MERCURY NZ LIMITED

2024 INTEGRATED REPORT.

Mercury

EXPANDING HORIZONS.

MENU.

ABOUT THIS REPORT.

Mercury is committed to providing the full picture: transparent disclosures in easily understood, comparable and engaging ways so that we meet the expectations of our many stakeholders.

This is an Integrated Report which follows the Integrated Reporting <IR> framework.

We describe Our Business Model, including inputs, outputs, and the outcomes of our strategic approach across our five long-term aspirations that determine how we generate long-term value. We include a specific Global Reporting Initiative (GRI) Index and comprehensive climate disclosures, which align with the Aotearoa New Zealand Climate Standards.

We have grouped our reporting into six sections to help you find areas of particular interest, but they are all part of who we are, what we do and why. Across all this, our aim is to report openly and honestly on our performance in a way that shows the integrated approach we take.

If you have any comments about this report, including things we could do better, please email investor@mercury.co.nz.

STATEMENT FROM THE DIRECTORS

The directors are pleased to present Mercury NZ Limited's Integrated Report and Financial Statements for the year ended 30 June 2024. The Auditor-General is required to be Mercury's auditor and has appointed Emma Winsloe of Ernst & Young to undertake the audit on his behalf.

This Integrated Report is dated 20 August 2024 and is signed on behalf of the Board by:

SCOTT ST JOHN // CHAIR

JAMES MILLER // DIRECTOR

EXPANDING HORIZONS.

Nau mai, haere mai. Welcome to Mercury's 2024 Integrated Report. Our theme this year – Expanding Horizons – highlights our focus on growth and execution as we support the electrification opportunity ahead for Aotearoa New Zealand.

We delivered on our previous goals while setting new ambitions for growth in all aspects of our business. This included introducing innovative solutions for customers, developing closer partnerships with iwi and stakeholders and empowering our people. It also meant focussing on sustainable commercial growth and renewable generation development while ensuring the long-term sustainability of our physical assets and the natural environment.

There are challenges as the energy transition gathers pace, but also long-term gains for the nation. We are working hard to actively shape the forward pathway and deliver a better future for all.

Kaiwera Downs wind farm.

WHO WE ARE.

We generate electricity from 100% renewable sources: hydro, geothermal and wind. We are also a retailer of electricity, gas, broadband and mobile services.

Our electricity generation sites are located along the Waikato River (hydro), the nearby steamfields of the northern part of the Central Plateau (geothermal) and in the Manawatū, South Taranaki, Otago and Southland regions (wind).

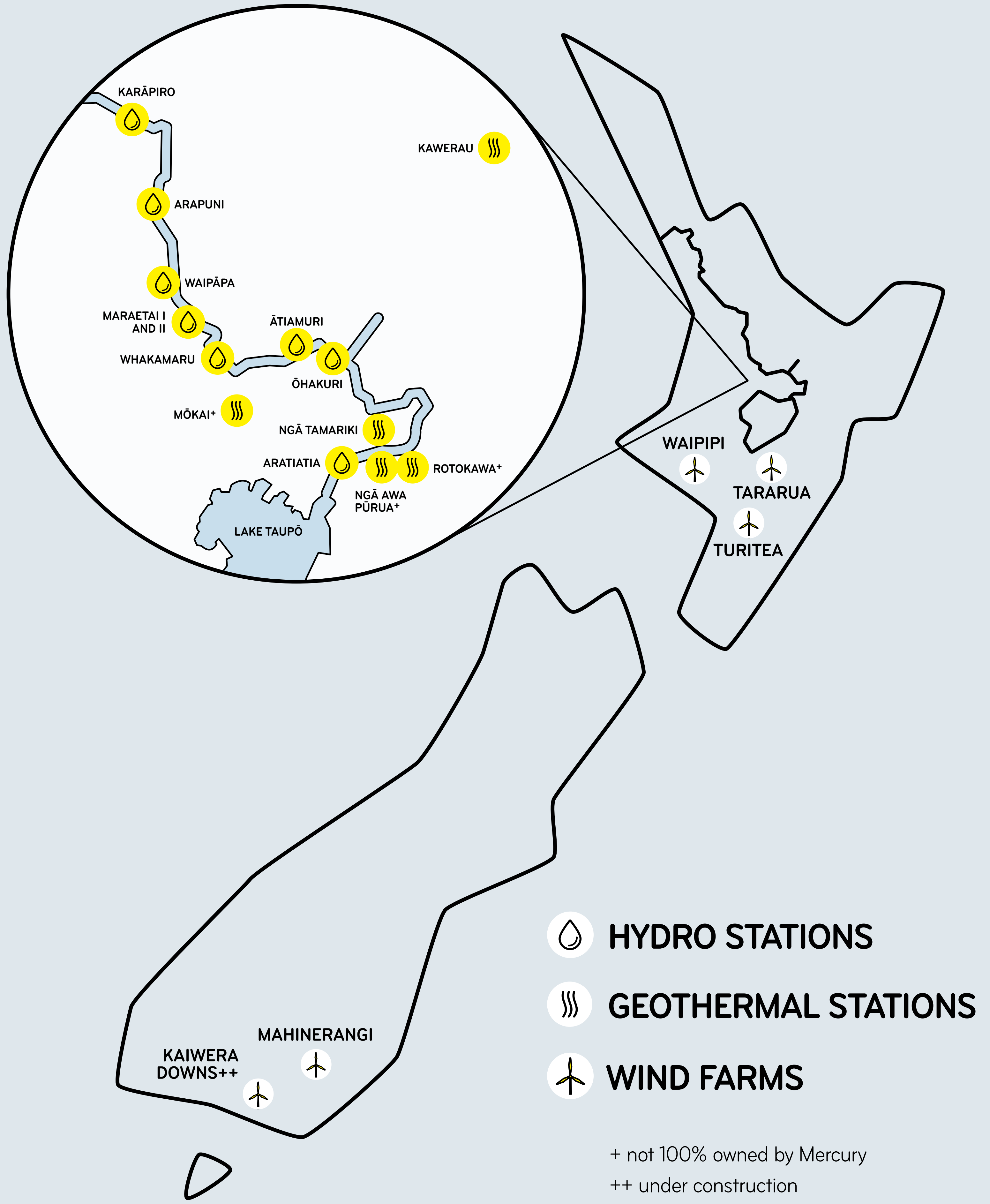
During the year we completed the first stage of the Kaiwera Downs wind farm near Gore in November and have now commenced construction on the second stage, which we expect to complete in FY26.

We have also commenced construction of a fifth generation unit at Ngā Tamariki geothermal station.

We sell electricity, gas, broadband and mobile services through our retail operations to residential and small to medium-sized business customers. Our sub-brand GLOBUG is our pre-pay electricity product. Our Commercial sales team service industrial and wholesale market customers offering electricity.

We are committed to building and maintaining authentic relationships with iwi/Māori and stakeholders across our business. This will be achieved through ongoing conversations and careful listening to understand where our values and aspirations align.

Karāpiro hydro station.



HOW WE CREATE VALUE.

TE PĒWHEA O TĀ MĀTOU WHAKAMANA.

In this section we highlight factors that affect our ability to create value over time (Our Business Model), including outlining our past and current performance and outcomes. We show how we've performed against our FY24-26 objectives and introduce our FY25-27 strategic framework and objectives. Our Chair Scott St John and Chief Executive Vince Hawksworth then jointly summarise our 2024 financial year.

Maraetai hydro station.

OUR BUSINESS MODEL.

INPUTS

864K CUSTOMER CONNECTIONS
- **576k** electricity
- **104k** gas
- **160k** telecommunications
- **24k** mobile

10 FORMAL IWI RELATIONSHIPS
- **2** geothermal joint ventures
- **8** formal iwi relationships

33 PARTNERSHIPS
- **33** community, social and commercial partnerships

1,493 PERMANENT EMPLOYEES
- **737** women
- **754** men
- **2** non-binary
- **492** in Auckland
- **514** in Tauranga
- **136** in Hamilton
- **86** in Rotorua
- **30** in Taupō
- **95** in Oamaru
- **140** Rest of NZ

19 POWER STATIONS
- **9** hydro
- **5** geothermal
- **5** wind

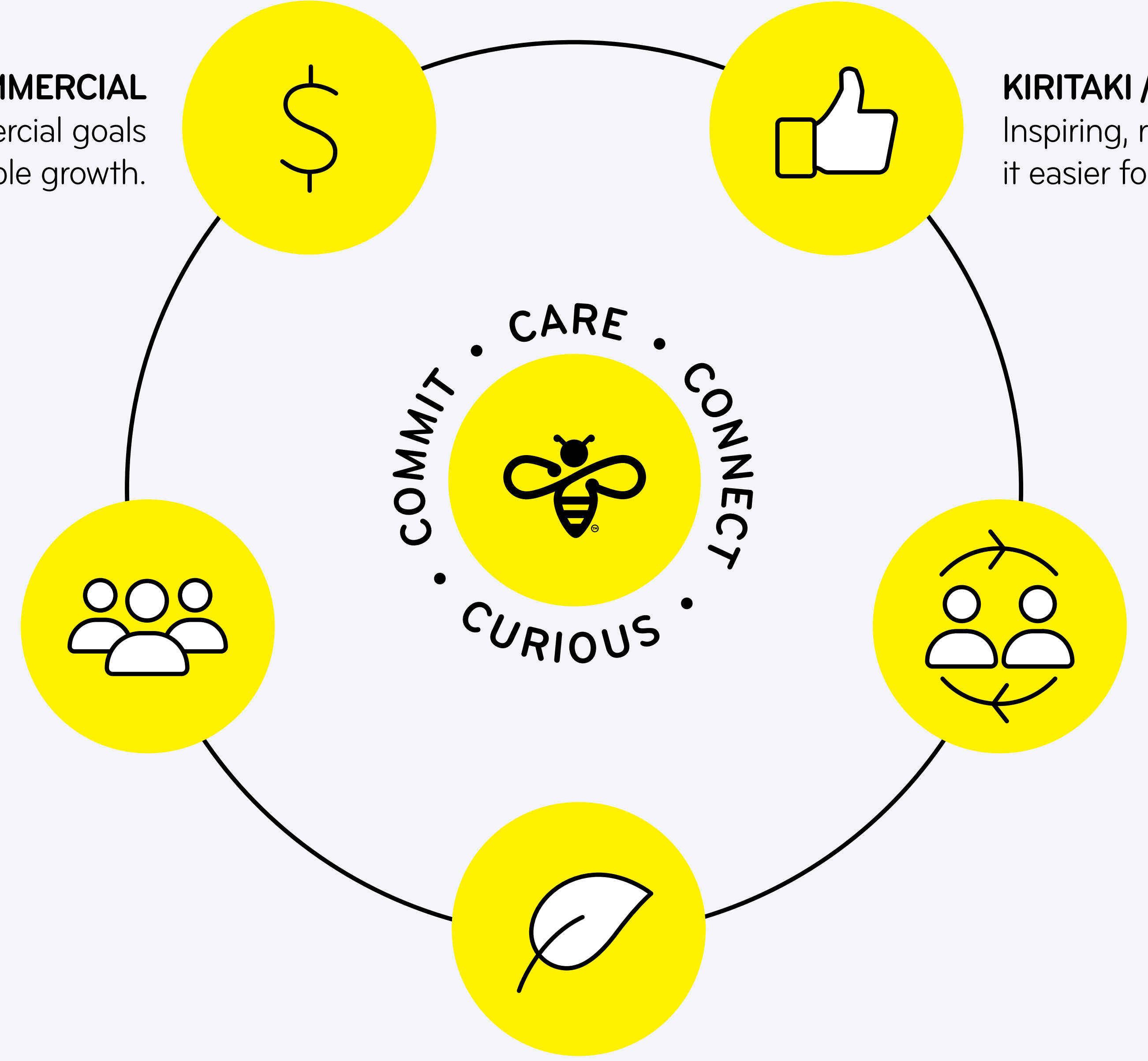
69K SHAREHOLDERS

3K BONDHOLDERS

OUR BUSINESS ACTIVITIES

ARUMONI / COMMERCIAL
Achieving our commercial goals through sustainable growth.

KIRITAKI / CUSTOMER
Inspiring, rewarding and making it easier for our customers.



NGĀ TĀNGATA / OUR PEOPLE
Enabling our people to perform together in a changing environment and keep each other safe.

KŌTUITANGA / PARTNERSHIPS
Providing greater opportunities for New Zealand, our industry, our partners and our business through long-term collaboration.

KAITIAKITANGA / STEWARDSHIP
Long-term sustainability of natural resources and assets.

OUTPUTS

4,096 GWh HYDRO GENERATION

6,669 GWh PHYSICAL SALES

2,622 GWh GEO GENERATION

2,062 GWh WIND GENERATION

21% GENERATION MARKET SHARE

16% CONSUMPTION MARKET SHARE

OUR BUSINESS MODEL EXPLAINED.

Our Business Model shows our key inputs interacting with our business activities to create outputs of sustainable, commercial value. The outcomes of our activity are measured and take us towards achieving our long-term aspirations and realising our purpose.

DELIVERING ON OUR FY22-24 OBJECTIVES.

The table below shows how we have performed against our FY22-24 objectives over the financial year. This is also the final year of our FY22-24 strategic cycle. As indicated below, we are pleased to have largely met our objectives for this period.

We outline how we will be reporting against our FY25-27 objectives on page 9.

FY22-24 OBJECTIVES	PROGRESS AGAINST OUR MEASURES	FY24 OUTCOMES	OVERALL OUTCOMES	LONG-TERM ASPIRATIONS
1 Enhance our licence to operate through collaborative work with our stakeholders	• Zero-harm organisation	Critical Risk Management plan was launched and is being rolled out. Our TRIFR (Total Recordable Incident Frequency Rate) for the financial year was 0.43, down from 0.49 in the previous financial year.	Refreshed Health, Safety and Wellbeing programme was rolled out. Our TRIFR has continued to trend down. FY21 - 0.64, FY22 - 0.60, FY23 - 0.49, FY24 - 0.43.	
	• No serious injury at a Mercury site or of customers through our service	No serious injuries in 2024.	No serious injuries in FY22-FY24 period.	
	• Enhanced engagement with iwi, partners and stakeholders	The appointment of our new Pou Tūhono-ā-iwi (Iwi Relationships Manager) will help continue building on our relationships with iwi across our operations.	Progressive approach for early engagement on key projects was implemented and continued, along with the Pou Tūhono-ā-iwi appointment.	
	• Collaboration with stakeholders in the Waikato to improve the catchment	$450,000 was allocated to restoration projects in 2024 via Waikato Catchment Enhancement Trust (WCEET).	Investment in restoration projects continued via WCEET. We installed real time water quality monitoring sites and participated in the golden clam governance group.	
	• Good practice approach to climate risk	We are publishing our first mandatory Climate Statement under the NZ Climate Standards.	We improved the maturity of our approach to climate risk and associated reporting.	
	• Delivering our customer care plan	Vulnerable customer initiatives were progressed, including: a new 'Here to Help' webpage; energy cap project with Kāinga Ora; ERANZ Connect Me pilot; and expansion of community partnerships as part of hidden hardship initiatives.	Customer Care plan continues to evolve and mature.	
2 Increase the value of our business to $800m EBITDAF	• EBITDAF growth	We have exceeded $800m EBITDAF target.	We have exceeded $800m EBITDAF target in FY23 and FY24.	
	• Retail value growth	New customer operating model was implemented, delivering further savings and positioning us to deliver on future growth targets.	Retail integration project and customer operating model was rolled out and is delivering cost savings. Electricity connection numbers remain above the original Trustpower acquisition business case assumptions. Broadband connections are below business case assumptions, largely a result of the approach taken to Retail Integration and the project taking longer than expected.	
	• Portfolio management	Long term contracts are being progressed to underpin new generation development.	In elevated spot and futures market, longer term contracts were entered into with C&I customers.	
	• Generation asset performance	Operational performance came in near budget for FY24 overall - wind slightly ahead of budget and hydro and geo slightly behind budget.	Near budget over three-year period. Geothermal impacted by unplanned outages.	

Key: • Met expectation. • Minor variance from expectation. • Did not meet expectation.

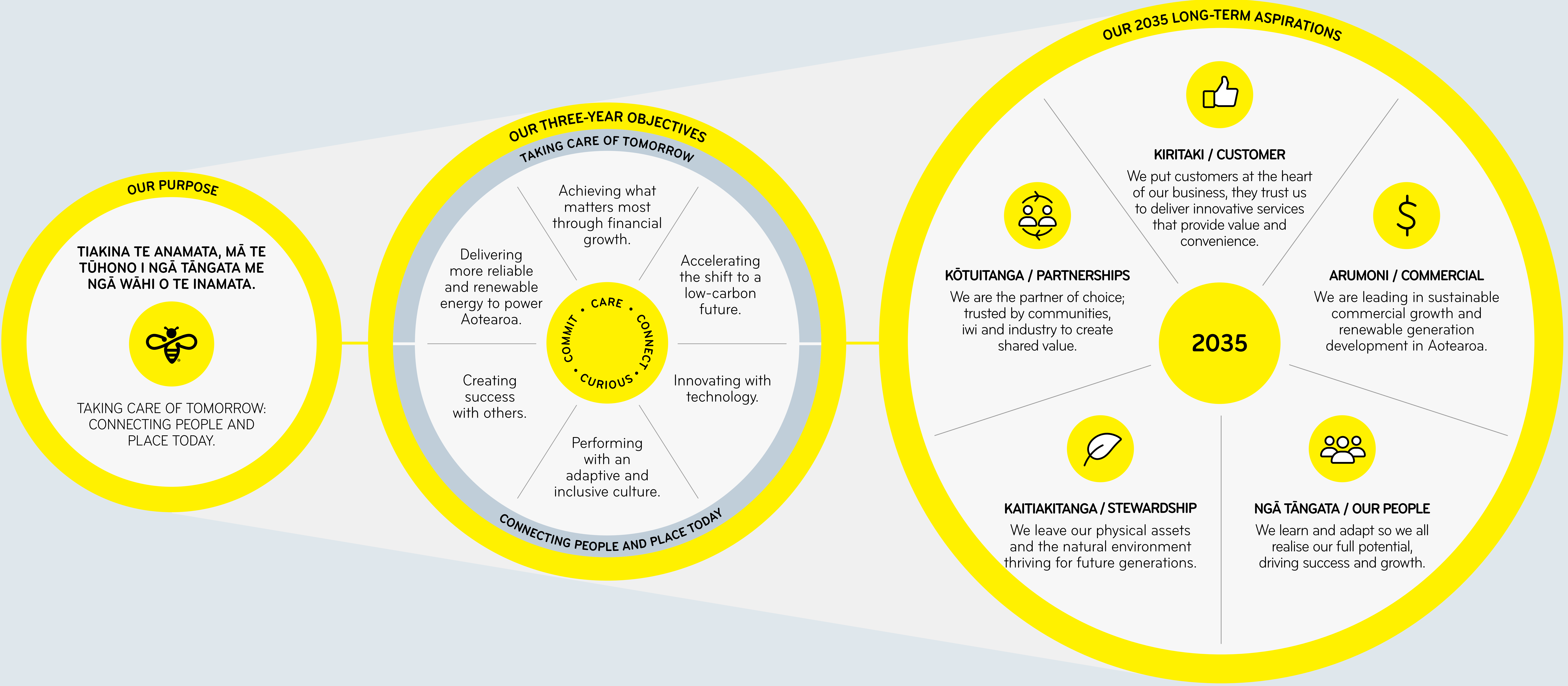
See 'Our Strategic Framework' on Page 8 to see how our objectives link to each of the categories for our long-term aspirations.

DELIVERING ON OUR FY22-24 OBJECTIVES CONTINUED.

FY22-24 OBJECTIVES	PROGRESS AGAINST OUR MEASURES	FY24 OUTCOMES	OVERALL OUTCOMES	LONG-TERM ASPIRATIONS
3 Unleash the full potential of our people through transforming culture	• Improvement in culture index	Culture index FY24: 75%.	Culture index: 72% in FY21, 75% FY22, 78% FY23, 75% FY24.	
	• Increase in diverse representation	A third cohort of participants have been placed into the Diverse Emerging Leaders programme.	Diversity increased across a range of measures.	
	• Learning opportunities taken up that lift capability	Focussed on lifting capability through 1:1 coaching, learning initiatives such as adaptive challenge working groups and leadership development programmes.	Numerous initiatives rolled out including adaptive leadership programme, new gen leaders' development programme, diverse emerging leaders and leader action learning series.	
4 Be an adaptive and resilient organisation, responsive to future needs	• Our people taking up opportunities through internal movement	Approximately 59% of new roles have been appointed internally.	Roles filled internally has increased from 51% in FY22 to 59% in FY24.	
	• Our systems are fit for purpose	Future fit solution roadmap completed in 2024, with work to roll out continuing into to 2025.	We have successfully integrated two retail businesses into a 'fit for now' state, with a roadmap in place for future fit systems.	
5 Play a leading role in New Zealand's successful transition to a low-carbon economy	• Electricity is viewed as an enabler of the transition to a low carbon economy	The proposed Sector and Government Energy Transition Framework has now been agreed by all sector participants and roll out options are being considered for the third quarter 2024.	We worked with others across the sector to develop mechanisms to support collective action (across the sector and between public/private sector participants).	
	• Progress on engagement with new technology	We continued to engage with the industry via the Flex Forum. 15,000 hot water cylinders under control for winter FY24.	We engaged with industry participants across period including via Flex Forum.	
	• Support for transport decarbonisation	Our EV smart charging pilot concluded in June with findings due in August.	Hikotron and Big Street Bikers partnerships are in place, as well as support for on-demand electric transport in Tauranga.	
	• Progress on reducing our own emissions	We successfully completed our non-condensable gas reinjection trial at Ngā Tamariki, with plans to expand this to other sites.	Over the past three-years we have set SBTi-aligned emissions reduction targets, and are on track to achieve them.	
6 Create executable options for new growth	• New opportunities for growth	Significant focus on creating options including exploring solar, grid-scale battery, new onshore wind farms, DER and load management.	Large development pipeline in place that continues to evolve. This includes flexibility (both supply and demand side).	
	• Executable development options	Expansion of Ngā Tamariki (OEC5) and Kaiwera Downs 2 construction commenced in October 2023 and June 2024 respectively. Kaiwaikawe wind farm is in the final stages of project development before moving to final investment decision.	Commissioning was completed on Turitea South and Kaiwera Downs 1 wind farms in July and October 2023 respectively.	

Key: • Met expectation. • Minor variance from expectation. • Did not meet expectation.

See 'Our Strategic Framework' on Page 8 to see how our objectives link to each of the categories for our long-term aspirations.



Our strategic framework maps why we exist and what we will need to focus on over the near and longer term, to continue to grow and create value over time.

Our purpose recognises the role we play in using our unique assets and capabilities to enable everyday living and connectivity in our communities and to bring together the people we work with to care for the natural environment and resources that we use. Our interconnected long-term aspirations expand on our purpose and provide a long-term direction for our business that reflects the change and growth that we aspire to achieve.

This year we have reset our three-year objectives for FY25-27. Our three-year objectives capture our shorter-term enterprise-wide goals that are the key steps we need to take towards meeting our long-term aspirations.

HOW WE WILL MEASURE PROGRESS ON OUR FY25-27 OBJECTIVES.

FY25-27 OBJECTIVES	MEASURES
Providing what matters most through financial growth	EBITDAF
Delivering more reliable and renewable energy to power Aotearoa	Generation asset performance and resilience
	Economic generation pipeline
Accelerating the shift to a low-carbon future	Our contribution to the Sector Framework
	Our own decarbonisation journey
	Our contribution to our customers decarbonisation journey (electrification)
Creating success with others	Customer Care
	Creating Shared Value
Performing with an adaptive and inclusive culture	Evolve the way we work to lift organisational performance
	Diversity, equity and inclusion
Innovating with technology	Technology innovation
	Technology productivity


Arapuni hydro station.

CHAIR & CHIEF EXECUTIVE

UPDATE.

KUPU A TE HEAMANA ME TE POU WHAKAHAERE.

SCOTT ST JOHN // CHAIR
VINCE HAWKSWORTH // CHIEF EXECUTIVE

Aotearoa New Zealand, and society at large, is undergoing transformational change as rapid technological advancements, evolving societal expectations and climate change intensification converge. This has created substantial opportunity for electrification as a catalyst for a lower-emissions, higher-growth economy. The energy sector will be a significant contributor to the country achieving its climate change goals through electrification.

The 2020s are the critical decade for progress. We are working hard to actively shape the pathway to support this increasing demand for renewable energy, alongside other sector participants.

We are investing significantly to deliver at scale and pace, contributing to a major uplift in the annual national development rate of renewable generation, which is expected to be over three times higher in the first half of this decade (2021-2025), than the entire previous decade (2011-2020)[1].

We are committed to delivering on our purpose: Tiakina te anamata, mā te tūhono i ngā tāngata me ngā wāhi o te inamata. Taking care of tomorrow: Connecting people and place today.

[1] Electricity Authority, '2023 Generation Investment Survey' Annual development rate is based on projects completed or committed.

Mercury Chief Executive Vince Hawksworth and Mercury Chair Scott St John.

SNAPSHOT.

SCALED BUSINESS DELIVERING
Our performance reflects the impact of significant investment to increase scale.

DELIVERING MORE GENERATION
We continued to execute new renewable generation projects and enhance existing assets.

INNOVATING FOR CUSTOMERS
We focussed on empowering customers through innovation, giving them greater choice and enhanced experience.

COLLABORATING FOR SUCCESS
We worked with others to ensure a balanced, collective view of the energy transition.

EMPOWERING TALENT & OPTIMISING PERFORMANCE
We are becoming a more progressive, future-fit organisation with greater flow and delivery of the most valuable work.

SCOTT'S KEY OBSERVATIONS.

It is a pleasure to present to you Mercury's 2024 Integrated Report, my first as Chair after succeeding Prue Flacks in January.

This year Mercury will also see a change in Chief Executive, with Vince Hawksworth, who has served as Chief Executive since March 2020, retiring at the end of August. I extend my thanks to Vince for his significant contribution to not only the long-term success of Mercury, but also the sector more broadly. I also thank Prue for her substantial contribution to Mercury over a long period, including the first half of the 2024 financial year.

Succession planning is a cornerstone of good corporate governance. Having highly experienced leaders and a deep talent pipeline is key to ensuring Mercury can navigate the rapidly changing landscape and seize the opportunities that lie before us. The challenges of attracting and retaining talent in New Zealand are well known and we need to have a forward-thinking approach that ensures we are well placed to build and grow talent at Mercury.

To that end, the Board was delighted to appoint Executive General Manager Generation Stew Hamilton to the role of Chief Executive to succeed Vince. We are also overseeing a focus on growing talent more broadly to ensure Mercury continues to have the capability to act on the growth opportunities that electrification presents.

I am committed to ensuring the Board supports Stew and the business to deliver this growth while also contributing to collective action that unlocks prosperity through the energy transition for New Zealand.

AN EVOLVING CONTEXT

Inflation impacting capital and operating costs, higher interest costs and reduced gas availability persisted over the period. We have also seen changes in the regulatory and political environment, including welcome clarity on the Lake Onslow pumped hydro scheme.

In June, the country's largest electricity user, New Zealand Aluminium Smelters (NZAS), announced its decision to remain in New Zealand for the long term, providing further market certainty. We were one of three companies to sign a long-term supply agreement with NZAS, a major milestone that gives us further confidence to execute on our high-quality generation development pipeline.

The landscape continues to evolve rapidly, with further focus on security of supply following period end highlighting the careful navigation required to achieve the transition.

FINANCIAL OVERVIEW

Performance over the period was secured by strong generation and the impact of significant investment to increase scale.

Hydro generation was 4,096GWh, down 21% on the prior year's record generation. Wind generation of 2,062GWh was up 40% on the prior year with the addition of new generation from Turitea South and stage 1 of the Kaiwera Downs wind farm. Geothermal generation was 2,622GWh, up 11% on the prior year due to improved resilience. In our customer business, we again saw lifts in yields across all customer segments.

Our net profit after tax of $290 million was up by $178 million from the prior year. We reported $877 million EBITDAF[2], up by $36 million on the prior year's $841 million.

Operating costs increased by $39 million on the prior year. Stay in business capital expenditure increased $23 million on the prior year at $142 million.

Our FY25 EBITDAF guidance has been set at $820 million.

DELIVERING MORE GENERATION FOR NEW ZEALAND

A key area of focus has been executing against our commitment to invest up to $1 billion over the financial year in new generation projects. We progressed two of the three projects signalled, bringing our combined total FY24 commitment to new renewables to over $700 million. This included commencing construction of a fifth generation unit at Ngā Tamariki geothermal station and the expansion of the Kaiwera Downs wind farm. We began construction of the second stage of Kaiwera Downs wind farm following our agreement with NZAS. Higher procurement and construction costs lifted the cost of these projects. The third signalled project, Kaiwaikawe wind farm, is nearing final investment decision.

In November, we celebrated the completion of the first stage of the Kaiwera Downs wind farm, which was delivered under budget and on schedule. We did not, however, progress with an offtake agreement for solar energy as none of the offers we received met our economic thresholds.

Having policy arrangements which support sustainable growth in supply and demand is key to achieving Aotearoa's climate change goals. We cover our views on the fast-track consenting regime in Kōtuitanga/Partnerships and the renewable projects we have put forward for fast-track consideration in Arumoni/Commercial, including two new projects - a proposed grid-scale battery at Whakamaru hydro station and a wind farm west of Huntly.

In addition to executing our pipeline of new generation developments, we continue to enhance the resilience and performance of our existing assets. We have a long-term hydro refurbishment programme underway, which we cover in Kaitiakitanga/Stewardship. We also continue to focus on maximising the value of our geothermal stations, recognising the important role of baseload generation to security. This includes undertaking initiatives to improve performance of our geothermal plant and processes and have faster return to service after outages. This activity resulted in a record production performance at Ngā Awa Pūrua geothermal station. We did, however, experience operational challenges at Ngā Tamariki and Rotokawa geothermal stations, which impacted production at the beginning of the year.

Meanwhile, our geothermal drilling campaign was delayed following our termination of the contract with the drilling rig contractor. We have since recommenced the campaign with a new contractor, who has made good progress.

INNOVATING FOR CUSTOMERS

During the year, we completed the integration of Mercury and Trustpower (people, processes, systems) on time and on budget following our acquisition of the Trustpower retail business in May 2022. This provided customers greater choice and enhanced experience by giving them access to a broader range of solutions, benefits and service features. We anticipate exceeding the synergies previously forecast, however inflationary pressures remain. The majority of synergies are expected to be realised in FY25.

We reduced our acquisition activity during the first half of the financial year to prioritise the migration of all Mercury brand mass market customers onto a single technology stack. We ended the year with 864,000 customer connections, up 4,000 on FY23. Sales to commercial and industrial customers, both physical and financial, decreased slightly over the period to 3,355 GWh.

[2]EBITDAF: Earnings before net interest expense, tax expense, depreciation and amortisation, unrealised change in the fair value of financial instruments, gain on sale and impairments.

It is anticipated consumers will play a more active role in the energy transition as it progresses. To support this, we have been trialing innovative EV smart charging, hot water load control and time of use solutions to help customers shift their energy use. We have also begun providing gas customers with information about the future of natural gas and investigating opportunities to offer solutions that will enable customers to transition to electric alternatives.

We expect to implement a larger electricity price lift in FY25, than in the past few years, as a result of increasing costs and rising level of investment required in critical electricity infrastructure. Consumers are also facing larger gas price lifts, with supply constraints driving significant wholesale gas price increases.

We will continue to provide wraparound support for customers experiencing hardship, as covered in Kiritaki/Customer. This programme of care is having a considerable impact, with our post-pay disconnections down 76% on the previous year as a result of the intervention and support of our team.

COLLABORATING FOR LONG-TERM SUCCESS

We continued to work with others to ensure focus on all arms of the energy trilemma as the energy transition gathers pace. This included supporting the establishment of a proposed energy transition framework for sector participants, which takes a whole-of-system view of the transition. It is the first time this level of collaboration has occurred sector-wide, recognising the critical importance of collective action to the transition.

During the year, we engaged on regulatory and policy topics across security, affordability and sustainability. We also continued to advocate for a smart system to unlock many elements of the transition.

