

BOARD REMUNERATION REPORT SUMMARY

2024

**INDEPENDENT VIEW TO ASSIST SETTING CHAIR,
DIRECTOR AND COMMITTEE FEES**



Meridian.

PROCESS OVERVIEW

BACKGROUND

- Propero Consulting was engaged to provide an independent view to assist setting Chair, director and committee fees for Meridian Energy ('Meridian').
- Propero is a specialised governance services provider with over 12 years of experience. Our work spans board evaluations, director search and appointments, CEO evaluations as well as board fee reviews. Working with a broad range of listed entities (NZX, ASX and NASDAQ), Crown organisations and SOEs, iwi groups and co-operative organisations gives us the edge in delivering market leading governance services.
- Meridian operates in the electricity sector and is one of the country's largest gentailers. The company has the third largest market capitalisation on the NZX (as of 13th March 2024). It is also a Mixed Ownership Model ('MOM') company, with the government owning a majority of shares.

METHODOLOGY

- Best practice is to conduct fee reviews and make adjustments regularly to maintain positioning, ensure the ability to attract / retain and fairly compensate high quality directors, and avoid large irregular increases. As with executive remuneration, it is good practice to provide a clear framework for director fees and not rely on ex-gratia payments to compensate for workload.
- The setting of director fees should have a focus on:



Ensuring appropriate market alignment for talent attraction



Organisational performance and ability to pay for fees



Size and complexity of the organisation



Director workload (including committees)



Market movement of director fees

Matt Stanley
Managing Partner

Sarah Naudé
Managing Partner

MEL NZX25 COMPARATORS - CHAIR AND DIRECTOR FEES

- To develop an appropriate comparator group, we have drawn from the NZX25, excluding the major banks, and non-NZ headquartered businesses or internationally-focused entities that operate well outside of the energy sector. Genesis Energy (currently ranked 26th) is also included as a 'gentailer' and close comparator to Meridian.
- Revenue, asset, headcount, chair fee and director fee data is based on information provided in each organisation's latest annual report and / or annual meeting results publicly available: 'NZX capitalisation' data as of 13th March 2024.

	ORGANISATION	NZX CAPITALISATION <small>MARCH 13 2024</small>	REVENUE	ASSET	HEADCOUNT	CHAIR FEE	DIRECTOR FEE <small>(EXCLUDING COMMITTEE FEES)</small>	CHAIR PREMIUM <small>(% INCREASE OF THE CHAIR FEE FROM DIRECTOR FEE TO REFLECT INCREASED WORKLOAD AND RESPONSIBILITY)</small>
	Meridian	\$14,731,298,962	\$3,222,000,000	\$10,022,000,000	1,043	\$212,000	\$116,750	82%
SECTOR COMPARATORS	Mercury NZ	\$9,460,345,225	\$2,730,000,000	\$9,419,000,000	1,512	\$205,000	\$103,000	99%
	Contact Energy	\$6,496,926,167	\$2,118,000,000	\$5,808,000,000	1,242	\$300,000	\$142,800	110%
	Chorus	\$3,492,792,717	\$980,000,000	\$6,165,000,000	846	\$223,650	\$114,000	96%
	Genesis Energy	\$2,691,973,904	\$2,387,500,000	\$5,090,000,000	1,291	\$200,000	\$100,000	100%
NZX COMPARATORS	Auckland International Airport	\$12,158,003,231	\$625,900,000	\$10,829,300,000	579	\$260,350	\$123,250	111%
	Spark	\$9,088,918,955	\$4,491,000,000	\$4,482,000,000	4,976	\$381,700	\$150,300	154%
	Infratil*	\$8,750,285,802	\$1,191,700,000	\$10,188,800,000	6,474	\$375,000	\$187,500	100%
	Mainfreight	\$6,686,383,587	\$5,675,709,000	\$3,443,047,000	8,500	\$270,000	\$120,000	125%
	Vector	\$3,770,000,000	\$1,192,300,000	\$7,527,600,000	-	\$207,650	\$116,325	79%
	Port of Tauranga*	\$3,550,995,212	\$420,929,000	\$2,824,269,000	266	\$195,000	\$98,500	98%
	Ryman Healthcare	\$3,156,275,577	\$570,977,000	\$12,510,624,000	7,200	\$263,000	\$110,000	139%
	AVERAGE	\$6,300,263,671	\$2,034,910,455	\$7,117,058,182	3,289	\$261,941	\$124,152	110%

* These companies increased board remuneration in annual meetings / after publishing their latest available annual report.

