Green finance framework

February 2023 (v.2.00)

Meridian.

The Power to
Make a Difference.

Contents

1. Purpose

Meridian Energy Limited (**Meridian**) is committed to sustainability – it is at the heart of our company, and one of the key reasons why we only generate electricity from renewable sources.

To recognise our 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 purpose of this document (**Framework**) is to set 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 Market Association (**ICMA**) Green Bond Principles[1] (**GBP**);
- Climate Bonds Standard[2] currently version 3.0 **(CBS)**; and
- Asia Pacific Loan Market Association (APLMA) Green Loan Principles[3] (**GLP**),

(together the **Market Standards**).

Meridian knows how important it is for us to play our part to help combat climate change and the Programme is supportive of this. It enables Meridian to connect its company strategy and vision to its financing requirements and provides investors who want an investment that aligns with the Market Standards with a mechanism to make that investment.

1.1. Introduction to Meridian

Meridian generates 100% renewable electricity through wind, water and sun and is New Zealand's largest electricity generator. Meridian's operations also extend to electricity retailing through two unique brands – Meridian and Powershop. Employing over 1,000 people, Meridian is listed on the New Zealand and Australian stock exchanges and is 51% owned by the New Zealand Government.

Meridian currently has 2,353MW of hydro installed capacity and 416MW of wind installed capacity in New Zealand (as at the date of this Framework).

Meridian's purpose is to ***provide clean energy for a fairer and healthier world***. Meridian recognises the critical role renewable energy plays in driving decarbonisation of the wider economy. With a desire to be a part of the solution, Meridian works to accelerate the pace of this transition and provide leadership for other businesses to do the same.

As part of Meridian's commitment to sustainability, this Framework will be used to finance or refinance projects and assets that deliver positive environmental outcomes, align with and contribute towards meeting the relevant United Nations Sustainable Development Goals (**SDGs**) – SDG13 Climate Action and SDG7 Affordable and Clean Energy – and to support Meridian's sustainability strategy.

[1] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[2] https://www.climatebonds.net/standard
[3] https://www.aplma.com/microsites/categories/3/pages/11/content/85

1.2. Meridian and Sustainability

Meridian's sustainability efforts are focused on areas that can achieve a meaningful difference. These focus areas are outlined in Meridian's Climate Action Plan, and include bringing to market more renewable generation, reducing our Greenhouse Gas Emissions (**GHGs**) in line with our "Half by 30" goal and our approved near-term Science Based Target, growing 'Forever Forests' in New Zealand – our nature-based carbon sink is sized to remove our operational emissions from 2030, and providing energy solutions to our customers to decarbonise. This Climate Action Plan and further information on Meridian's sustainability leadership and strategy can be found here.

Meridian's most significant climate action is its commitment to only generate 100% renewable energy, while also reducing the climate change impact of its own operations. Since 2006, Meridian has publicly reported on its annual greenhouse gas emissions and in 2019 it became net zero carbon across its operations by purchasing certified carbon offsets.

Meridian has committed to reduce its greenhouse gas emissions in line with the Paris Agreement aspiration of keeping global temperatures to within 1.5 degrees Celsius above pre-industrial levels. Meridian has an approved near-term Science Based Targets which is: to reduce absolute scope 1 and 2 GHG emissions 50% by FY30 from a FY21 base year in in line with a 1.5 °C trajectory, and to reduce absolute scope 3 GHG emissions 50% within the same timeframe.

Meridian has a deep understanding of how climate change can impact its business, now and in the future. In 2019 Meridian was the first company in New Zealand to prepare and publish a Climate-related Disclosure in accordance with the Taskforce on Climate-related Financial Disclosures. In 2022 Meridian released its fourth Climate-related Disclosure in line with the Taskforce on Climate-related Financial Disclosures (found here).

Meridian also reports to the Dow Jones Sustainability Index and the United Nations Global Compact and is committed to the SDGs which have been integrated into its Sustainability Policy (found here) and integrated reporting (found here).

