Climate-Related Disclosures

Insights and tips for practical application

CLC/SBC Masterclass

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Purpose

To share tips and lessons-learned, “practitioner to practitioner”, from experience implementing Climate-Related Disclosures

It is NOT the purpose of this session to outline publicly available guidance information

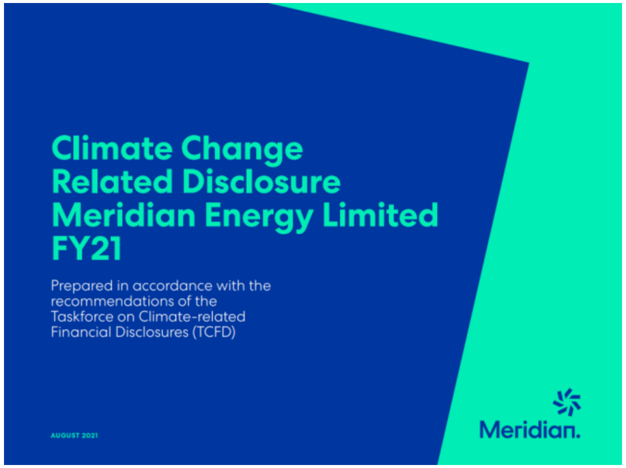
A bit about Meridian's CRD journey and my role…

- Meridian has voluntarily disclosed since 2019 (prior 3 FY's) – aligned with TCFD

Governance	Strategy	Risk Management	Metrics and Targets

- Meridian has featured in numerous show-case pieces (example: TCFD Status Report 2021) for it's financial quantification approach

- Me - since joining Meridian early 2021, led Meridian's underlying process and preparation of FY21 disclosure – right now, working on FY22



Tip #1 – invest in learning to get clear on foundational concepts

- Invest **time to learn** to ensure you have a solid conceptual understanding of the disclosure objectives – obvious, but don't skip it

- Know that this **isn't a one-off**, year on year best practice evolves and so too will expectations/standards – allow ongoing time/resource

- Particularly relevant for those who have a 'leading' role and will need to be an educator/informer for others

- Resources:
  - TCFD – Guidance documents, Status report, Knowledge Hub – lots of practical examples
  - Select disclosures from other organisations & conversations with select individuals/organisations who have experience 'doing'
  - Webinars / short courses (recently Australian Securities Exchange TCFD 101 and 102 sessions)
  - Feedback from primary users (i.e., investors)
  - Consultation documents
  - ESG assessments
  - Technical Readiness Working Group (TRWG) Climate Related Disclosures Prototype

Tip #2 – gap analysis & clear adoption choices

Having landed the concepts…‘**map**’ existing processes/work your organisation already has in place against disclosure requirements – you might be surprised on how much coverage you already have and you will get clear on gaps…..

Make deliberate and clear **adoption-choices** early with key stakeholders. Have *your unique* stakeholders and target audience in mind.

> *Example: based on updates to TCFD guidance in 2021, and early indicators from XRB (consultation documents), Meridian has agreed on specific process and disclosure enhancements to adopt for FY22 disclosure purposes.*

Consider:

- Is the development of a “improvement/adoption” roadmap right for you (a way of starting and defining bite-sized pieces)
- Seeking independent ‘gap analysis’

Tip #3 – build a core 'team'

- Identify **key leaders/contributors** and **knowledge holders** relevant to each disclosure area
- Be clear on who needs to have deep knowledge of CRD 'best practice' and standards vs those that need to "know enough" to be able to contribute their knowledge and expertise
- Consider a 'core team', a wider 'key contributor' group, and any other expert input required/relevant for your organisation

  Example:
  - *core Meridian representation from Sustainability, Strategy & Finance (including scenario leads and Risk Manager) etc*
  - *wider 'key contributors' group extends to include representatives from Strategy & Finance, Retail (customer), Generation (asset engineering and operations), Wholesale, Development, People team etc*
  - *Independent advice from climate scientist on physical impact assumptions i.e., hydro inflow profiles*

