands, products, and services	22–23	
102-3	Location of headquarters	173	
102-4	Location of operations	22–23, 31	
102-5	Ownership and legal form	31	
102-6	Markets served	31	
102-7	Scale of the organisation	21, 23, 31	
102-8	Information on employees and other workers	31, 74	No seasonal variation. Data sourced from Payroll system. Includes MEL Group
102-9	Supply chain	51	All our energy retailing brands have very short supply chains because the physical assets used to distribute electricity and meter its use are managed by national and local lines and metering companies. Our retail operations' requirements are similar to those of many corporate offices. They include physical facilities and ICT, sales and marketing, billing and governance functions.
102-10	Significant changes to the organisation and supply chain	24–25, 39–45	
102-11	Precautionary principle or approach		Relevant legislation takes a precautionary principle-based approach

GENERAL DISCLOSURES		Pg #	Comment
102-12	External initiatives		Climate Leaders Coalition NZ Initiative
102-13	Membership of associations	127	
EU1*	Installed capacity by primary energy source and regulatory regime	61	
EU2*	Net energy output by primary energy source and regulatory regime	61	
EU3*	Number of customer accounts across segments	23, 67–68	
EU4*	Transmission and distribution lines (length of above and underground transmission and distribution lines by regulatory regime)	n/a	Length insignificant
EU5*	Allocation of CO_2e emissions allowances or equivalent broken down by carbon trading framework	n/a	No emissions allowances received
STRATEGY			
102-14	Statement from senior decision-maker	30–45	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	22	Also see our Code of Conduct
Governance			
102-18	Governance structure	32–35	Includes MEL Group
STAKEHOLDER ENGAGEMENTS			
102-40	List of stakeholder groups	16	
102-41	Collective bargaining agreements	74	
102-42	Identifying and selecting stakeholders	15–16	Also see our Stakeholder Engagement Guidelines
102-43	Approach to stakeholder engagement	15–16	See throughout report where relevant. We take a purpose-driven approach
102-44	Key topics and concerns raised	15–16	

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

GENERAL DISCLOSURES		Pg #	Comment
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	31, 97, 98, 120, 155	
102-46	Defining report content and topic Boundaries	15, 16, 19, 23, 30–32, 57, 65	
102-47	List of material topics	16	
102-48	Restatements of information		Discussed throughout the report where relevant
102-49	Changes in reporting	16	
102-50	Reporting period	30	
102-51	Date of most recent report		26 August 2020
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report	34	
102-54	Claims of reporting in accordance with the GRI Standards	32	
102-55	GRI content index	167–170	
102-56	External assurance	165–166	

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
ECONOMIC			
Financial performance**			
*GRI 103: Management Approach 2016**		45	
Non-GRI**	Various financial measures	45	
Financial impacts of hydrology**			
*GRI 103: Management Approach 2016**		46, 84	
Non-GRI**	Financial implications of variability in hydrology	45, 60	
Financial impacts of climate change			
*GRI 103: Management Approach 2016**		19, 27	See also Taskforce for Climate-related Financial Disclosures (TCFD) Report at www.meridianenergy.co.nz/who-we-are/sustainability/climate-disclosures. NZ only.
GRI 201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	19, 27	

* Each Disclosure of Management Approach (DMA) includes "103-1 Explanation of the material topic and its Boundaries", "103-2 The management approach and its components", and "103-3 Evaluation of the management approach", in accordance with GRI 103: Management Approach 2016

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Pipeline of generation options**			
*GRI 103: Management Approach 2016**		69–70	
EU10***	Planned capacity against demand**	69–70	
ENVIRONMENTAL			
Action on climate change**			
*GRI 103: Management Approach 2016**		21, 49–51, 58, 70	
Non-GRI**	Proportion of Meridian Group generation from renewable resources	21, 58	
Non-GRI**	Support for customers' climate actions	70	
Non-GRI**	Support for our people's climate actions	49–51	
Non-GRI**	Operational emissions reduction target	51	
Operational carbon emissions			
*GRI 103: Management Approach 2016**		50–51	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	50–51	See also Meridian GHG Inventory Report FY20.Includes MEL Group
305-2	Energy indirect (Scope 2) GHG emissions	50–51	
305-3	Other indirect (Scope 3) GHG emissions	50–51	
Impact on water			
*GRI 103: Management Approach 2016**		59, 63, 64	
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	59, 63, 64	For both 303-1 and 303-2 and 303-5. Includes MEL Group
303-2	Management of water discharge-related impacts	59, 63, 64	

** Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.
***Disclosures starting with "EU" are from the Electric Utilities G4 Sector Disclosure.