The SDGs act as targets for businesses, governments, and society to make the right choices to improve life for future generations. In alignment with our purpose to provide ***clean energy for a fairer and healthier world***, and Sustainability Policy, Meridian's sustainability efforts are focused the SDGs where we can have the most impact. Of most relevance to this Programme are the focus SDGs: 13 (Climate Action) and 7 (Affordable and Clean Energy). Meridian will endeavour to allocate proceeds of its green debt instruments under its Programme to projects and/or assets that align with these SDGs.

Meridian recognises the electricity industry must work together to achieve a low carbon future. With an ambition to accelerate the pace of the low-carbon transition in New Zealand, Meridian’s aim is to ‘Create Action’ through key areas such as - electrification of transport and industrial heat, exploring green-hydrogen, and providing demand-response options. From installing electric vehicle charging stations, to providing advice and expertise to other companies, Meridian is helping to create value for stakeholders and drive change across businesses, customers, and communities.

2. Green Finance Framework

2.1. Types of Debt

The types of debt in the Programme may include bonds and/or loans, and other forms of debt which enable Meridian to achieve its sustainability goals by financing or refinancing projects and/or assets that fall within the Eligibility Criteria defined in this Framework.

Under the Framework, Meridian supports and maintains green debt instruments (together **Green Debt**), including but not limited to:

- Committed bank facilities;
- Commercial paper;
- Listed retail and wholesale bonds;
- US Private Placement; and
- Bonds issued in other offshore jurisdictions.

Details of Meridian's Green Debt can be found in the Green Finance Programme Register on our website (under [Green finance | Meridian Energy]) and are provided in the notes accompanying Meridian’s interim and full year financial statements.

2.2. Market Standards

Green Debt issued or managed by Meridian under this Framework, will be issued or managed in alignment with the Market Standards as they may be updated from time to time.

<table>
<tr><th>Green Debt</th><th>Example debt Instrument</th><th>Applicable Market Standard</th><th>Asset type</th></tr>
<tr><td>Green Bonds</td><td>- Commercial paper
- Listed retail and wholesale bonds
- US Private Placement
- Bonds issued in other offshore jurisdictions</td><td>GBP and/or CBS.</td><td rowspan="2">Green</td></tr>
<tr><td>Green Loans</td><td>- Committed bank facilities
- EKF facility[4]</td><td>GLP and/or CBS.</td></tr>
</table>

[4] 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.

The above Market Standards are voluntary and accepted as best practice for issuance and management of Green Debt in the global capital markets.

In accordance with the Market Standards, the Framework follows the four key pillars outlined further in sections 3-6 below:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

3. Use of Proceeds

The net proceeds from the Green Debt will be allocated (directly or notionally) wholly or in part to finance or refinance new or existing projects and/or assets that deliver positive environmental outcomes and meet the relevant Market Standards, as further defined in this section (**Green Assets**). The way in which the proceeds will be allocated against Green Assets is described in more detail in section 5.

It is expected that the majority of the proceeds from Green Debt will be allocated to refinance existing Green Assets. Meridian will include in its ongoing reporting, the allocation of Green Debt proceeds to financing of new Green Assets and refinancing of existing Green Assets. Green Assets may include projects delivered, or in the process of being delivered, or assets owned by Meridian subsidiaries. Where projects are jointly funded between Meridian and another party, the funding from the Green Debt will only be allocated against Meridian's share of the project.

3.1. Criteria for Green Assets

The proceeds of Meridian's Green Debt will be allocated to finance or refinance projects and/or assets which qualify as eligible projects and assets under the Market Standards with clear environmental benefits. Meridian may choose to seek certification under the CBS for any issuance of Green Debt and in these instances, the Green Assets will also meet the requirements of the CBS.

Energy production and use is the largest source of global greenhouse-gas emissions[5]. Rapidly reducing greenhouse gas emissions in this sector is therefore critical for the international community to limit global average temperature rises. To determine eligible Green Assets, which support and contribute to a low carbon economy, consistent with the Paris Agreement[6], Meridian utilises the criteria set out in the GBP, GLP and the CBS sector criteria.