EMPOWERING TALENT AND OPTIMISING PERFORMANCE

Unleashing the full potential of our people and technology is enabling our organisation to be more progressive, future-fit and capable of responding quickly to challenges and opportunities that arise. We are pleased to have made significant progress on our journey to being a more adaptive organisation with greater focus on and delivery of the most valuable work.

Interlinked with our adaptive journey is our continued focus on uplifting diversity, equity and inclusion; a focus which also underpins our maturing health, safety and wellbeing programme. While we are pleased to have seen a reduction in our total recordable injury frequency rate, which was 0.43 for FY24 (down from 0.49 the previous year), our focus on health, safety and wellbeing is much broader than this. We cover our programme in Ngā Tāngata/People.

Utilising technology will help us drive innovation and optimise performance, so we can deliver future-fit customer and employee experiences. During the year, we embarked on a major technology transformation programme, including significant investment in new platforms. We are also using smart technology to deliver greater productivity, process improvement and automation.

Andy Taylor, Maki Kobayashi and Anna Wishart.

VINCE'S KEY OBSERVATIONS.

Our business, Aotearoa and the world have changed considerably in my past four years at Mercury.

There has been significant investment in renewable energy as we shift to a low-carbon electrified future.

Achieving this transition requires a continued focus on security and affordability for all New Zealanders. We have also seen gas come into the spotlight, with production challenges constraining supply. This poses a challenge in both the electricity and gas markets over the next couple of years.

Challenges like this underline the critical importance of taking a whole-of-system approach to the transition.

Mercury is committed to playing its part in addressing these challenges and harnessing opportunities to deliver better outcomes for Aotearoa. This includes our responsibilities as a large provider of an essential service. Our customer care programme has matured in recent years to have a greater focus on targeted, tailored solutions, which are making a meaningful difference to customers most in need.

It is only with the commitment and dedication of our people that we have the platform we do today. I extend my thanks to the Mercury team for their wisdom and support during my tenure. I am confident they will ensure Mercury's continued success.

FULL-YEAR DIVIDEND

A fully-imputed final dividend of 14.0 cents per share (cps) has been declared. This brings the full-year ordinary dividend to 23.3 cps, up 7% on prior year (from 21.8 cps), marking our sixteenth consecutive year of ordinary dividend growth.

Our FY25 ordinary dividend guidance is 24.0 cps, representing a 3% increase on FY24 and the seventeenth consecutive year of ordinary dividend increases.

CLOSING REMARKS

As we reflect on our FY22-24 strategy cycle ending, we are pleased to have largely met our targets and are now firmly focused on delivering on our FY25-27 objectives.

Tirohia ki mua, kia tupu, kia hua, kia puāwai.
(Look into the horizon, plant, nurture, grow.)

SCOTT ST JOHN // CHAIR

VINCE HAWKSWORTH // CHIEF EXECUTIVE

Construction of a fifth generation unit commenced at Ngā Tamariki geothermal station.

$290M↑
NET PROFIT

$877M↑
EBITDAF

$385M↑
OPERATING EXPENDITURE

14.0CPS↑
FINAL DIVIDEND DECLARED

WHAT MATTERS MOST.

TE MEA NUI.

In this section we look at how we have engaged with iwi and stakeholders and then responded to what we have learned, as well as the trends we have seen in our key risk areas in FY24. We then cover how these risks and insights, as well as key opportunities and other external environment insights, combine to form a view of what's material to our business.

Gore mayor Ben Bell and previous Mercury chairperson Prue Flacks cut the ribbon to officially open stage one of the Kaiwera Downs wind farm.

ENGAGING WITH IWI AND STAKEHOLDERS.

TE TORO KI NGĀ IWI ME TE HUNGA WHAI PĀNGA.

Building and maintaining relationships with iwi/Māori and stakeholders across our business is fundamental to our ability to create value and contributes to our long-term success.

We aim to understand the needs and priorities of iwi/Māori and key stakeholders. This guides our resource allocation to business activities and informs our strategy and business plans.

Over the year we continued to refine how we interact with these diverse groups, recognising that there is no single universally effective approach. Our engagement includes:

- Personalised one-on-one meetings in person and/or online interactions.
- Group meetings in person, such as community co-design forums and stakeholder events.
- Online surveys and audits, such as our Employee Voice and Voice of Customer surveys.
- Regular written updates, such as project updates to the local community and quarterly operating updates to investors.

By customising engagement methods to meet specific needs and preferences, we believe we have been able to enhance accessibility and inclusivity and gather richer, more meaningful data.

The feedback we have received through these engagements has helped inform the business activities covered in How We Deliver Value.

These insights, shared through key relationship holders across our business, have also formed the base of our FY24 Materiality Assessment.

KEY GROUPS WE WORK WITH:

- CUSTOMERS
- PARTNERS
- GOVERNMENT & REGULATORS
- COMMUNITY
- IWI
- EMPLOYEES
- INVESTORS
- INDUSTRY PARTICIPANTS
- SUPPLIERS

Nevaiahlia Leuamuli, one of the rangitahi from Ōtara Youth Hub, supported by Mercury to go to the NASA Space Camp in Alabama.

OUR COMMUNITY ENGAGEMENT STRATEGY

Building and maintaining social licence is critical to our long-term success. It helps build trust and resilience in our reputation, supports continued access to land and resources, encourages customer advocacy and loyalty and contributes to employee retention and attraction.

During the year, we worked collaboratively to build clarity, consistency and a shared understanding of what community engagement means to our business. We have developed an enterprise-wide approach to community engagement to help drive more material outcomes for our communities and business.

Having a clear framework for community engagement helps us prioritise the highest impact activity – that is, activity that aligns with our business strategy while delivering meaningful outcomes for community.

The core elements we considered in designing the community engagement strategy included:

- **What matters most** – focus on the most material elements, with our purpose used to anchor efforts.
- **Strategic aspiration** – clear articulation of business value and the correlating community impact relevant to us.
- **Interconnected portfolio** – community engagement activity interlinked and more powerful in totality than individually.
- **Value over volume** – do a smaller number of things more effectively, in a coherent and unified way.
- **Evolution rather than revolution** – continue with what's going well while recognising some aspects of our community engagement approach is no longer fit-for-purpose.
- **Balance of effort** – focus on activity that fosters meaningful, long-term change while recognising the role that ad-hoc, reactive support plays in demonstrating our flexibility to respond to community needs.
- **Realising reputational benefits** – deliberately integrate leverage of community engagement activity from the outset.

We have begun implementing this strategy. We recognise, however, that it will never be 'final', given the dynamic nature of this work. We will continue to iterate it over time, ensuring we continue to deliver value for communities.

THE RISKS WE FACE.

A comprehensive summary of our key risks and how we manage them is included in Governance at Mercury.

This page provides a summary of the trends we have seen this year in our key risk areas. We take these into account in our view of what matters most and to shape our focus for how we create value over time.

KEY RISK AREA	SAFETY AND WELLBEING	COMPLIANCE AND REGULATORY	REPUTATION	OPERATIONAL	FINANCIAL	PEOPLE
FACTORS IMPACTING CURRENT TRENDS	Safety continues to be one of the major risks that could affect the wellbeing of employees, contractors, customers and the public. Our key Risks and Lifesaving Controls (the 11 key risks that can kill or badly injure), our Leadership Routines and the delivery of the Enforceable Undertaking activities with WorkSafe have all been important safety priorities. Our focus on process safety also continues as a priority at our generating assets. Our three Major Hazard Facility (MHF) sites have several process safety projects underway to reduce risk. Safety case resubmissions for our MHF sites are due to WorkSafe in FY25. FY24 also saw the continuance of several large development projects relating to wells / drilling, major hydro refurbishments, wind farm construction and geothermal turnarounds.	Compliance with resource consents and the Electricity Industry Participation Code is important for our ability to operate. Possible regulatory change and intervention continues to present a significant risk. While it is one we cannot control, we do have some ability to influence outcomes to ensure that any intervention does not undermine the balance of reliability, affordability and renewability. This balance will be a key challenge as the energy sector transition progresses. In FY24, several regulatory processes with the potential for significant impact on us have progressed. The proposed energy transition framework for sector participants will be a key way for participants to work together to collaborate on shared challenges related to transitioning the energy system. We continue to see an increased willingness for regulators to pursue business over breaches of any regulations.	Our reputation with investors, stakeholders and the broader community is one of our most significant assets. Ensuring that our fuel resources, plants and systems don't have negative impacts on others is critical. The importance of stakeholder relationships and input has continued to grow across each of our key stakeholder groups – our customers, communities, partners and investors. The level and sophistication of cyber-attacks continue to increase within New Zealand and globally. We continue to implement a comprehensive and multi-faceted security uplift programme that seeks to improve the organisation's security maturity across our IT, Operational Technology and Internet Service Provider (ISP) environments.	Operational risks have a potentially significant impact on our ability to generate electricity, provide telco and ISP services and create revenue. The key operational risks include: asset management and availability; fuel availability; market exposure; and business interruption events (such as natural disasters or global pandemics). Our two major operational risks continue to be the risk of a significant and extended plant outage (primarily baseload geothermal) and the risk of an extended drought (impacting on lake levels, water flows and plant operations / outages).	Key financial risks include: climate change impacts, appropriate insurance cover and our ability to execute on projects and new growth initiatives. A core element of financial risk is project failure risk. This risk revolves around our ability to successfully execute significant business initiatives and thereby maintain or deliver growing financial returns. A key focus in FY24 was the successful integration of Mercury and Trustpower and the delivery of the Kaiwera Downs wind farm. Increased interest rates impact us through increased funding costs and reduced profitability. If interest rates remain elevated, the increased cost of capital may put future generation development and new business opportunities at risk.	We continue to deal with the shifting landscape of today's work environment. Attracting, developing and retaining capable and adaptable people who can contribute to our strategic priorities and grow with our business remains a focus. We also face the challenge of an ageing workforce in several key operational areas and attracting suitable people remains an area of risk. We continue our strategy to create a more dynamic, adaptive and future-ready resilient business. We aim to create a culture that embraces learning, challenges mindsets, lifts capability and celebrates curiosity. Recently, we have seen a trend of aggressive behaviour towards our frontline people, which impacts on people's wellbeing. We take aggressive behaviours very seriously and have adopted a number of strategies to deal with incidents and support our people.
OUR LONG-TERM ASPIRATIONS						

PULLING IT ALL TOGETHER.

Our five long-term aspiration categories, established in 2016, represent the key drivers of material value creation for our business. These align to the six capitals of the Integrated Reporting <IR> framework.

We use these categories to understand how different resources (input capitals) can either create or erode value. It also helps us take a holistic view of our business and understand the broader environment we operate in.

When thinking about materiality, we need to consider both what matters most to our business and what matters most to iwi/Māori and stakeholders. Together, these considerations help inform the framework for our long-term strategy and near-term business planning.

Reporting on what's important to us and our stakeholders also forms the basis of this Integrated Report.

Reviewing our material topics

We continuously review our strategy against a broad context and keep up to date with changes. When we consider whether our most material topics have changed, we also evaluate how our approach needs to evolve to ensure we continue to create value.

The flow chart below outlines the process we have taken to determine our most material topics.

Through this process, we have recognised a potential gap in some communities surrounding our operating assets and main retail customer bases. We are working to close this information gap for our FY25 Materiality Assessment.

Our material topics

Following careful consideration of the data points noted above, we have determined our material topics and grouped them by value drivers. These will be taken into account over the next financial year as we progress activity against our FY25-FY27 objectives.

The materiality topics are largely unchanged from FY23. New topics are denoted in **bold.**

MATERIALITY ASSESSMENT

<IR> Capitals	Our long-term aspiration areas	What's important to us and our stakeholders
Social and Relationship	Kiritaki / Customer	• Building trust • Customer experience • Customer loyalty • Innovative services
	Kōtuitanga / Partnerships	• Building trust, **mana-enhancing practices** • Creating shared value • Forming strong, long-term relationships • **Innovation**
Natural Manufactured	Kaitiakitanga / Stewardship	• Optimising our physical assets • Improving the natural environment • Resilience to climate change • **Leading on electrification**
Human Intellectual	Ngā Tāngata / People	• Being a learning and adaptive organisation • Health, safety and wellbeing • **Transparency** • **Recognition**
Financial	Arumoni / Commercial	• Sustainable commercial growth • Renewable generation development • **Operational excellence**

CONTINUOUS APPROACH TO EVALUATING MATERIAL TOPICS

GATHER DATA

We consider data points including:

- Iwi and stakeholder perspectives (page 15)
- External environmental considerations (pages 10-13)
- Risk assessment insights (page 16)
- Any other factors

REVIEW MATERIAL TOPICS

We review our most material topics, grouped under our five long-term aspirations:

- Kiritaki / Customer
- Kōtuitanga / Partnerships
- Kaitiakitanga / Stewardship
- Ngā Tāngata / People
- Arumoni / Commercial

UPDATE MATERIAL TOPICS

Our material topics for FY24 are outlined above and are reflected in our strategic processes and the activity we undertake during the year.

CONTINUED ENGAGEMENT & MONITORING

We continue to engage with iwi and stakeholders and monitor the internal and external environment.

HOW WE DELIVER VALUE.

TE PĒWHEA O TĀ MĀTOU TUKU HIRA.

In this section, we report on material activity from the past year which has supported us to reach our long-term aspirations. We reflect on our progress, share successes and how we have responded to challenges we have encountered.

Maraetai hydro station.

DELIVERING VALUE AT A GLANCE.

1. KIRITAKI / CUSTOMER

+ KEY TOPICS

- Delivering more solutions and benefits
- Helping customers shift their energy use
- Refining our approach to hardship

– KEY RISK AREAS

- Safety and wellbeing
- Compliance and regulatory
- Reputation
- Operational

CONNECTIONS WITH:

2. KŌTUITANGA / PARTNERSHIPS

+ KEY TOPICS

- Evolving energy policy and markets for a changing world
- Creating a shared approach to Aotearoa's energy transition
- Strengthening our capability to work with Māori

– KEY RISK AREAS

- Safety and wellbeing
- Compliance and regulatory
- Reputation
- Operational
- Financial

CONNECTIONS WITH:

3. KAITIAKITANGA / STEWARDSHIP

+ KEY TOPICS

- Investing in our hydro assets
- Progressing towards our Net Zero commitment
- Recycling components from Southdown power station

– KEY RISK AREAS

- Safety and wellbeing
- Compliance and regulatory
- Reputation
- Operational
- Financial

CONNECTIONS WITH:

4. NGĀ TĀNGATA / PEOPLE

+ KEY TOPICS

- Empowering talent
- Evolution of our operating model
- Pursuing safety citizenship

– KEY RISK AREAS

- Safety and wellbeing
- Operational
- People

CONNECTIONS WITH:

5. ARUMONI / COMMERCIAL

+ KEY TOPICS

- Continued execution of new generation at pace
- A premium pipeline
- Harnessing technology for innovation and performance

– KEY RISK AREAS

- Operational
- Financial
- Compliance and regulatory

CONNECTIONS WITH:

1. KIRITAKI / CUSTOMER.

DELIVERING MORE SOLUTIONS AND BENEFITS

During the year, we undertook a significant amount of activity centred on innovation, including giving customers access to a broader range of solutions, benefits and service features.

This included completing the integration of Mercury and Trustpower (people, processes, systems) following our acquisition of the Trustpower retail business in May 2022.

The Retail Integration programme harnessed the strengths of both businesses, technology and customer insights and spanned many facets of our retail offering, including:

- products, services and offers, including adding a range of telecommunications solutions, helping more New Zealanders connect to high speed fixed or wireless broadband services;
- giving all customers access to the Mercury Rewards programme and bundling benefits;
- bringing additional service features to all customers, such as easy-to-access usage data, empowering customers to make informed decisions about their energy consumption;
- a refreshed website and improved app functionality, including an updated MyAccount portal, which gives customers flexibility to manage many aspects of their account themselves;
- introduction of an enhanced chatbot, which supports our entirely New Zealand-based customer service team to manage customer enquiries;
- a new-look customer bill, which was re-designed based on customer insights to deliver improved ease of understanding and clarity;
- offering a wider range of payment and service solutions, including SmoothPay which enables customers to pay a regular fixed amount over the year to help avoid large bills over winter.

Alongside the Retail Integration programme, we also delivered other programmes of work focussed on innovating for customers.

HELPING CUSTOMERS SHIFT THEIR ENERGY USE

We undertook several projects and trials in FY24 focussed on helping customers shift their energy use to off-peak times. This supports our strategic objective to accelerate the country's shift to a low-carbon future, by helping manage the load on the national grid at peak times. We will take insights from these to further develop how we support customers through the energy transition.

We have completed an EV Smart Charge trial to test a smart charging system that enables two-way communication between EVs and the grid, optimising the charging process. Participating customers set their charging preferences via the Mercury Charge app, plugged in their EV, and then we used various grid scenarios to study how this system behaves in different situations. Customers gave feedback throughout the trial, which will help shape our next steps.

Meanwhile, we have been running a scale Hot Water Load Control trial during winter. We have trialled different control periods tailored to household historical usage patterns to ensure little to no impact to customers. We have also begun a Time of Use trial, which involves giving participating customers pricing that varies across the week to encourage them to shift their energy use away from peak periods.

The sale of natural gas is our second largest emissions source. To support the reduction of these emissions, we have started providing our gas customer base with information about the future of natural gas and their energy options. We have also begun investigating opportunities to offer solutions that will enable our customers to transition to electric alternatives. We anticipate providing these in partnership with other providers, such as our long-term partner Samsung. Further information about our approach to reducing emissions is available in Kaitiakitanga/Stewardship and our Climate Statement.

Sharon Carvalho and Sarah Whalen.

Sustainable Energy Advice CEO Dr Sea Rotmann, Mercury Customer Care Manager Leapagatele Helen Tua and Otara Health CEO Sosefina Paletaoga at the launch of the hidden hardship research.

REFINING OUR APPROACH TO HARDSHIP

Managing affordability will be a key challenge as the energy transition progresses, with a variety of costs rising and investment required in critical electricity infrastructure, as covered in Kōtuitanga/Partnerships.

We recognise any change to affordability has an impact on consumers as they juggle multiple household cost increases, but especially those experiencing hardship. We continue to refine our approach to supporting customers in hardship to meet their unique and changing needs, including developing innovative solutions that address the broader challenges related to affordability.

To enhance our direct support, we have made our Here to Help programme, which was piloted in FY22, permanent. This includes having a dedicated team supporting customers in hardship with tailored solutions. To improve visibility and accessibility of Here to Help, we created a new payment support webpage and posters (both available in multiple languages) and promoted these in the community.

We have developed close connections with community groups over more than 15 years via dedicated community engagement leaders, recognising the critical role these groups play in supporting households experiencing hardship. With this foundation, we undertook a 2-year joint research project into hidden hardship with community groups and Genesis, which completed in February.

The research revealed a lack of trust in corporates generally and other systemic issues were often barriers to households seeking support. Community groups suggested four key principles for all industry to focus on: building trust, giving community a voice and supporting their work and developing mana-enhancing practices. We have seen great early success from embedding these principles into our customer care programme and progressing initiatives collaboratively with community providers. For example, in partnering with non-governmental organisations (NGOs) we have been able to connect with customers we have in some cases had no contact with for years. We have then supported these customers to get on top of their account with wraparound Here to Help support, with the NGOs also able to provide the whānau other support.

Further, we are nearing the completion of a two-year Winter Energy Study in partnership with Kāinga Ora - Homes and Communities, trialling how capped bills could benefit customers over winter. We will consider feedback from participating customers, including a notable lift in household wellbeing for some, and our own learnings as we continue to develop our approach to hardship. We also continue to provide significant commercial support to social electricity providers Nau Mai Rā and Toast Electric, as well as support several programmes managed by the Electricity Retailers' Association (ERANZ) including a credit scheme for those most affected by the low fixed user charge tariff phase out.

Moving forward, we're focussed on continuing to enhance our customer care programme, as well as help drive greater industry-wide action as a member of a newly established ERANZ Consumer Care Leadership Group.

2. KŌTUITANGA / PARTNERSHIPS.

EVOLVING ENERGY POLICY AND MARKETS FOR A CHANGING WORLD

It is critical that there are robust and enduring regulatory frameworks, which support the scale and pace of change required for the transition. Over the period, we observed a national shift towards enabling infrastructure development and co-ordination together with adaptation due to recent experience of weather-related events.

We actively participated in policy and market evolution dialogue, both in collaboration with others and through our own initiatives. Front of mind for us is the need to balance all arms of the energy trilemma through the transition, including:

Security: The need to ensure the lights stay on for New Zealanders through the energy transition was pulled sharply into focus for the public following the 10 May grid emergency notice and recent gas supply challenges. We continue to advocate strongly for the role of gas in the energy system as an effective transition fuel. We expect the Market Development Advisory Group's work on wholesale market evolution to remain a focus for the Electricity Authority. There are foundational elements of this workstream we are supportive of. However, we would like to see it further explore the underlying market incentives and structures for the transition, given heightened challenges in maintaining reliability.

Affordability: Cost of living challenges continued across the board, resulting in ongoing pressure for many households. In May, the Commerce Commission released its draft decision on price pathways for Transpower and most network companies for 2025 to 2030, which will have a flow-on impact to consumers. We are working through what this will mean for our customers and working with industry bodies to ensure changes are communicated in a clear and cohesive way. Looking forward, ongoing tensions between building for future needs while managing immediate affordability challenges will likely persist. We will continue to engage with government and others, alongside taking action to help support consumers, as outlined in Kiritaki/Customer.

Sustainability: We support the fast-track consenting regime as an important enabler of renewable infrastructure. We welcome a more efficient approval process for significant infrastructure projects and greater consideration of the long-term contributions these can make to New Zealand's sustainable future. Through this process, we have nominated five renewable projects for fast track, as outlined in Arumoni/Commercial. Regardless of process, we remain committed to developing and delivering projects in consultation with iwi, community and stakeholders, always considering their environmental impact. We continue to engage on broader resource management reform which is needed to enable the scale and pace of investment in renewable electricity generation, transmission and distribution needed to achieve the government's goal of doubling renewable energy. We are looking to the policies and strategies in the second Emissions Reduction Plan to adequately support the Emissions Trading Scheme as an important lever in reducing emissions during 2026-2030 and beyond.

We believe New Zealand needs to prioritise creating a smart energy system to unlock innovation, get more out of our investments and ultimately, better manage demand. There are incremental changes across the system that can be made. For major change, policy that paves a quick, smooth path to a smart system is needed. We are supportive of the work underway to progress this thinking, including through forums such as the FlexForum. This will also be a likely area of focus for the proposed energy transition framework, covered in the following section.

We are also supportive of initiatives to encourage green investment, including the creation of consistent rules that align with best international practice.

CREATING A SHARED APPROACH TO AOTEAROA'S ENERGY TRANSITION

A key activity for the energy sector over the period has been to create an enduring mechanism to bring together key participants of the electricity sector to enable a shared approach to collaborate in transitioning Aotearoa New Zealand's energy system.

To do this, an energy transition framework has been proposed, facilitating collaboration on the shared challenges in transitioning the energy system. The framework will provide a mechanism to surface priority themes of critical importance to decarbonisation and enable industry and government to catalyse action based on a whole-of-system view.

In order to move at the pace required to support the transition, we believe it is vitally important that we work with others in a transparent and effective way. We have contributed resources towards establishing the framework, as have our peers.

Turitea wind farm.

Initially, this framework targets energy transition concerns specific to the electricity system and the key role gas (and other fuels) play in that part of the energy sector. Looking forward, the intent is to expand membership and scope to provide a comprehensive representation of the entire energy system.

A Chief Executive Level Steering Group has been established, with 16 member participants from across the sector, and an independent chair has been appointed. We continue to engage with a broader suite of stakeholders across the public and private sectors to consider further opportunities to participate with the framework.

While the framework will be a vehicle for collaboration across the sector, a strong energy consumer lens has been applied. We need to engage constructively with the energy users; and provide clarity on the transition and our sector's role. To do this, the framework aims to provide transparency on the actions we are taking to support the transition and increase knowledge on what the transition might look like for energy users. The framework intends to disclose the metrics and measures that will be tracked in the interest of accountability, subject to Steering Group endorsement.

STRENGTHENING OUR CAPABILITY TO WORK WITH MĀORI

We are continuing our focus on developing our partnerships with iwi/Māori. This includes iwi we have formal partnership agreements with and other iwi relationships. We also continue to develop and evolve our commercial partnerships with Tuaropaki Trust and Tauhara North No.2 Trust, which underpin several of our geothermal operations.

While we have enjoyed good partnerships with Māori in the past, we recognise the need to continue to invest more in our valued relationships, to improve our knowledge and understanding of tikanga, te reo Māori and history of the iwi and hapū we work with.

To help achieve this, we have launched Pūkenga, an internal, online resource for staff to learn more about te ao Māori, the Māori world view. Pūkenga, which means repository, skill or expertise, is a dedicated resource helping staff to improve their competency of Māori culture. It covers tikanga Māori; te reo Māori pronunciation, specifically for our generation sites; mihi or pepeha for introductions; waiata (songs), and whakataukī (proverbs).

Pūkenga also features He Kohinga Kōrero, a collection of stories of iwi Māori located near our renewable energy generation sites. This will help staff gain a better understanding of the history of our iwi partners, before we start working on new projects and initiatives together.

The goal of Pūkenga is to grow our capacity to work with mana and comfort with our iwi and hapū partners. This is paramount to understand how we can work in a co-management space with iwi in the Waikato River catchment, and with iwi groups associated with the resources we use to generate electricity.

We are also developing a cultural capability framework to guide and develop the way we work with mana whenua.

Pūkenga and our cultural capability framework are important if we want to grow opportunities with Māori.

One example is the partnership with Ngāti Tahu-Ngāti Whaoa. These hapū border the Waikato River at Ōhākurī and three Mercury hydro power stations fall in their rohe; Aratiatia, Ōhākurī and Ātiamuri. Three geothermal power stations are also in their rohe: Ngā Tamariki, Rotokawa and Ngā Awa Purua.

We worked with Tauhara North No.2 Trust and Ngāti Tahu-Ngāti Whaoa to develop the project to expand Ngā Tamariki geothermal station, in order to ensure the expansion considered the long-term sustainability and cultural significance of the whenua. This work is covered in Arumoni/Commercial.

Mercury Chair Scott St John, Chair of Ngati Tahu - Ngati Whaoa Roger Pikia, Chairperson of Tauhara North No.2 Trust Wikitoria Hepi Te Huia, and Project Engineer Ormat Systems Ltd Omer Cohen at Ngā Tamariki expansion groudbreaking event.

We have supported Ngāti Tahu-Ngāti Whaoa with many specialist projects over the years, including eel research, wetland restoration, rangatahi leadership programmes, pest control, waka for waka ama and a trailer to transport waka, summer partnership interns and a book titled Ngāti Tahu-Ngāti Whaoa Social and Cultural Report on Te Awa O Waikato.

Further, in FY24 a Kawenata Agreement was signed between Te Runanga o Ngāti Tahu-Ngāti Whaoa and Mercury to further opportunities to work together.

3. KAITIAKITANGA / STEWARDSHIP.

INVESTING IN OUR HYDRO ASSETS

Our hydro stations on the Waikato River were constructed from the late 1920s to the 1970s and have worked hard to keep the country powered. Our long-term hydro refurbishment programme will protect these assets to ensure they can manage water flow in a way that looks after the environment but can also optimise energy from the awa.

The Karāpiro refurbishment was a primary focus of our refurbishment programme during FY24. Work to commission the second of its three new generating units (generators, turbines, and governors) is planned for August 2024.

Our project partner ANDRITZ Hydropower, a specialist engineering firm from Austria, continue to gather pace on the project.

There were delays during the first unit's installation as our team worked through challenges around components and assembly. Those lessons have allowed us to refine our processes to ensure more efficient and seamless installation of the second and third units.

The road across the top of the Karāpiro Dam has been closed during this work and we are aware of the inconvenience this has caused commuters and the local communities. We expect that work to install the third unit will begin in October 2024 and the full project is scheduled for completion in September 2025, after which we will be able to reopen to road.

The Karāpiro project is valued at ~$90m and will enable the station to provide an additional 5MW per unit, increasing capacity from 96MW to 112.5MW (32GWh/year). The Karāpiro upgrade will lead into a larger programme of works planned for the next decade involving upgrading 13 key generators and turbines at Ātiamuri, Ōhakuri and Maraetai I hydro stations.

The next cab off the rank is Maraetai, with site works planned for 2027. All its turbines, generators and governors will be replaced. The upgrades will add about 32 GWh annual output to the station (an estimated additional 5-8MW per generating unit).

At Ātiamuri, work is scheduled for 2028 to upgrade all four of its generators. These upgrades will add an estimated 2-4MW per unit and 18GWh of additional generation.

We replaced the four turbines at Ōhakuri from 2011 to 2014 and in 2029 the generators will be upgraded to maximise power output. The increase is estimated to be 2MW per unit and generate an additional 25GWh for the station. At the completion of this programme in 2032, an additional 75GWh of generation will be provided per annum from the upgrade assets.

We also have planned substantial rehabilitation work on two key areas of the Waikato Hydro System, so they remain functional and safe places for everyone.

The first is on the Taupō gate structure, which helps manage the flow of the Waikato River as it leaves Lake Taupō. Regular maintenance checks have identified that while it is safe for everyday use, maintenance works are required and development of a long-term strategy to achieve modern day engineering standards. The second is at Arapuni Dam, where work is needed to improve the left abutment seepage controls with a modern equivalent.

Ohakuri hydro station.

For FY25:

- Implement erosion control measures up and downstream of the Taupō gates structure and refurbish one of the gates. Continue engaging with iwi and hapū partners and Taupō District Council, as well as investigating alternative future options for the structure.
- Investigate options to enhance the left abutment seepage controls at Arapuni Dam and apply for consents for the programme of works.

For FY26-27:

- Progress ongoing maintenance works at the Taupō gates and develop long term asset strategy with iwi and Taupō District Council. Begin physical rehabilitation, construction work on Arapuni Dam. Completion tentatively mid 2027-28.

PROGRESSING TOWARDS OUR NET ZERO COMMITMENT

Our near-term and long-term company-wide emission reduction targets drive us to innovate and collaborate for a greener future, ensuring our actions are impactful and aligned with the Corporate Net-Zero Standard established by SBTi. We are committed to reducing our own emissions through the use and exploration of new technologies and reducing indirect emissions by collaborating with others.

Some of the current efforts we are undertaking to achieve Net Zero by 2040 are as follows:

Reducing our direct emissions:

- Building renewable generation.
- Expanding reinjection of our geothermal emissions back to the geothermal reservoirs, alongside geothermal steam and fluid.
- Converting to a 100% electric vehicle fleet by 2030.

Reducing our indirect emissions:

- Supporting our customers to switch from natural gas to electricity.
- Investigating biofuels and other gas alternatives.
- Helping our large customers to decarbonise through direct power purchase agreements for renewable electricity.
- Working with staff to reduce commuting emissions.

We have outlined further detail about the actions we are taking as a business in our FY24 Climate Action Plan. This includes the disclosure of certain financial commitments, demonstrating our commitment to emissions reduction actions.

Information about our material climate-related opportunities and risks are covered in our FY24 Climate Statement. We have also participated in the development of climate scenarios for New Zealand's Energy and Telecommunications Sectors.

Removing components from Southdown power station.

RECYCLING COMPONENTS FROM SOUTHDOWN POWER STATION

Work to recycle components from the Southdown power station in Auckland, which we decided to decommission in 2021, is showing promising results.

Up to 98% of the material extracted from the thermal power station so far has been diverted from landfill for recycling. The Ward Group, an expert in demolition and recycling, started work on the power station in May 2022.

As of May, 2,724 tonnes of waste had been removed, 2,662 tonnes had been recycled from the 4.3ha site. All of the metal removed from the plant, about 2,544 tonnes, was recycled.

More substantial recycling volumes are likely to be achieved by crushing the plant's concrete foundations and reusing the material. Overall, we estimate that 12,000 tonnes of concrete will be recycled, to find new use as a subbase or as backfill material to leave the site suitable for future industrial development.

The return on the volume of steel, copper and other recyclable components will help pay for the cost of demolition.

The demolition project is due to be completed in August 2024. The Ward Group will then release a full report showing the level of recycling achieved.

4. NGĀ TĀNGATA / PEOPLE.

We are focussed on having an inclusive work environment where contributions and diverse perspectives are valued. We recognise diversity, inclusion and belonging are critical to attracting and retaining top talent. We have clear goals and targets set by the Board to track our progress, which are summarised below, and captured more fulsomely in Diversity, Equity and Inclusion.

