

Audit Independence Policy

Approved

19 February 2024

1. POLICY STATEMENT

The policy provides guidance on the provision of external audit services by any person engaged in relation to of Meridian Energy Group.

2. PURPOSE OF THIS POLICY

The policy is designed to:

- provide guidance on the provision of both external audit and Business Assurance services to ensure that auditor independence is maintained, ensuring Meridian's reputation for reliable and credible financial reporting and strong internal controls is protected.

3. SCOPE AND FIT

This is a Corporate Group Policy and applies to all entities within the Meridian Energy Group.

4. POLICY IMPLEMENTATION

4.1 EXTERNAL AUDIT

4.1.1 External auditor engagement

- *The Board will approve the engagement and audit fee of the external auditor.*
- *The external auditor will confirm to the Audit and Risk Committee annually that he/she and his/her firm are in compliance with professional standards and ethical guidelines of the Chartered Accountants Australia & New Zealand and the Office of the Auditor-General's independence requirements.*
- *Rotation of senior audit partner and concurring partner is required every five years, with a mandatory five year stand down period.*
- *The services to be provided by the external auditor shall be limited to work of an assurance nature only.*
- *No non-assurance services are to be provided by the external auditor's firm.*
- *The external auditor will monitor his/her firm's independence and confirm to the Audit and Risk Committee annually that it has remained independent during the previous twelve months.*

- *The lead engagement partner will not be eligible for employment by Meridian or any of the subsidiaries within 5 years of undertaking the role of external auditor.*

4.1.2 Assurance services

Engagements of an assurance nature include but are not restricted to the following:

- *Engagements that involve the formal expression of an opinion*
- *Agreed upon-procedures*
- *Real-time independent quality assurance*
- *Probity engagements*
- *Activities involving the examination, investigation, or inquiry into matters of concern*
- *Advising on application and implementation of accounting standards, sustainability and integrated reporting*
- *Providing accounting and other technical training*

The cap on permissible assurance services will be a maximum of 70 percent of the average of the fees paid in the last three financial years for the statutory period. The level of fees incurred (or to be incurred) for such services will be reported to the Audit & Risk Committee on an annual basis to enable the Committee to perform its oversight role in respect of this cap.

Assurance services should be approved by the CFO and chair of the audit committee prior to any services being commenced. Further, any services where there is a degree of judgment required should be pre-approved by the Office of the Auditor General prior to the services being engaged.

4.1.3 Non-assurance services

The external auditor's firm cannot perform any non-assurance work. Non-assurance services which cannot be performed by the external auditor's firm include but are not restricted to the following:

- *Performing any function of management at Meridian*
- *Staffing of temporary roles*
- *Producing or preparing financial statements or financial information on behalf of Meridian*
- *Designing or implementing financial information systems, processes and controls for Meridian*
- *Providing valuation services where the valuation will be used in the financial statements of Meridian*
- *Providing actuarial services*
- *Providing tax advisory services*
- *Involvement in Meridian's internal audit programme*
- *Providing due diligence services*
- *Advising on the interpretation and application of taxation policy and reviewing compliance with taxation policy. We note that Meridian is a member of the New Zealand Corporate Taxpayers Group, the non-assurance work provided by the external auditor to this Group is compatible with the independence requirements included in this Policy.*

4.2 INTERNAL AUDIT (BUSINESS ASSURANCE)

4.2.1 Business Assurance Engagement

- *While management play a key role in monitoring the effectiveness of internal controls, Meridian also operates a formal Business Assurance programme to provide independent assurance to Board and management that the company's internal control framework is designed and operating effectively. This is currently delivered in a co-sourced Business Assurance model between the Meridian Risk and Assurance function and an external service provider.*
- *The decision on the appropriate model for the provision of internal audit services (outsourced, co-sourced or internally managed) will ultimately be made by the Board based on the recommendation of the Audit and Risk Committee.*
- *The Chief Executive (via the Chief Financial Officer) will recommend a preferred model of delivery to the Audit and Risk Committee towards the end of the engagement period with the existing provider or annually where the programme is run exclusively internally.*
- *Where Business Assurance services are delivered by an external provider, engagements will be for a period of three years, after which time the Board may reappoint for a further three years. After this time the service will be re-tendered.*

4.2.2 Business Assurance Services

- *The scope of Business Assurance activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Risk Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Meridian.*
- *Business Assurance services are approved on a six-monthly basis by the CFO and the Audit and Risk Committee via approval of the rolling 18-month Business Assurance plan.*
- *Parties involved within Meridian's Business Assurance model may perform services activities outside of the Business Assurance programme if it is in line with independence guidelines outlined in section 4.2.3 of this policy.*

4.2.3 Independence and Objectivity

Business Assurance will perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. This includes:

- *Exhibiting professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.*
- *Making balanced assessments of all available and relevant facts and circumstances.*
- *Taking necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.*

To maintain independence, Business Assurance will have no direct operational responsibility or authority over any of the areas reviewed as part of the Business Assurance Programme. Accordingly, Business Assurance will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- *Assessing specific operations for which they had responsibility within the previous year.*
- *Performing any operational duties for the Meridian Group*
- *Initiating or approving transactions external to the Business Assurance function*

- *Directing the activities of any Meridian employee not employed by the Business Assurance function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.*
- *Where Risk Management and Business Assurance functions are merged, Business Assurance will not provide assurance in relation to the Risk Management Framework with independent assurance engaged.*

The CFO will ensure that the Business Assurance function remains free from all conditions that threaten the ability of Business Assurance to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. This includes:

- *External providers, within Meridian’s co-sourced Business Assurance function, will not commence any engagements outside of the Business Assurance programme without prior approval from the Meridian CFO. Additionally, external providers will sign-off on an annual basis that independence has been maintained during the preceding 12-month period.*
- *If the CFO determines that independence or objectivity may have been impaired in fact or appearance, the details of impairment will be disclosed by the CFO to the Audit & Risk Committee via quarterly reporting.*
- *Regular reporting to the Audit and Risk Committee will disclose any services provided by the Business Assurance function (through internal resource or the external provider) which fall outside of Business Assurance activity along with strategies to mitigate any associated independence risk.*
- *Where future business assurance work cannot be undertaken by parties within Meridian’s co-sourced models, due to a lack of independence, the CFO will engage an external party outside of the business assurance function to undertake this work.*

Where the CFO has roles and/or responsibilities that fall outside of Business Assurance, safeguards will be established to limit impairments to independence or objectivity. These safeguards include oversight activities of the Audit & Risk Committee for:

- *Periodically evaluating reporting lines and responsibilities and*
- *Developing alternative processes to obtain assurance related to the areas of additional responsibility.*

5. DEFINITIONS

For the purposes of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
External Audit	Review of financial statements to confirm that they are a true and fair view of the financial position of the company and that financial statements comply with Financial Standards, Crown Standards and financial legal obligations.
Internal Audit (Business Assurance)	Provide independent trust and confidence that Meridian's risk management, governance, and internal control processes are designed, implemented and operating effectively.