

Meridian Energy Limited

Non-executive directors' fees benchmarking Summary report

28 May 2021

Strictly private and confidential





Chris Place
Partner
M: 021 221 6187
chris.g.place@pwc.com

PricewaterhouseCoopers
15 Customs Street West
Auckland
New Zealand
T: +64 (0) 09 355 8000

Strictly private and confidential
PwC | Meridian Energy Limited

Mark Verbiest
Chairman
Meridian Energy Limited
Wellington

cc Jason Woolley

Dear Mark

Non-executive directors' fees benchmarking final report for Meridian Energy Limited

We are pleased to provide our market benchmarking summary report for directors' fees at Meridian Energy Limited (Meridian). Market data has been sourced from publicly available information. The comparator group is as listed in Appendix 1 to the summary report.

Thank you for the opportunity to assist Meridian with this assignment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Place'.

Chris Place
Partner

© 2021 PricewaterhouseCoopers New Zealand. All rights reserved. 'PwC' and 'PricewaterhouseCoopers' refer to the New Zealand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This report is protected under the copyright laws of New Zealand and other countries as an unpublished work. This report contains information that is proprietary and confidential to PricewaterhouseCoopers and shall not be disclosed outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this report. The contents of this report should not be treated as advice, and no responsibility is taken for acting on information contained in the document. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers is prohibited.

28 May 2021

Contents

1.	Independence declaration	4
2.	Summary	5
	Appendix 1 – Comparator group	8
	Appendix 2 – Australian (ASX) market data	9

1. Independence declaration

PwC's Reward Services team has been engaged by Meridian's Board of Directors (the Board) to provide independent remuneration benchmarking services in relation to Meridian's Directors' fees (the Services).

As lead engagement Partner for the provision of the Services to the Board, I declare that no influence has been brought to bear upon me or, to the best of my knowledge and belief, any member of the PwC Reward Services team, by any Board member, employee or executive of Meridian or any other party regarding the Services or outcomes of the Services.

In my professional opinion, all members of the PwC engagement team are therefore independent for the purposes of the Services as outlined in the commentary to Recommendation 5.2 of the NZX Corporate Governance Code 2017.

Dated: 28 May 2021



Chris Place

Partner
PricewaterhouseCoopers

2. Summary

The table below summarises market remuneration data for directors' fees from a comparator group of 15 New Zealand companies (primarily NZX-listed companies), selected by the Meridian Board of Directors for the purposes of this exercise.

The basis for the comparator group composition was comparable market capitalisation, together with inclusion of relevant industry comparators. Median market capitalisation across the sample is \$5,867 million, compared to Meridian's market capitalisation of \$13,863 million. Details of the comparator group are provided in Appendix 1. Comments are provided on the following page, and, on Meridian's request, we have attached as Appendix 2 disclosed fee information from 4 Australian energy sector utilities.

Executive summary table:

Position	Sample size	Market median	Meridian current fees	Comparison to the median
Chairman ¹	15	234,800	200,000	85%
NED ²	15	114,000	110,000	96%
Chair of Audit & Risk ³	13	35,000	22,500	64%
Chair of People & Remuneration Committee ⁴	10	24,700	15,000	61%
Chair of Safety & Sustainability ⁵	6	26,800	15,000	56%
Member of Audit & Risk ⁶	11	17,600	10,000	57%
Member of People & Remuneration Committee ⁷	10	13,400	9,100	68%
Total approved pool fee ⁸	14	1,347,200	1,100,000	82%
Total fees paid ⁹	15	1,049,800	1,056,359	101%

¹ Analysis of all 15 companies in the sample. The majority of Chair roles receive no committee fees, with the base fee recompensing all Board contribution/roles held.

² Analysis of base NED fees for all 15 companies in the comparator group.

³ Analysis of each of the 13 companies' committee fee portion only, aggregate analysis i.e. NED fee + committee fee is detailed on page 12.

⁴ Analysis of each of the 10 companies that had this role/paid additional remuneration to this role. Some companies combined this committee portfolio e.g. People & Performance Committee, Remuneration & Nomination Committee etc. Analysis of committee fee portion only, aggregate analysis i.e. NED fee + committee fee detailed on page 13.

⁵ Analysis of each of the 6 companies that had this role/paid additional remuneration to this role. Analysis of committee fee portion only, aggregate analysis i.e. NED fee + committee fee detailed on page 14
NB Committee titles and functional composition vary, please see page 14 for more on this. (Insufficient member fee data available to provide full analysis for this committee type).

⁶ Analysis of each of the 11 companies that had this role/paid additional remuneration to this role. Analysis of committee fee portion only, aggregate analysis i.e. NED fee + committee fee detailed on page 15.

⁷ Analysis of each of the 10 companies that had this role/paid additional remuneration to this role. Analysis of committee fee portion only, aggregate analysis i.e. NED fee + committee fee detailed on page 15.

⁸ Analysis of each of the 14 companies where a pool fee is set/disclosed.

⁹ Analysis for the 15 companies which disclosed actual fees paid. NB this is the only data where temporary reductions to fees due to impacts resulting from COVID-19 may feature in our analysis. Policy fees (on which the majority of the analysis is based), do not reflect/capture these temporary discounts.

We understand Meridian's fees are about 2% lower currently than these stated policy fees, as the Board has taken on an extra director and had to reduce fees slightly to avoid breaching the fee pool cap.

2. Summary (continued)

As a comment in relation to Meridian's relativity to the peer group, we note that one comparator in the peer group is larger and fourteen are smaller than Meridian by market capitalisation. While ideally a peer group should be made up of a relatively evenly weighted mix of companies both larger and smaller than the subject company (to avoid distorting the data toward either larger or smaller companies), due to Meridian's scale relative to other companies on the NZX this is not achievable.