EMPOWERING TALENT

During the year we made significant progress on our journey to become a future-fit organisation. This aims to set us up to better navigate new and complex challenges and deliver the highest value work. This has included further embedding adaptive ways of thinking and working with the help of a range of practices and tools, and a team of internal consultants.

Shifting from traditional ways of thinking and working has been challenging at times. For some, this is a fundamental shift from a reliance on hierarchical decision making to broader accountability and decisions being made closer to the work, supported by empowering leaders.

To support our adaptive progress, two cohorts completed an adaptive leadership programme during the year. These included people from across the business (in both formal and informal leadership roles) uplifting their skills in adaptive practice and leadership. Participants then had the opportunity to work together on adaptive challenges facing Mercury, such as the need to leverage talent more effectively across the organisation.

Taking learnings from the first programme, the second took place over a longer period of six months to allow participants more time to reflect and work on the challenges. It also ended with an internal event designed and delivered by both cohorts focussed on sharing learning and experiences. This event aimed to further solidify learnings and introduce others to adaptive leadership principles and techniques. Following the success of this programme, we will run it again with a third cohort this year.

Interlinked with our adaptive journey is our continued focus on uplifting diversity, equity and inclusion at Mercury. This is driven by our belief that embracing the many backgrounds, views and capabilities of our people makes us stronger as an organisation. We also recognise that having an inclusive environment provides a feeling of safety, encouraging people to have a voice and drive innovation.

SNAPSHOT OF PERFORMANCE AGAINST TARGETS

Target	Progress against target	FY24 performance
Gender diversity: 40% male, 40% female with the balance being any gender* Key: Female Male		All employees: 49% 51% People leaders: 46% 54% EMT: 29% 71% Board: 37.5% 62.5%
Pay Equity: 100%*		96.7%
Ethnic diversity: 15% Māori, 15% Asian, 10% Pasifika*		7% Māori, 19% Asian, 5% Pasifika (Employees) 7% Māori, 11% Asian, 2% Pasifika (People Leaders)
Age diversity: Benchmarked to national median		41.9

* At all levels

Darryl Bayliss and Tom Hurdley participate in the Adaptive Leadership programme.

A third iteration of our Diverse Emerging Leaders programme will be completed in August. Growing the leadership capability of diverse leaders and encouraging a sense of belonging is critical to our adaptive success. Other activity, such as employee network groups, also continues to contribute to creating an environment of belonging and inclusion at Mercury.

Moving forward, Adaptive at Mercury will progress from being an emergent practice, to being integrated into daily operations as more of the business adopts adaptive mindsets, leadership, practices and tools. This means all our people will be better aligned to our purpose and strategy, enabling greater flow and delivery of the most valuable work.

EVOLUTION OF OUR OPERATING MODEL

To help us to shift to a more adaptive organisation, we continued to evolve the way we operate. During the year, we embarked on a significant programme of change, introducing new operating models for multiple business units. The scope for these models was wide – covering strategy, structure, process, people and technology and impacted a little over 1,000 roles in total (including a slight reduction in headcount).

The Sustainability team's operating model was the first cab off the rank. It focussed on better aligning delivery of work more closely to outcomes the team delivers, supporting greater cross-functional working and growing capability in key areas required for future success.

The Customer and People Experience and Technology operating model took a system-wide view of how teams are set up to help deliver maximum value across the end-to-end customer journey. To achieve this, outcomes focussed on flow of delivery (bringing business and technology closer together), empowered talent (creating a modern learning organisation that connects, empowers and grows people) and getting closer to customers (setting up to respond and adapt quickly to changes in the market).

To achieve cohesive change, leaders worked collaboratively to shape these changes. They began by defining design principles to help guide decision making and discovery work. Considerable thought went into ways of working and leadership requirements to ensure work would flow and be delivered to meet strategic outcomes. As a result of this thinking, our structure has evolved to give teams the ability to flex to focus on the highest priority work. On rollout of this change, wraparound support for people was provided, recognising that change can be uncomfortable.

The selection process for newly established roles has prioritised diversity, equity, and inclusion. Interview questions were shared in advance, emphasising key leadership capabilities and mindsets such as the willingness to create a psychologically safe environment. This transparency aimed to encourage traditionally hesitant individuals to envision themselves in these roles.

Given the scale of the Customer and People Experience and Technology operating model, a key challenge was gaining alignment with design leads on all aspects of the future state. Acknowledging how unrealistic perfection is, and to ensure we minimised the period of uncertainty for our people, there were some unresolved elements in the initial rollout. However, this approach facilitated a constructive consultation process, with genuine intent to seek and incorporate feedback.

With the new operating models now in place, our focus shifts to coaching and supporting individuals in adaptive ways of working, leadership, culture, governance, and planning. We're also exploring how other parts of Mercury could benefit from adopting elements of an adaptive operating model.

"The Adaptive Leadership programme challenged me to confront my limitations and explore a more expansive view of leadership and change. I discovered the transformative power of a growth mindset, which not only changed how I showed up in the business but also how I showed up for myself. As a result, when the opportunity arose, I accepted the role of Adaptive Consultant to help the business, my colleagues and my friends benefit from the learning that means so much to me."

- **Sean Hanson**, who recently changed roles from Go To Market Delivery Specialist to Adaptive Consultant.

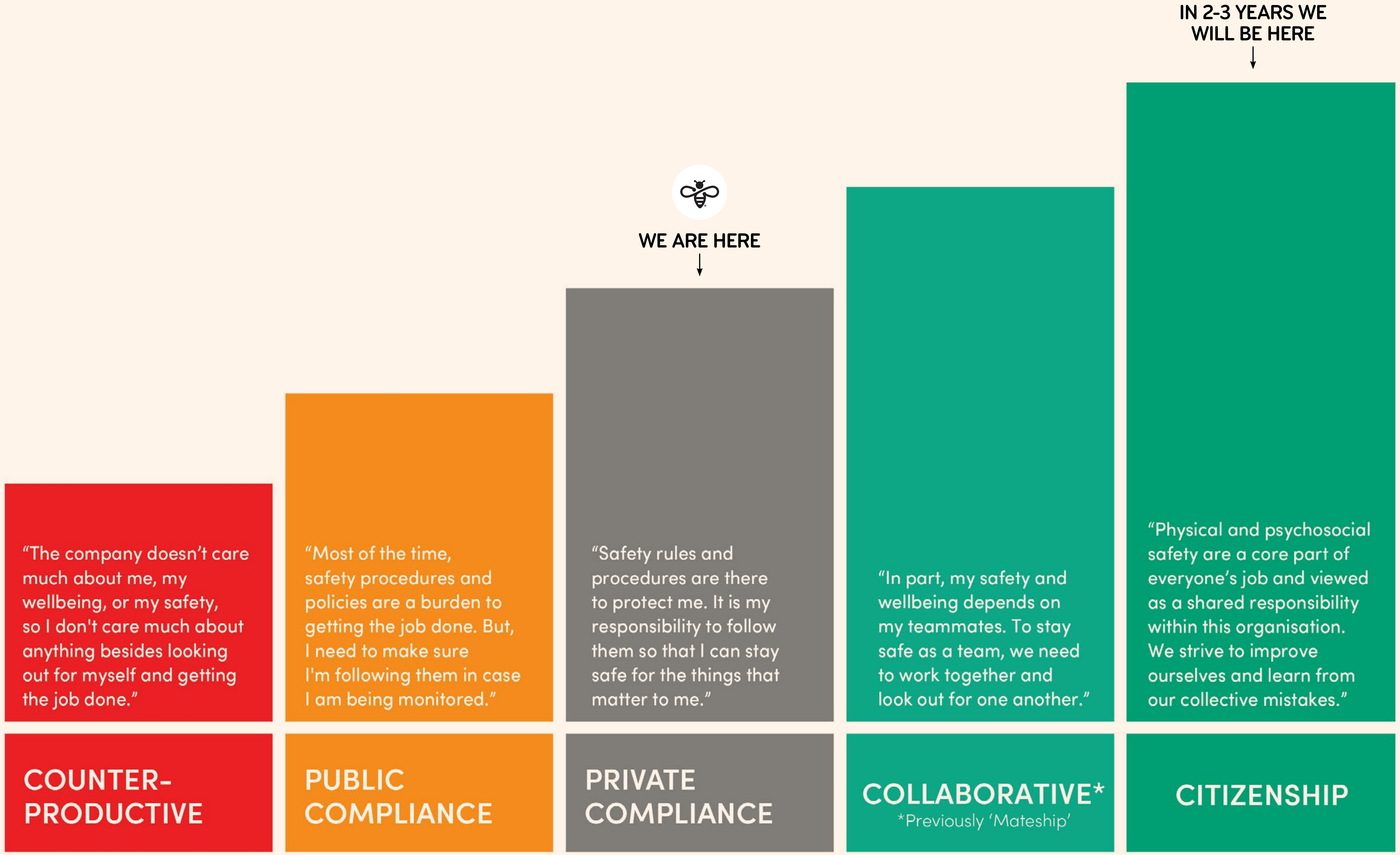
PURSUING SAFETY CITIZENSHIP

We continued to prioritise health, safety and wellbeing during the year. Drawing on the Sentis Safety Culture Maturity model, we have self-assessed Mercury as sitting at 'private compliance' and agreed an ambition to reach the gold standard of safety culture – 'safety citizenship' – by December 2026.

A number of milestones have been set to help us measure progress towards this ambition:

- Dec 2024 – Our people are taking responsibility "for themselves and each other, armed with the right tools to deliver safe outcomes. This sense of collective ownership is reflected in improvements to key safety indicators;
- Aug 2025 – Our safety practices, policies and mindset are at a high standard, considered a reference point for our peers and other sectors in Aotearoa New Zealand;
- Dec 2026 – Our safety practices, policies and mindset are core to everything we do, and go above and beyond when compared to best practices worldwide.

Sentis Safety Culture Maturity Model



We identified three key areas of focus to help us get there: rituals and routines, critical risks and health and safety data, acknowledging that safety leadership from our people will underscore these. We made significant inroads on this journey over the period, including:

- **Rituals and routines:** We introduced a standardised leader routines pilot in digital format and are installing it across generation sites. Leader routines include "toolboxes" (pre-shift safety sessions), short interval controls (periodic safety observations, checks and corrective actions) and handovers (critical data captured for the next shift, creating a continuous loop of improvement). These routines have been designed to improve stability, delegation of work, role clarity and quality of safety activities.
- **Critical risks:** We launched a 'lifesaving controls' initiative, profiling eleven critical health and safety risks across our business that could kill or seriously injure. Lifesaving controls have been developed to set expectations for eliminating or significantly reducing risks. To embed this, we have undertaken an education programme, empowering all to prioritise safety.
- **Health and safety data:** We worked on benchmarking data at every level of the enterprise, first understanding how health, safety and wellbeing data is currently used to make decisions. The initial area of focus is our customer frontline teams, with a strong focus on wellbeing. We have sought to take a science-based approach to this, including using data to help inform support. We will be introducing technology that identifies individuals with unsustainable workloads, provide in the moment advice for those under pressure and individual data points for team leaders as well as aggregated data for monitoring trends.

Underpinning our success in this space is diversity, equity and inclusion. Being part of a team where there is diverse thought and experience is a key element to keeping our people safe, and we continue to integrate Mercury's diversity, equity and inclusion approach into this programme of work.

During the year, Mercury agreed to an Enforceable Undertaking with WorkSafe in response to the uncontrolled release of geothermal steam at our Rotokawa power station in 2021. The Enforceable Undertaking – a binding commitment to improve safety – is now underway and we expect to complete this in February 2026. Key work includes further education and coaching, autonomous inspections of certain sites, sharing learnings with others and support of a health and safety scholarship. We expect this will deliver benefits to not just our people but also to our sector and the community.

LIFESAVING CONTROLS.

5. ARUMONI / COMMERCIAL.

CONTINUED EXECUTION OF NEW GENERATION AT PACE

Developing more renewable generation remains a key growth area for Mercury and is one of the most meaningful ways we can contribute to New Zealand becoming a lower emissions economy through electrification.

We committed more than $700 million in new renewable generation during the financial year through two projects – the expansions of Ngā Tamariki geothermal station and Kaiwera Downs wind farm. The third project we had intended to execute this financial year, Kaiwaikawe wind farm, was delayed due to procurement and construction logistics, but is now nearing final investment decision.

The $220 million expansion of Ngā Tamariki geothermal station, to add a fifth generating unit at the station, will boost the station's generating output by 46MW (390GWh per annum). We are working with global geothermal manufacturer Ormat to deliver the project, which we developed with support from our commercial partner Tauhara North No.2 Trust. This is an important addition to our portfolio, proving additional 24/7 baseload energy which complements intermittent renewables like wind. First generation from the fifth unit is expected in late 2025.

We completed the 43MW (147GWh per annum) stage one of Kaiwera Downs wind farm in November under its $115 million budget and on schedule – a credit to our people, delivery partners and the support of the community. In June, we began construction of the $486 million, 155MW (525GWh per annum) second stage of this wind farm, with the support of our delivery partners, Vestas, Higgins and Electronet. Full generation is expected by late 2026. When Kaiwera Downs wind farm is complete its total capacity will be 198 MW, making it the second largest wind farm in New Zealand after our Turitea wind farm.

Our expansion of Kaiwera Downs was confirmed following the signing of a long-term agreement with New Zealand Aluminium Smelters (NZAS). We are pleased to have played a role in helping NZAS commit to a long-term presence in Aotearoa, providing welcome market confidence.
Our agreement takes effect from January 2025 for a period of up to 20 years, with baseload volume stepping up from 50MW to 75MW in 2027.

Having guaranteed consumers of renewable electricity provides further certainty in New Zealand's future demand profile, underpinning the scale and pace at which we continue to build more renewable electricity for Aotearoa. In addition to our NZAS agreement, we have Power Purchase Agreements with a number of large commercial customers.

Looking forward, we are focussed on continuing to navigate challenges in the operating environment, such as higher costs, to ensure continued execution of renewable generation projects at pace. A forward view of activity is covered in the following section.

Ngā Tamariki geothermal station.

A PREMIUM PIPELINE

We have a premium generation development pipeline and remain confident we have the resource and capability to develop this ourselves alongside our delivery partners, further supporting the electrification opportunity ahead.

As noted in Kaitiakitanga/Stewardship, we see making the approval process for significant infrastructure projects quicker and more efficient as an important enabler of renewable electricity generation projects being delivered at the scale and pace required to enable Aotearoa to meet its climate change goals.

To that end, we have put forward five projects at varying stages of development for the fast-track consenting programme. This includes two new projects – a proposed grid-scale battery at Whakamaru hydro station and a wind farm west of Huntly, as well as the previously signalled Puketoi wind farm, repowering of Tararua wind farm (through the installation of new turbines) and stage 2 of Mahinerangi wind farm. The Whakamaru Battery Energy Storage System would be our first grid-scale battery, capable of re-distributing energy to the national grid when demand is high.

Autonomous vehicle 'Optimus Brine' being trialled at Rotokawa geothermal station.

In January, we issued a request for Expressions of Interest for an offtake agreement for 100MW of solar energy, commencing in 2026, which we saw as an opportunity to further diversify our renewable energy portfolio. This garnered a variety of responses, but after thorough examination we determined our own development options presently provide greater value than an agreement of this nature would. We gained valuable insight from this process, which we may consider again in the future.

HARNESSING TECHNOLOGY FOR INNOVATION AND PERFORMANCE

During the year, we embarked on a major technology transformation programme, including significant investment in new platforms to enable enhanced customer and employee experiences.

As part of the integration of Mercury and Trustpower, we migrated our Mercury retail customers on to Gentrack's meter-to-cash solution, for billing and payment management of our utility services. This enables us to deliver a range of telecommunications and energy bundles for our customers under a new suite of systems. We are also migrating our large commercial customers to a new technology stack, with Robotron as the key software partner. We plan to migrate to the Robotron solution in FY25.

We have also formed small multi-disciplinary teams to further explore the harnessing of AI and how we support the capability required to safely explore user case opportunities. The team continues to review opportunities to maximise business value from AI while emphasising ethics and eliminating bias.

Generative AI is being tested to analyse customer sentiment, topics, tone and agent engagement, helping to discover trends, opportunities, churn risks and innovative ideas for decision-making. Microsoft's AI Copilot technologies are being trialed across various business groups to drive improvements in everyday productivity.

Meanwhile, work is underway to replace our legacy finance system with Workday Financials. The new cloud-based system and associated processes will help drive performance and growth across our business. We plan to migrate to Workday Financials in FY25.

We are also trialling an autonomous vehicle to enhance work safety at our Rotokawa geothermal station near Taupō, as part of an enforceable undertaking agreement with WorkSafe.

The new autonomous vehicle will roam the Rotokawa station, taking pictures of valves, pumps and pipes and feeding the data to the station's AI system.

The robot workmate has been fitted with infra-red sensors, cameras, gas sensors and sound sensors, to help minimise staff exposure to hazardous situations. In time it will provide data to identify trends and help staff be more focused with plant maintenance.

Staff trialling the robot aim to have it operational at the Rotokawa station in FY25. It will be further tested to learn how the technology can complement the safety measures and protocols we have at our other power generation sites.

LOOKING AT THE NUMBERS.

TE TITIRO KI NGĀ TATAU.

This section explains how our integrated thinking, our decisions and actions play out in financial results. We provide commentary on our financial performance for the year to the end of June 2024 compared with prior years, as well as our auditor's report and our financial statements. Segment reporting has been set out so you can clearly see the financial dynamics of our generation operations as distinct from our retail operations.

CONTENTS.

FINANCIAL COMMENTARY.

Mercury's FY2024 EBITDAF is $877 million, up by $36 million on the prior year of $841 million. This result reflects strong generation performance and the impact of significant investment to increase scale with construction of stage 1 of the Kaiwera Downs wind farm being completed during the year.

OPERATIONAL ACTIVITY

At 4,096GWh, Mercury's hydro generation was down 1,113GWh on the prior year's record generation. This generation was still at average levels, despite 30th percentile inflows into the Waikato catchment during the financial year. Lake Taupō ended the year with storage below average by ~103GWh. Geothermal generation was up 264GWh on the prior year due to improved resilience. Wind generation increased 591GWh with the addition of new generation from Turitea South and stage 1 of the Kaiwera Downs wind farm following completion of construction in early FY2024.

The decreased hydro generation meant that net position decreased from 560GWh long last year to 362GWh long for FY2024. In our customer business, we again saw lifts in customer yields across all customer segments. Yields in the commercial and industrial segment (physical and financial) increased by $9/MWh over the period. Average mass market yields also increased $9/MWh.

OPERATING EARNINGS (EBITDAF)

Mercury's EBITDAF of $877 million rose $36 million from the previous year, as explained in the following paragraphs.

Mercury's trading margin of $1,228 million was up $65 million from the previous year's trading margin, driven by high wholesale electricity prices and new wind generation from Kaiwera Downs.

Operating costs increased by $39 million on the prior year, primarily due to increases in employee costs with increased FTEs, and new generation maintenance costs relating to the operation of Kaiwera Downs.

PROFIT FOR THE YEAR

Mercury's net profit after tax of $290 million was up by $178 million from the prior year, primarily due to an uplift in EBITDAF ($36 million), being an uplift in underlying performance of 4%, changes in unrealised gains/losses on unhedged financial instruments ($179 million), changes in the fair value of carbon ($44 million), revaluation losses and impairment in FY23 ($53 million), offset primarily due to: interest costs ($34 million) and tax expense ($82 million).

CAPITAL STRUCTURE AND DIVIDENDS

Net debt was $1,953 million as at 30 June 2024, an increase of $46 million from the prior year. The increase in net debt follows commencement of construction of stage 2 of the Kaiwera Downs wind farm and the addition of a fifth generating unit at Ngā Tamariki geothermal station.

Treasury stock of $44 million was re-issued through FY2024 in relation to Mercury's dividend reinvestment plan (DRP). The company's gearing level is calculated at 2.0 times debt/EBITDAF after adjusting for S&P Global treatment of Mercury's hybrid debt and provisions. Consistent with the previous year, the gearing ratio remains at the low end of Mercury's target range of 2.0x to 3.0x debt/EBITDAF supporting our S&P Global credit rating of BBB+. At year end, Mercury held 6 million shares as treasury stock, has available debt headroom of $340 million net of short-term commercial paper on issue and held cash and cash equivalents of $44 million. This continues to provide balance sheet flexibility for growth over and above current commitments.

A fully imputed ordinary dividend of 14.0 cents per share (cps) final dividend has been declared. This brings the full-year ordinary dividend to 23.3cps, up 7% on prior year (from 21.8 cents per share), marking our sixteenth consecutive year of ordinary dividend growth. Under the terms of Mercury's DRP, dated 22 February 2022, shareholders may elect to receive the dividend either wholly or partially by receiving Mercury ordinary shares in lieu of cash. The Board has determined that shares issued under the DRP in respect of the 2024 final ordinary dividend will be issued at a discount of 2.0% to the daily volume weighted average share price calculated in accordance with the DRP terms and conditions.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities represents cash flows from the sale of electricity, gas, and telecommunication services, along with the costs associated with their sale and the cash costs of interest and taxes. Cash flows from operating activities were up $34 million this year, in line with increased EBITDAF.

BALANCE SHEET

Total assets of the company increased by $376 million, due mainly to higher receivables resulting from higher wholesale prices, and higher property, plant and equipment resulting from continued investment in generation development.

Stay in business capital expenditure (CAPEX) increased $23 million on the prior year at $142 million, with good progress made on the drilling campaign, which will continue into the next financial year. Growth CAPEX was down $23 million on the prior year to $154 million with completion of the first stage of Kaiwera Downs wind farm early in FY2024 and the beginning of construction of the second stage of Kaiwera Downs wind farm in June which is expected to be fully operational in the first half of FY27.

FINANCIAL TRACK RECORD.

For the year ended 30 June ($ million)	2024	Restated 2023[2]	2022	2021	2020[1]
Income statement					
Trading margin	1,228	1,163	745	616	652
EBITDAF	877	841	581	463	490
Net profit for the year	290	112	469	141	209
Balance sheet					
Total shareholders' equity	4,849	4,863	4,752	4,186	3,733
Total assets	9,795	9,419	9,631	7,978	6,877
Total liabilities	4,946	4,556	4,879	3,792	3,144
Cash flow					
Operating cash flow	612	578	352	338	352
Investing cash flow	(366)	(271)	(534)	(296)	(194)
Financing cash flow	(277)	(297)	84	42	(173)
Capital expenditure					
Total capital expenditure	296	296	1,420	250	275
Growth capital expenditure	154	177	1,352	194	165
Stay-in-business capital expenditure	142	119	68	56	110
Other financial measures					
Free cash flow	470	459	284	282	242
Ordinary and special declared dividends	325	302	275	231	215
Ordinary dividends per share (cents)	23.3	21.8	20.0	17.0	15.8
Basic and diluted earnings per share	20.85	8.11	34.32	10.36	15.36
Net debt	1,953	1,907	1,961	1,329	1,149
Gearing (net debt/net debt + equity, %)	28.7	28.2	29.2	24.1	23.5
Debt/EBITDAF (x)[3]	2.0	2.0	2.9	2.5	2.2
Operational measures					
Total recordable injury frequency rate (TRIFR)[4]	0.43	0.49	0.60	0.64	1.26
Sales to customers (FPW, GWh)	6,669	6,749	5,105	4,522	4,361
Electricity customers ('000)	576	590	574	328	348
Electricity generation (GWh)	8,780	9,038	7,499	6,205	6,331

[1] Restated for change in accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements.
[2] Restated for change in valuation of Power Purchase Agreement. See Significant Matters.
[3] Restated and adjusted for S&P treatment.
[4] Per 200,000 hours; includes on-site employees and contractors.

Arapuni hydro station.

Building a better working world

Independent auditor's report

To the shareholders of Mercury NZ Limited

Report on the audit of the consolidated financial statements for the year ended 30 June 2024

The Auditor-General is the auditor of Mercury NZ Limited ('the Company') and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 38 to 61, that comprise the consolidated balance sheet as at 30 June 2024, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit we have carried out engagements in the areas of interim financial statements review, agreed-upon procedures and other assurance engagements, which are compatible with those independence requirements. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. Other than the audit and these engagements, we have no relationship with or interests in the Company or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better working world

Valuation of generation assets

Why significant	How our audit addressed the key audit matter

Generation assets were revalued to $7,797 million at 30 June 2024 as set out in note B1 of the consolidated financial statements. The generation assets represent approximately 80% of the Group's total assets.
 	
The Group engages an external valuation specialist ("valuer") to estimate the fair value of generation assets using a discounted cash flow model. The most significant inputs used to estimate the fair value of the generation assets include the forecast wholesale electricity price path, generation volumes and the discount rate as described in note B1 of the consolidated financial statements.
 	
The forecast wholesale electricity price path and discount rate assumptions are estimated by the Group's valuer. Forecast generation volumes are based on the Group's own forecast average generation volumes and are assessed by the valuer.
 	
We consider the valuation of generation assets to be a key audit matter given the significance of the assets to the Group and because the inputs to the valuation models are inherently subjective.
	In obtaining sufficient appropriate audit evidence we:
	• met with the valuer to understand the valuation methods adopted and the significant inputs and assumptions used by the valuer to estimate the fair value of the generation assets as at 30 June 2024.
	• compared forecast generation volumes to historical generation volumes.
	• involved our own valuation specialists to assess the appropriateness of:
	  • the forecast wholesale electricity price path; and
	  • the discount rate.
	• assessed the competence, capabilities and objectivity of the valuer;
	• assessed whether the valuation adjustments made to the recorded asset values were in accordance with the Group's accounting policy; and
	• assessed the adequacy of the related financial statement disclosures in note B1.
	
	As a result of the above procedures, we considered the valuation techniques and key assumptions reasonable in forming our opinion on the financial statements as a whole.

Valuation of level 3 derivative financial instruments

Why significant	How our audit addressed the key audit matter

The Group's activities expose it to certain risks which are managed using derivative financial instruments. At 30 June 2024, the fair value of derivative assets total $516 million and derivative liabilities total $667 million as set out in note F1 of the consolidated financial statements.
 	
These balances include certain electricity price derivatives for which the valuation inputs are not readily observable in active primary or secondary markets and require the use of more complex valuation assumptions, including the Group's internal forecast wholesale electricity price path. Derivatives for which the valuation inputs are not readily observable are referred to as 'level 3' derivatives as disclosed in note F1 of the consolidated financial statements.
 	
We consider the valuation of level 3 derivatives to be a key audit matter as the inputs to the valuation models are inherently subjective.
	In obtaining sufficient appropriate audit evidence we:
	• involved our valuation specialists to assess, on a sample basis, the models used to estimate the fair value of the level 3 derivatives as at 30 June 2024, including the appropriateness of:
	  • the valuation methodologies; and
	  • the key assumptions applied in the valuation models being:
	    • the forecast wholesale electricity price path with reference to the generation asset valuation procedures detailed above; and
	    • the discount rate.
	• on a sample basis, agreed key contract terms, including contract start and maturity dates, expected volumes and electricity strike prices applied in the valuation models to the relevant contract.
	• assessed the adequacy of the related financial statement disclosures in notes F1 and F2.
	
	As a result of the above procedures, we considered the valuation techniques and key assumptions reasonable in forming our opinion on the financial statements as a whole.

Building a better working world

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included on pages 1 to 34 and 62 to 136 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General

Auckland, New Zealand
20 August 2024

GROUP FINANCIAL STATEMENTS.

CONSOLIDATED INCOME STATEMENT.

For the year ended 30 June 2024

	Note	2024 $M	Restated 2023 $M
Revenue	A1, A2	3,424	2,730
Expenses	A2	(2,704)	(1,900)
Depreciation and amortisation	B1, B2	(350)	(344)
Impairment	A2, B2	–	(12)
Revaluation loss of generation assets	A2, B1	–	(41)
Change in the fair value of financial instruments	F1, F2	172	(159)
Change in the fair value of carbon units held for trading	C2	8	(36)
Share of profit/(loss) from associates and joint ventures	E1	(1)	5
Gain/(loss) on acquisitions and disposal		–	12
Interest income	A2, D2	6	3
Interest expense	A2, D2	(140)	(103)
Profit before tax		415	155
Tax expense	A3	(125)	(43)
Profit for the year attributable to owners of the parent		290	112
Basic and diluted earnings per share (cents)		20.85	8.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 30 June 2024

	Note	2024 $M	Restated 2023 $M
Profit for the year attributable to owners of the parent		290	112
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in asset revaluation reserve		138	113
Change in cash flow hedge reserve transferred to balance sheet	F1	(2)	2
Share of movements in associates' and joint ventures' reserves	E1	(6)	11
Tax effect		(37)	(31)
Items that may be reclassified subsequently to profit or loss			
Change in cash flow hedge reserve	F1	(180)	212
Tax effect		50	(60)
Other comprehensive income for the year, net of taxation		(37)	247
Total comprehensive income for the year attributable to owners of the parent		253	359

CONSOLIDATED BALANCE SHEET.

For the year ended 30 June 2024

	Note	2024 $M	Restated 2023 $M
SHAREHOLDERS' EQUITY			
Issued capital		378	378
Treasury shares	D1	(15)	(34)
Reserves		4,486	4,519
Total shareholders' equity		4,849	4,863
ASSETS			
Current assets			
Cash		44	75
Trade and other receivables	C1	638	440
Contract assets and costs		35	32
Inventories	C2	120	91
Derivative financial instruments	F1	313	201
Total current assets		1,150	839
Non-current assets			
Property, plant and equipment	B1	8,222	8,099
Intangible assets	B2	132	138
Investment in and advances to associates and joint ventures	E1	69	80
Advances to joint operations	E1	4	4
Trade and other receivables	C1	-	1
Contract assets and costs		15	15
Derivative financial instruments	F1	203	243
Total non-current assets		8,645	8,580
Total assets		9,795	9,419

	Note	2024 $M	Restated 2023 $M
LIABILITIES			
Current liabilities			
Payables and accruals		462	344
Provisions	C3	3	3
Borrowings	D2	383	375
Derivative financial instruments	F1	371	186
Taxation payable		73	44
Total current liabilities		1,292	952
Non-current liabilities			
Provisions	C3	82	81
Derivative financial instruments	F1	296	243
Borrowings	D2	1,558	1,523
Deferred tax	A3	1,718	1,757
Total non-current liabilities		3,654	3,604
Total liabilities		4,946	4,556
NET ASSETS		4,849	4,863

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 20 August 2024.

SCOTT ST JOHN //
CHAIR OF THE BOARD OF DIRECTORS

JAMES MILLER //
CHAIR OF THE RISK ASSURANCE AND AUDIT COMMITTEE

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

For the year ended 30 June 2024

	Note	Issued capital $M	Retained earnings $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Other reserves $M	Total equity $M
BALANCE AS AT 1 JULY 2022		378	516	4,153	(245)	(50)	4,752
Adjustment on restatement of PPA valuation (see Significant Matters)		–	5	–	–	–	5
RESTATED BALANCE AS AT 1 JULY 2022		378	521	4,153	(245)	(50)	4,757
Movement in asset revaluation reserve, net of taxation		–	–	82	–	–	82
Movement in cash flow hedge reserve, net of taxation		–	–	–	154	–	154
Share of movements in associates' and joint ventures' reserves		–	–	–	11	–	11
Other comprehensive income		–	–	82	165	–	247
Net profit/(loss) for the period		–	112	–	–	–	112
Total comprehensive income for the year		–	112	82	165	–	359
Dividend	D1	–	(286)	–	–	–	(286)
Issue of treasury shares for dividend reinvestment program	D1	–	15	–	–	13	28
Sale of treasury shares	D1	–	2	–	–	3	5
Restated balance as at 30 June 2023		378	364	4,235	(80)	(34)	4,863
RESTATED BALANCE AS AT 1 JULY 2023		378	364	4,235	(80)	(34)	4,863
Movement in asset revaluation reserve, net of taxation		–	–	99	–	–	99
Movement in cash flow hedge reserve, net of taxation		–	–	–	(130)	–	(130)
Share of movements in associates' and joint ventures' reserves		–	–	–	(6)	–	(6)
Other comprehensive income		–	–	99	(136)	–	(37)
Net profit for the year		–	290	–	–	–	290
Total comprehensive income for the year		–	290	99	(136)	–	253
Dividend	D1	–	(311)	–	–	–	(311)
Issue of treasury shares for dividend reinvestment programme	D1	–	26	–	–	18	44
Balance as at 30 June 2024		378	369	4,334	(216)	(16)	4,849

The 'Other reserves' category includes treasury shares, the foreign currency translation reserve and the share based payment reserve.