All proposed Green Assets funded by the proceeds of the Green Debt must:

- deliver positive environmental benefits in line with Meridian's environmental objectives in paragraph 1.2 above;
- meet the Eligibility Criteria in the table below;
- not fall within the Excluded Categories detailed in paragraph 3.2;
- if certified under the CBS, comply with the applicable CBS Sector Eligibility Criteria; and
- support and contribute towards meeting the relevant SDGs.

[5] https://www.iea.org/reports/world-energy-model/sustainable-development-scenario
[6] Paris Agreement was entered into by parties under the United Nations Framework Convention on Climate Change on 12 December 2015. New Zealand ratified the Paris Agreement on 4 October 2016 (New York time).

Examples of Green Assets that could be included are listed below. This list may be expanded over time as the Market Standards are updated and the global sustainable finance market develops.

Eligible Categories	**Eligibility Criteria**	**SDG alignment and contribution**
Renewable Energy	Construction, maintenance, operation and expansion of renewable energy generation facilities, as well as related appliances, products and storage, including but not limited to: **Wind:** Any onshore wind energy project and/or transmission and supporting infrastructure. **Solar:** Any onshore solar energy project and/or transmission and supporting infrastructure. This includes both solar photovoltaic and solar thermal facilities. **Hydropower**: • Any storage (reservoir) and/or pumped storage hydropower projects, which are located in temperate (non-tropical) locations and have a relative power density of >5W/m^2 (area of reservoir footprint relative to the output of the hydropower project measured in W/m^2). • Any run-of-river hydropower projects, which are located in temperate (non-tropical) locations and did not result in changes to baseline water level. • Transmission and/or supporting infrastructure.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy Efficiency	Development, implementation and operation of products, services and/or technologies that improve energy efficiency, including energy storage facilities. • Examples include batteries for renewable energy storage	7 AFFORDABLE AND CLEAN ENERGY

Details of Meridian's Green Assets can be found in the Green Finance Programme Register on our website (under Green finance | Meridian Energy).

Meridian's Programme has been structured to include a dedicated pool of eligible wind projects and assets under the CBS (**Wind Pool**) and a separate pool of hydropower projects and assets aligned to the GBP and GLP (**Hydro Pool**).

DNV has been commissioned by Meridian to provide an external review of the Programme through verification of the Wind Pool and the Green Debt allocated (directly or notionally) to the Wind Pool under the CBS; and a second party opinion of the Hydro Pool and the Green Debt allocated (directly or notionally) to the Hydro Pool under the GBP and GLP.

The conclusions of DNV's external reviews are provided within the external review documents on our website (under [Green finance | Meridian Energy]).

3.2. Excluded Categories

Meridian will not knowingly use the proceeds of its Green Debt to finance or refinance projects and/or assets included in the following exclusionary criteria:

1. Extraction or refining of fossil fuels;
2. Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated; and
3. Any projects that are expressly excluded by CBS requirements (if applicable).

4. Process for Project Evaluation and Selection

The asset evaluation and selection process will ensure that the proceeds from the Green Debt are allocated (directly or notionally) to finance or refinance projects and assets that meet the Eligibility Criteria set out in the Framework**.** The Green Assets in the Programme may be replenished as the existing Green Assets are sold or otherwise disposed of, non-eligible assets are removed, and additional Green Assets are identified and funded.

Meridian has formed a Green Finance Committee (**Committee**) which holds ultimate responsibility and accountability of this Framework and ongoing compliance with it and the Market Standards. The Committee comprises of senior representatives of Meridian's finance and sustainability business units. Membership of the Committee is designed to ensure there is sufficient subject matter expertise to meet the obligations set out in this Framework. The Committee may be supplemented from time to time, or expanded, by representatives from other divisions.