RECOMMENDATION

There are 3 components to consider within Meridian’s total fee pool:

1. The Meridian Board itself (Chair, director and committee fees).
2. The Flux board fee pool. As per Meridian’s latest annual report this would remain at \$134,000.
3. A Reserve fee – this is good practice to allow headroom for director overlap, additional committee duties, and ad hoc work relating to key projects including potential acquisitions, Southern Green Hydrogen, and retail bond issues. We suggest this is set to circa 1.50x the standard director fee.

IT IS IMPORTANT TO MAINTAIN COMPETITIVENESS IN THE MARKET, ENSURE ATTRACTION OF A LARGE AND EXPERIENCED ‘DIRECTOR TALENT POOL’ AND REFLECT MERIDIAN’S SIZE, SCALE, AND COMPLEXITY.

WE RECOMMEND INCREASING MERIDIAN’S FEES TO ALIGN TO THE MEDIAN OF THE COMPARATOR GROUP – AN UPLIFT OF 8.7% TO THE TOTAL FEE POOL.

PLEASE SEE THE FOLLOWING PAGE FOR A GRANULAR BREAKDOWN OF DATA.

- *This snapshot is taken from the latest annual report. We have provided a summary view of the potential uplift for comparison.*
- *Please note that our calculation for ‘Board fees’ includes the ‘Reserve Fee’.*

Annual director fee pool

	FY22	FY23
Board fees	1,090,000	1,090,000
Committee fees	109,000	109,000
Flux Board fees	-	134,000
Total pool	1,199,000	1,333,000

Fee movement summary for FY24

Move to median of comparators	
	1,135,975
	178,300
	134,000
	1,449,000 *

** Noting the total pool for FY24 option includes the Reserve Fee*

RECOMMENDATION - FEE DETAIL

WE HAVE PROVIDED A BREAKDOWN OF THE RECOMMENDED INCREASE FOR SPECIFIC FEES.

	CURRENT MERIDIAN FEE POOL AND REMUNERATION		RECOMMENDED INCREASE TO MEDIAN OF MEL NZX25 COMPARATORS	
OVERALL FEE POOL	\$1,333,000		\$1,449,000 circa 8.7% uplift	
	NUMBER OF PEOPLE	CURRENT FEES	NEW VALUE	NOTES
Chair *	1	\$212,000	\$260,350	Circa 23% increase
Director	6	\$116,750	\$116,750	<i>No movement as already aligned to median</i>
Audit and Risk Committee Chair	1	\$25,000	\$32,600	Circa 30% increase
Audit and Risk Committee member	2	\$10,500	\$16,300	Circa 55% increase
Safety and Sustainability Committee Chair	1	\$21,000	\$27,000	Circa 29% increase
Safety and Sustainability Committee member	3	\$9,500	\$13,500	Circa 42% increase
People, Remuneration and Culture Committee Chair	1	\$21,000	\$21,600	Circa 3% increase
People, Remuneration and Culture Committee member	2	\$9,500	\$12,000	Circa 26% increase
Total Meridian Board fees	-	\$912,500	\$960,850	Circa 5% Increase on the current Board fees
Total Meridian committee fees	-	\$135,500	\$178,300	Circa 32% Increase on the current committee fees
Total Reserve Fee (estimated for current Board)	-	\$151,000	\$175,125	Calculated at 1.50x the standard director fee
Flux board fee pool (as per Meridian's latest annual report)	-	\$134,000	\$134,000	<i>No change</i>

* The Chair does not receive additional remuneration for committee membership. We note Mark Verbiest currently sits on 2 committees.