CONSOLIDATED CASH FLOW STATEMENT.

For the year ended 30 June 2024

	Note	2024 $M	2023 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,116	2,620
Payments to suppliers and related parties		(2,094)	(1,687)
Payments to employees		(165)	(147)
Interest received		6	3
Interest paid		(130)	(104)
Taxes paid		(121)	(107)
Net cash provided by operating activities	D4	612	578
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(295)	(250)
Payments for acquisition of intangibles		(39)	(47)
Payments for acquisition of NOW New Zealand		–	(17)
Distributions received from/(advances paid to) associates and joint ventures		4	6
(Lodgements)/return of prudential deposits		(36)	37
Net cash (used)/received in investing activities		(366)	(271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		360	509
Repayment of borrowings		(356)	(544)
Principal repayment of lease liabilities		(13)	(9)
Proceeds from the sale of treasury shares		-	5
Dividends paid		(268)	(258)
Net cash (used)/received in financing activities		(277)	(297)
Net increase/(decrease) in cash held		(31)	10
Cash at the beginning of the period		75	65
Cash at the end of the period		44	75
Cash balance comprises:			
Cash held at bank at the end of the period		44	75

The accompanying notes form an integral part of these financial statements.

GENERAL INFORMATION AND SIGNIFICANT MATTERS

GENERAL INFORMATION

These consolidated financial statements ("Group financial statements") are for Mercury NZ Limited Group ("the Group"). The Group financial statements comprise Mercury NZ Limited ("the Company") as the parent, and its subsidiaries and its investments in associates and interests in joint arrangements.

The Company is incorporated in New Zealand and registered under the Companies Act 1993. It is listed on the NZX Main Board and on the ASX, with foreign exempt listed status. It also has bonds quoted on the NZX debt market. Mercury NZ Limited is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Company is a mixed ownership model company, majority owned by the Government, and is bound by the requirements of the Public Finance Act 1989. The liabilities of the Group are not guaranteed in any way by the Government or by any other shareholder.

BASIS OF PREPARATION

The Group financial statements have been prepared:

- in accordance with the Financial Markets Conduct Act 2013 and Generally Accepted Accounting Practice in New Zealand ("GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS") as appropriate for profit-oriented entities.
- on a historical cost basis, with the exception of certain fair value measurements.
- using the same accounting policies for all reporting periods presented.
- in millions of New Zealand dollars, unless otherwise stated.
- exclusive of GST, with the exception of payables and receivables that include GST invoiced.

ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The areas of significant estimates and judgements are as follows:

- Fair value of generation plant and equipment (refer note B1).
- Valuation of financial instruments (refer note F1).

SIGNIFICANT MATTERS

Restatement of a PPA Valuation

An error has been identified in the prior period valuations of a power purchase agreement (PPA) that was acquired in August 2021 as part of the acquisition of Tilt New Zealand assets.

	1 July 2022	Adjustments	Restated 1 July 2022	Audited 30 June 2023	Adjustments	Restated 30 June 2023
CONSOLIDATED INCOME STATEMENT						
Change in fair value of financial instruments				(172)	13	(159)
Tax expense				(39)	(4)	(43)
CONSOLIDATED BALANCE SHEET						
Reserves	4,424	5	4,429	4,505	14	4,519
Non-current derivative financial liability	400	(7)	393	263	(20)	243
Deferred tax liability	1,753	2	1,755	1,751	6	1,757

Accounting standards, interpretations and amendments not yet effective

In May 2024, the External Reporting Board (XRB) introduced NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (effective for reporting periods beginning on or after 1 January 2027). This standard replaces NZ IAS 1 *Presentation of Financial Statements*. The Group has not yet assessed the impact of NZ IFRS 18.

There are no other accounting standards that are not yet effective that will have a material impact on the Group's financial statements.

NOTE A1. REVENUE

Mercury earns revenue from the following sources:

Revenue stream	Description & revenue recognition
Electricity generation, net of hedging	Revenue is received from: • Electricity generated and sold through the New Zealand electricity spot market, and physical power purchase agreements (PPAs). Revenue is recognised at the time of generation and at the spot price or contract price. • Net settlement of hedged energy contracts sold or bought on the futures market, and to generators, retailers and commercial and industrial customers and recognised at the time of hedge settlement.
Electricity and gas sales to customers	• Electricity and gas sales to customers are recognised when the energy is supplied for customer consumption. • Acquisition incentives such as credits and appliances are offered to new customers and treated as individual performance obligations and a portion of the expected revenue over the life of the total contract is allocated to the performance obligation based on their standalone selling price and recognised immediately. Corresponding contract assets are recognised on the balance sheet and amortised to the income statement over the contract period as the future consideration is billed. Incremental costs to obtain and retain customers are recognised on the balance sheet as contract costs and amortised to the income statement on a straight-line basis over the expected average mass market customer tenure.
Telco revenue	Customers consume mobile and broadband services which are measured and billed according to monthly billing cycles and are recognised when the service has been provided. Acquisition incentives are treated the same as above.
Other income	Income is received from: • Insurance proceeds. Income is recognised at the time the insurance proceeds are virtually certain to be received. • External management fees. Revenue is recognised at the time the services have been delivered. • Sale of emission units sold to third parties. The sale is recognised at the point in time that the emission unit is confirmed as being transferred into the acquirer's emission unit account.

NOTE A2. SEGMENT REPORTING

IDENTIFICATION OF REPORTABLE SEGMENTS

The operating segments are identified by management based on the nature of the products and services provided. Discrete financial information about each of these operating segments is reported to the Chief Executive, being the chief operating decision-maker, on a monthly basis, who assesses the performance of the operating segments on a measure of EBITDAF.

EBITDAF is a non-GAAP measure that is used internally to assess the operating performance of the Group without the impact of non-cash and one-off or infrequent transactions. Segment EBITDAF represents earnings before net interest expense, tax expense, depreciation, amortisation, unrealised change in the fair value of financial instruments, gain/(loss) on disposal and impairments by each segment inclusive of an allocation of central operating revenue and costs. Operating segments are aggregated into reportable segments only if they share similar economic characteristics.

The segment report includes a Derivatives category within the Electricity margin. This represents the settlement (realised gains or losses) of both hedged and unhedged electricity swaps.

Realised gains or losses (settlements) on unhedged electricity swaps are reported within Electricity margin for the purposes of EBITDAF, but are reported within the change in fair value of financial instruments in the income statement. Realised gains or losses (settlements) on hedged electricity swaps are reported within Electricity margin for the purposes of EBITDAF, and within revenue or expenses as appropriate in the income statement. Unrealised gains or losses on both hedged and unhedged electricity swaps are not included in EBITDAF and are reported in either change in fair value of financial instruments in the income statement or in other comprehensive income. A reconciliation of EBITDAF to profit before tax can be found in the summary table of the note.

IDENTIFIED SEGMENTS

Generation / Wholesale

The generation/wholesale market segment encompasses activity associated with the electricity production, electricity trading, generation development activities and the company's share of associates earnings in TPC Holdings Limited (see note E1). It also includes revenue from the sale of electricity, to both commercial and industrial customers and the customer segment, net settlement of energy hedges and sale of trading emissions units to third parties.

Customer

The customer market segment encompasses activity associated with sale of electricity, gas, telecommunication products/services and other related products and services to mass market customers in New Zealand.

Other

Represents corporate support services which are not directly attributable to the generation/wholesale or customer segments and the company's share of associates earnings in EnergySource LLC and EnergySource Minerals LLC.

Inter-segment

Transactions between segments represent transfer charges by generation/wholesale to customer for the purchase of electricity.

NOTE A2. SEGMENT REPORTING (CONTINUED)

SEGMENT RESULTS

YEAR ENDED 30 JUNE 2024	Generation/ Wholesale $M	Customer $M	Other $M	Inter–segment $M	Total $M
Generation	1,435	–	–	–	1,435
Sales to customers	464	1,291	–	–	1,755
Inter-segment sales	615	–	–	(615)	–
Derivatives	84	–	–	–	84
Electricity purchases	(1,347)	(615)	–	615	(1,347)
Transmission, distribution and metering	(141)	(560)	–	–	(701)
ELECTRICITY MARGIN	**1,110**	**116**	**–**	**–**	**1,226**
Gas Revenue	–	103	–	–	103
Gas purchases	–	(38)	–	–	(38)
Transmission, distribution and metering	–	(47)	–	–	(47)
GAS MARGIN	**–**	**18**	**–**	**–**	**18**
Telco Revenue	–	170	–	–	170
Cost of sales	–	(121)	–	–	(121)
TELCO MARGIN	**–**	**49**	**–**	**–**	**49**
Other direct cost of sales	(28)	(37)	–	–	(65)
TRADING MARGIN	**1,082**	**146**	**–**	**–**	**1,228**
OTHER INCOME	**32**	**4**	**(2)**	**–**	**34**
Employee compensation and benefits	(52)	(94)	(24)	–	(170)
Maintenance expenses	(67)	(20)	–	–	(87)
Other expenses	(51)	(49)	(28)	–	(128)
Allocation of corporate overheads	(23)	(29)	52	–	–
Total operating expenses	**(193)**	**(192)**	**–**	**–**	**(385)**
Segment EBITDAF	**921**	**(42)**	**(2)**	**–**	**877**

SEGMENT RESULTS

RESTATED YEAR ENDED 30 JUNE 2023	Generation/ Wholesale $M	Retail $M	Other Segments $M	Inter–segment $M	Total $M
Generation	766	–	–	–	766
Sales to customers	442	1,206	–	–	1,648
Inter-segment sales	529	–	–	(529)	–
Derivatives	59	–	–	–	59
Electricity purchases	(656)	(529)	–	529	(656)
Transmission, distribution and metering	(119)	(531)	–	–	(650)
ELECTRICITY MARGIN	**1,021**	**146**	**–**	**–**	**1,167**
Gas Revenue	–	89	–	–	89
Gas purchases	–	(29)	–	–	(29)
Transmission, distribution and metering	–	(41)	–	–	(41)
GAS MARGIN	**–**	**19**	**–**	**–**	**19**
Telco Revenue	–	155	–	–	155
Cost of sales	–	(105)	–	–	(105)
TELCO MARGIN	**–**	**50**	**–**	**–**	**50**
Other direct cost of sales	(35)	(38)	–	–	(73)
TRADING MARGIN	**986**	**177**	**–**	**–**	**1,163**
OTHER INCOME	**21**	**1**	**2**	**–**	**24**
Employee compensation and benefits	(46)	(84)	(18)	–	(148)
Maintenance expenses	(54)	(16)	–	–	(70)
Other expenses	(54)	(62)	(12)	–	(128)
Allocation of corporate overheads	(9)	(21)	30	–	–
Total operating expenses	**(163)**	**(183)**	**–**	**–**	**(346)**
Segment EBITDAF	**844**	**(5)**	**2**	**–**	**841**

NOTE A2. SEGMENT REPORTING (CONTINUED)

YEAR ENDED 30 JUNE 2024	Generation/ Wholesale $M	Customer $M	Other $M	Inter–segment $M	Total $M
Summary and reconciliation to net profit before tax					
Revenue	2,471	1,568	-	(615)	3,424
Expenses	(1,709)	(1,610)	–	615	(2,704)
Realised gain/(loss) on unhedged electricity swaps	158	–	–	–	158
Share of profit/(loss) from associates and joint ventures	1	–	(2)	–	(1)
Segment EBITDAF	**921**	**(42)**	**(2)**	**–**	**877**
Change in fair value of carbon units held for trading					8
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					14
Interest income					6
Interest expense					(140)
Depreciation and amortisation					(350)
Profit before tax					**415**

RESTATED YEAR ENDED 30 JUNE 2023	Generation/ Wholesale $M	Retail $M	Other Segments $M	Inter–segment $M	Total $M
Summary and reconciliation to net profit before tax					
Revenue	1,809	1,450	–	(529)	2,730
Expenses	(973)	(1,456)	–	529	(1,900)
Realised gain/(loss) on unhedged electricity swaps	6	–	–	–	6
Share of profit/(loss) from associates and joint ventures	2	1	2	–	5
Segment EBITDAF	**844**	**(5)**	**2**	**–**	**841**
Gain/(loss) on disposal					12
Impairment					(12)
Revaluation loss of generation assets					(41)
Change in fair value of carbon units held for trading					(36)
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					(165)
Interest income					3
Interest expense					(103)
Depreciation and amortisation					(344)
Profit before tax					**155**

Audit Fees

Mercury NZ Limited (the Company) is a public entity as defined in the Public Audit Act 2001. The Auditor-General is the auditor of every public entity. The Auditor-General has appointed Emma Winsloe of EY to carry out the audit on his behalf from 1 July 2023. NZX listing rules and Mercury's Audit Independence Policy requires that the signing partner performing the audit rotate every five years.

	2024 $000	2023 $000
Audit of the financial statements	794	668
Review of interim financial statements	80	75
Other assurance related services	145	187
Non-audit services	2	2
Total fees paid to auditors	**1,021**	**932**

Other assurance-related services include engagements for climate-related disclosures ($66k), greenhouse gas emissions inventory ($63k), telecommunications development levy ($12k) and Mercury's Master Trust Deed ($3k). Non-audit services related to agreed upon procedures for directors' debt compliance certificates ($2k).

NOTE A3. TAXATION

	2024 $M	Restated 2023 $M
Income Tax		
(i) Tax expense		
Profit before tax	415	155
Prima facie tax expense at 28% on the profit before tax	(116)	(43)
Adjusted for the tax effect of the following items:		
• share of associates' and joint ventures' tax paid earnings	(1)	1
• capital gain	–	3
• impairment of NOW goodwill	–	(3)
• other differences	–	(1)
• removal of building depreciation	(8)	–
Tax expense attributable to profit from ordinary activities	(125)	(43)
Represented by:		
Current tax expense	(152)	(140)
Deferred tax recognised in the income statement	27	97

The effective tax rate for the financial year is 30% (30 June 2023: 28%) due to the removal of tax depreciation on non-residential buildings.

Legislation to remove tax depreciation on non-residential buildings was enacted at the end of March 2024 resulting in $8 million deferred tax liability associated with this change being recognised as a tax expense at 30 June 2024.

The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

- taxable temporary differences, except those arising from initial recognition of goodwill; and
- deductible temporary differences to the extent that it is probable that they will be utilised.

Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax and accounting bases of the assets and liabilities. A deferred tax asset is only recognised to the extent that there will be future taxable profit to utilise the temporary difference.

Property, plant and equipment is held on capital account for income tax purposes. Where assets are revalued, with no similar adjustment to the tax base, a taxable temporary difference is created that is recognised in deferred tax.

OECD Global Anti-Base Erosion (GloBE) Pillar Two

The New Zealand Government has enacted legislation to implement the OECD Global Anti-Base Erosion (GloBE) Pillar Two rules which address the tax challenges arising from the digitalisation of the global economy. The Pillar Two rules seek to apply a 15% minimum tax across all jurisdictions in which the Group reports income.

The Pillar Two legislation is enacted but not yet in effect. The Group has applied a temporary mandatory relief from deferred tax accounting in respect of the Pillar Two rules and it will be accounted for as a current tax when it is incurred. Initial assessment of the Group's exposure to the Pillar Two legislation, when it comes into effect, indicates that no top-up tax would have arisen for the Group using the most recent financial information for the Group.

Movement in deferred tax

	Property, plant and equipment $M	Financial instruments $M	Employee entitlements $M	Other $M	Total $M
Asset/(Liability) Balance as at 1 July 2022	(1,759)	(16)	3	19	(1,753)
Adjustment on restatement of PPA valuation	–	(2)	–	–	(2)
Restated balance as at 1 July 2022	(1,759)	(18)	3	19	(1,755)
Charged/(credited) to the income statement	34	49	1	13	97
Charged/(credited) to other comprehensive income	(31)	(60)	–	–	(91)
Deferred tax associated with the acquisition of NOW	–	–	–	(8)	(8)
Restated Asset/(Liability) Balance as at 30 June 2023	(1,756)	(29)	4	24	(1,757)
Restated Asset/(Liability) Balance as at 1 July 2023	(1,756)	(29)	4	24	(1,757)
Charged/(credited) to the income statement	33	9	1	(8)	35
Charged/(credited) to other comprehensive income	(38)	50	–	–	12
Deferred tax associated with the removal of building depreciation	(8)	–	–	–	(8)
Asset/(Liability) Balance as at 30 June 2024	(1,769)	30	5	16	(1,718)

'Other' deferred tax balances comprises temporary differences relating to the acquisition of NOW NZ Ltd (NOW) and the use of carried forward losses from NOW.

NOTE B1. PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2023	Generation assets at fair value $M	Other assets at cost $M	Right-of-use assets $M	Capital work in progress at cost $M	Total $M
Opening net book value	7,723	51	97	209	8,080
Additions	1	1	-	244	246
Additions in relation to the acquisition of Now Broadband New Zealand	-	4	-	-	4
Transfers	257	4	-	(261)	-
Disposals	(7)	-	-	-	(7)
Gain on revaluation	110	-	-	-	110
Loss on revaluation	(41)	-	-	-	(41)
Depreciation charge for the year	(270)	(13)	(10)	-	(293)
Closing net book value	7,773	47	87	192	8,099
Balance at 30 June 2023					
Cost or valuation	7,773	146	120	192	8,231
Accumulated depreciation	-	(99)	(33)	-	(132)
Net book value	7,773	47	87	192	8,099

YEAR ENDED 30 JUNE 2024	Generation assets at fair value $M	Other assets at cost $M	Right-of-use assets $M	Capital work in progress at cost $M	Total $M
Opening net book value	7,773	47	87	192	8,099
Additions	–	3	30	260	293
Transfers	164	11	–	(175)	–
Disposals	(1)	(1)	–	–	(2)
Gain on revaluation	137	–	–	–	137
Depreciation charge for the year	(276)	(15)	(14)	–	(305)
Closing net book value	7,797	45	103	277	8,222
Balance at 30 June 2024					
Cost or valuation	8,073	159	150	277	8,659
Accumulated depreciation	(276)	(114)	(47)	–	(437)
Net book value	7,797	45	103	277	8,222


Karāpiro hydro station.

NOTE B1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets carrying values

All assets, except generation plant and equipment, are recognised at cost less accumulated depreciation. Fixed assets, excluding land, are depreciated on a straight line basis over their expected useful lives.

Generation plant and equipment is originally recognised at cost and subsequently measured at fair value less accumulated depreciation. An independent valuation is completed annually to determine the fair value of these assets. Any surplus on revaluation is recognised in the asset revaluation reserve, except where it offsets a previous decrease in value that was recognised in the income statement. Any accumulated depreciation or impairment recognised between revaluations is eliminated against the gross carrying amount of the asset at the date of the revaluation and the net amount is restated to the revaluated amount of the asset.

The Group's leases relate to properties, geothermal steam royalties, office equipment, and transmission equipment. These leases are recognised as a right-of-use asset and a corresponding liability. The initial value of the asset and liability represent the present value of all reasonably expected future lease payments. Lease payments are recorded as a repayment of the lease obligation and interest expense. Lease assets are depreciated on a straight-line basis over the term of the lease. The most significant leases relate to office buildings in Auckland and Tauranga. The weighted average incremental borrowing rate applied to lease liabilities in 2024 was 5.53% (2023: 5.36%). The Group's lease interest was $7m (2023: $6m) and lease liability is disclosed in note D2.

As at 30 June 2024, the capital work in progress balance is largely made up of the following projects:

- The addition of a fifth generating unit at Ngā Tamariki geothermal station;
- Stage 2 of Kaiwera Downs wind farm;
- Karapiro hydro station rehabilitation project (3rd unit);
- Geothermal drilling.

Depreciation

Depreciation is calculated on a straight-line basis on all property, plant and equipment other than freehold land, capital work in progress and exploration, so as to write down the assets to their estimated residual value over their expected useful lives.

The annual depreciation rates are as follows:

	2024	2023
Office fixture and fittings, including fit-out	2-33%	2-33%
Generation assets	1-20%	1-20%
Computer hardware and tangible software	5-33%	5-33%
Other plant and equipment	2-33%	2-33%
Vehicles	5-33%	5-33%
Right of use assets	2-50%	2-50%

Assets carried at fair value

All generation assets shown at valuation were revalued using a net present value methodology by PwC, an independent valuer, as at 30 June 2024. This resulted in increases of $78m, $47m and $9m to the carrying values of the Turitea, Kaiwera Downs Stage 1 and Mahinerangi wind farms, respectively. There was also an increase of $4m in the carrying value of Rotokawa generation, with no changes in the carrying values of other geothermal assets in the current year. As a consequence of the revaluation, accumulated depreciation on these generation assets has been reset to nil.

AREA OF KEY JUDGEMENT

Generation asset valuation

The key assumptions used in the valuation include the forecast of the future wholesale electricity price path, generation volumes, projected operational and capital expenditure and asset life assumptions and discount rates. In all cases there is an element of judgement required as valuations make use of unobservable inputs including wholesale electricity prices over time of between $79/MWh and $192/MWh (2023: $99/MWh and $179/MWh), average operational expenditure of $256 million p.a. (2023: $232.1 million p.a.), net average production volumes of 9,015 GWh p.a. (2023: 8,771 GWh p.a.), a post-tax discount rate of between 6.9% and 7.3% for wind assets backed by long-term Power Purchase Agreements (2023: 6.6% to 6.9%) and between 7.8% and 8.2% for other assets (2023: 7.5% to 7.9%). The valuation also assumes the operation of New Zealand Aluminium Smelter Limited at Tiwai Point, no material changes to the wholesale market regulatory regime, hydro and geothermal fuel supply being sustained over the modelled horizon and no material changes to generation consent conditions. The discounted cash flow valuation approach assumes 100% control and consequently a control premium should be applied if using an equity valuation technique to derive comparative asset values.

The risk type, time horizon, likelihood and materiality of potential climate change impacts were considered in the valuation. Only physical risks were considered relevant for the purposes of the valuation, however the expected impact of these risks was small and fell within the valuation range.

Generation assets are classified as Level 3 in the fair value hierarchy due to the use of non-market observable inputs in the valuation. Changes in the Level 3 category during the period relates to transfers from cost measurement (capital work in progress), depreciation and impairment (recognised in profit and loss) and revaluation movements (recognised in other comprehensive income). The following table outlines the valuation impact of changes to assumptions, keeping all other valuation inputs constant, that the valuation is most sensitive to.

	Sensitivity	Valuation impact 2024 $M	2023 $M
Future wholesale electricity price path	+/- 10%	$1,125 / ($1,119)	$1,091 / ($1,087)
Discount rate	+/- 0.5%	($478) / $556	($489) / $573
Operational expenditure	+/- 10%	($189) / $189	($176) / $176

The carrying amount of revalued generation assets, had they been recognised at cost, would have been $2,783 million (2023: $2,654 million).

NOTE B2. INTANGIBLE ASSETS

YEAR ENDED 30 JUNE 2023	Intangible software $M	Acquired intangible assets $M	Rights $M	Carbon units $M	Work In Progress $M	Total $M
Opening net book value	32	17	15	41	18	123
Additions	–	–	–	10	37	47
Additions in relation to the acquisition of Now Broadband New Zealand	–	41	–	–	–	41
Transfers	45	–	–	–	(45)	–
Impairment	–	(13)	–	–	–	(13)
Surrendered units	–	–	–	(9)	–	(9)
Amortisation for the year	(27)	(23)	(1)	–	–	(51)
Closing net book value	50	22	14	42	10	138
Balance at 30 June 2023						
Cost	208	46	34	42	10	340
Accumulated amortisation	(158)	(24)	(20)	–	–	(202)
Net book value	50	22	14	42	10	138
YEAR ENDED 30 JUNE 2024						
Opening net book value	50	22	14	42	10	138
Additions	–	–	–	14	32	46
Transfers	25	–	–	–	(25)	–
Surrendered Units	–	–	–	(7)	–	(7)
Amortisation for the year	(33)	(11)	(1)	–	–	(45)
Closing net book value	42	11	13	49	17	132
Balance at 30 June 2023						
Cost	233	46	34	49	17	379
Accumulated amortisation	(191)	(35)	(21)	–	–	(247)
Net book value	42	11	13	49	17	132

Software

Acquired computer software licenses and internally developed software assets are recognised at cost and amortised over their estimated useful lives of 1 - 15 years (2023: 1 - 15 years). As these assets are deemed to have a finite life, impairment testing will only be performed when there is an indication that the intangible asset may be impaired.

Acquired intangible assets

As part of the acquisition of NOW in FY2023, the Group allocated part of the purchase price to the customer list acquired ($30m, assessed useful life of 2.5 years). This acquired intangible asset was partially impaired in FY2023 and has continued to be amortised in FY2024. The acquired customer list has a carrying amount of $11m and a remaining useful life of 1 year (2023: $22m).

Rights

Rights, of which land access rights are the most significant, acquired to further the Group's generation development programme are stated at cost less accumulated amortisation and any accumulated impairment losses. Rights, which have a finite life, are amortised over the life of the rights, which range from 5 to 60 years (2023: 5 to 60 years). Testing for impairment will only arise when there is an indication that the asset may be impaired.

Carbon units and emissions obligations

Purchased carbon units are recorded at cost (purchase price). At 30 June 2024, the Group held a total of 1,657,297 units within intangible assets (2023: 1,568,674 units). Carbon units, when allocated or purchased for purposes other than trading units, are recorded as intangible assets and are not revalued subsequent to initial recognition.

Carbon units that are surrendered to the government in compensation for the Group's emissions obligations are recognised as an expense in the income statement and a reduction to intangible assets in the balance sheet, based on the weighted average cost of the units surrendered.

Emissions obligations are recognised as a current liability as the obligation is incurred. Up to the level of units held, the liability is recorded at the carrying value of those units intended to settle the liability. Contracts for the purchase of carbon units are recognised when they are settled.

NOTE C1. RECEIVABLES

	2024 $M	2023 $M
Receivables		
Trade receivables and revenue accruals	508	360
Allowance for credit loss	(6)	(7)
Net trade receivables and accruals	502	353
ASX prudential deposits	96	60
Prepayments	40	28
	638	441

Trade receivables are measured at amortised cost using the effective interest method. Customers are typically invoiced on a monthly basis. Large commercial and industrial customers are billed on a calendar month basis, while for most mass market customers billing occurs on a rolling cycle over the year. Revenue accruals for unbilled telecommunication services and unread gas and electricity meters at balance date involves an estimate of consumption for each unread meter based on past consumption history. Generation revenue accruals are derived mostly from generation sales to the New Zealand wholesale market at the prevailing spot price at the grid injection point. Revenue is invoiced by the Wholesale Market Clearing Manager on a calendar month basis reflecting actual metered generation at the stations.

Trade receivables are non-interest bearing and are generally on 30 day terms for large commercial and industrial customers and mass market customers are on 18 day terms. For terms and conditions of related party receivables refer to note E2.

The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, with impairment being recognised in the income statement and a corresponding provision on the balance sheet at the time of billing.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on historical credit losses in prior periods, adjusted for any significant known amounts that are not receivable.

Prudential deposits act as security to cover mark-to-market movement in the ASX futures position.

The following table details the loss allowance at 30 June 2024:

		Not due	Less than 30 days past due	More than 30 days past due	More than 60 days past due	Total
Expected loss rate	%	0%	6%	13%	46%	
Gross carrying amount – trade receivables	$M	128	8	3	11	150
Expected credit loss	$M	–	1	–	5	6

	2024 $M	2023 $M
Movements in the allowance for impairment loss were as follows:		
Balance at beginning of the year	7	5
Charge for the year	3	8
Amounts written off	(4)	(6)
Balance at end of the year	6	7

NOTE C2. INVENTORIES

Cost of consumable stores is determined on a weighted average basis and includes expenditure incurred in acquiring consumable stores and bringing them to their final condition and location. Consumable stores include consumables held to service and repair operating plants and finished goods relating to the customer business.

Inventories also include carbon units (NZUs) which management has identified as held for trading. These are measured at fair value less cost to sell. When there is a change in fair value, the gain or loss on revaluation is recognised in the income statement. Fair value is calculated based on the CommTrade spot price at the valuation date. As a result, the units are classified as Level 1 in the fair value hierarchy.

	2024 $M	2023 $M
Consumable Stores	53	51
Carbon Units - at fair value less cost to sell	67	40
Inventories	120	91

Carbon Units - at fair value less cost to sell	2024 Units 000	2024 Value $M	2023 Units 000	2023 Value $M
Opening Balance	954	40	854	65
Purchases	375	19	321	27
Amounts recognised in income statement	–	–	(221)	(16)
Revaluation movement	–	8	–	(36)
Closing Balance	1,329	67	954	40

NOTE C3. PROVISIONS

	2024 $M	2023 $M
Balance at the beginning of the year	84	81
Provisions made/(used) during the year	(3)	–
Discounting movement	4	3
Balance at the end of the year	85	84
Current	3	3
Non-current	82	81
	85	84

Provisions have been recognised for the abandonment and subsequent restoration of areas from which geothermal resources have been utilised. The provision is calculated based on the present value of management's best estimate of the expenditure required, and the likely timing of that expenditure. Changes in these estimates made during the year are reported as an increase in provisions and a reduction in revaluation reserves. The increase in provision resulting from the passage of time (the discount effect) is recognised as an interest expense. The provision will be utilised when the individual wells are abandoned. The wells are estimated to have an average useful life of 19 years.

NOTE D1. SHARE CAPITAL AND DISTRIBUTION

The share capital of the Company is represented by 1,400,012,517 ordinary shares (2023: 1,400,012,517) issued and fully paid. The weighted average number of shares on issue during the year, on both a basic and diluted basis, was 1,390,795,153 (2023: 1,385,131,962). These shares do not have a par value, have equal voting rights and share equally in dividends and any surplus on winding up.

	2024 Number of shares (M)	2024 $M	2023 Number of shares (M)	2023 $M
Treasury shares				
Balance at the beginning of the period	13	34	19	50
Issue of treasury shares for dividend reinvestment program	(7)	(18)	(5)	(13)
Issue of treasury shares for long term incentive scheme	–	(1)	–	–
Sale of treasury shares	–	–	(1)	(3)
Balance at the end of the period	6	15	13	34

Treasury shares were issued during the financial year for the following purposes:

- The dividend reinvestment program (DRP) continued with the transfer of 6,887,550 shares (2023: 4,734,460) to shareholders that elected to reinvest the net proceeds of cash dividends payable; and
- A total of 375,302 treasury shares worth $1m were issued for management long term incentive (LTI) payments (2023: 214,106 shares).

	Cents per share	2024 $M	2023 $M
Dividends declared and paid			
Final dividend for 2022	12.0	–	166
Interim dividend for 2023	8.7	–	120
Final dividend for 2023	13.1	182	–
Interim dividend for 2024	9.3	129	–
		311	286

The imputation credit account was in a surplus balance at 31 March 2024, as legally required. At 30 June 2024, no imputation credits were available (2023: $nil) as the imputation credit account had a deficit of $36m (2023: deficit of $39m) due to the timing of the interim dividend payment.