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
303-3	Water withdrawal	64	Water stress not tested this FY. For NSW, storage release data sourced from Water NSW. In NZ, data is collected by Meridian and independently audited each month. There are no priority substances that are present in our water discharge. Total then spilt into water that re-enters the same river (nonconsumptive) and water that is consumed or diverted (consumptive). Breakdown of total water withdrawal and discharged not categorised by </ 1000 mg/L Total dissolved solids or >1000 mg/L total dissolved solids. Includes MEL NZ and Australia. Excludes Flux
303-4	Water discharge	64	
303-5	Water consumption	64	
Impact on biodiversity			
*GRI 103: Management Approach 2016**		64	
GRI 304: Biodiversity 2016			
304-2	Significant impacts of activities, products, and services on biodiversity	64	Excludes Australia and Flux
Environmental compliance			
*GRI 103: Management Approach 2016**		64	
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	64	Excludes Flux and Powership AU as not generators
SOCIAL			
Employee engagement**			Includes MEL Group
*GRI 103: Management Approach 2016**		73, 74	
Non-GRI**	Employee engagement surveys	74	
Occupational health and safety			Includes MEL Group
*GRI 103: Management Approach 2016**		76–77	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	77	The OHS System is not internally nor externally audited, however Meridian adheres to OSHA standards and guidelines, as well as adhering to NZS 7901:2014 Electricity and Gas Industries – Safety management systems for public safety
403-2	Hazard identification, risk assessment, and incident investigation	76–77	
403-3	Occupational health services	76–77	
403-4	Worker participation, consultation, and communication on occupational health and safety	76	
403-5	Worker training on occupational health and safety	76	
403-6	Promotion of worker health	73	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	76–77	
403-8	Workers covered by an occupational health and safety management system		100% of NZ employees and contractors are covered by the OHS management system. Data sourced from Safety Manager database
403-9	Work-related injuries	44, 76–77	Excludes Australia and Flux. Contractors – 109,850.64 hours Employees – 1,245,374.64 hours
Non-GRI**	Total recordable injury frequency rate (TRIFR)	76–77	
Diversity and equal opportunity			
*GRI 103: Management Approach 2016**		77–80	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	78, 80	Includes MEL Group
405-2	Ratio of basic salary and remuneration of women to men	80	Includes MEL Group
Non-GRI**	Women in people leadership and senior specialist positions	78	

* Each Disclosure of Management Approach (DMA) includes "103-1 Explanation of the material topic and its Boundaries", "103-2 The management approach and its components", and "103-3 Evaluation of the management approach", in accordance with GRI 103: Management Approach 2016

** Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.
*** Disclosures starting with "EU" are from the Electric Utilities G4 Sector Disclosure.

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Access to water**			
*GRI 103: Management Approach 2016**		59–64	
Non-GRI**	Strength of relationships with stakeholders interested in water	59–64	Includes central government, local government, Ngāi Tahu and other iwi, local community groups and the general public
Contribution to local communities			
*GRI 103: Management Approach 2016**		63	
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	55, 62– 63 78	13 out of our 17 power stations have local community engagement programmes (Mt Millar and our Australian power stations don't) – 95% by MW capacity. NZ only
Non-GRI**	Contribution to local communities in New Zealand and Australia	54–55, 62	Dedicated email and 0800 for community issues
Non-GRI**	Number of community fund grants in New Zealand	62–63	
Contribution to public policy			
*GRI 103: Management Approach 2016**		53–54	
GRI 415: Public Policy 2016			
415-1	Political contributions		Meridian does not donate to any political parties (as specified in our Code of Conduct)
Non-GRI**	Expenditure on "lobbying" organisations such as trade associations	127	
Non-GRI**	Key regulatory issues	41, 53	
Customer satisfaction**			
*GRI 103: Management Approach 2016**		54–57	
Non-GRI**	Level of Customer satisfaction – Brand monitor	54–57	NZ data only
Non-GRI**	Customer retention rates	68	

