

Meridian Energy (MEL)

Whakarāpopototanga | Summary

MEL has the highest New Zealand TAHITO score (6.5/10) and is in the top 5 for overall Te Tai o Rehua T & V scores. MEL has a 'AA' MSCI ESG rating.

T Score
6.5

V Score
6.0

TAHITO Score Card - MEL (Out of 10)	Score
Te Taiao - Environment	8.9
Hapori - Social	4.2
Mana whakahaere - Governance	3.6
MSCI ESG Ratings (Out of 10)	AA
Climate change	10.0
Environmental	8.0
Human capital development	5.6
Corporate governance	6.7

Te Whakaaturanga | Business Description

Meridian Energy Limited engages in the generation, trading, and retailing of electricity to residential, business, and industrial customers in New Zealand, Australia, and the United Kingdom. It generates electricity through wind farms, hydro power stations, and solar farms. The company also provides management, insurance, financing, professional, trustee, and software development services, and licenses Flux developed electricity and gas retailing platform, as well as offering solar installation services.

It sells electricity under the Meridian Energy and Powershop brands. The company was formerly known as Hydro Energy Limited and changed its name to Meridian Energy Limited in March 1999. Meridian Energy Limited was incorporated in 1998 and is based in Wellington, New Zealand.

Ngā Whaipanga | Key points aligned to TAHITO Values

Utu - tō mauri (Reciprocal – collective dominance)

1. All the energy generated by Meridian comes from 100% renewable sources
2. Meridian's community fund 'Power Up' supports local projects in the areas near their generation assets.

Kawa - tō ora (Cyclical – collective success)

3. Meridian has a Forever Forests planting programme that aims to plant over 1.5 million seedlings in the ground over the next five years, and the company is planting 1,000ha of forest to grow their own carbon offsets. The forests are designed to be permanent carbon sinks.

Mana Whakahaere | Governance

Meridian's purpose is: Clean energy for a fairer and healthier world. 'We believe that by doing the right thing by people and the planet, we're working to build a better future for our customers, communities, and environment.'

The Meridian Values are:

Be a good human: We are good humans who play fair and show that we really care. We have each other's back, are inclusive and kind. We give our all in the pursuit of success.

Be gutsy: Make big calls and back big ideas. We dare to challenge the norm and raise the bar. We strive to do better and go further by being courageous and making it happen. We're honest in our approach, rigorous in our performance and ambitious in our objectives.

Be in the waka: Paddle hard ourselves but really paddle for all. We're one team in one waka, paddling for ourselves but also paddling for everyone. We share the load knowing we're part of one tribe and knowing we go further when we work together.

The company faces biodiversity-related regulatory and reputational risks. Meridian leads peers in mitigating these risks, notably with its biodiversity policy that highlights avoidance and restoration approaches. The company also partners with local indigenous communities and the government to preserve native wildlife. Meridian leads peers in capitalizing on opportunities in renewable energy (RE).

Te Taiao | Environment

Meridian is New Zealand's largest generator, making power through wind farms, hydro stations and solar arrays.

Getting to carbon neutral: Once the trees are planted in the Forever Forest Programme, they start soaking up carbon. In a few years they'll soak up the same amount of carbon as the Meridian Group emits, making the Group carbon neutral.

Meridian has set a target of halving their Group operational emissions by 2030, which includes reducing air travel. Over 90% of the Meridian carbon footprint is from suppliers, and they are working to engage suppliers in taking climate action in their businesses. This includes encouraging suppliers to set science-based targets.

Meridian is also incorporating sustainable design and procurement into their large projects.

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Meridian Energy (MEL) - Continued

The Meridian sustainability framework focuses on two of the United Nations' Sustainable Development Goals – SDG7 Affordable and Clean Energy, and SDG13 Climate Action.

As New Zealand's largest renewable generator, Meridian is the most significant contributor to the Government's aspiration of 100% renewable energy. There are four priority SDGs where Meridian have identified they have a significant role to play: SDG7 Affordable and Clean Energy, SDG8 Decent Work and Economic Growth, SDG12 Responsible Consumption and Production and SDG13 Climate Action.