	2024	2023
Earnings per share		
Profit for the year attributable to owners of the parent ($M)	290	112
Weighted average ordinary shares	1,400	1,400
Less weighted average treasury shares	(9)	(15)
Weighted average ordinary shares for earnings per share (millions)	1,391	1,385
Basic and diluted earnings per share (cents)	20.85	8.11

NOTE D2. BORROWINGS & NET INTEREST

	Borrowing currency denomination	Maturity	Coupon	2024 $M Carrying amount	2023 $M Carrying amount
Debt measured at amortised cost					
Bank facilities	NZD	Various	Floating	50	57
Commercial paper programme	NZD	< 3 months	Floating	307	300
Capital bonds - MCY020	NZD	Jul-2049	3.60%	302	302
Debt in fair value hedge relationships					
USPP - US$45m	USD	Dec-2025	4.60%	72	70
Green retail bonds - MCY040	NZD	Sep-2026	2.16%	186	179
Green retail bonds - MCY030	NZD	Sep-2027	1.56%	181	172
Green retail bonds - MCY060	NZD	Jun-2028	5.64%	157	156
Green wholesale bonds	AUD	Nov-2028	2.92%	197	193
Green wholesale bonds	NZD	Oct-2030	1.92%	127	119
Capital bonds - MCY050	NZD	May-2052	5.73%	248	245
Lease liabilities				121	113
Deferred financing costs				(7)	(8)
Total carrying value of loans				1,941	1,898
Current				383	375
Non-current				1,558	1,523
				1,941	1,898

NOTE D2. BORROWINGS & NET INTEREST (CONTINUED)

Changes in borrowings from financing activities	2024 $M	2023 $M
Borrowings at the start of the year	1,898	1,956
Net cash borrowed/(repaid)	62	(35)
Cash paid on principal of lease liability	(13)	(9)
Non-cash change in lease obligations	21	2
Non-cash change in fair value adjustment	(28)	(17)
Non-cash change in deferred financing costs	1	1
Borrowings at the end of the year	1,941	1,898

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Some borrowings are in fair value hedge relationships and have fair value adjustments to their carrying amounts, attributable to the risk being hedged through interest rate swaps (IRS) and cross-currency IRS. Fair value is calculated using the discounted cashflow method, with applicable market yield curves adjusted for the Group's credit rating. Fair value adjustments as at 30 June 2024 totalled $56m decrease to carrying amount (30 June 2023: $84m decrease).

The Group is required to comply with certain financial covenants in respect of its borrowings. During the 2024 and 2023 financial years, the Group was in compliance with all of its financial covenants.

Current borrowings include all drawn bank facilities, borrowings with a contractual maturity of less than one year, accrued interest ($10m) and current lease liabilities ($16m). Undrawn borrowing facilities at 30 June 2024 totalled $340m, net of Commercial Paper on issue.

Bank facilities

The Group has $700 million of committed and unsecured bank loan facilities as at 30 June 2024 (30 June 2023: $650 million).

Commercial paper programme

The Group has a $400 million Commercial Paper programme which is fully backed by committed and undrawn bank facilities. Notes issued under the programme are short-term money market instruments, unsecured and unsubordinated and targeted at professional investors. The programme is rated A2 by S&P Global.

Green bonds

The Group has $908 million of green bonds (including accrued interest) as at 30 June 2024 (30 June 2023: $908 million) . The green bond proceeds have been tracked in accordance with the Green Financing Framework.

USPP

The Group has $59 million of United States Private Placement (USPP). The Group uses a cross currency interest rate swaps (CCIRS) to manage foreign exchange and interest rate risks on the notes. While the NZ dollar amount required to repay the USPP is fixed as a result of the CCIRS, the USPP is required to be translated to NZD at the spot rate at the reporting date. Any revaluation of the USPP as a result of this translation is offset by the change in the value of the CCIRS.

Deeds

The Group has entered into a Master Trust Deed and Supplementary Trust Deeds for all its NZD denominated Senior Fixed and Floating Rate Bonds with the New Zealand Guardian Trust Company Limited acting as trustee for the holders. The Group has agreed, subject to certain exceptions, not to create or permit to exist a security interest over or affecting its assets to secure indebtedness, and to maintain certain financial covenants. There has been no breach of the terms of these deeds.

The Group has entered into a negative pledge deed in favour of its bank financiers in which the Group has agreed, subject to certain exceptions, not to create or permit to exist a security interest over or affecting its assets to secure its indebtedness, and to maintain certain financial ratios in relation to the Group. These undertakings and covenants also apply to the US Private Placement terms and conditions. There was no breach of the terms of this deed or the terms and conditions of the US Private Placement.

Lease liabilities

The Group has entered into various lease contracts for the right to use land and buildings and office equipment and is also deemed to be a lessee of transmission equipment. The most significant leases relate to office buildings in Auckland and Tauranga. Lease payments of $19m were made in 2024, including lease interest expense of $7m (2023: payments of $15m, lease interest expense of $6m).

Net Interest Expense	2024 $M	2023 $M
Interest expense on borrowings	135	103
Interest expense on lease liabilities	7	6
Unwind of discount on provisions	4	3
Less capitalised interest	(6)	(9)
Total interest expense	140	103
Interest income	(6)	(3)
Net interest expense	134	100

The Group is capitalising interest costs related to the construction of new generation assets. The average rate used to determine the amount of borrowing costs eligible for capitalisation as at 30 June 2024 was 6.67% (30 June 2023 6.28%).

NOTE D3. COMMITMENTS AND CONTINGENCIES

Capital commitments	2024 $M	2023 $M
Within one year	263	134
One to five years	454	67
Later than five years	–	–
	717	201

Capital commitments

Capital commitments include purchases of both property, plant and equipment (PP&E) and intangibles. PP&E commitments include contracts for refurbishment of hydro generation assets at Karāpiro, contracts for construction of an additional generating unit at Ngā Tamariki geothermal station, geothermal drilling campaigns across the Kawerau, Ngā Tamariki and Rotokawa fields and contracts for construction of stage 2 of the Kaiwera Downs wind farm. Intangible commitments are contracts to purchase New Zealand emissions trading scheme (NZ ETS) units. In the event the NZ ETS is terminated the existing purchase agreements, which cover the three year period from the end of the reporting period, will also terminate.

Operating commitments

As part of its day-to-day operations, the Group from time to time enters various operating arrangements and commitments with third parties to support and enhance the Group's long-term licence to operate, provide access to land, and use of natural resources. These operating arrangements may be short-, medium-, or long-term in nature.

Contingencies

On 7 June 2021, the Kawerau geothermal station experienced an unplanned outage as a result of a mechanical failure. An outage was completed in June 2023 to install replacement equipment. The Group received an initial payment of $26m recorded as income in 2022, and has recognised further interim income of $17m in 2024. The Group expects to receive additional insurance proceeds in the 2025 financial year once the total loss to the Group as a result of the incident has been confirmed. This will be recognised as revenue when it is virtually certain to be received.

The Group holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Crown. The Group discloses these claims as contingent liabilities as the value, timing and likelihood of the claims being successful are all uncertain.

The Pouākani Claims Trust No 2 and a group of kaumātua have filed a claim in the Māori Land Court seeking a declaration that certain parts of the Waikato riverbed on which Mercury operates hydro assets are Māori customary land, including the riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and certain related power stations. The claim has been amended to include interests in the water flowing over the riverbed. Mercury holds the fee simple or beneficial title to those parts of Waikato riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams, and has received advice that if the outcome of the claim adversely affects the Group's title to, or ability to access or operate its hydro assets, Mercury may bring a claim seeking compensation against the Crown. The claim is currently subject to a judicial review challenge to the Māori Land Court's decision to decline Mercury's application to strike out parts of the claim. The applicants have also filed a related claim in the Waitangi Tribunal under the Treaty of Waitangi Act 1975, but have not yet taken any further steps in relation to that claim.

The Group holds land that was subject to a remedies hearing brought against the Crown in the Waitangi Tribunal. The remedies hearing related to an application seeking binding recommendations for the resumption of land at Pouākani, including the Group's land at Maraetai. The Crown and Ngāti Kahungunu ki Wairarapa Tāmaki nui-ā-Rua Settlement Trust signed a settlement deed addressing the resumption claim, and settlement legislation has been enacted bringing this claim to an end. Wairarapa Moana Incorporation issued a further claim against the Crown claiming the Ngāti Kahungunu ki Wairarapa Tāmaki nui-ā-Rua settlement breaches the New Zealand Bill of Rights Act 1990. The High Court recently dismissed this claim.

A claim by the New Zealand Māori Council relating to fresh water and geothermal resources was lodged in 2012 with the Waitangi Tribunal. The inquiry was divided into three stages. In earlier stages, the Tribunal concluded that Māori have residual (but as yet undefined) proprietary rights in fresh water and geothermal resources, and it will be for the Government to determine how any such rights and interests may best be addressed. Stage three will consider law reform, including what Māori rights and interests in geothermal resources are guaranteed and protected by the Treaty of Waitangi, whether current law in respect of geothermal resources is consistent with the principles of the Treaty of Waitangi and, if not, what recommendations should be made for the reform of the current law. Relatedly, individuals representing hapū affiliated with Ngāti Tūwharetoa have filed a claim in the Tribunal asserting customary interests in certain geothermal resources, including the Mōkai, Rotokawa and Kawerau geothermal fields. The impact of these claims on the Group's operations, and consequently the amount of any claim or recourse the Group may have should that impact be adverse to the Group's interests, are unknown at this time.

From time to time the Group will issue letters of credit and guarantees to various suppliers in the normal course of business. However, there is no expectation that any outflow of resource relating to these letters of credit or guarantees will be required.

The Group has no other material contingent assets or liabilities.

NOTE D4. RECONCILIATION OF PROFIT TO OPERATING CASH FLOWS

Net earnings attributable to owners of the parent ($M)	2024 $M	Restated 2023 $M
Profit for the year	290	112
Adjustments for non-cash movements:		
• Change in interest expense accrual	–	(6)
• Gain on revaluation of NOW New Zealand shares	–	(12)
• Depreciation and amortisation	350	344
• Impairment	–	12
• Loss on revaluation of generation assets	–	41
• Amortisation of contract assets and costs to profit or loss	42	41
• Change in the unrealised fair value of financial instruments	(14)	165
• Change in the fair value of carbon units held for trading	(8)	36
• Movement in effect of discounting on long-term provisions	4	3
• Share of earnings of associate and joint venture companies	1	(5)
• Increase in deferred tax	37	(57)
Net cash provided by operating activities before change in assets and liabilities	702	674
Change in assets and liabilities during the year:		
• (Increase) in trade and other receivables and prepayments	(199)	(48)
• (Increase)/decrease in inventories	(21)	3
• (Increase) in contract assets and costs, net of amortisation	(45)	(58)
• Increase/(decrease) in trade payables and accruals	146	(23)
• Increase in provision for tax	29	30
Net cash inflow from operating activities	612	578

NOTE E1. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND JOINT ARRANGEMENTS (JOINT VENTURES AND JOINT OPERATIONS)

The Group financial statements include the following:

			Interest held		
Name of entity	**Principal activity**	**Type**	**2024**	**2023**	**Country**
TPC Holdings Limited	Investment holding	Associate[1]	25.00%	25.00%	New Zealand
Rotokawa	Steamfield operation	Joint operation	64.80%	64.80%	New Zealand
Nga Awa Purua	Electricity generation	Joint operation	65.00%	65.00%	New Zealand
EnergySource LLC	Investment holding	Joint venture[1]	20.86%	20.86%	United States
EnergySource Minerals LLC	Mineral extraction	Joint venture[1]	17.73%	18.41%	United States

[1]Associates and joint ventures are equity accounted under NZ IAS 28 *Investments in Associates and Joint Ventures.*

	Associates		Joint ventures	
	2024 $M	**2023 $M**	**2024 $M**	**2023 $M**
Balance at the beginning of the year	72	67	8	6
Additional investment during the year	–	–	–	3
Share of earnings	1	4	(2)	2
Share of movement in other comprehensive income and reserves	(6)	11	–	–
Distributions received during the year	(4)	(6)	–	(3)
Reclassification to subsidiary	–	(16)	–	–
Fair value revaluation during the year	–	12	–	–
Balance at the end of the year	63	72	6	8

At the end of the year the Group had outstanding advances to its Rotokawa joint operation partner of $3 million (2023: $3 million) and its associate TPC Holdings Limited of $4 million (2023: $4 million). For terms and conditions of these related party receivables refer to note E2.

NOTE E2. RELATED PARTY TRANSACTIONS

Majority shareholder

The majority shareholder of Mercury NZ Limited is the Government. Transactions cover a variety of services including energy, postal, travel and tax.

Transactions with related parties

The Group entered into a number of contracts with other Crown-controlled entities to hedge against wholesale electricity price risk, the most significant being a virtual asset swap with Meridian Energy Limited which has a remaining life of 1.5 years and a contract for difference with Genesis Energy Limited for generation produced at the Waipipi wind farm.

Mercury NZ Limited also has investments in subsidiaries, associates and joint arrangements, all of which are considered related parties.

As these are consolidated financial statements, transactions between related parties within the Group have been eliminated. Consequently, only those transactions between entities which have some owners external to the Group have been reported in the next table:

	Transaction value	
	2024 $M	2023 $M
Associates		
• Management fees and service agreements received	26	18
• Energy contract settlements (paid)/received	31	(2)
• Service fees (paid)/received	–	(3)
Joint operations		
• Management fees and service fees received and paid	31	21
• Energy contract settlements (paid)/received	12	–
• Interest income	–	1

On 15 December 2022, Mercury NZ Limited acquired the remaining 52% interest in NOW. After this acquisition date, NOW ceased to be an associate of the Group. The service fees disclosed during the comparative reporting period are related to transactions with NOW during the period it was an associate of Mercury NZ Limited.

An advance to TPC Holdings Limited of $4m (30 June 2023: $4m) is interest free and is repayable on demand subject to certain conditions being met.

The long-term advance to our Rotokawa joint operation partner of $3m (30 June 2023: $3m) carries a floating interest rate. Repayments under the advance are linked to the level of receipts under the geothermal energy supply agreement. There is no fixed repayment date; the agreement will terminate on receipt of any outstanding balances.

No related party debts have been written off, forgiven, or any impairment charge booked.

	Transaction value	
	2024 $000	2023 $000
Key management personnel compensation (paid and payable) comprised:		
• Directors' fees	1,102	1,101
• Benefits for the Chief Executive and Senior Management:		
Salary and other short-term benefits	7,444	7,044
Termination benefits	312	–
Share-based payments	779	680
	9,637	8,825

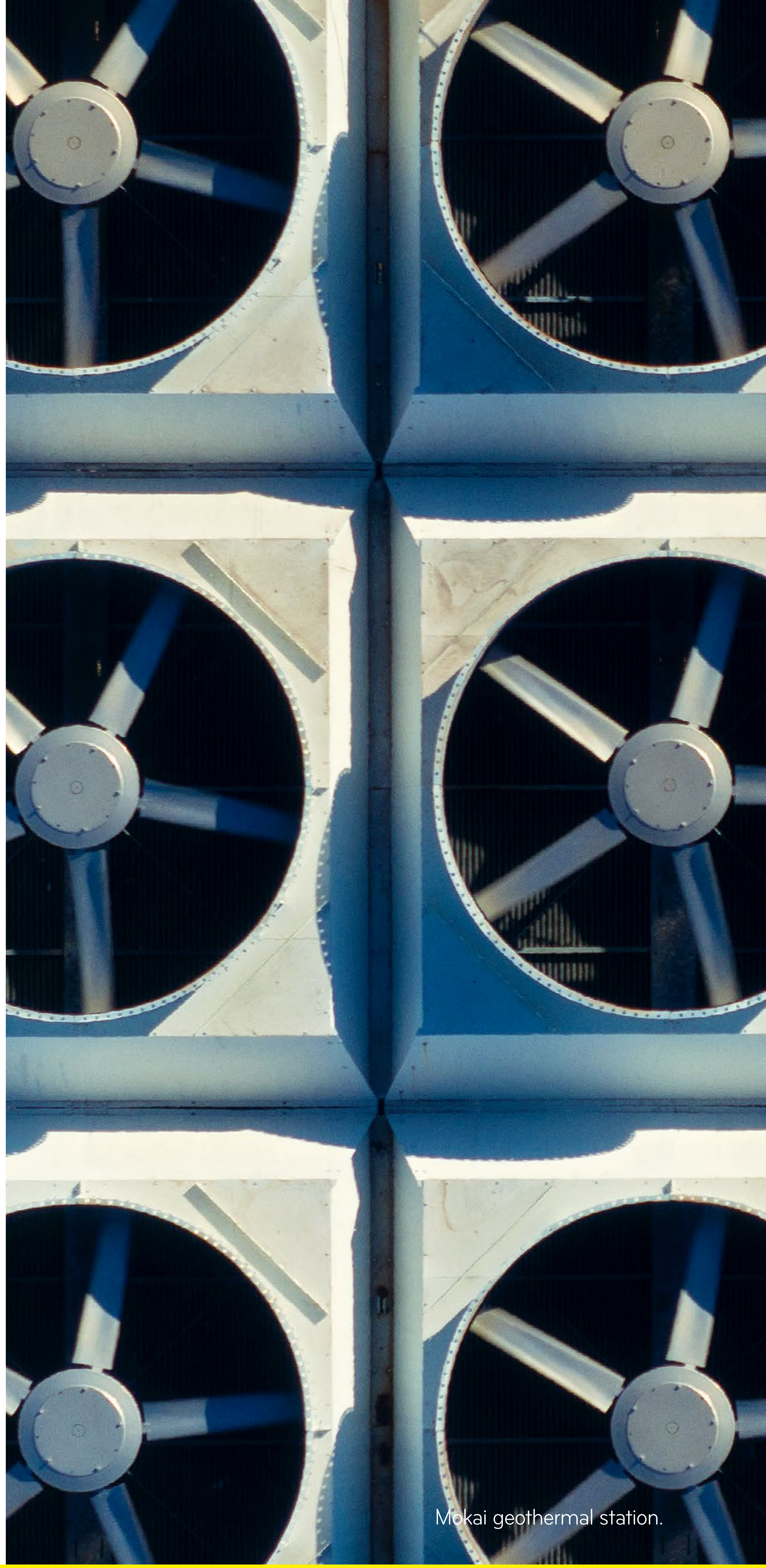
Other transactions with key management personnel

Key management personnel are those people with responsibility and authority for planning, directing and controlling the activities of the Group. Key management personnel for the Group are considered to be the Directors and Senior Management.

Some Directors also provide directorship services to other third party entities.

A number of key management personnel provide directorship services to subsidiaries, associates and joint operations as part of their employment without receiving any additional remuneration from the Group.

The Group purchases directors and officers insurance for the benefit of key management personnel in relation to the services they provide to the Group.



Mokai geothermal station.

NOTE F1. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses a range of derivative contracts in order to manage risk and hedge against cash flow and fair value volatility. It is the Group's policy to apply hedge accounting to reduce volatility in profit or loss, and where possible, derivatives are designated into hedging relationships under NZ IFRS 9 as either cash flow or fair value hedges.

Interest rate and cross currency interest rate derivatives

Interest rate swaps and cross currency derivatives are used to manage interest rate risks. Interest rate swaps where we pay-fixed, and receive-floating interest rates are designated as cash flow hedges in a relationship with a portion of floating rate debt exposure. Interest rate swaps where we receive-fixed, pay-floating interest rate are designated as fair value hedges in a relationship with the swap rate on fixed rate bonds. Cross-currency swaps are designated as both fair value and cash flow hedge relationships with the USPP and Australian denominated Green wholesale bond (refer note D2) depending on the component of the debt being hedged: the risk free (swap) rate as a fair value hedge; and the credit margin as cash flow hedge.

Foreign exchange derivatives

Foreign exchange forward contracts are designated as cash flow hedges in a relationship with forecast purchases of inventory and capital equipment, mainly for maintenance and construction of generation assets.

Electricity contracts

Where possible, electricity price derivatives are designated as cash flow hedges in a relationship with forecast electricity sales and purchases. Exceptions are swaps and options used for trading (electricity futures, options and financial transmission rights) as well as other contracts that have been deemed not eligible for hedge accounting due to price reset mechanisms, termination options or variable volume structures (e.g. wind and solar power purchase agreements).

The fair values of derivative financial instruments are summarised in the following table:

	2024 $M	Restated 2023 $M
CURRENT ASSETS		
Electricity price derivative	308	190
Interest rate derivative	4	11
Cross currency interest rate derivative	-	–
Foreign exchange derivative	1	–
	313	201
CURRENT LIABILITIES		
Electricity price derivative	327	133
Interest rate derivative	36	44
Cross currency interest rate derivative	8	9
Foreign exchange derivative	-	–
	371	186
NON-CURRENT ASSETS		
Electricity price derivative	183	224
Interest rate derivative	6	6
Cross currency interest rate derivative	14	13
	203	243
NON-CURRENT LIABILITIES		
Electricity price derivative	235	160
Interest rate derivative	54	73
Cross currency interest rate derivative	7	10
	296	243

Change in fair value of financial instruments	2024 $M	Restated 2023 $M
Realised gain/(loss) on unhedged electricity swaps	158	6
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement	14	(165)
Change in fair value of derivative financial instruments per P&L	172	(159)

The unrealised changes in fair values of all financial instruments recognised in the income statement and other comprehensive income are summarised below:

	Income statement		Other comprehensive income	
	2024 $M	Restated 2023 $M	2024 $M	Restated 2023 $M
Interest rate and cross currency interest rate derivatives	13	(7)	(9)	2
Electricity price derivatives	20	(175)	(171)	211
Foreign exchange rate derivatives	–	–	–	(1)
Ineffectiveness of cash flow hedges recognised in the income statement	(19)	17	–	–
Total unrealised change in fair value of derivative financial instruments	14	(165)	(180)	212

Movement in cash flow hedge reserve on hedged unrealised gains/losses

	2024 $M	Restated 2023 $M
Opening balance	(80)	(245)
Effective portion of cash flow hedges recognised in the reserve	(180)	212
Amount transferred to balance sheet	(2)	2
Equity accounted share of associate's movement in other comprehensive income	(6)	11
Transfer of share of associate's reserves to profit or loss upon disposal	–	–
Tax effect of movements	51	(60)
Closing balance	(217)	(80)

Unrealised gains and losses on hedged derivatives are recognised in the cash flow hedge reserve and other comprehensive income. When the gains or losses are realised, they are released from the cash flow hedge reserve to the balance sheet or profit and loss in line with the underlying hedged item.

NOTE F1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

AREA OF KEY JUDGEMENT

FAIR VALUE ESTIMATION

Valuation techniques

All fair value balances are assigned to a fair value hierarchy level as defined by NZ IFRS 13 *Fair Value Measurement*. No transfers occurred between hierarchy levels in the period ended 30 June 2024.

The following table provides a breakdown of the fair value of derivatives by the source of key valuation inputs:

30 June 2024	Quoted market price	Market observable inputs	Non-market observable inputs	Total
Valuation technique	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**$M**
Financial assets				
Derivative instruments				
• Electricity price derivatives	36	–	455	491
• Interest rate derivatives	–	10	–	10
• Cross currency interest rate derivatives	–	14	–	14
• Foreign exchange rate derivatives	–	1	–	1
	36	25	455	516
Financial liabilities				
Derivative instruments				
• Electricity price derivatives	72	–	490	562
• Interest rate derivatives	–	90	–	90
• Cross currency interest rate derivatives	–	15	–	15
• Foreign exchange rate derivatives	–	–	–	-
	72	105	490	667
Net financial asset/(liability)	(36)	(80)	(35)	(151)

Restated 30 June 2023	Quoted market price	Market observable inputs	Non-market observable inputs	Total
Valuation technique	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**$M**
Financial assets				
Derivative instruments				
• Electricity price derivatives	33	–	381	414
• Interest rate derivatives	–	17	–	17
• Cross currency interest rate derivatives	–	13	–	13
	33	30	381	444
Financial liabilities				
Derivative instruments				
• Electricity price derivatives	45	–	248	293
• Interest rate derivatives	–	117	–	117
• Cross currency interest rate derivatives	–	19	–	19
	45	136	248	429
Net financial asset/(liability)	(12)	(106)	133	15

NOTE F1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of Level 1 Financial Instruments

Level 1 financial derivatives includes ASX futures and financial transmission rights with fair values determined using quoted prices. These prices represent regularly occurring market transactions on an orderly basis.

Valuation of Level 2 Financial Instruments

The fair values of Level 2 derivatives are determined using discounted cash flow models. Listed below are the Level 2 derivatives and the key inputs to the valuation model.

Derivative	Valuation Input
Cross Currency Interest Rate Swaps (CCIRS)	Forward interest rate price curve and foreign exchange rate curve
Interest Rate Swaps	Forward interest rate curve
Foreign Exchange Contract	Forward foreign exchange rate curves

Valuation of Level 3 Financial Instruments

The Group uses various methods in estimating the fair value of an electricity financial derivative. Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument there are two key inputs being used:

	2024	2023
Price path	$84/MWh to $221/MWh	$73/MWh to $153/MWh
Discount rate	10.3% to 4.1%	12.0% to 4.0%

The wide range in discount factors are driven by entering into longer term derivative contracts. Forward electricity spot price in the front end of the curve in FY24 were higher, driven by futures price, thus resulting in a higher maximum price of $221/MWh in FY24 compared to $153/MWh in FY23.

The selection of valuation inputs requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these inputs that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting inputs and developing assumptions for the valuation technique.

Reconciliation of Level 3 unrealised fair value movements

The unrealised Level 3 fair value movements in the Group's Consolidated Income Statement are recognised within 'change in the fair value of financial instruments', along with realised gains/losses on financial instruments not in a hedging relationship.

	Fair value through other comprehensive income		Fair value through profit or loss		Total	
	2024 $M	Restated 2023 $M	2024 $M	Restated 2023 $M	2024 $M	Restated 2023 $M
Opening balance sheet position	(78)	(257)	211	359	133	102
New contracts	(48)	23	(4)	10	(52)	33
Matured contracts	(12)	66	(6)	17	(17)	83
Gains and losses						
• Through the income statement	–	–	22	(175)	22	(175)
• Through other comprehensive income	(120)	90	–	–	(120)	90
Closing balance sheet position	(259)	(78)	223	211	(35)	133

Sensitivity of Level 3 fair value measurements

The following summarises the potential impact of increases or decreases in price risk exposures of the Group on post tax profit. Sensitivity analysis is based on an assessment of the reasonably possible movements in forward price. The electricity sensitivities disclosed below do not include Level 1 electricity derivatives. Refer to note F2 for sensitivity analysis on all electricity derivatives.

	Impact on post tax profit	
	2024 $M	Restated 2023 $M
Group		
Electricity forward price increased by 10%	(28)	39
Electricity forward price decreased by 10%	23	(45)

Deferred 'inception' gains/(losses) on Level 3 derivatives

There is a presumption that when derivative contracts are entered into at an arm's length basis that the fair value at inception is zero. The contract price of non exchange traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price curve for a variety of reasons. In these circumstances an inception adjustment is made to bring the initial fair value of the contract to zero at inception. This inception adjustment is amortised over the life of the contract by adjusting the future price path used to determine the fair value of the derivatives by a constant amount to return the initial fair value to zero.

The table below details the movements in inception value gains/(losses) included in the fair value of derivative financial assets and liabilities as at 30 June 2024.

	2024 $M	2023 $M
Electricity price derivatives		
Opening deferred inception gains/(losses)	39	26
Deferred inception gains/(losses) on new hedges	(23)	17
Deferred inception(losses)/gains realised during the year	(17)	(4)
Closing inception gains/(losses)	(1)	39

NOTE F2. FINANCIAL RISK MANAGEMENT

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to proactively manage these risks with the aim of protecting shareholder wealth. Exposure to price, credit, foreign exchange, liquidity and interest rate risks arise in the normal course of the Group's business. The Group's principal financial instruments comprise cash, trade receivables and accruals (not prepayments), advances, payables and accruals, borrowings and derivative financial instruments.

(A) MARKET RISK

Nature of risk exposure	Risk Management Policy
Electricity price The Group is exposed to movements in the spot price of electricity arising from the sale and purchase of electricity in the market.	The Group enters into electricity derivative contracts, including swaps, futures, options and PPAs that establish a fixed price at which future quantities of electricity are purchased and sold. The electricity contracts are periodically settled with any difference between the contract price and the electricity spot price settled between the parties. Cash flow hedge accounting is applied.
Foreign exchange The Group is exposed to foreign exchange risk as a result of transactions denominated in a currency other than the Group's functional currency. The currencies giving rise to this risk are primarily US Dollar, Japanese Yen, Euro, Yuan and AU Dollar.	The Group's policy is to enter into forward exchange contracts to hedge its committed foreign denominated expenditure programme.
Interest rate The Group has exposure to interest rate risk to the extent that it borrows for fixed terms at floating interest rates.	The Group uses mostly interest rate swaps and rarely interest rate options to manage this exposure.

Derivatives in designated hedging relationships

	Electricity		Foreign Exchange		Interest Rate	
	2024 $M	Restated 2023 $M	2024 $M	2023 $M	2024 $M	2023 $M
Notional amount	5,830	4,680	202	31	2,500	2,061
Maturity	1-20 years	1-16 years	0-1 year	1 year	0-10 years	0-10 years
Carrying amount - asset	76	135	1	–	24	30
Carrying amount - liability	(360)	(207)	–	–	(105)	(136)
Recognised in OCI	(171)	211	–	(1)	(9)	2
Ineffectiveness	(13)	9	–	–	(5)	7
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is terminated, exercised or no longer qualifies for hedge accounting. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the amount and timing of respective cashflows, reference interest rates, currency, maturities and notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

The Group's policy is to designate derivatives in hedge relationships on inception when their fair value is zero, applying a hedge ratio of 1:1. The main source of ineffectiveness for electricity contracts relates to the difference between the market price and the strike price at inception of the contracts. For interest rate derivatives, the weighted average hedge rate for cashflow hedges (receive floating, pay fixed rate) is 4.0% (2023: 3.6%) and for fair value hedges (pay floating, receive fixed rate) is 3.4% (2023: 2.6%).

Market risk sensitivity analysis

The following summarises the potential impact of increases or decreases in the relevant market risk exposures of the Group on post tax profit (unhedged derivatives) and on other components of equity (hedged derivatives) from the change in the derivative valuation. The analysis does not take into account dynamic market response over time, which could be material. The electricity sensitivities disclosed below include Level 1 derivatives.

	Impact on post tax profit		Impact on equity	
	2024 $M	Restated 2023 $M	2024 $M	2023 $M
Electricity forward price increased by 10%	(27)	42	(77)	(62)
Electricity forward price decreased by 10%	22	(43)	76	62
Forward foreign exchange rates increased by 10%	–	–	(12)	(2)
Forward foreign exchange rates decreased by 10%	–	–	17	2
Interest rates higher by 100 bps	(32)	(28)	11	6
Interest rates lower by 100 bps	34	29	(11)	(6)

(B) CREDIT RISK

Nature of risk exposure	Risk Management Policy
The carrying amounts of financial assets recognised in the balance sheet best represent the Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held by way of customer bonds.	The Group manages its exposure to credit risk under policies approved by the Board of Directors. The Group performs credit assessments on all electricity customers and normally requires a bond from commercial customers who have yet to establish a suitable credit history. In the event of a failure by a retailer to settle its obligations to the Energy Clearing House, following the exhaustion of its prudential security, a proportionate share of the shortfall will be assumed by all generator class market participants. The Group would be impacted in the event that this occurs. It is the Group's policy to only enter into derivative transactions with banks that it has signed an ISDA master agreement with, and which have a minimum long-term Moody's (or equivalent) credit rating of A- or higher.

NOTE F2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) LIQUIDITY RISK

Nature of risk exposure	Risk Management Policy
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.	The Group manages its exposure to liquidity risk under policies approved by the Board of Directors. Policies require that prescribed headroom is available in undrawn and committed facilities to cover unplanned needs and that a limited amount of facilities mature over the immediate 12 month forward-looking period. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various funding sources.

The following liquidity risk disclosures reflect all contractually fixed payoffs, repayments and interest from recognised non-derivative financial liabilities. The timing of cash flows for non-derivative financial liabilities is based on the contractual terms of the underlying contract.

The information on contractual cashflows are presented on an undiscounted basis, consequently the totals will not reconcile with the amounts recognised in the balance sheet.

- Net settled derivatives include interest rate derivatives and electricity price derivatives.
- Gross settled derivatives relate to foreign exchange derivatives that are used to hedge future purchase commitments.
- Foreign exchange derivatives may be rolled on an instalment basis until the underlying transaction occurs. While the maturity of these derivatives are short-term the underlying expenditure is forecast to occur over different time periods. The Group also expects to receive funds relating to derivative asset settlements.

While the following tables give the impression of a liquidity shortfall, the analysis does not take into account expected future operating cash flows or committed and undrawn debt facilities that will provide additional liquidity support. The expectation of cash receipts in relation to derivative assets should also be considered when assessing the ability of the Group to meet its obligations.