Tip #4 – tools and ways of working

- Be clear on **existing processes** you will draw on

  Example: Governance – Meridian's Audit and Risk Committee adopted primary Board responsibility for climate related governance, use of existing Group risk assessment frameworks / tools such as consequence/impact matrix etc

- Define any **additional forums or tools** required to meet targeted adoption goals

  Example: climate risk and opportunity register captures broader list of items, each evaluated/assessed, workshop for system change impacts on existing and new risks/opportunities

- The application of '**materiality**' for external disclosure

  Example; Meridian makes a deliberate choice on what meets a defined threshold for inclusion in external disclosure documents. Other risks/opportunities and associated metrics/targets are managed by relevant business owners.

- Financial quantification – **document assumptions / data sources and rationale** for the financial quantification approach

  Example: all risks and opportunities Meridian has disclosed have a corresponding record of assumptions and methodology used to 'size' a potential financial impact

Example – Meridian FY21 disclosure

Opportunity	Changes to inflow profile	New markets - hydrogen	Electrification of industrial heat and transportation
Type	Physical	Transitional	Transitional
Scale	Medium	High	Medium
Likelihood	More likely than not	More likely than not	Likely
Timeframe	Long-term (30 years)	Long-term (30 years)	Long-term (30 years)
Impacts	Annual and seasonal changes in inflow profile are likely to improve alignment between our generating capacity and projected changes in electricity demand.	Increasing mandate from regulators, investors, and consumers to decarbonise. Green hydrogen and green hydrogen-derived chemicals are being increasingly recognised as key enablers of the transition from fossil fuel-based to zero-carbon energy.	The transition to a low-carbon future presents market opportunities for Meridian, including a projected increase in demand for renewable electricity driven by the electrification of industrial heat and transportation.
Financial implications	Projected changes to inflow profile are likely to align to projected changes in electricity demand.	Opportunity to redeploy the current NZAS load following closure of the Tīwai smelter. Green hydrogen to also provide electricity demand response.	Increased electricity demand may enable Meridian to grow our electricity generation and retail businesses.
Quantification	+$12 to +$58 million per annum	$95 million (mid point) per annum	+$10 to +$43 million per annum
Methodology	Estimated potential financial impact is an annualised figure modelled over a 30 year time horizon. This is calculated using an assumed increase in price participation of Meridian generation assets and the relative margin uplift under Revolution and Evolution demand outlooks. There is significant uncertainty to this calculation.	Assumes 600 MW of generation is deployed to a Green hydrogen facility, following closure of the Tīwai smelter. Assumes that contract price exceeds current NZAS contract price. Also assumes that demand response is provided by the green hydrogen facility, which negates requirement for Meridian to establish ongoing thermal hedge contract.	Estimated potential financial impact is an annualised figure modelled over a 30 year time horizon. This is calculated using assumed new electricity demand profiles for these use cases under Evolution and Revolution scenarios and applying a possible margin range. There is significant uncertainty to this calculation.
Management response	Wholesale market team manages the changing inflow profile using a market optimisation approach informed by weekly inflow forecasts and analysis of short- to medium-term weather patterns.	Complete the joint Southern Green Hydrogen feasibility study and market approach (Registration of Interest).	Pursuing alternative forms of electricity demand across workstreams focussed on electrification of industrial heat and transport. Maintain a pipeline of development options, new generation build committed.

Summary tips & lessons learned

1. **Invest in learning** to get clear on foundational concepts

2. Completed a **gap analysis** & make **clear adoption choices**

3. **Identify and build a 'team'** (core, wider key contributors and other specialist input where required)

4. Be clear on **tools and ways of working** you will leverage, or build to make the process simple but robust (platforms for growth and year-on-year improvement)

Questions?

Meridian.