The Meridian peer group is accordingly very heavily weighted to smaller companies than Meridian by market capitalisation and also by revenue and gross assets. Market capitalisation in our experience is the metric which most closely correlates to NED fees. Meridian's relative scale is therefore one of the factors the Board should take into account when assessing the market data provided.

A further factor for the Meridian Board to consider in assessing comparable market NED fee data in the context of the New Zealand market, is that any peer group which includes Genesis, Mercury and Port of Tauranga includes three companies (effectively 20% of a peer group of 15) that, for various historic reasons, have depressed NED fee data relative to the general listed company market. This inevitably has an impact on the market data outcomes. The table below summarises the impact on the median of the data for Chair, Non-executive Director and Total fee pool in percentage terms if these three companies were to be removed from the sample. In summary the median of the data would increase across all three data points as shown, in a range of 2.2% to 8.0%.

Percentage increase to median of the market data if Genesis, Mercury and PoT were to be removed from the sample		
Chair	NED	Pool fee
+2.2%	+6.7%	+8.0%

* For clarity, the data in the table on the prior page is based on the full comparator group of 15 i.e. including Genesis, Mercury and Port of Tauranga. The table above therefore only demonstrates (for those observations where all/most of the 15 companies reported data), the increase to the median data published in this report, **if the analysis did not include these three companies' data.**

Data is current to the date of this report and has been sourced from publicly available information, including annual reports and NZX disclosures.

Where the Board chooses to position its fees against this market data will depend on the Board's view of the above factors, the overall relevance of the comparator group and specifically Meridian's perceived relative complexity of operations, relative scale, ranking (by scale) and risk profile as compared with the comparator companies.

Appendix

Appendix 1	Comparator Group	8
Appendix 2	Australian (ASX) market data	9

Appendix 1 – Comparator Group

Organisation name	Market Capitalisation (\$ millions) - 29/04/2021	Company total revenue (\$ millions)	Company total gross assets \$ millions)
Fisher & Paykel Healthcare Corporation Limited (NZSE:FPH)	20,740	1,264	1,435
Auckland International Airport Limited (NZSE:AIA)	10,985	567	9,297
Mercury NZ Limited (NZSE:MCY)	9,284	1,768	6,885
Spark New Zealand Limited (NZSE:SPK)	8,280	3,623	4,347
Fonterra	7,486	20,975	17,916
Mainfreight Limited (NZSE:MFT)	7,119	3,095	2,305
Ryman Healthcare Limited (NZSE:RYM)	6,985	424	7,677
Contact Energy Limited (NZSE:CEN)	5,867	2,073	4,896
Fletcher Building Limited (NZSE:FBU)	5,860	7,309	8,778
The a2 Milk Company Limited (NZSE:ATM)	5,642	1,731	1,453
Infratil Limited (NZSE:IFT)	5,100	1,369	7,585
Port of Tauranga Limited (NZSE:POT)	4,979	302	1,817
Vector Limited (NZSE:VCT)	4,120	1,294	6,381
Genesis Energy Limited (NZSE:GNE)	3,558	2,592	4,582
Chorus Limited (NZSE:CNU)	3,057	960	5,642
Meridian Energy Limited (NZSE:MEL)	13,863	3,405	9,623

Source: Market capitalisation data: www.nzx.com April 2021, revenue and total assets data was taken from the latest annual reports

Appendix 2 - Australian (ASX) market data

As requested by Meridian, Australian Directors' fee information for key Board roles/fee aggregates is provided in the table below, on a line by line basis for four ASX-listed energy sector utilities. Data is sourced from the listed companies' most recent annual reports. All data is expressed in Australian currency and market capitalisation data is sourced from ASX.

Company	Market Cap. (\$m)	Annual Revenue (\$m)	Total Assets (\$m)	Chairman	NED	Chair of Audit Committee	Member of Audit Committee	Chair of Rem. Committee	Member of Rem. Committee	Pool Fee
AGL Energy ¹	\$5,650	\$12,160	\$14,710	\$603,000	\$201,000	\$55,200	\$27,600	\$44,900	\$21,200	\$2.75M
APA Group ²	\$11,810	\$2,591	\$16,007	\$511,400	\$177,600	\$47,900	\$23,900	\$39,900	\$19,900	\$2.50M
Ausnet Services	\$7,200	\$1,978	\$14,285	\$495,000	\$178,000	\$40,000	\$20,000	\$40,000	\$20,000	\$2.25M
Origin Energy ³	\$7,370	\$7,509	\$25,093	\$677,000	\$196,000	\$57,000	\$29,000	47,000	\$23,500	\$3.20M

1 Also has a Safety, Sustainability and Corporate Responsibility sub-committee, with Chair and Member fees at \$44,900 and \$21,200 respectively.

2 Also has a Health, Safety & Environment sub-committee of the Board. Committee Chair and member fees are paid at \$39,900 and \$19,900 respectively.

3 Also have a Health Safety & Environment sub-committee and a Risk sub-committee. Member fees for each are Chair \$47,000 and member \$23,500 respectively. (Nominations Committee does not attract fees).

Thank you

© 2021 PricewaterhouseCoopers New Zealand. All rights reserved. 'PwC' and 'PricewaterhouseCoopers' refer to the New Zealand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This report is protected under the copyright laws of New Zealand and other countries as an unpublished work. This report contains information that is proprietary and confidential to PricewaterhouseCoopers and shall not be disclosed outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this report. The contents of this report should not be treated as advice, and no responsibility is taken for acting on information contained in the document. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers is prohibited.