	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
30 JUNE 2024					
Liquid financial assets					
Cash	44	–	–	–	44
Receivables	638	–	–	–	638
Non derivative financial liabilities					
Payables and accruals	(462)	–	–	–	(462)
Borrowings	(341)	(33)	(1,041)	(1,794)	(3,209)
Lease liabilities	(11)	(11)	(74)	(56)	(153)
Derivative financial liabilities					
Derivative liabilities - net settled					
Electricity price derivatives	(180)	(146)	(338)	–	(664)
Interest rate derivatives	(19)	(14)	(54)	(8)	(95)
Cross currency interest rate derivative	(5)	(4)	10	–	1
Derivative liabilities - gross settled					
Foreign exchange derivatives inflows	202	–	–	–	202
Foreign exchange derivatives outflows	(202)	–	–	–	(202)
Net outflows	(336)	(208)	(1,498)	(1,858)	(3,900)

	Less than 6 months $M	6 to 12 months $M	1 to 5 years $M	Later than 5 years $M	Total $M
RESTATED 30 JUNE 2023					
Liquid financial assets					
Cash	75	–	–	–	75
Receivables	440	–	1	–	441
Non derivative financial liabilities					
Payables and accruals	(344)	–	–	–	(344)
Borrowings	(383)	(28)	(840)	(1,793)	(3,044)
Lease liabilities	(7)	(7)	(55)	(88)	(157)
Derivative financial liabilities					
Derivative liabilities - net settled					
Electricity price derivatives	(34)	(57)	(194)	(19)	(303)
Interest rate derivatives	(23)	(23)	(69)	(12)	(128)
Cross currency interest rate derivative	(5)	(5)	(7)	8	(9)
Derivative liabilities - gross settled					
Foreign exchange derivatives inflows	31	–	–	–	31
Foreign exchange derivatives outflows	(31)	–	–	–	(31)
Net outflows	(280)	(120)	(1,164)	(1,904)	(3,468)

NOTE F2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CAPITAL RISK MANAGEMENT

The Board policy is to maintain a sustainable financial structure for the Group, recognising Mercury's targeted long-term credit rating of BBB+ assigned by S&P Global and the risks from predicted short and medium-term economic, market and hydrological conditions along with estimated financial performance. Capital is managed to provide sufficient funds to undertake required asset reinvestment as well as to finance new generation development projects and other growth opportunities to increase shareholder value at a rate similar to comparable private sector companies.

In order to maintain or adjust the capital structure, changes can be made to the amount paid as dividends to shareholders, capital can be returned or injected or assets sold to reduce borrowings.

Consistent with other companies in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (both current and non-current) less cash. Total capital is calculated as shareholders' equity plus net debt. The gearing ratio is calculated below:

	2024 $M	Restated 2023 $M
Borrowings at carrying value	1,941	1,898
Add back: fair value adjustments	56	84
Less cash	(44)	(75)
Net debt	1,953	1,907
Total equity	4,849	4,863
Total capital	6,802	6,770
Gearing ratio	28.7%	28.2%

Under the negative pledge deed in favour of its bank financiers the Group must, in addition to not exceeding its maximum gearing ratio, exceed minimum interest cover ratios and a minimum shareholder equity threshold.

The Group seeks to maintain a debt to EBITDAF ratio of between 2.0 and 3.0 times, on average through time, to maintain credit metrics sufficient to support its credit rating on an on-going basis. For the purpose of calculating this ratio and consistent with the rating agency treatment, adjustments are made to net debt and EBITDAF based on the definitions provided by the rating agency. For the year ended 30 June 2024, the Group had a debt to EBITDAF ratio of 2.0 times (2023: 2.0 times).

NOTE G1. SHARE-BASED PAYMENTS

LONG-TERM INCENTIVE PLAN

The Group operates an equity-settled share based long-term incentive (LTI) plan for senior management. The plan is designed to enhance the alignment between shareholders and those senior managers most able to influence the performance of the Group.

Under the plan senior managers are granted the shares at nil cost if certain total shareholder return targets are met. Performance is measured against a combination of: i) other electricity generators who are listed on the NZX; and (ii) out-performance against the Group's internal return on capital hurdles. The plan is due to vest in July 2025 and July 2026.

Each LTI plan represents the grant of in-substance nil-price options to senior managers. During the year the Group expensed $779,312 in relation to equity-settled share based payment transactions (2023: $680,022).

The cost of the share-based payment is recognised over the period in which the performance or service conditions are fulfilled. The total amount expensed is based on the Group's best estimate of the number of equity instruments that will ultimately vest, taking into consideration the likelihood that service conditions will be met, multiplied by the initial fair value of each share.

Movements in the number of share options are as follows:

	2024 $M	2023 $M
Balance at the beginning of the year	930,241	863,879
Options granted	255,843	348,101
Options expired	–	(57,009)
Options exercised	(358,528)	(224,730)
Balance at the end of the year	827,556	930,241

241,339 options were exercisable at the end of the year (2023: 358,528) with the remaining options under the plan having a weighted average life of 1 year (2023: 1 year).

NOTE G2. SUBSEQUENT EVENTS AND OTHER MATTERS

The Board of Directors has approved a fully imputed final dividend of 14.0 cents per share to be paid on 30 September 2024. The Group plans to continue with the DRP announced in FY2022, with a DRP strike price to be determined by the average of daily volume weighted average sale price for a share, calculated on all price setting trades of shares that took place through the NZX Main Board over a period of five trading days starting on 16 September 2024, less a 2% discount.

On 11 July 2024, the Group redeemed capital bond MCY020 and issued a new capital bond MCY070 for $350m.

There are no other material events subsequent to balance date that would affect the fair presentation of these financial statements.

CLIMATE STATEMENT 2024.

TE TAUĀKI ĀHUARANGI.

In this section we cover how we consider and respond to climate-related risks and opportunities as we pursue our objective of accelerating the shift to a low-carbon future.

Turitea wind farm.


Aratiatia Rapids

CONTENTS.

MERCURY & CLIMATE CHANGE.

This climate statement has been prepared in alignment with the Aotearoa New Zealand Climate Standards[1] (NZ CS) and is for the 2024 Financial Year. In FY24, Mercury is relying on the adoption provisions in NZ CS 2, namely adoption provision 2, for an exemption from disclosing the anticipated financial impacts of climate-related risks and opportunities and adoption provision 4, for an exemption from disclosing a selected subset of our scope 3 GHG emissions sources, comprising of capital goods, purchased goods and services and investments.

FY24 CLIMATE STATEMENT

SCOTT ST JOHN // CHAIR

JAMES MILLER // CHAIR, RISK ASSURANCE AND AUDIT COMMITTEE

20 August 2024

[1] Aotearoa New Zealand Climate Standards available www.xrb.govt.nz/standards/climate-related-disclosures/aotearoa-new-zealand-climate-standards/aotearoa-new-zealand-climate-standard-1/

INTRODUCTION.

Mercury's purpose is **Tiakina te anamata, mā te tūhono i ngā tāngata me ngā wāhi o te inamata. Taking care of tomorrow: Connecting people and place today.** This brings together our company, employees, customers, iwi, and stakeholders to contribute toward a positive impact on people and the planet.

As Aotearoa New Zealand navigates to Net Zero, we recognise the multifaceted nature of climate change, including immediate and long-term challenges and opportunities. These encompass physical impacts from acute events such as storms, chronic long-term shifts in climate patterns and transitional impacts such as policy, legal, technology and market changes. We recognise the potential opportunities such as electricity demand increasing as we shift to a low-carbon future. To effectively address these dynamics, our integrated strategy considers climate-related risks, opportunities and current impacts.

We employ strategic foresight to navigate uncertainties, exploring risks and opportunities in different plausible future scenarios. Mercury employs a single set of scenarios that include both climate-related and other strategic considerations. This Climate Statement focuses on the climate-related aspects of Mercury's scenarios. Regular monitoring informs our choices, keeping climate change central to our strategy. Our governance frameworks and remuneration models ensure that we have appropriate oversight and active management of these factors.

IMPORTANT INFORMATION FOR READERS

Mercury has used best efforts in the preparation of this Climate-Related Disclosure to provide accurate information as at 20 August 2024 but cautions reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions.

This Climate-Related Disclosure contains forward-looking statements, including climate-related metrics, climate scenarios, estimated climate projections, targets, assumptions, forecasts and statements of Mercury's future intentions. These statements necessarily involve assumptions, forecasts and projections about Mercury's present and future strategies and the environment in which Mercury will operate in the future, which are inherently uncertain and subject to limitations, particularly as to inputs, available data and information which is likely to change. Mercury has used its best efforts to provide a reasonable basis for forward-looking statements but is constrained by the novel and developing nature of this subject matter. Climate-related forward-looking statements may therefore be less reliable than other statements Mercury may make in its annual reporting.

Descriptions of the qualitative and quantitative current financial and other impacts of climate change draw on and/or represent estimated figures only. In particular, the risks and opportunities described in this report, and the forecast emissions reductions, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause Mercury's actual results, performance or achievement of climate-related metrics (including targets) to differ materially from that described, including climatic, government, consumer, and market factors outside of Mercury's control.

Nothing in this Climate-Related Disclosure should be interpreted as capital growth, earnings or any other legal, financial tax or other advice or guidance.

A SUMMARY OF KEY POINTS IN THIS CLIMATE STATEMENT ARE:

1. **MERCURY'S SCENARIOS HAVE FOUR DIFFERENT PATHWAYS:**
   - where global temperature increase is limited to 1.5˚C,
   - where global temperature increase is limited to 2.5˚C,
   - where global temperature increase is limited to 3˚C,
   - where global temperature increase is greater than 3˚C.
2. **BASED ON THESE SCENARIOS:**
   We identified material climate-related risks and opportunities that could affect our business and captured our view of material climate-related current impacts to Mercury.
3. **MATERIAL CLIMATE-RELATED RISKS IDENTIFIED AS THOSE ARISING FROM:**
   - Greater variability in weather patterns (including more frequent high inflow events and droughts) that reduces hydro generation flexibility and profitability
   - Growing intensity of atmospheric conditions (including storm events) that cause asset damage
   - Government policy settings fail to balance the energy trilemma
   - Supply chain and labour constraints
4. **MATERIAL CLIMATE-RELATED OPPORTUNITIES IDENTIFIED AS THOSE ARISING FROM:**
   - Low-carbon transition lifts electricity demand
   - Capital markets tilt towards investing in low-carbon generation
5. **MATERIAL CLIMATE-RELATED CURRENT IMPACTS IDENTIFIED AS THOSE ARISING FROM:**
   - Participation in the New Zealand Emissions Trading Scheme
   - Investment in greenhouse gas reinjection at our geothermal sites

We are continuing to explore additional actions to reduce our own emissions and mitigate climate change. Further details are outlined in our Climate Action Plan.

GOVERNANCE.

BOARD

Our Board oversees Mercury's strategic scenarios, including climate-related risks and opportunities. Responsibilities of the Board are outlined in the Board Charter and include establishing clear strategic goals with appropriate supporting business plans and resources, monitoring strategy implementation, financial performance, and the integrity of reporting, and ensuring that effective audit, risk management, and compliance systems are in place and monitored.

The Board discusses Mercury's scenarios, any changes in the external environment (including climate-related changes) and progress towards our three-year objectives quarterly (covered in Strategic Monitoring Reports) and in more detail biannually at Strategy Days. From June 2024, the Board also receive quarterly updates from the Executive GM Sustainability that include how we are progressing toward our Scope 1, 2 and 3 emissions reduction targets. For further information on our emissions reduction targets, refer to the Metrics and Targets section of this Climate Statement.

A committee of the Board - the People and Performance Committee (PPC) – supports the Board in setting the approach to remuneration, including incorporating climate-related matters in the Short-Term Incentive component of remuneration.

In FY24, the relevant Board meetings were:

August 2023
Board Meeting; discuss scenarios, external changes and progress towards our three-year objectives

November 2023
Strategy Day; discuss scenarios, external changes and progress towards our three-year objectives

February 2024
Board Meeting; discuss scenarios, external changes and new three-year objectives

May 2024
Strategy Day; discuss scenarios, external changes and progress towards our three-year objectives

June 2024
Board Meeting; discuss sustainability quarterly update

In FY25, the relevant Board meetings were:

August 2024
Approval of the FY24 Climate Statement and Climate Action Plan, discuss scenarios, external changes and progress towards our three-year objectives

RISK ASSURANCE AND AUDIT COMMITTEE

A committee of the Board – the Risk Assurance and Audit Committee (RAAC) – supports the Board in overseeing climate-related risks. The Board itself has responsibility for climate-related opportunities. Members of the EMT attend quarterly RAAC meetings where necessary to ensure appropriate support and facilitate feedback and discussion. The RAAC is responsible for reviewing and making recommendations to the Board on our risk management policy and processes, including climate-related risks and opportunities. They review progress against our risk management framework, including metrics and targets. The Board is updated by the RAAC Chair on relevant discussions and decisions reached at each meeting.

Mercury does not currently consider it necessary to establish a separate sustainability sub-committee of the Board as Sustainability and Kaitiakitanga/Stewardship are inherent in Mercury's business operating model and strategy and are therefore addressed within existing governance structures.

In FY24, the relevant RAAC meetings were:

July and August 2023
Review and endorsement of the FY23 Climate Statement

February 2024
Update on FY24 Climate Scenario Analysis and risk and opportunity identification

May 2024
Initial review of the FY24 Climate Statement and Climate Action Plan

In FY25, the relevant RAAC meetings were:

July 2024
Further review of the FY24 Climate Statement and Climate Action Plan

August 2024
Final review and endorsement of the FY24 Climate Statement and Climate Action Plan

SKILLS AND COMPETENCIES TO PROVIDE OVERSIGHT OF CLIMATE-RELATED RISKS, OPPORTUNITIES AND CURRENT IMPACTS

The Board's skills matrix specifically includes climate change.

In FY20, the Board evaluated our risk management framework to assess whether it adequately addressed climate-related risks within our integrated business planning process. Given the potential impact of climate change for Mercury, the Board amplified climate-related risks within our consolidated risk register.

In FY21, the Board held an externally facilitated deep dive into regulatory, economic, and legal aspects of climate-related risks and opportunities. Additionally, management presented its first climate change scenario analysis report and the outcome of its review of climate-related risks and opportunities to the RAAC.

In FY22 and FY23, we continued to mature our approach to climate scenario analysis with input from the RAAC through regular engagements.

The Board seeks internal and external expertise and advice as required to ensure they have current information for appropriate oversight of climate-related risks and opportunities.

The Chair of our Board, Scott St John, has previously been on the steering committee of Chapter Zero New Zealand (www.chapterzero.nz), a global network of board directors committed to acting on climate change, which is hosted in Aotearoa New Zealand by the Institute of Directors. Scott has recently been appointed as a member of the Nominating Committee for the Climate Change Commission.

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS, OPPORTUNITIES AND CURRENT IMPACTS

The Board entrusts the Chief Executive and the EMT with responsibility for developing and recommending strategies to identify, assess and manage climate-related risks and opportunities (refer to the Leadership and Governance section of the FY24 Integrated Report for further detail). The EMT focuses on improving reporting and disclosure of these climate-related aspects, including identifying metrics and targets.

Mercury's management is responsible for ensuring the business effectively identifies, assesses, and manages climate-related risks, opportunities and current impacts. Mercury's annual climate-related disclosure process is prepared by Management with a primary governance pathway, via the RAAC, to the Board.

The key inputs this year were:

- the analysis undertaken by the cross-functional working group that reviewed and updated our scenarios, risks, opportunities and current impacts;
- our participation in the development, and further analysis, of the Energy and Telecommunications Sector climate scenarios; and
- making progress towards the more detailed financial quantification of our risks and opportunities.

RISK MANAGEMENT FRAMEWORK

Our risk management framework meets Aotearoa New Zealand standard AS/NZS ISO 31000 Risk Management – Principles and Guidelines. It helps us to identify different categories of risk – compliance, operational, reputational, financial and people risks. Climate-related risks are integrated within these categories and treated like other risks. More information on our risk management approach can be found in the Assurance & Managing Risk section of our Corporate Governance Statement.

RISK MANAGEMENT COMMITTEE

Our management operates a Risk Management Committee (RMC) whose mandate, as captured in our Risk Management Policy, is to establish and promote risk awareness among all staff, implement and communicate effective risk management and internal control frameworks, regularly monitor, report, and review risk activities, and ensure sufficient business resources for effective risk management.

Membership of the Risk Management Committee includes representatives from the EMT and is chaired by the Chief Executive. The RMC meets approximately 10 times per year, including prior to each RAAC meeting.

(Please refer to the table on the following page for more information on specific responsibilities.)

In FY24, the relevant RMC meetings were:

January 2024
Update and endorsement of FY24 Climate Scenario Analysis and risk and opportunity identification

April 2024
Initial review of the FY24 Climate Statement and Climate Action Plan

In FY25, the relevant RMC meetings were:

July 2024
Further review of the FY24 Climate Statement and Climate Action Plan

July 2024
Final review of the FY24 Climate Statement and Climate Action Plan

OVERVIEW AND RELATIONSHIP BETWEEN RESPONSIBILITIES OF MERCURY BOARD, SUB-COMMITTEES AND MANAGEMENT.

BOARD

MERCURY BOARD

Establishes the purpose and strategic direction, oversees and approves risk management strategy and risk appetite and monitors progress against climate-related risks, metrics and targets. Climate-related risks and opportunities form an integral part of Mercury's overall risk management framework. All key climate-related risks and opportunities are approved by the Board. In addition to reporting from the Risk Assurance and Audit Committee (RAAC), the Board receives quarterly updates on key sustainability trends and issues.

RISK ASSURANCE AND AUDIT COMMITTEE (RAAC)

The RAAC, a sub-committee of the Board, supports the Board in overseeing risks and opportunities including those related to climate change. The committee has been delegated primary responsibility for reviewing all Climate Related Disclosures (CRDs) to ensure compliance with the NZ Climate Standards and engaging with management and assurance providers regarding these disclosures. The committee also ensures a suitable system of controls and management in connection to climate-related risks is embedded in the business, including the keeping of proper CRD records.

Periodically reviews Mercury's Risk Management Policy and Framework, to ensure these remain fit for purpose, with appropriate and effective risk management strategies in place.	Quarterly review of risk reports from management. Each year, there's an annual in-depth review including climate-related risk assessments and endorsing updated scenarios used in Mercury's identification of key climate-related risks and opportunities.	Reports to the Board on the outcomes of RAAC meetings, including discussion concerning risks and making recommendations to the Board.

EXECUTIVE

CHIEF EXECUTIVE AND EXECUTIVE MANAGEMENT TEAM

Overall accountability for actions and commitments to embed climate change into risk management, business strategy and planning, budgeting processes and frameworks. Includes identifying, considering, and monitoring climate-related risks and opportunities and reporting to the RAAC and the Board.

RISK MANAGEMENT COMMITTEE (RMC)

The RMC is a committee of the EMT chaired by the Chief Executive.

Promotes risk awareness and appropriate risk management throughout the business. Monitors and reviews risk activities at its approximately 10 meetings each year.	Reporting of business risk is coordinated through the Risk Assurance Team and Risk Assurance Officer. Climate-related risks and opportunities are reported to the RMC through facilitation by the Sustainability Team.	When appropriate, management engages third-party experts for services such as auditing, specific climate research or strategic management consulting.

EXECUTIVE

Ensures the risks in each business area are identified, understood, mitigated, managed and monitored and escalated appropriately.

Implements risk mitigation strategies.	Reviews quarterly sustainability updates.	Monitors emerging and developing risks. For climate-related risks and opportunities, this is facilitated by the Executive General Manager Sustainability. Oversight of risk reporting is performed by the Risk Assurance Team, which reports to the Chief Financial Officer.	Preparation and presentation of climate-related risk reports to the RAAC. These reports include actions taken to mitigate risks previously disclosed.

Management remuneration includes incentives tied to climate-related risks and opportunities.

OPERATIONS

At an operational level, the identification and day-to-day management of climate-related risks is dispersed throughout Mercury.

CLIMATE-RELATED RISKS, OPPORTUNITIES AND CURRENT IMPACTS ARE INCORPORATED INTO COMPANY STRATEGY DEVELOPMENT

Management's periodic reviews of Mercury's strategic framework actively consider climate-related risks, opportunities and current impacts. These reviews play a crucial role in assessing significant market changes, leading to the identification of new risks and opportunities or re-assessment of existing ones, potentially altering the likelihood and/or consequence of their impact.

A cross-functional business team comprising of representatives from our Sustainability, Portfolio, Generation, Finance and Customer business units, led by the Sustainability Team reporting through the Executive GM Sustainability, contributes insights from across the business. This group includes the strategy function, as a fundamental objective of climate-related scenario analysis is to bolster the resilience of Mercury's strategy. It also includes people who engage with external stakeholders, such as suppliers, customers, councils, and industry groups. Their work directly informs scenario updates and continuous monitoring of signals and signposts, culminating in our quarterly Strategic Monitoring Reports. These reports provide valuable insights during strategic discussions and input into setting our three-year objectives. Additionally, the EMT and Board conduct quarterly reviews of our scenarios, integrating climate considerations into our ongoing strategic monitoring process. In FY24, these reviews occurred in August and November 2023 and in February and May 2024.

MANAGEMENT REMUNERATION IS LINKED TO MANAGEMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The remuneration of the Chief Executive and the EMT is linked to Mercury's strategic objectives, purpose and goals. The Short-Term Incentive (STI) component of remuneration is set as a percentage of the executive's base salary and for FY24 was set at 60% for the Chief Executive and up to 35% for other EMT members.

A proportion (70% for the Chief Executive and 50% for other EMT members in FY24) of the STI is related to a shared set of Group Key Performance Indicators (KPIs) that form our scorecard and are aligned with our three-year objectives. These STI proportions have remained consistent for over five years, and climate-related KPIs have been a key part of this scorecard for numerous years, as shown in the table below. This scorecard is monitored by the Finance team and reported to the People and Performance Committee (PPC). The PPC reviews the annual performance appraisal outcomes for all members of the EMT and endorses for Board approval the outcomes for all EMT members, including the Chief Executive.

FY22-24 THREE-YEAR OBJECTIVE	FY22 KPI	FY23 KPI	FY24 KPI
Play a leading role in New Zealand's successful transition to a low carbon economy	Support sector decarbonisation options	Progress on future development pipeline	Role in electricity sector transition progress
Create executable options for new growth	Progress generation development pipeline options	Clear path to carbon reduction	Progress on non-condensable gas reinjection

FY25-27 THREE-YEAR OBJECTIVE	FY25 KPI
Delivering more reliable and renewable energy to power Aotearoa	Generation availability target met
Accelerating the shift to a low-carbon future	Deliver 2 of 3 outcomes of: • Advancement of new demand or Commercial and Industrial electrification • Progress emission reduction • Sector and Government Energy Transition Framework

More information on the responsibilities and remuneration of the Chief Executive and the EMT can be found in our Corporate Governance Statement and Remuneration Report.

Ngā Tamariki geothermal station.

STRATEGY.

WHAT WE ARE SEEING

Mercury recognises that climate change is currently impacting the way we operate. The material current impacts on our business are as follows:

CURRENT PHYSICAL CLIMATE IMPACTS

No physical impacts have been deemed material for FY24.

CURRENT TRANSITION CLIMATE IMPACTS

As a participant in the New Zealand Emissions Trading Scheme, Mercury surrenders emissions credits for its geothermal fugitive emissions and natural gas sales.

Financial impact: In FY24, the cost of New Zealand emission units (NZU) surrendered totalled $7.2m NZD. This cost is one of many factors that contribute to wholesale electricity prices.

In FY24, Mercury sequestered ~7,100tCO_2e by reinjecting non-condensable gases from one unit at our Ngā Tamariki geothermal station (about 20% of the total).[1] Expanding reinjection to other units at Ngā Tamariki will begin early in FY25. We also plan to expand to our Mokai and Rotokawa geothermal stations in the next 5 years.

Financial impact: To date we have spent $3m.

[1] Please refer to our GHG Emissions Inventory Report for details on the calculation of our emissions.

LOOKING FORWARD

SCENARIO ANALYSIS

Mercury recognises the importance of scenario analysis in assessing climate-related risks and opportunities, ensuring the resilience of our strategy across different time horizons. To support transparency and informed decision-making, we update our scenarios quarterly and conduct an in-depth annual review on the climate-related aspects.

Prior to FY23, we had climate scenarios aligned with Task Force on Climate-related Financial Disclosures recommendations that were separate from our strategic scenarios. We had used external third-party consultants to guide the scenario analysis process.

In FY23, our cross-functional working group conducted in-depth scenario analysis to highlight emerging risks, opportunities and current impacts. Recognising the interconnectedness of climate considerations with our overall strategy, we consolidated these scenarios into a unified set, embedding climate into strategy discussions.

In FY24, our cross-functional working group refined these scenarios and added a fourth scenario incorporating climate-related aspects into each. We also collaborated on the Energy and Telecommunications Sector climate-related scenarios with diverse businesses and external parties. These helped us test and validate our scenarios, risks and opportunities and identify any gaps in our analysis. We also considered externally published reference scenarios and models to enrich our scenarios and will continue to use these as a reference as we refine and update the climate-related aspects of our scenarios.

Our unified set of scenarios explores a range of plausible futures, and we use them to identify both strategic and climate-related risks and opportunities and to inform our strategic discussions and decision-making.

The RMC, RAAC and the Board discussed our scenarios to validate their robustness. The RAAC and the RMC provided governance and oversight, receiving updates from management and providing feedback during meetings in February and May FY24. These updates reviewed our processes, updated scenarios and material climate-related risks, opportunities, and current impacts. As part of our quarterly strategic monitoring process, our Board reviews our scenarios and provides feedback.

In accordance with NZ CS 1, we must consider three scenarios: one with a global temperature increase limited to 1.5°C, another with a rise above 3°C, and a third with discretionary parameters (e.g., drivers). Additionally, we explore a fourth scenario to further assess alternative pathways for New Zealand's low-carbon transition. These scenarios and associated pathways fulfil NZ CS 1 requirements, robustly testing the resilience of our strategy and business model under plausible and distinct futures, and against diverse climate-related risks and opportunities.

Our FY23 and FY24 scenario analysis has been framed by the focal question: "What climate-related risks and opportunities are affecting Mercury now and could plausibly affect Mercury over the short, medium and long terms?".

The STEEP (Social / Technological / Economic / Environmental / Political) framework shapes our scenarios, considering external data sources as captured in the Datasets and Models Used section of this Climate Statement.

The boundary for Mercury's scenario analysis covers the entire organisation's New Zealand operations, including subsidiaries as well as joint ventures and investments. Our investment in Energy Source LLC and ES Minerals LLC was considered to not meet our materiality threshold. We considered the impacts on the upstream and downstream phases of our value chain, e.g. key suppliers, partners, and customers. Mercury did not undertake its own modelling in the construction of its scenarios.

Our time horizons for both scenario analysis and climate-related risks and opportunities align with Mercury's business planning:

1. **CURRENT: LESS THAN 1 YEAR**
Tied to immediate planning and operational considerations.
2. **SHORT-TERM: 1 TO 3 YEARS**
Aligning with Mercury's 3-year objectives.
3. **MEDIUM-TERM: 3 TO 10 YEARS**
Corresponding to Mercury's long-term strategy and strategic scenarios.
4. **LONG-TERM: 10 TO 30 YEARS**
Aligning with the expected useful life of new generation development.

OUR SCENARIOS	ORDERLY TRANSITION SCENARIO (TEAL SCENARIO) Global temperature increases are limited to 1.5 degrees by 2100.	DISORDERLY TRANSITION SCENARIO (BLUE SCENARIO) Global temperature increases are limited to 2.5 degrees by 2100.	DISORDERLY TRANSITION SCENARIO (AMBER SCENARIO) Global temperature increases are limited to 3 degrees by 2100.	3+ DEGREE WARMING SCENARIO (MAROON SCENARIO) Global temperature increases by 3+ degrees by 2100.
Scenario Narrative	Global cooperation and technology advancements enable climate mitigation and adaptation. Aotearoa excels in renewable energy, efficiently managing high grid demand with decreasing wholesale prices, leading to reliable and affordable energy. Fossil fuels are phased out equitably, and New Zealand is attractive for investment.	Insufficient infrastructure investment results in unreliable grid systems and outages, exacerbated by extreme weather. New technologies mitigate climate disruption unevenly, leading to increased inequality and a contested process for accessing natural resources.	Technological advancements lag behind, posing challenges for renewable energy development. New Zealand achieves a Zero Carbon energy sector at considerable expense. Regulatory settings contribute to delayed development.	Widespread climate impacts damage infrastructure significantly. Slow technological advancements hinder effective mitigation efforts. Deepening economic inequalities lead a minority to pursue luxury and sustainability in isolated communities. Regulatory settings, alongside geopolitical tensions disrupting international cooperation and supply chains, complicate renewable energy development essential for climate adaptation.
KEY DATAPOINTS – GLOBAL IMPACTS				
Temperature increase (2081-2100, relative to 1850-1900)[2]	1.4°C	2.2°C	2.7°C	3.6°C
Technology Change[3]	Fast	Fast	Slow	Slow
Negative emissions technologies[3]	Medium-high use	Medium use	Low-medium use	Low use
KEY DATAPOINTS – AOTEAROA NEW ZEALAND IMPACTS				
Average number of hot days (above 25°C) (for the period 2031-50, average across regions)[4]	25 hot days	27 hot days	27 hot days	30 hot days
Renewable energy percentage of total consumption in 2050[5]	89%	87%	74%	46%
CLIMATE IMPACTS	Medium physical climate risk. New technologies have emerged to help adapt and mitigate disruption caused. However, extreme weather events occur more frequently, causing damage and loss of life. Pre-emptive relocation of homes and businesses in the areas predicted to be worst hit is occurring.	We are able to navigate to a less than 2.5 degree future and new technologies have emerged to help mitigate disruption caused by climate change. However, the impacts of climate change are widely felt, particularly in poorer areas where these technologies are not in use.	We are able to navigate to a less than 3 degree future, however, when climate events do occur, they are expensive and disruptive as technological solutions are not adequate to help adapt and mitigate the disruption caused.	Highest physical climate risk. We have been unable to navigate to a 1.5 degree future, with warming on track to realise a 3+ degree future. Incidents of disruptive and expensive damage to infrastructure are growing in frequency. The retreat from the ocean has begun.
REFERENCE SCENARIOS / DATA SOURCES	SSP1-1.9 RCP2.6 CCC Tailwinds NGFS Net Zero 2050	SSP4-3.4 RCP4.5 CCC Further Technology Change NGFS Low Demand	SSP2-4.5 RCP4.5 CCC Headwinds NGFS NDCs (Nationally Determined Contributions)	SSP3-7.0 RCP8.5 CCC CPR (Current Policy Representation) NGFS Current Policies

[2] SSP information sourced from IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V. et al (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, p. 14. (www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf) and SSP Public Database, Version 2.0 (https://tntcat.iiasa.ac.at/SspDb/dsd?Action=htmlpage&page=welcome)

[3] NGFS scenario information from the Scenarios Portal (www.ngfs.net/ngfs-scenarios-portal/explore)

[4] RCP information applied to New Zealand by Ministry for the Environment 2018. Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Wellington: Ministry for the Environment (www.environment.govt.nz/assets/Publications/Files/Climate-change-projections-2nd-edition-final.pdf)

[5] CCC scenarios as in Climate Change Commission 'Chapter 12:Long Term Scenarios to meet the 2050 target' (www.climatecommission.govt.nz/public/Evidence-21/Evidence-CH-12-Long-term-scenarios-to-meet-the-2050-target.pdf)

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ENERGY PATHWAYS: Grid Demand	High demand driven by AI adoption, as well as industry and transport decarbonisation. Peak shaving and demand response (smart Distributed Energy Resources- DER) are used efficiently to help manage the grid effectively.	Grid electricity use is down due to an increase in DER and loss of industry. DER creates a relatively flat demand profile.	High demand is driven by transport decarbonisation. Demand-side flexibility is minimal and only used in emergencies (much like today).	Electricity demand has been stagnant to declining due to a lack of industry decarbonisation and slow EV uptake. Gas is still used quite extensively.
ENERGY PATHWAYS: Grid Supply	Fossil fuels have been retired. Demand growth has been met by grid-scale renewable generation and batteries. Wholesale prices decrease.	Fossil fuels and thermal generation have been retired. The system is under resourced and a little unreliable.	Net-Zero Carbon has been achieved. Grid scale wind and other renewable solutions are the cornerstones of this achievement. Blended Fossil and Bio-gas is used for extreme peaks and security.	Fossil fuels remain with limited growth in renewables. Large-scale storage will be used to help meet peak demand and cover dry years once they have been built.
MACROECONOMIC TRENDS: Resource and technology constraints	Goods and knowledge are affordable and flow freely. Technology allows a high degree of sustainable use of natural resources. New Zealand is attractive for investment.	Goods and knowledge are affordable and flow freely. Access to natural resources is often contested and involves a drawn-out process.	Physical resources were challenging to access due to global demand, however, are now available from global sources.	Access to knowledge and technology is difficult and expensive. Physical resources were challenging to access due to supply chain issues and global demand.
POLICY AND SOCIOECONOMIC ASSUMPTIONS: Consumer needs	AI-powered digital assistants enrich consumers lives. Consumers have a strong work/life balance and discretionary spending on entertainment and other luxuries.	Significant wealth divide in society between rich and poor, with vastly different needs. The majority use AI-powered digital assistants to enrich their lives. A significant minority struggle for life's essentials.	Many are struggling and looking for deals on the basics, while a growing older wealthy segment is looking for entertainment and life's comforts.	Financial hardship has created a large price sensitive segment focussed on the basics. There is a culture of conserving, repairing, and reusing limited resources. In contrast to the majority, there is a small segment seeking luxury, who have created off-grid sanctuaries.
POLICY & SOCIOECONOMIC ASSUMPTIONS: Government and policy settings	International and New Zealand regulatory settings for renewable energy do not constrain development. Global carbon prices drive investment in renewable technology without impacting supply chains.	International and New Zealand regulatory settings for renewable energy somewhat constrain development and drive uptake of DER. Wealthier nations invest in energy research and renewable technology.	International and New Zealand regulatory settings for renewable energy delay development. Supply chains are impacted by uncoordinated international incentives to invest in clean energy.	International and New Zealand regulatory settings for renewable energy obstruct development. There is a lack of coordination and cooperation internationally. Geopolitical tensions increase driving protectionism and impacting supply chains and the development of renewable technology.
CARBON SEQUESTRATION FROM AFFORESTATION	Carbon sequestration from afforestation has been utilised for emissions reduction to a limited extent, being displaced by technological and nature-based solutions as they become available.	Carbon sequestration from afforestation has been utilised for emissions reduction to a limited extent, being displaced by technological and nature-based solutions as they become available.	Carbon sequestration from afforestation has been widely deployed, being gradually superseded by technological and nature-based solutions.	Carbon sequestration from afforestation is utilised at a local level, without effective global coordination and certification.
NATURE-BASED SOLUTIONS	Nature-based solutions have been developed and form part of a broad portfolio of emissions reduction solutions.	Nature-based solutions have been developed and form part of a broad portfolio of emissions reduction solutions.	Nature-based solutions have been developed and form part of a broad portfolio of emissions reduction solutions.	Effective nature-based solutions have not been developed.
NEGATIVE EMISSIONS TECHNOLOGY	Effective negative emissions technology has been developed and widely deployed.	Effective negative emissions technology has been developed and deployed.	The development of negative emissions technology was slower than expected, leading to its delayed deployment.	Negative emissions reduction technology has not been developed.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate-related risks and opportunities were identified from the scenario analysis. They were assessed using information and data from discussions with internal technical experts, internal data such as hydro inflow and storage and generation output, and key external sources, including:

- Climate Change Projections for New Zealand from NIWA, Ministry for the Environment and StatsNZ, including local precipitation and wet day projections.
- Historical Wholesale price trends from the Electricity Authority New Zealand.
- BERL (Business and Economic Research Limited) on the economic impact of the electricity price changes.
- Paper for the Parliamentary Commissioner for the Environment on the economics of the electricity pathways.