Meridian has also taken action to have positive impact in relation to other SDGs where the Group's activities may not materially influence outcomes, but rather demonstrate a commitment in their sphere of influence. These five UN SDGs include: SDG5 Gender Equality, SDG6 Clean Water and Sanitation, SDG9 Industry, Innovation and Infrastructure, SDG10 Reduced Inequalities and SDG15 Life on Land.

In FY20 Meridian was 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. They were also assessed under the Carbon Disclosure Project (CDP), a global environmental disclosure system, receiving an increased rating of A for climate change in FY20. Meridian have entered their third year of completing a voluntary Climate Change Disclosure report, in accordance with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

Te Pāpori | Social

Power Up community fund: The community funding aims to recognise the importance of local communities close to their hydro and wind operations. Meridian states that building long-term relationships with local communities and iwi is an important part of what they do. They engage with asset communities in various ways, including via dedicated Community Relationship Managers across the country. The aim is to have people, groups and communities feel included and consulted, and that any concerns are heard and addressed. In the 14 years that the fund has been offered, Meridian has 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.

Te Pārongo Ahumoni | Financial Information

Ticker	Forward Dividend Yield	Forward P/E	Long Run Median P/E	Forward P/E rel LRM	Forecast EPS Growth (Yr 2&3)	Return on Capital	Total Debt / Total Capital
MEL NZ	3.9%	46.6	36.1	1.3	13%	7.0%	25%

Over half a decade, Meridian Energy managed to grow its earnings per share at 18% per annum. This EPS growth is higher than the 13% average annual increase in the company's share price.

As well as measuring the share price return, the total shareholder return (TSR) should also be considered. While the share price return only reflects the change in the share price, the TSR includes the value of dividends (assuming they were reinvested) and the benefit of any discounted capital raising or spin-offs.

Meridian supports KidsCan and their belief that 'every child deserves a decent start in life'. Partnering with KidsCan helps to provide thousands of Kiwi kids with the basics they need to remove barriers to learning. KidsCan is levelling the playing field, giving children whose families are struggling the same opportunity to learn as anyone else.

Meridian are also supporting the kākāpō and 'helping renew a species'. The kākāpō is an endangered species. Meridian has teamed up with the Department of Conservation to support the Kākāpō Recovery Programme, which aims to get kākāpō off the endangered list and back to their former natural range. They also work closely with Ngāi Tahu, who treasure the kākāpō as a taonga species and part of the tribal identity. Meridian's involvement helps fund research and initiatives relating to genetics, nutrition, disease management and finding new sites. It also helps raise awareness of the plight of kākāpō.

Knowledge sharing is caring. Meridian have developed downloadable education resources so that future generations can learn all about renewable energy generation. The resources are aligned with the New Zealand school curriculum and have been designed and reviewed by New Zealand teachers.

Meridian recognises the mana whenua of Ngāi Tahu, particularly in relation to the hydro schemes in the Ngāi Tahu takiwā. They engage with Ngāi Tahu and other iwi in several ways. Meridian recognises and responds to the kaupapa 'ki uta ki tai (from the mountains to the sea)' and work closely with local rūnaka to develop and implement this kaupapa.

Meridian has partnered with ElectricAir, to help launch the first 100% fully electric plane in New Zealand. The partnership is the combination of innovation and sustainability. Every time the plane takes off zero emissions are released into the air.

Meridian have announced Aotearoa's first electric passenger ferry service in Wellington harbour. The locally-developed vessel is the first fully electric high performance passenger ferry in the Southern Hemisphere, built by Wellington Electric Boat Building Company (WEBBCo).

For companies that pay a generous dividend, the TSR is often meaningfully higher than the share price return. For Meridian Energy, the TSR over the last 5 years was 143%, which is better than the share price return mentioned above. The dividends paid by the company have therefore boosted the total shareholder return.