The Committee will manage the Green Asset selection process. In determining the Green Assets to be included in the Programme, the Committee will consider the following:

1. Does the relevant asset and/or project deliver positive environmental benefits that are consistent with Meridian's sustainability strategy and environmental goals?
2. Does the asset and/or project contribute towards meeting the SDGs?
3. Does the relevant asset and/or project meet the Eligibility Criteria set out in this Framework?
4. Does the relevant asset and/or project comply with the Market Standards?
5. Confirm that the relevant asset and/or project does not fall within the Excluded Categories set out in this Framework.
6. Where the Committee chooses, does the relevant asset and/or project comply with any other principles, standards, methodologies or tools that are or have become commonplace and respected in the market?
7. What are the environmental impact outcomes arising from the Green Assets?

The Committee is the arbiter of asset proposals and substitution determinations of Green Assets. The Committee will also have oversight of allocation of proceeds against Green Assets in the Programme and is responsible for updating and reviewing this Framework from time to time.

5. Management of Proceeds

Meridian has implemented internal reporting processes to track and report on the Green Assets and Green Debt included in the Programme.

Meridian has established a register that contains the proceeds of the Green Debt and the book value of all Green Assets managed under the Programme (**Programme Register**).

The Programme Register will be used to internally verify that the net proceeds of all Green Debt have been (directly or notionally) allocated against Green Assets. This will ensure that Green Assets are appropriately identified, with semi-annual monitoring reports provided to the Committee.

The proceeds of Meridian's Green Debt will be:

1. allocated (directly or notionally) to finance or refinance projects and assets that meet the Eligibility Criteria as set out in the Framework and are included as Green Assets; and
2. managed by the Committee.

Pending the allocation (directly or notionally) of any proceeds from Green Debt to a Green Asset project, Meridian will:

1. temporarily invest the balance of unallocated proceeds in cash, or cash equivalents, within a Treasury function; or
2. apply the unallocated balance to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursement to a proposed Green Asset.

Meridian intends to maintain a balance of Green Assets that have a book value at least equal to the original principal amount of the respective Green Debt at the time of issuance. This ratio will be reported annually.

Details of Meridian's Green Assets to Green Debt Ratio can be found in the Green Finance Programme Register on our website (under [Green finance | Meridian Energy]).

Meridian will ensure funds are allocated to Green Assets within 24 months of the issuance of any new Green Debt and will not invest unallocated proceeds in the Excluded Categories detailed above.

Proceeds derived from Green Debt that are CBS certified will be allocated, tracked and reported separately using Meridian's internal processes from the proceeds derived from other Green Debt.

The value of Green Assets determined under the Framework does not take into account any financial instruments (such as contracts for difference). Those financial instruments are used for managing Meridian's financial position and do not involve physical generation.

6. Reporting

Meridian recognises the importance investors place on transparency and disclosure relating to Green Debt and therefore intends to make the following information available on its website.

<table>
<tr><th>Item</th><th>Frequency</th><th>Location</th></tr>
<tr><td>Framework</td><td>Upon announcement of the Programme (and each time the Framework is amended).</td><td rowspan="3">Meridian dedicated webpage Green finance | Meridian Energy</td></tr>
<tr><td>External Review Reports</td><td>Upon announcement of the Programme, on subsequent issuances, or periodically (as required).</td></tr>
<tr><td>Climate Bond Certification (if applicable)</td><td>Upon announcement of the Programme and issuance of any CBS certified Green Debt (if applicable).</td></tr>
<tr><td>Allocation Reporting and Eligibility Reporting</td><td>Reported annually in Meridian’s full year results.</td><td rowspan="2">Green Finance Programme Register, Annual Integrated Report and Greenhouse Gas Emissions Inventory Report available on Meridian’s website Investor Centre | Meridian Energy</td></tr>
<tr><td>Impact Analysis</td><td>Reported annually in Meridian’s full year results.</td></tr>
</table>

Meridian intends to disclose in line with the Market Standards the following information:

- **Allocation Reporting**:
  - A list of the Green Assets allocated (directly or notionally) as being financed or refinanced by the proceeds of the Green Debt;
  - A description of the Green Assets (including geographical distribution);
  - An estimate of the share of the net proceeds from Green Debt used for financing and refinancing of the Green Assets; and
  - Intended types of temporary investment instruments for the management of unallocated proceeds, as well as the remaining balance of unallocated proceeds yet to be allocated (directly or notionally) (if applicable).
- **Eligibility Reporting:**
  - Confirmation that the Green Assets continue to meet the relevant criteria in section 3.1; and
  - Information on the environmental performance characteristics of the Green Assets.
- **Impact Reporting:**
  - Where possible, Meridian will provide qualitative and/or quantitative reporting of the environmental impact resulting from the Green Assets. Subject to the nature of the Green Assets, and availability of information, Meridian will look to utilise the impact reporting guidelines as detailed within the Market Standards, and as may be updated from time to time. Refer to Appendix 1 for a summary of impact reporting indicators.

Meridian intends to provide an Update Report (containing Allocation, Eligibility and Impact Reporting) to the Climate Bonds Initiative annually in accordance with the CBS.

7. External Review

Meridian has obtained opinions from DNV GL Business Assurance Australia Pty. Ltd. (**DNV GL**) being:

- a second party opinion to confirm:
  - alignment of the Programme and the Framework with the GBP and the GLP; and
  - alignment of the Green Debt allocated (directly or notionally) to the Green Assets that are hydropower electricity generation assets with the GBP and the GLP; and
- a standard assurance opinion confirming that nothing has come to DNV GL's attention that causes DNV GL to believe that the Green Debt allocated (directly or notionally) to the Green Assets that are wind electricity generation assets are not, in all material respects, in accordance with the Pre and Post Issuance requirements of the CBS and associated Wind Criteria.

The conclusions of DNV's external reviews are provided within the external review documents on our website (under Green finance | Meridian Energy).

Meridian may continue to obtain external review(s) on an annual basis.

For future Green Debt issuances, Meridian may choose to seek external review as required by the Market Standards or as accepted by the market.

8. Continuous Improvement

As the Market Standards and the global sustainable finance markets continue to evolve, so too will Meridian's approach as it seeks to adapt to the changing environment. Meridian retains the right to make changes to the Framework over time to remain in line with market best practice, subject to approval by the Committee.

For the ongoing enhancement of Meridian's Programme, feedback and input from external parties is welcomed. Stakeholder feedback will be critical to ensure Meridian delivers on its sustainability goals and meets the needs of investors and stakeholders.

Appendix 1: Impact Reporting

Meridian intends to implement annual Impact Reporting based on contemporary market practice and consistent with the guidance maintained and developed by the ICMA Impact Reporting Working Group.

Meridian will endeavour to report against all indicators of chosen categories but note that not all may be applicable to the Green Assets and will be subject to availability of information and confidentiality requirements.

Examples of relevant reporting metrics Meridian may include:

Eligible Categories	Reporting Project	Reporting Metrics or Impact Criteria
Renewable Energy	• Wind • Hydropower • Solar	• Annual absolute (gross) GHG emissions from the renewable energy assets in tonnes of CO2 equivalent. • Annual renewable energy generation in MWh/GWh (electricity). • Capacity of renewable energy plant(s) in MW.
Energy Efficiency	• Batteries	• Number and capacity (in MW) of energy storage systems (batteries for renewable energy storage)

Appendix 2: Contacts

Name: Janine Crossley
Position: Group Treasurer
Ph: 64 4 382 7471

Name: Mike Roan
Position: Chief Financial Officer
Ph: 64 4 382 7432

Appendix 3: CBS Disclaimer

The certification of the Green Debt as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation, warranty, undertaking, express or implied, or give any assurance with respect to any other matter relating to the Green Debt or any Green Asset, including but not limited to the transaction documents, the Issuer or the management of the Issuer.

The certification of the Green Debt as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the Green Debt and such certification does not address the market price or suitability of the Green Debt for a particular investor. Each potential investor of the Green Debt should determine for itself the relevance of this certification. Any purchase of bonds should be based upon such investigation that each potential purchaser deems necessary. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Green Asset and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Green Asset (including but not limited to the financial viability of any Green Asset) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the fairness, accuracy, reasonableness and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility or liability to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Green Asset or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Green Asset. The certification may only be used with the Green Debt and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Debt and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.