OUR APPROACH TO ASSESSING MATERIALITY

Our approach to assessing the materiality of information included in this Climate Statement, including climate-related risks and opportunities, is to consider whether the information or the way in which information is presented, could influence the decisions of users of our Climate Statement. The principle of considering the impact of information on capital allocation decisions of end users is broadly consistent with the materiality principle applicable to preparing financial statements and the continuous disclosure rules under the NZX Listing Rules.

When assessing materiality, we evaluate both quantitative and qualitative factors. The quantitative threshold we use is aligned with the material value we use to prepare our financial statements. We also consider whether information could influence the decisions of users of our Climate Statement, regardless of its quantitative impact, due to the nature of the example, we consider potential reputational impacts or impacts on our social licence to operate. In assessing each climate-related risk and opportunity, it involves detailed processes, sources, and assumptions/limitations.

The following tables detail identified material climate risks and opportunities and their anticipated unmitigated impacts. The likelihood and consequence of the following climate related risks and opportunities is based upon Mercury's risk matrix.

New West Spring, Rotokawa geothermal field.

CLIMATE RELATED RISKS

1. GREATER VARIABILITY IN WEATHER PATTERNS (INCLUDING MORE FREQUENT HIGH INFLOW EVENTS AND DROUGHTS) REDUCES HYDRO GENERATION FLEXIBILITY AND PROFITABILITY

RISK TYPE: Chronic Physical
TIME HORIZON: Current, short, medium, long-term
TIME HORIZON OVER WHICH RISK BECOMES MATERIAL: Medium – long-term (3–30 years)

LIKELIHOOD:
This risk is assessed as being probable (1–10% probability in any given year) to materialise.

CONSEQUENCE:
May have a significant financial impact, i.e. between $7.5m—75m p.a.

IMPLICATIONS:
More volatile catchment inflows from changing and increasingly extreme weather patterns makes it more difficult to optimally manage hydro storage. This manifests through increased risk of spill during high inflow events and reduced generation volumes during low inflow periods and droughts. More volatile catchment inflows may also have an impact on spot prices in a highly renewable market.

ASSESSMENT METHODOLOGY:
Our approach to assessing this risk included assessing changes in average rainfall and minimum/maximum inflow profiles using NIWA modelling (RCP8.5 scenario) to determine the decrease in our long-run hydro generation earnings and profile factor. This evaluation is based on historical hydro inflow and storage data from 1927 to 2024, historical generation output from 2004 to 2024, and insights from NIWA's climate modelling and research. Additionally, internal business insights and historical wholesale price trends from the Electricity Authority New Zealand were used to quantify the impact.

MANAGEMENT RESPONSE:
- Mercury manages its peak customer sales commitments by adopting a portfolio approach that integrates generation development, existing operations and financial hedging, aiming to balance sales with our physical generation and financial contract purchases.
- Mercury's environmental and planning teams engage with governing and consenting bodies to manage the operational impacts of lake storage levels and ensure we have the operational flexibility that we need on the Waikato Hydro System.

2. GROWING INTENSITY OF ATMOSPHERIC CONDITIONS (INCLUDING STORM EVENTS) THAT CAUSE ASSET DAMAGE

RISK TYPE: Acute Physical
TIME HORIZON: Current, short, medium, long-term
TIME HORIZON OVER WHICH RISK BECOMES MATERIAL: Medium – long-term (3–30 years)

LIKELIHOOD:
This risk is assessed as being probable (1–10% probability in any given year) to materialise.

CONSEQUENCE:
May have a significant financial impact, i.e. between $7.5m—$75m per event.

IMPLICATIONS:
Increasing intensity of storm events, floods and high wind events may lead to physical damage to generation assets resulting in costs to repair and lost generation revenue. Increasing storm intensities and/or higher likelihood of heating and fires and/or other extreme atmospheric conditions may lead to severe damage to electricity transmission and distribution systems resulting in Mercury being unable to export from stations.

ASSESSMENT METHODOLOGY:
Our approach to assessing this risk included estimating the cost to repair generation assets and the lost generation revenue from transformer outages. The financial impact was based on historical hydro inflow and storage data from 1927 to 2024, historical generation output from 2004 to 2024, and insights from NIWA's climate modelling and research. Additionally, internal business insights, historical experience on transmission repairs, and historical wholesale price trends from the Electricity Authority New Zealand were used.

MANAGEMENT RESPONSE:
- Mercury regularly assesses physical risks to generating plant and assets as a reasonable and prudent asset owner/operator and will mitigate risks of damage as they arise.
- Mercury has a dam safety programme, including annual and 5-yearly (external) reviews, and continues to work to gain insight into the impacts of climate change on flood risks.
- Mercury maintains a geographically dispersed and fuel diverse generation fleet which reduces impacts arising from locational-specific storm events that could cause asset damage.
- Mercury carries insurance cover that mitigates the financial impact of replacing damaged assets and for business interruption.

CLIMATE RELATED RISKS

3. SUPPLY CHAIN AND LABOUR CONSTRAINTS

RISK TYPE: Transition
TIME HORIZON: Short, medium, long-term
TIME HORIZON OVER WHICH RISK BECOMES MATERIAL: Medium (3–10 years)

LIKELIHOOD:
This risk is assessed as being almost certain (>30% probability in any given year) to materialise.

CONSEQUENCE:
May have a significant financial impact, i.e. between $7.5m and $75m p.a.

IMPLICATIONS:
Constrained global supply of renewable generation technology (i.e. wind turbines and solar panels) and skilled labour shortage causes construction delays and capital cost overruns. This may be exacerbated by geopolitical tensions and the recent uptick in renewable generation investment globally making it challenging for manufacturers to meet that demand. In this context, the NZ market is unattractive compared to larger countries due to its relatively small market and remoteness. On a local level, grid constraints may impact our ability to connect new renewable generation.

ASSESSMENT METHODOLOGY:
Our approach to assessing this risk included estimating cost increases in generation development and accounting for longer lead times resulting in commissioning delays. This evaluation was based on historical data on supply chain disruptions such as those documented in internal business insights and historical project timelines. Additionally, insights from industry reports, internal business assessments, historical project timelines, and historical wholesale price trends from the Electricity Authority New Zealand were used to quantify the impact.

MANAGEMENT RESPONSE:
- Mercury manages its generation development pipeline to time procurement and development at favourable periods and with sufficient lead time to minimise unplanned delays.
- Mitigation for this risk includes key supplier relationship planning and management.

4. GOVERNMENT POLICY SETTINGS FAIL TO BALANCE THE ENERGY TRILEMMA

RISK TYPE: Transition
TIME HORIZON: Medium, long-term
TIME HORIZON OVER WHICH RISK BECOMES MATERIAL: Medium (3–10 years)

LIKELIHOOD:
This risk is assessed as being highly likely (10-30% probability in any given year) to materialise.

CONSEQUENCE:
May have a major financial impact, i.e. between $75m—$750m p.a.

IMPLICATIONS:
Without clear and considered government policy setting, the rate of electrification of industrial process heat and transport could fall behind projections or Resource Management Act reforms could favour other environmental protection over mitigating climate impacts, constraining and adversely impacting Mercury's generation development pipeline. Specifically, this could include declining demand growth, loss of investor confidence, increased costs, delayed or declined renewable generation consents, delayed renewable electricity generation capacity development, security of supply issues, and market intervention that negatively impacts asset valuations.

ASSESSMENT METHODOLOGY:
Our approach to assessing this risk included assessing the potential reduction in average wholesale price for generation, reduced revenue from delays in supplying renewable electricity generation to the NZ market, and the reduced enterprise value of the company. This evaluation was based on historical data and research on policy impacts, such as those documented in external regulatory reports (such as BERL) and market trends observed over recent years. Revenue projections were made using historical data and insights from internal assessments. Additionally, the impact of historical policy changes was analysed to quantify the potential future impacts.

MANAGEMENT RESPONSE:
- Engage on policy settings that will support a successful transition for Aotearoa.
- Supporting decarbonisation opportunities with existing and new commercial and industrial customers as well as new demand sources, such as data centres.
- Maintain a broad range of renewable electricity generation development options that can be brought to market in different demand scenarios.
- Mercury actively engages with regulators and other external stakeholders to increase the understanding that renewable electricity is a key enabler of the transition to a low-carbon economy and promote regulatory settings that support the development of renewable electricity.

CLIMATE RELATED OPPORTUNITES

1. LOW-CARBON TRANSITION LIFTS ELECTRICITY DEMAND

OPPORTUNITY TYPE: Transition
TIME HORIZON: Medium, long-term
TIME HORIZON OVER WHICH OPPORTUNITY BECOMES MATERIAL: Medium – long-term (3–30 years)

LIKELIHOOD:
This opportunity is assessed as being almost certain (>30% probability in any given year) to materialise.

CONSEQUENCE:
May have a major financial impact, i.e. between $75m—$750m p.a.

IMPLICATIONS:
Increased demand for renewable electricity due to decarbonisation of transport and process heat may provide greater opportunities to build renewable generation capacity and increase sales volumes.

ASSESSMENT METHODOLOGY:
Our approach to assessing this opportunity included assessing the increased generation revenue from new generation development. This evaluation was based on the historical data on electricity demand trends, projections of future demand increases due to low-carbon policies, and the financial performance of generation development projects. Additionally, insights from industry reports, internal business assessments, and historical wholesale price trends from the Electricity Authority New Zealand were used to quantify the potential future impacts.

MANAGEMENT RESPONSE:

- Mercury looks to secure resource consents for generation development projects ahead of expected increases in demand.
- Ensure a broad pipeline of development opportunities and maintain strong relationships with generation equipment suppliers.
- Ongoing exploration of additional demand that we have not yet considered.

2. CAPITAL MARKETS TILT TOWARDS INVESTING IN LOW-CARBON GENERATION

OPPORTUNITY TYPE: Transition
TIME HORIZON: Short, medium, long-term
TIME HORIZON OVER WHICH OPPORTUNITY BECOMES MATERIAL: Long-term (10–30 years)

LIKELIHOOD:
This opportunity is assessed as being likely (1-10% probability in any given year) to materialise.

CONSEQUENCE:
May have a major reputational impact.

IMPLICATIONS:
Mercury's profile as a renewable electricity generator leads to reduced capital costs as capital markets reflect societal desire to invest in the transition to a low carbon economy.

ASSESSMENT METHODOLOGY:
Our approach to assessing this opportunity included assessing the impact of the reduced cost of borrowing. This evaluation was based on historical data on borrowing costs, trends in capital market investments, and market insights on the financial performance of low-carbon generation projects. Additionally, insights from financial reports, internal business assessments, and historical market data were used to quantify the impact.

MANAGEMENT RESPONSE:

- Mercury has looked to leverage its renewable profile in issuing Green Bonds and promotes its low-carbon generation profile to research analysts and sustainability rating agencies.

Maraetai hydro station.

RESILIENCE OF STRATEGY

Management actions described above for each of these climate-related risks and opportunities are reflected in our planning processes through:

- the setting of strategic objectives and performance incentives in the Executive Scorecard each financial year;
- the application of our Risk Management Framework to assess physical risks to generating plant and assets and prioritising any required mitigation work in business plans;
- the deployment of capital and funding for the development of new renewable generation; and
- the consideration of portfolio risks when progressing new generation development.

When making capital allocation decisions we consider climate-related transition impacts, such as decarbonisation initiatives and emissions reductions pathways, given their significance on future electricity demand growth. We also account for climate-related risks and opportunities over different time horizons in developing our capital investment plans. In FY24, 100% of Mercury's growth capital expenditure was allocated to renewable generation development.

TRANSITION PLAN ASPECTS OF STRATEGY

Our business model and strategy are detailed in our FY24 Integrated Report (on pages 5 and 8 respectively). We test the resilience of our strategy through the lens of our material climate-related risks and opportunities. We have developed a plan including our targets and actions to transition towards a low-emissions, climate-resilient future.

New Zealand's largest emissions reductions by 2030 are expected to come from energy and industry, meaning getting the settings right to support electrification is crucial. We have a role to play in supporting the decarbonisation of New Zealand, and we're doing so through significant investments made in renewable generation development, which aid in reducing emissions across the electricity sector and other industries.

BUILDING MORE RENEWABLES

The rapid growth of new renewable electricity generation development is key to Mercury's contribution to Aotearoa's transition to a low-carbon economy. We recognise the risks involved in bringing large-scale, complex projects to market while balancing the energy trilemma needs of security, affordability, and sustainability. Some of these include whether demand for electricity will occur at the predicted levels, ensuring stability across our operations, navigating supply chain complexities, and working collectively with others across the sector.

Our strategy and business model evolving through:

- Cultivating a robust and diverse generation pipeline, including wind, solar and geothermal, considering both fuel types and locational risks (considering the vulnerabilities caused by the co-location of generation assets). In FY24 this included completion of the Kaiwera Downs 1 wind farm, starting development of a new unit (OEC5) at Ngā Tamariki geothermal station and the second stage of the Kaiwera Downs wind farm, and progressing development of other onshore wind farm projects.
- Positioning ourselves for a range of different outcomes related to demand and taking action to enable electrification and attract new sources of demand to Aotearoa such as offering Power Purchase Agreements (PPAs) for new infrastructure, such as Data Centres.
- In 2024, we issued a request for Expressions of Interest for an offtake agreement for 100MW of solar energy, commencing in 2026, which we saw as an opportunity to further diversify our renewable energy portfolio. This garnered a variety of responses, and after a thorough examination we determined our own development options presently provide greater value than an agreement of this nature would. We gained valuable insight from this process, which we may consider again in the future.
- Committing to long-term capital allocation aiming to ensure sustained investment in the development of renewable energy, with a significant portion directed towards growth capital specifically earmarked for constructing new renewable generation. We have started measuring the impact of this growth capital activity on Scope 3 emissions (capital goods) through our GHG Inventory process. As we mature our approach to recording emissions from long-term capital allocation, we will look to disclose these in the GHG Inventory report. By acknowledging and including these emissions, we are transparent about the environmental impact of our growth and are committed to mitigating these impacts through sustainable practices and innovative solutions.
- Collaborating closely with suppliers to secure reliable supply chains for renewable components, is critical amidst intensifying global competition.
- Engaging with regulators to advocate for renewables aligning with stringent environmental standards.
- Collaborating with others across the sector to collectively improve the energy transition for New Zealand.

A significant portion of our growth capital is allocated specifically for new renewable generation. In FY22, this totalled $85m, $155m for FY23 and $153m for FY24. This ongoing investment demonstrates our commitment to building more renewable generation in Aotearoa. We also have dedicated teams for generation development and management of our portfolio. This strategic allocation underscores our commitment to expanding renewable energy and supporting Aotearoa's transition to a low-carbon economy.

MANAGING OUR ASSETS

Mercury is committed to effectively managing our assets to ensure long-term operations. Our strategy and business model are evolving to incorporate climate-related impacts into our asset management capabilities. Some of the challenges we are responding to include maintaining asset integrity, navigating supply chain complexities, reducing the emissions from our own operations, and ensuring we have a team that supports our long-term assets.

Our strategy and business model are evolving through:

- Maintaining and refurbishing our assets to ensure integrity and performance under changing conditions. Including the hydro refurbishment programme, involving significant investment over the past 10+ years to ensure our assets continue to generate renewable energy for years to come. We are working on a ~$90m refurbishment of the Karāpiro hydro station that will extend the asset's life by 50 years and make it more efficient in different flow conditions.
- Programmes on dam safety that support asset integrity for our hydro assets. One element of management of dam safety risks is incorporating the Probable Maximum Flood (PMF) assumptions to reflect potential changes due to shifting climate conditions. This measures the possible volume and flow rate of the Waikato River in the event of an extreme flood. Our PMF values are prudently conservative, and we are mindful that our PMF values may need adjustment over time. Through our ongoing dam safety work programme and hydrological studies, we are working alongside other dam infrastructure owners in New Zealand to review the PMF assumptions including considering if these need to be updated to reflect the changing climate.
- We are working on how we can reduce emissions from our operations. We are currently sequestering ~7,100 tonnes of CO_2e per annum from our Ngā Tamariki station and are looking to expand CO_2 capture and reinjection across this and other geothermal sites.
- Investing in the development of our workforce, nurturing talent and fostering skill development via graduate roles. Employee training and development play a crucial role in enhancing skill sets within our organisation. We continually invest in training programmes to equip our workforce with the necessary knowledge and expertise to manage our assets effectively.

We also invest in and develop our core asset management groups that work horizontally across the business while supporting local decision-making. These teams include specialist asset engineers who monitor and improve asset performance across the business, ensuring that we have robust maintenance routines and ensuring there are sound whole-of-life plans for our critical infrastructure, thus reducing business risks.

HELPING OUR CUSTOMERS ON THEIR ENERGY TRANSITION

Mercury is dedicated to supporting our customers through the energy transition, which involves potential changes in energy choices. Some of the challenges our strategy and business model are responding to include: uncertainty of the role and supply of gas in the Aotearoa New Zealand market, the pace of adoption of new uses of electricity (like Electric Vehicles), continued efficiency opportunities as we use more electricity and how affordability can be navigated through the transition.

Our strategy and business model are responding, including through:

- A retail gas strategy, providing our customers with information about their energy options.
- Offering innovative solutions to customers, such as our recent smart charging trial, concluding in June 2024, enabling two-way communication between EVs and the grid, optimising the charging process. Insights gained and customer feedback gathered from this trial will shape future EV propositions. While our EV discount product remains available, decisions on smart charging will be based on these findings.
- Providing usage monitoring tools and tips on our app and website, empowering customers to make informed decisions about their energy consumption.
- Taking a programme approach to customer care including increasing knowledge and understanding of hardship, direct support, and partnerships/collaborations with others including community providers that support our customers.
- Engaging with others across the sector to provide electricity users with clear information on how pricing could change through the transition, along with sector-wide initiatives to support customers through the transition.

We have dedicated teams that work on developing new customer propositions, teams that support customers through periods of financial hardship, and broader community engagement.

Further information on our emission reduction targets and the actions we are taking can be found in our Climate Action Plan and details on our targets and progress can be found in the metrics and targets section of this Climate Statement.

Whakamaru hydro station.

RISK MANAGEMENT.

PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

Risk management is an integral part of Mercury's business. We have an overarching Risk Management Policy supported by a suite of risk management tools and practices appropriate for our business.

The purpose of the Risk Management Policy is to embed a risk management competence across the entire Mercury enterprise. This group-wide capability provides a consistent method of identifying, assessing, controlling, monitoring and reporting on potential risks to our business and to the achievement of its plans.

Our risk management framework meets New Zealand standards (see the Governance section in this Climate Statement).

Our cross-functional working group support the identification of climate-related risks through scenario analysis (see the Scenario Analysis section in this Climate Statement). They utilise information to understand whether potential risks are material and to inform our view of the likelihood and impact of these risks. In FY24, we made progress towards a more detailed financial quantification process, which informed our climate-related risks and opportunities.

Climate-related risks are classified and assessed relative to other types of risks using a common methodology (the risk matrix – shown below). This was done in FY24, and we intend to conduct this process annually. Mercury's risk matrix requires consideration of both estimated quantitative impacts, such as loss of revenue or increases in costs, and qualitative impacts, such as loss of social license, or reputational impacts. The likelihood is measured against the probability of a risk taking place in any given year. We have assessed the materiality of our climate-related risks and opportunities to determine whether the information or the way in which information is presented, could influence the decisions of users of our Climate Statement, considering both quantitative (financial impacts) and qualitative factors (non-financial impacts). In FY24, we have sought to align our approach to materiality with the thresholds of materiality we use in other company disclosures. For example, the quantitative threshold is aligned with the materiality value used to prepare our financial statements.

The RMC and RAAC review climate-related risks. Climate-related risks have been incorporated into our existing risk management framework by being recorded in our risk register system and assigned to relevant business units.

		IMPACT					
		Insignificant	Minor	Moderate	Significant	Major	Fundamental
LIKELIHOOD	Almost Certain						
	Highly Likely						
	Likely						
	Possibly						
	Unlikely						
	Rare						

The climate-related risks and opportunities included in this year's climate statement have been identified by considering our four climate change scenarios over a 30-year time horizon. In doing so, we considered all phases of our value chain (without any exclusions).

MANAGING CLIMATE-RELATED RISKS

The day-to-day management of climate-related risk occurs across various business units such as Generation, Portfolio, Customer, Finance and Sustainability with escalating responsibilities up to the RMC and the RAAC. The RAAC assesses the appropriate management of our climate-related risks and ensures there are effective systems of control, assurance, reporting, policies and procedures in place.

As an example, when the technical safety team considers the risks faced by their business function, potential impacts from climate change are considered. The technical safety team works with the Executive GM Generation to build an approach to manage these risks and develop their forward plans.

Where material, risks and issues are escalated to the RMC, the RAAC and the Board (see responsibilities of RMC, and the RAAC in the Governance section in this Climate Statement).

In relation to markets, our Portfolio and Finance teams manage risks and opportunities presented by:

- the electricity market – we continually model scenarios of resource availability, electricity market supply and demand and adjust our approach accordingly.
- the carbon market – we are involved in forest carbon investments and have long-term contracts in place.

Regulatory risks and opportunities are managed by the Sustainability team. In FY24, submissions have been made to the Climate Change Commission regarding its 2023 draft advice to inform the strategic direction of the government's second Emissions Reduction Plan, its fourth emissions budget, 2050 target, and the inclusion of international aviation and shipping in the 2050 target. We have engaged in broader Electricity Authority work programmes to transition the existing market arrangements to enable a more renewable future. We have also provided the Ministry for the Environment (MfE) feedback on the Emissions Trading Scheme. Alongside this, Mercury maintains active involvement in ongoing government processes to create a framework for climate adaptation.

Physical risks and opportunities from climate change fall into acute (event-driven, such as increased severity of extreme weather events) and chronic (longer-term shifts in precipitation and temperature and increased variability in weather patterns, such as sea level rise). We continue to monitor proposed methodologies for climate change risk assessment and adaptation planning, both nationally and internationally.

We have models of storm events experienced within the Waikato Hydro System and we work in partnership with the Waikato Regional Council to engage in training exercises and flood simulations to educate and familiarise Mercury and council staff on the management of storms and flood risks.

We continue to refine and mature our climate-related scenario analysis to assess the impacts of our changing climate on our assets and business while working with research organisations to improve the quality of our climate data including potential future inflows to the Waikato Hydro System. Existing regional-level datasets lack the granularity for informed long-term investment decisions for hydro assets.

DATASETS & MODELS USED

In undertaking scenario analysis, we considered a number of external data sources, including:

- Shared Socioeconomic Pathways (SSPs) in the IPCC Sixth Assessment Report on Climate Change to inform our consideration of global socioeconomic changes and data points such as global temperature changes.
- Representative Concentration Pathways (RCPs) in the IPCC Fifth Assessment Report on Climate Change and Ministry for the Environment and NIWA Climate Change projections for New Zealand to inform our consideration of New Zealand specific impacts under different pathways. These provided data points such as the increased number of hot days and were a key input to our financial quantification.
- Climate Change Commission Long Term Scenarios to meet the 2050 target to inform our consideration of how different scenarios could play out in New Zealand, including the role of renewable energy.
- Networking for Greening the Financial System (NGFS) Scenarios and analysis to inform our consideration of global physical climate risks and policy and technology trends in different scenarios.


Maraetai hydro station.

METRICS & TARGETS.

CLIMATE TARGETS

Mercury has committed to set our near-term and long-term company-wide emission reduction targets in line with science-based net-zero, using Science Based Targets Initiative (SBTi). These targets have been developed using tools provided by the SBTi and have been approved by the Board. The SBTi framework uses a sectoral decarbonisation approach to align emissions reductions in each industry to a global emissions reduction pathway consistent with limiting global warming to 1.5 degrees Celsius compared to pre-industrial revolution times. It is Mercury's view that by meeting SBTi criteria, we contribute to this global effort to limit warming to 1.5 degrees Celsius.

Our fixed base year for these targets is FY22, which serves as a consistent historical reference point for comparing current emissions. Since our long-term targets extend to 2040, we regularly assess any material changes in the organisation since FY22. If such changes occur, we will undergo a base year recalculation process following Greenhouse Gas Protocol guidance which will enable us to better track progress toward our SBTi targets and make meaningful comparisons between reporting periods.

In FY24, we recalculated our FY22 base year emissions from the sale of natural gas to include emissions from a full twelve months of Trustpower gas sales, as the existing FY22 base year only included two months of Trustpower gas sales following our acquisition of the Trustpower retail business in May 2022. This recalculation approach follows the Greenhouse Gas Protocol guidance. Additionally, the calculation methodology for reticulated gas sales has been revised to account for the purchasing of reticulated gas on the wholesale spot market. This change impacts GHG inventories from FY23 onwards, necessitating a restatement of the emissions for use of sold products in FY23. We have applied this new methodology to our FY24 GHG Inventory, and we will continue with this calculation approach in future.

Impact of Recalculation on Emissions

	FY22 TONNES CO_2e (Original)	FY22 TONNES CO_2e (Adjusted)
Reticulated Gas sales	78,196	121,136
Distribution losses (reticulated gas sales)	4,643	7,192
LPG Sales	1,758	9,951
Total	**84,597**	**138,279**

Impact of calculation methodology change on emissions

	FY23 TONNES CO_2e (Original)	FY23 TONNES CO_2e (Adjusted)
Reticulated Gas sales	119,004	121,301
Distribution losses (reticulated gas sales)	4,380	4,464
LPG Sales	10,145	10,145
Total	**133,529**	**135,910**

Mercury is actively working towards reducing our emissions and meeting our climate targets, both near and long-term. In FY24, we continued to progress decreasing our Scope 3 emissions from gas sales. As we continue implementing our retail gas strategy, we expect this downward trend to continue, positioning us well to meet our near-term target. Our scope 2 emissions continue to decrease and at the end of FY24, we sit close to a 53% reduction since our base year.

Overall, we are making progress towards our Scope 1 emissions intensity reduction target since our base year. Despite this, we observed a slight increase in emissions intensity in FY24. This can be attributed to two primary factors: reduced hydro electricity generation during this period, and temporary outages at our Kawerau and Nga Awa Pūrua geothermal stations in FY23. The latter event caused our emissions to be unusually lower that year, making FY24's figure appear higher in comparison.

As our renewable generation projects that are currently under construction come online, along with the expansion of our NCG reinjection activities to additional stations, we expect our emissions intensity will reduce.

	NEAR-TERM / INTERIM TARGET	LONG-TERM TARGET
Scope 1	Target Year: FY2030 70% reduction in emissions intensity (in $kgCO_2e/kWh$) from base year	Target Year: FY2040 70% reduction* in emissions intensity (in $kgCO_2e/kWh$) from base year
Scope 2	Target Year: FY2030 42% absolute reduction from base year	Target Year: FY2040 90% absolute reduction from base year
Scope 3 – Use of sold products (Natural Gas Sales)	Target Year: FY2030 42% absolute reduction from base year	Target Year: FY2040 90% absolute reduction from base year

*Mercury's 2040 Scope 1 emissions intensity target is equivalent to our 2030 Scope 1 emissions intensity target as the targeted 2030 emissions reduction will already reduce Mercury's Scope 1 emissions intensity to the level required by the SBTi for our 2040 target.

Note: These targets are subject to change through the validation process with SBTi. Mercury does not currently use emissions offsets and, in alignment with the SBTi framework, does not intend to use offsets to achieve interim targets. Offsets may be used for persistent emissions that are unable to be abated for final targets, or for broader purposes outside of achieving interim targets.

In FY24, Mercury's progress against these targets was:

	FY23	FY24
Scope 1	4.7 tCO_2e/GWh decrease from base year 18.39% decrease in emissions intensity from base year	1.7 tCO_2e/GWh decrease from base year 6.45% decrease in emissions intensity from base year
Scope 2	476 tCO_2e decrease from base year 42.96% absolute reduction from base year	587 tCO_2e decrease from base year 52.98% absolute reduction from base year
Scope 3 – Use of sold products	2,369 tCO_2e decrease from base year 1.71% absolute reduction from base year	3,168 tCO_2e decrease from base year 2.29% absolute reduction from base year

MEASURING OUR IMPACT – EMISSIONS

Mercury produces an annual GHG Emissions Inventory Report in accordance with the Greenhouse Gas Protocol which is available on our website. This document has further information available for the methods and assumptions used in determining our emissions as well as the limitations of those methods, and uncertainties in our approach.

A summary of our FY24 and prior years GHG emissions and emissions intensity is shown below. Our gross emissions are primarily driven by Scope 1 emissions, which account for ~63% of our entire emissions profile. Over the past nine years they have reduced by 55%. This is due to the elimination of our emissions from thermal electricity power generation by decommissioning the Southdown gas-fired power station in FY16, the natural decline in fugitive geothermal emissions over time and our investment in geothermal greenhouse gas reinjection. Our FY24 emissions intensity has decreased by 0.002kg CO_2e/kWh since our base year, and by 0.046kg CO_2e/kWh since FY15. Details of these figures can be found in table 12 and figure 1 in our FY24 Greenhouse Gas Emissions Inventory Report.