MATERIAL TOPICS AND ASSOCIATED DISCLOSURES		Pg #	Comment
Electricity pricing**			
*GRI 103: Management Approach 2016**		53–54, 67–69	
Non-GRI**	Price of electricity in AU and NZ compared to other OECD countries	53	
Support for vulnerable customers			
*GRI 103: Management Approach 2016**		53–54	
Non-GRI**	Disconnections	54	
Plant performance**			
*GRI 103: Management Approach 2016**		60–61	
EU30***	Average plant availability factor by energy source and regulatory regime	60	
Process safety**			
*GRI 103: Management Approach 2016**		76–77	
Non-GRI**	Actions to improve process safety	76–77	
Dam safety**			
GRI 103: Management Approach 2016			TCFD report at www.meridianenergy.co.nz/who-we-are/sustainability/climate-disclosures
Non-GRI**	Actions to improve dam safety		Corporate Governance Statement www.meridianenergy.co.nz/investors/governance
Information security**			
*GRI 103: Management Approach 2016**		80	
Non-GRI**	Actions to improve information security	80	

* Each Disclosure of Management Approach (DMA) includes "103-1 Explanation of the material topic and its Boundaries", "103-2 The management approach and its components", and "103-3 Evaluation of the management approach", in accordance with GRI 103: Management Approach 2016

** Non-GRI – some material topics and disclosures listed above are additional or alternatives to those covered in the GRI Standards.
***Disclosures starting with "EU" are from the Electric Utilities G4 Sector Disclosure.

Generating change:
Changing generation

Change needs energy.

Directory

Registered office

Meridian Energy Limited
55 Lady Elizabeth Lane
Wellington Central
Wellington 6011
New Zealand

PO Box 10840
The Terrace
Wellington 6143
New Zealand

T +64 4 381 1200
F +64 4 381 1201

Offices

Quad 7, Level 2
6 Leonard Isitt Drive
Auckland Airport
Auckland 2022
New Zealand

PO Box 107174
Auckland Airport
Auckland 2150
New Zealand

T +64 9 477 7800

287-293 Durham Street North
Christchurch Central
Christchurch 8013
New Zealand

PO Box 2146
Christchurch 8140
New Zealand

T +64 3 357 9700

Corner of Market Place
and Mackenzie Drive
Twizel 7901
New Zealand

Private Bag 950
Twizel 7944
New Zealand

T +64 3 435 9393

Australian registered office

Meridian Energy
Australia Pty Limited
Level 15
357 Collins Street
Melbourne VIC 3000
Australia

T +61 3 8370 2100
F +61 3 9620 5235

Flux Federation offices

Level 11, NTT Tower
157 Lambton Quay
Wellington 6011

PO Box 25-180
Wellington 6140

T +64 4 389 0859

Suite 1, Level 3
104 Fanshawe Street
Auckland 1010
New Zealand

5th Floor
125 Colmore Row
Birmingham B3 3SD
United Kingdom

Powershop

55 Lady Elizabeth Lane
Wellington Central
Wellington 6011
New Zealand

PO Box 7651
Newtown
Wellington 6242
New Zealand

427 Queen Street
Masterton 5810

PO Box 392
Masterton 5810

T +64 0800 1000 60

Share Registrar New Zealand

Computershare
Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Private Bag 92119
Victoria Street West
Auckland 1142
New Zealand

T +64 9 488 8777
F +64 9 488 8787

enquiry@computershare.co.nz
investorcentre.com/nz

Share Registrar Australia

Computershare
Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
VIC 3037
Australia

GPO Box 3329
Melbourne VIC 3001
Australia

T 1800 501 366 (within Australia)
T +61 3 9415 4083 (outside Australia)
F +61 3 9473 2500

enquiry@computershare.co.nz

Auditor

Mike Hoshek, Partner
Financial audit on behalf of
the Office of the Auditor-General

Jason Stachurski
GRI Standards limited assurance

Deloitte Limited
PO Box 1990
Wellington 6140
New Zealand

Banker

Westpac Wellington
New Zealand

Directors

Mark Verbiest, Chair
Peter Wilson, Deputy Chair
Mark Cairns
Jan Dawson
Anake Goodall
Michelle Henderson
Julia Hoare
Nagaja Sanatkumar

Executive Team

Neal Barclay, Chief Executive
Chris Ewers
Lisa Hannifin
Nic Kennedy
Tania Palmer
Mike Roan
Claire Shaw
Jason Stein
Guy Waipara
Jason Woolley

If you have any questions
or comments, please email
investors@meridianenergy.co.nz or
service@meridianenergy.co.nz

Meridian.co.nz

Integrated Report
for the year ended
30 June 2021.

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C107054

Printed with mineral-oil-free, soy-based vegetable inks on paper produced using FSC® certified mixed-source pulp that complies with environmentally responsible practices and principles. Please recycle.

ISSN 1173-6275 (print)
ISSN 1173-6305 (online)