	FY22 (tCO_2e)	FY23 (tCO_2e)	FY24 (tCO_2e)
Scope 1	222,736	213,645	239,574
Scope 2 (location-based)	1,108	632	521
Scope 3	138,591	137,159	136,335

FY22 has been restated to include Trustpower and FY23 has been restated for a reticulated gas sales methodology change

Our Scope 3 emissions from total gas sales now account for ~36% of our total gross emissions. This represents an annual decrease from FY23 of 2.78%.

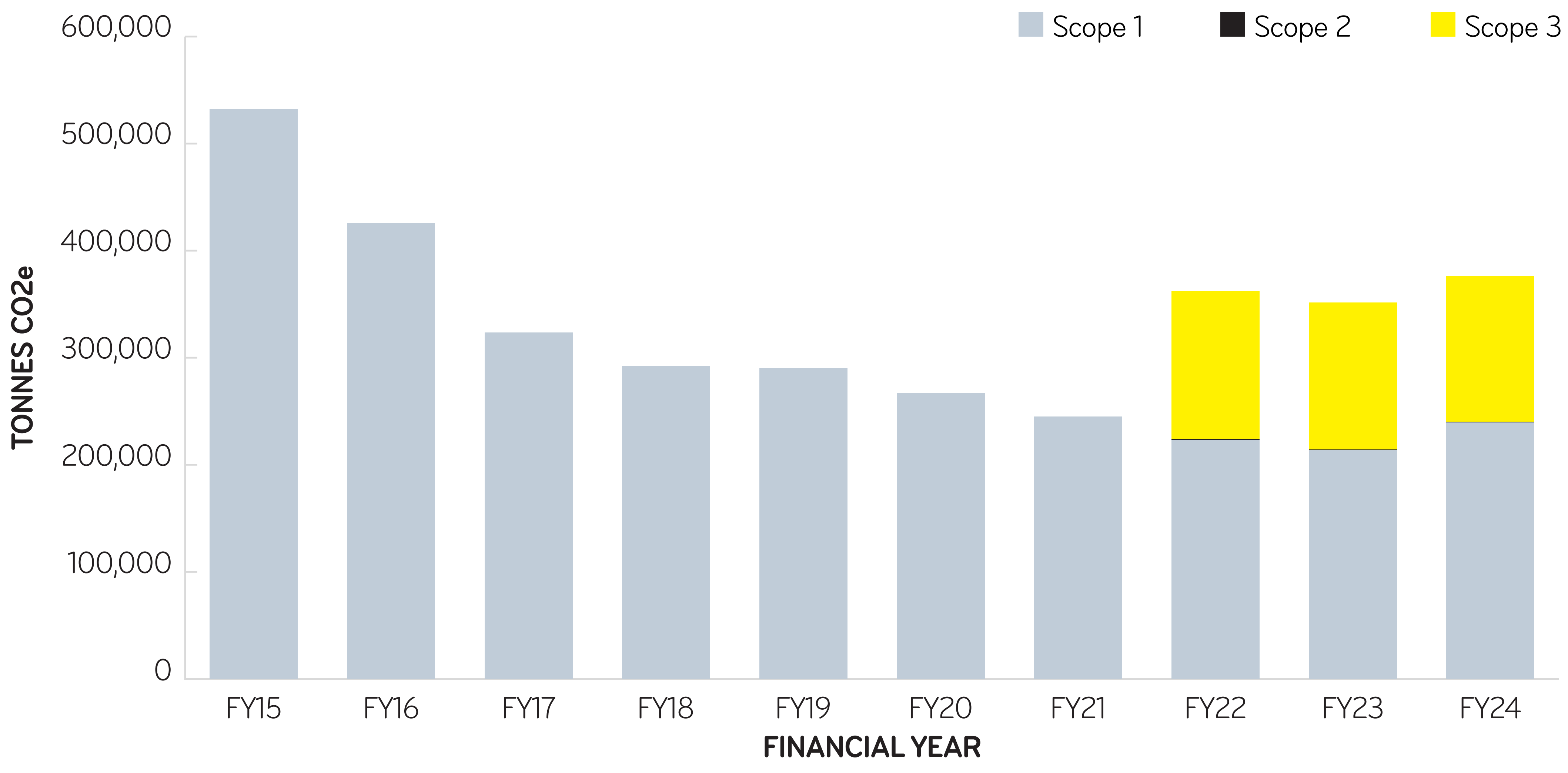
The emissions intensity calculation uses gross Scope 1 emissions and total generation output figures from all our power stations under operational control. No adjustments have been made to reflect Mercury's part-ownership of two of our geothermal power stations nor have any adjustments been made in relation to carbon credit surrenders or trading conducted under the NZ Emissions Trading Scheme (ETS).

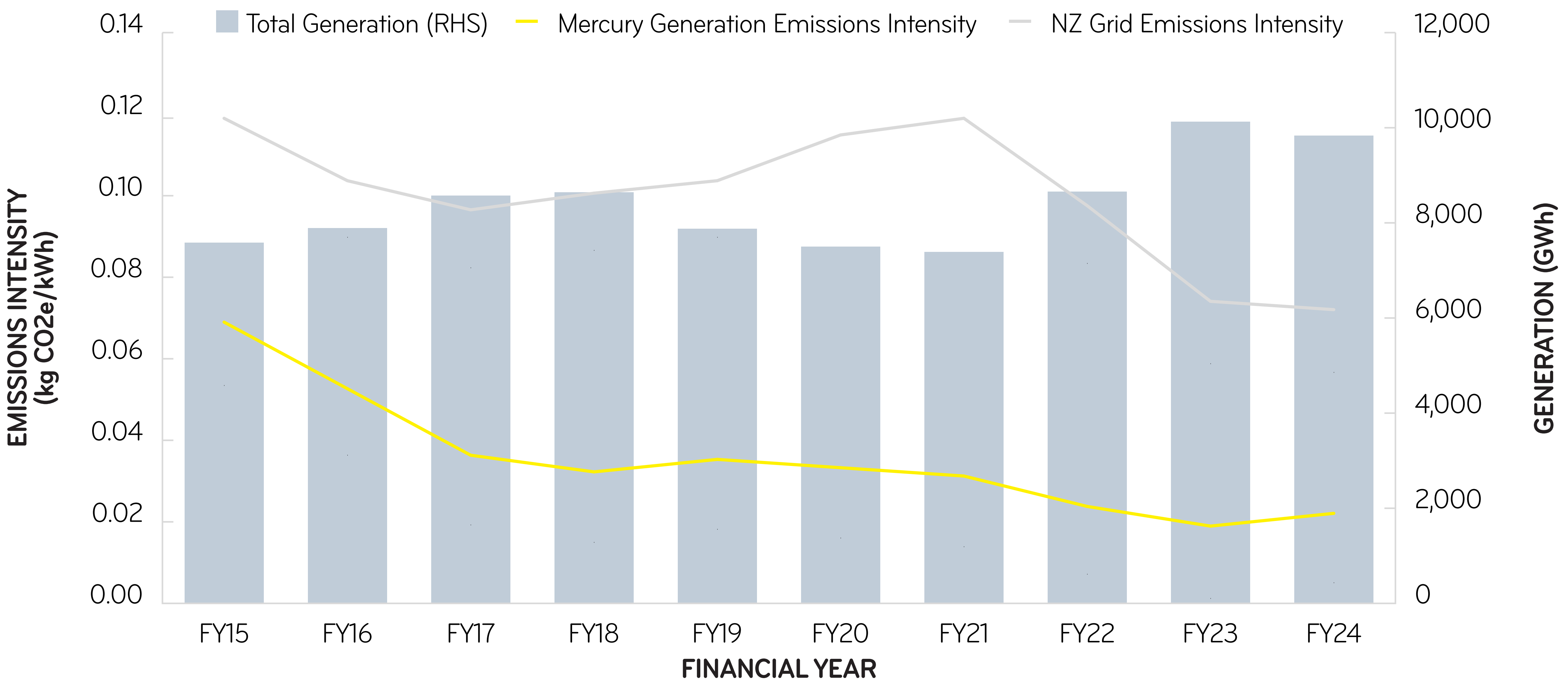
Under the NZ ETS, Mercury surrenders certified forestry-backed carbon units, purchased under long-term agreements with forest owners, to the NZ Government which covers all our geothermal emissions, and to the NZ Government or to our gas supplier for gas sales related emissions.

Consistent with a reduction in our gross emissions over time, our emission intensity has also reduced where the impact of our increase in wind generation from both new builds and acquisitions is having measurable impacts.

This year we updated our FY22 Scope 3 emissions from natural gas sales to reflect a full year of Trustpower gas sales. This has meant a recalculation of our FY22 base year emissions, resulting in an increase in total and Scope 3 emissions compared to our previous years reporting.

Further, our calculation methodology for reticulated gas sales has been adjusted to include wholesale spot market purchases, aligning with the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard. This adjustment ensures that all gas passing through Mercury's value chain is accurately accounted for from FY23 onwards. For further information on both changes, please refer to the FY24 GHG Emissions Inventory report.





Data from FY2015 to FY2021 presented in these graphs have not been subject to assurance procedures.

Our Climate Action Plan outlines in detail the actions that we are taking to work towards a 1.5-degree future and play our part in reducing greenhouse gas emissions by reaching Net Zero by 2040.

MEASURING OUR IMPACT – CROSS INDUSTRY MEASURES AND OTHER ACTIVITY METRICS

In addition to emissions metrics, Mercury has looked to the International Sustainability Standards Board (ISSB) sector metrics for Electric Utilities and Power Generators for general and industry-based metrics for the management of climate-related risks and opportunities. These metrics have been assessed for their materiality to Mercury and the relevant metrics are disclosed below.

WATER USE

WATER USE	FY22	FY23	FY24
Geothermal			
Water extracted (Mm3)	25	24	25
Water reinjected at source (Mm3)	10	13	11
Hydro			
Non-consumptive water use (Mm3)	6,527	10,785	7,200

Mercury utilises geothermal water for generation by extracting and reinjecting it. Additionally, Mercury is a non-consumptive user of water through our hydro power stations. The first half of 2023 experienced the wettest conditions on record for several areas in the North Island. This led to a significant increase in non-consumptive water use at our hydro stations between FY22 and FY23, before it decreased again in FY24.

The non-consumptive water flowing through our hydro stations is measured from two sources, turbines and spill flow. Turbines have MW/flow ratings allowing us to measure the water passing through the turbines. Spill flow is calculated using water levels and a gate opening when water is spilled. Both sources are combined to get the total flow. Geothermal water use figures are prepared using our emissions information from each station which contain extraction and re-injection data.

Upon reviewing figures from FY22 and FY23, we picked up an error in our previous calculations. We have restated our water use for the two periods to ensure accuracy. Non-consumptive water use for FY23 was updated from 11,529 (Mm3) and FY22 from 6,465 (Mm3). FY22 geothermal water reinjected at source was also updated from 13 (Mm3).

Mercury does not extract any water from regions with High or Extremely High Baseline Water Stress. In FY24, there were no incidents of non-compliance with water quantity and/or quality permits, standards, and regulations.

Other material Activity Metrics are described in the Our Business Model section of our FY24 Integrated Report and disclosed in Operating Statistics.

FUGITIVE EMISSIONS

Fugitive emissions are unintended releases of gases and for Mercury these originate primarily from two sources, geothermal generation and sulphur hexafluoride (SF6) releases during operations. We measure these emissions through our GHG Inventory process, which follows the Greenhouse Gas Protocol reporting framework. Mercury is committed to demonstrating transparency and uses commonly accepted standards when accounting for its greenhouse gas emissions.

The Fugitive Emissions in the table below shows the combined emissions from geothermal and SF6 releases. Most of these emissions are from geothermal sources and trend within the expected range due to planned and unplanned outages associated with geothermal operations. More information on our emissions can be found in our Greenhouse Gas Emissions Inventory report available on our website.

FUGITIVE EMISSIONS	FY22 (tCO_2e)	FY23 (tCO_2e)	FY24 (tCO_2e)
Scope 1	222,397	212,785	236,312

IMPACTS OF THE CHANGING CLIMATE ON OUR ASSETS AND BUSINESS ACTIVITIES

Mercury acknowledges the impact of physical risks, transition risks, and climate-related opportunities on our assets and therefore business activities. Unless otherwise stated, these impacts have not changed over the preceding two years.

All, i.e. 100%, of our generation assets and related business activities are vulnerable to the physical risks of climate change such as extreme wind, floods and fires. Details on identified material risks are disclosed earlier in this Climate Statement.

Mercury's assets and business activities are vulnerable to transition risks as described below:

- All of our geothermal generation assets, comprising ~30% of Mercury's generation assets recognised in our FY24 financial statements, produce fugitive emissions that are vulnerable to transition risks in the form of rising NZU carbon prices in the event that geothermal emissions are unable to be captured and/or reinjected.
- All of our generation portfolio is vulnerable to climate transition risk from regulatory settings impacting the energy trilemma, e.g. through influencing carbon pricing in the NZ ETS which directly impacts the spot price of electricity. Our generation development portfolio is vulnerable to risks arising from regulatory settings constraining renewable electricity development.
- All of our gas sales activities, comprising 3% of FY24 revenue, are vulnerable to transition risks in changes in regulatory settings and/or changes in consumer preferences away from fossil fuels. This impact increased in FY22 following the acquisition of the Trustpower retail business, including its gas customer base.

All, i.e. 100%, of Mercury's existing electricity generation assets are considered aligned with climate-related opportunities as enablers in Aotearoa's low carbon transition. Increasing demand for renewable electricity due to the decarbonisation of transport and process heat has been identified as a material climate-related opportunity from which 100% of Mercury's renewable generation assets stand to benefit.

The majority of Mercury's capital deployment is also aligned with climate-related opportunities as in FY24 $153m of growth capital expenditure was allocated to new renewable generation development. Mercury is also pursuing climate-related opportunities to reduce emissions through developing reinjection of geothermal non-condensable gases.

The alignment of management remuneration to these climate-related risks and opportunities is discussed in the Governance section of this Climate Statement.

We use the Carbon NZU spot price to value our inventory of carbon units. The monthly prices as of 30 June, adjusted for inflation were, FY24: $50/t, FY23: $41/t, FY22: $76/t. We also have an internal emissions price forecast—a metric representing the cost per metric tonne of CO_2e, which guides decision-making within our operations. This forecast informs strategic decisions related to buying and selling carbon units and serves as an input for business cases where they impact our GHG profile. We assess opportunities across various carbon forward curve scenarios for up to 15 years into the future. These ranges, adjusted for inflation, were FY24: $44/t - $127/t, FY23: $41/t - $117/t, FY22: $27/t - $101/t.

The volatile carbon prices over the past three years have been primarily due to heightened regulatory measures and balancing market demand and supply for carbon units. Long term, the carbon price is expected to increase, reflecting a growing emphasis on reducing greenhouse gas emissions.

Building a better working world

Independent Limited Assurance Report to the Directors of Mercury NZ Limited

Assurance Conclusion

Based on our limited assurance procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Mercury NZ Limited's ("Mercury") Climate Statement for the year ended 30 June 2024 is not fairly presented and has not been prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards ('NZ CSs').

Scope

Ernst & Young Limited ("EY") has undertaken a limited assurance engagement, as defined by International Standards on Assurance Engagements, to report on Mercury's Climate Statement for the year ended 30 June 2024 on pages 62 to 82 (the "Subject Matter" or "Report") within the Mercury 2024 Integrated Report. The Report includes web links to information which is included in the scope of our assurance.

Criteria applied by Mercury

In preparing the Report, Mercury applied the NZ CSs (the "Criteria"). In applying the Criteria the methods and assumptions used are described on pages 62 to 82 of the Report, as are the estimation uncertainties inherent in the methods used.

Mercury's Responsibility

The Directors are responsible, on behalf of Mercury, for the preparation and fair presentation of the Report in accordance with the NZ CSs. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Report, such that it is free from material misstatement, whether due to fraud or error.

EY's Responsibility

Our responsibility is to express a limited assurance conclusion on the Report based on the procedures we have performed and the evidence we have obtained.

Our engagement was conducted in accordance with the International Standard for Assurance Engagements (New Zealand): Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE (NZ) 3000') and additionally in relation to GHG disclosures in accordance with the International Standard for Assurance Engagements (New Zealand): Assurance Engagements on Greenhouse Gas Statements ('ISAE (NZ) 3410'). Those standards require that we plan and perform this engagement to obtain limited assurance about whether the Report has been prepared, in all material respects, in accordance with the Criteria. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Ernst & Young provides financial statement audit and review services and agreed upon procedures to Mercury. Partners and employees of our firm may deal with Mercury on normal terms within the ordinary course of trading activities of the business of Mercury. We have no other relationship with, or interest in, Mercury.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Building a better
working world

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the report and related information and applying analytical and other relevant procedures.

Our procedures included:

- Interviewing key personnel to understand the reporting processes, including management's processes to identify Mercury's material climate-related risks and opportunities
- Considering the Report to understand how Mercury's identified material climate-related risks and opportunities are reflected in the qualitative disclosures
- Evaluating the suitability of the methods and assumptions used in adopting the Criteria and whether the Criteria have been applied appropriately to the Subject Matter
- Identifying and assessing whether the assumptions and approach supporting Mercury's scenario analysis and portfolio assessment were reasonable and consistent with the principles specified in the Criteria,
- Undertaking analytical procedures in relation to the metrics and targets disclosed in the Report
- On a limited sample basis, comparing metrics to source information
- Obtaining Director representation

We also performed such other procedures as we considered necessary in the circumstances.

Inherent Uncertainties

As discussed on page 64 of the Report, climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. The Report contains forward looking statements, including climate-related scenarios, targets, assumptions, climate projections, forecasts, statements of future intentions and estimates and judgements that have not yet occurred and may never occur. We do not provide assurance on the achievability of this prospective information.

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matter

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than the management and Directors of Mercury, or for any purpose other than that for which it was prepared.

Ernst & Young Limited

Ernst & Young Limited
Auckland, New Zealand
20 August 2024

LEADERSHIP & GOVERNANCE.

TE TĀTAKI ME TE WHAKAHAERE.

In this section we introduce our Board and Executive Management Team and present our corporate governance statement. We also share our remuneration policy and report, directors' and other disclosures, information for security holders, sustainability index, directory information and a glossary.

The Mercury Building, Auckland.

YOUR BOARD OF DIRECTORS.

SCOTT ST JOHN CHAIR

N P R

Tenure:

First Appointed: 1 Sep 2017 (Chair since Jan 2024)

Last Elected: 19 Sep 2023

Key Skills*: M&A and capital structure; stakeholder relationships; commercial experience; people leadership.

Scott has an extensive background in investment advisory and capital markets. Scott is Chair of Fisher & Paykel Healthcare Corporation[1], Chair of ANZ New Zealand and a director of ANZ Group and Next Foundation. He was formerly a director of Fonterra Cooperative Group, a member of the Capital Markets Development Taskforce and the Financial Markets Authority Establishment Board and was Chancellor of the University of Auckland. He was the Chief Executive of First NZ Capital from 2002 to 2017.

MARK BINNS DIRECTOR

R

Tenure:

First Appointed: 1 Sep 2023

Last Elected: 19 Sep 2023

Key Skills*: Energy industry; wholesale markets trading; commercial experience; major project investment.

Mark was CEO of Meridian Energy from 2012 – 2017 and before that spent 22 years with Fletcher Building, including 15 years as CEO of the Construction and Infrastructure division. He currently chairs Crown Infrastructure Partners and Hynds Limited and is a director of Auckland International Airport.

HANNAH HAMLING DIRECTOR

R

Tenure:

First Appointed: 1 Feb 2020

Last Elected: 19 Sep 2023

Key Skills*: Natural resource management (including water and climate change); health and safety; risk management.

Hannah is an environmental scientist with a particular interest in sustainable development and resilience. Until January 2020, she was President of the Asia Pacific Region and Global Sustainable Development Leader for Golder, a Canadian global ground engineering and environmental science company. Before joining Golder, Hannah was Managing Director of New Zealand environmental consultancy firm Kingett Mitchell. Hannah has extensive background in consulting, management and board roles across various sectors including electricity, construction and water management.

ADRIAN LITTLEWOOD DIRECTOR

P

Tenure:

First Appointed: 1 Aug 2023

Last Elected: 19 Sep 2023

Key Skills*: Commercial experience; large organisation and cultural leadership experience; major project investment; stakeholder relationships.

Adrian has deep executive experience including 12 years at Auckland International Airport, nine of these as CEO. Before that he held senior roles across strategy, operations, product and marketing with Telecom New Zealand. Previous governance roles include acting as the New Zealand Chair of the Australia/New Zealand Leadership Forum, Chair of the NZ Airports Association and a director of North Queensland Airports and Tourism Industry Aotearoa.

[1] Scott St John will retire from the Board of Fisher & Paykel Healthcare Corporation in August 2024.

*Key Skills are defined as the particular skills each director brings to the Mercury Board, and which we consider in our succession planning.

Committee Membership Key:

- N Nominations and Corporate Governance Committee
- P People and Performance Committee
- R Risk Assurance and Audit Committee
- Chair of the committee

Tenure Key:

- < 3 years
- 3-6 years
- 6+ years

YOUR BOARD OF DIRECTORS.

JAMES MILLER DIRECTOR

N R

Tenure:	First Appointed: 2 May 2012
	Last Elected: 22 Sep 2022

Key Skills*: M&A and capital structure; investment analysis; audit and risk management; energy industry.

James is an experienced non-executive director and chair and an experienced chair of Audit and Risk Committees. James is an is an experienced company director and Chair of company Audit and Risk Committees. He has specialist expertise in utility economics and 15 years' experience in capital markets. He is currently Chair of Channel Infrastructure NZ and is a director of Vista Group, and Ryman Healthcare. James' prior roles have included Chair of NZX, Deputy Chair of Accident Compensation Corporation and board positions with Auckland International Airport, the Financial Markets Authority and Vector.

James is a qualified Chartered Accountant and is a Fellow of the Institute of Chartered Accountants and Institute of Finance Professionals.

SUSAN PETERSON DIRECTOR

N P

Tenure:	First Appointed: 1 Sep 2022
	Last Elected: 22 Sep 2022

Key Skills*: Large organisation and people leadership; AI; data and digitisation; customer relationships; governance.

Susan is an experienced non-executive director, board chair and chair of People and Remuneration and Audit and Risk Committees. As a business leader, Susan has helped companies to drive growth through technology, innovative customer solutions and organisational culture. She currently chairs Vista Group and is an independent director of Xero and Arvida. Susan is also an independent director of Craigs Investment Partners.

Susan was previously a member of the New Zealand Markets Disciplinary Tribunal and a past director of Trustpower, ASB Bank and Property for Industry. Susan also served on the Board of Global Women and has been a past Ministerial appointee to the National Advisory Council for the Employment of Women.

MIKE TAITOKO DIRECTOR

P

Tenure:	First Appointed: 28 Aug 2015
	Last Elected: 23 Sep 2021

Key Skills*: Iwi and other stakeholder relationships; natural resource management (including water and climate change); digitisation.

Mike is a leading advisor on Māori economic development and has well-established networks in Māoridom. Mike has strong commercial skills in the application of digital technologies. He is the co-founder and CEO of Takiwā Limited and a co-founder and director of Toha Foundry Limited, technology companies commercialising cloud-based geospatial analytics services. He was formerly a director of Auckland Tourism Events and Economic Development (ATEED).

LORRAINE WITTEN DIRECTOR

R

Tenure:	First Appointed: 1 Sep 2022
	Last Elected: 22 Sep 2022

Key Skills*: Governance; commercial experience; audit and risk management; innovation.

Lorraine is an experienced director and business leader with an extensive background in the telco, technology, and ICT sectors. Lorraine currently chairs Rakon and is a director of MOVE Logistics Group[1] and VWORK. Lorraine's prior roles are as chair of audit and risk committees including Chair of the Department of Corrections Audit and Risk committee, director of Horizon Energy Group, Pushpay Holdings, Board member WREDA and director and Chair of Kordia Group.

Lorraine is a qualified Chartered Accountant and is a Fellow of the Institute of Chartered Accountants.

1 Lorraine Witten will retire from the Board of MOVe Logistics Group in October 2024.

*Key Skills are defined as the particular skills each director brings to the Mercury Board, and which we consider in our succession planning.

Committee Membership Key:

- N Nominations and Corporate Governance Committee
- P People and Performance Committee
- R Risk Assurance and Audit Committee
- Chair of the committee

Tenure Key:

- < 3 years
- 3-6 years
- 6+ years

YOUR BOARD OF DIRECTORS.

PRUE FLACKS PAST CHAIR [1]

N P R

Tenure:

First Appointed: 1 May 2010 (Chair since Sep 2019)

Last Elected: 28 Sep 2021

Resigned: 31 Dec 2023

Key Skills*: Governance; commercial experience; stakeholder relationships; people leadership.

Prue is a professional director with experience across a range of industries. Formerly a commercial lawyer and partner in the national law firm Russell McVeagh for 20 years, her expertise included corporate and regulatory matters, corporate finance, capital markets and business restructuring. Prue was formerly a director of Chorus Limited, Bank of New Zealand and Chair of Queenstown Airport Corporation. Prue retired from the Mercury Board on 31 December 2023.

PATRICK STRANGE PAST DIRECTOR [2]

R

Tenure:

First Appointed: 1 Feb 2014

Last Elected: 24 Sep 2020

Resigned: 19 Sep 2023

Key Skills*: Energy industry; major project investment; health and safety.

Patrick was a Mercury director in 2006-2007 before being appointed Chief Executive of New Zealand's transmission owner and operator, Transpower, a position he held for more than six years. At the time he was a Mercury director, Patrick chaired Auckland International Airport and was a director of Transgrid. He was previously a director of NZX Limited and Essential Energy, Australia. Patrick retired from Mercury after the September 2023 Annual Shareholders' meeting.

NICOLE ROSIE FUTURE DIRECTOR

First Appointed: 1 May 2024 (1 year term)

Key Skills*: Networked infrastructure (delivery and operation), regulation, public and private sector, cultural change, health and safety and sustainability/climate change.

Nicole is an experienced Chief Executive and director. She is currently the Chief Executive of the New Zealand Transport Agency, Waka Kotahi and before that, Chief Executive of WorkSafe. Nicole has also held a range of Board and governance roles with Auckland Transport, The Construction Accord and in large infrastructure delivery programmes.

Her executive experience includes executive roles in Fonterra, KiwiRail, Vector and Fletcher Challenge Forests.

As a Future Director, Nicole is invited to attend and participate in Mercury Board and Committee meetings, although she does not participate in decision making.

*Key Skills are defined as the particular skills each director brings to the Mercury Board, and which we consider in our succession planning.

[1] Prue was a director of Mercury from 1 May 2010 until 31 December 2023.

[2] Patrick was a director of Mercury from 1 February 2014 until 19 September 2023.

Committee Membership Key:

- N Nominations and Corporate Governance Committee
- P People and Performance Committee
- R Risk Assurance and Audit Committee
- ● Chair of the committee

Tenure Key:

- < 3 years
- 3-6 years
- 6+ years

YOUR EXECUTIVE MANAGEMENT TEAM.

The Executive Management Team leads our business to deliver on strategy, ensuring we continue to succeed while also positioning us for future opportunities and challenges. The team bring enterprise-wide leadership capability, together with deep subject knowledge expertise. Together, they provide leadership for our people and more widely in a changing environment.

VINCE HAWKSWORTH //
CHIEF EXECUTIVE*

LUCIE DRUMMOND //
EXECUTIVE GENERAL MANAGER
SUSTAINABILITY

PHIL GIBSON //
EXECUTIVE GENERAL MANAGER
PORTFOLIO

STEW HAMILTON //
EXECUTIVE GENERAL MANAGER
GENERATION*

WILLIAM MEEK //
CHIEF FINANCIAL OFFICER

CRAIG NEUSTROSKI //
EXECUTIVE GENERAL MANAGER
CUSTOMER

FIONA SMITH //
EXECUTIVE GENERAL MANAGER
PEOPLE EXPERIENCE AND TECHNOLOGY

*Vince will retire effective 31 August and Stew Hamilton will succeed him as Chief Executive.

GOVERNANCE AT MERCURY.

LETTER FROM OUR CHAIR.

Dear Shareholder

It is my pleasure to present our corporate governance statement for the year ended 30 June 2024.

This corporate governance statement outlines Mercury's Corporate Governance Framework, including information about the composition, characteristics and function of Mercury's Board, how we oversee ethical and responsible action at Mercury, our approach to risk, and inclusion and diversity.

Mercury's directors have deep industry, governance, and business experience. The Board draws on this experience to oversee the delivery of Mercury's goals and the setting of new ambitions to play a leading role in the electrification of the New Zealand economy.

This letter highlights some of the Board's activity in FY24.

CONTINUED PATH OF SUCCESSION

The Board has a significant focus on succession at Mercury and in FY24 the positive impact of this focus was evident, with change at governance and leadership levels.

Prue Flacks retired as Board Chair, and I assumed the role in January 2024. Meanwhile, Susan Peterson took on the role of Chair of the People & Performance Committee.

During her tenure, Prue made an enormous contribution to Mercury's evolution from State-Owned Enterprise to a listed company that is one of New Zealand's largest generators and multi-product, digital retailers. On behalf of the Board, I extend my thanks to Prue.

Patrick Strange also retired from the Board during the year. Patrick made a significant contribution to Mercury over a total of 11 years as director. I thank Patrick for his service.

During FY24, Adrian Littlewood and Mark Binns joined the Board. These appointments reflect our commitment to building a Board with deep and varied experience to govern the business over the medium to longer term.

Mercury continues to participate in the Future Directors programme established by the Institute of Directors. Nicole Rosie was appointed as Mercury's current "Future Director" from 1 May 2024.

BOARD COMMITTEE STRUCTURE

During FY24, the Board discussed reviewing our committee structure to maximise director effectiveness and efficiency in discharging Board duties. As part of this, we clarified the role of the 'Nominations Committee' to address governance matters beyond director nominations, such as oversight of ongoing director development and Board performance. The committee was renamed the 'Nominations and Corporate Governance Committee' to reflect this. Our review of the Board committee structure is ongoing. We intend to progress this during FY25 with updates to be reflected in our FY25 Corporate Governance Statement.

TRANSITION OF LEADERSHIP

Vince announced his retirement effective from the end of August 2024 and Stew Hamilton, Mercury's Executive General Manager Generation, was unanimously appointed by the Board as the incoming Chief Executive.

Vince spearheaded significant growth over his four years at Mercury, guiding the company through a phase of renewable construction and delivery, and overseeing two major acquisitions (Tilt Renewables and Trustpower). I thank Vince for his significant contribution to Mercury.

I also extend a warm welcome to Stew in his new role. Stew has a track record of success leading large, complex businesses in New Zealand and abroad. During his time at Mercury, he has generated substantial business value while fostering lasting partnerships and enhanced health and safety performance. Stew's appointment underscores the depth of talent at Mercury and our commitment to fostering this.

As announced in late 2023, William Meek, our Chief Financial Officer, will be stepping down in 2025. A recruitment process for a new Chief Financial Officer is ongoing and we are confident that the transition will be smooth.

CLIMATE

Climate has once again been a focus for the Board in FY24. This year Mercury has published its first mandatory climate-related disclosures in accordance with the Aotearoa New Zealand Climate Standards. This has involved a concentrated effort from the Board and the Risk Assurance and Audit Committee. Of particular focus for the Board this year was our approach to scenario analysis, the articulation of our material climate-related risks and opportunities, and our progress towards our climate targets.

CAPITAL BOND ISSUANCE

In June 2024, the Board approved the issuance of a $350m capital bond to refinance existing bonds and for general corporate purposes. The bond issue was fully subscribed, and the strong response from the market demonstrates continued long-term confidence in Mercury's business performance and future outlook.

ANNUAL SHAREHOLDERS' MEETING

Our ASM will be held in a hybrid format again this year, with shareholders being able to join in person or remotely via video link. This approach was successful in 2022 and 2023 and Mercury is aligned with the New Zealand Shareholders' Association's principles of maximising meaningful shareholder participation and quality engagement.

It is a privilege to lead our Board in overseeing Mercury's role in Aotearoa New Zealand's energy transition. The Board is focussed on facilitating the delivery of Mercury's commitments to deliver new renewable generation for New Zealand and drive returns for our shareholders. I look forward to seeing you at our ASM.

SCOTT ST JOHN // CHAIR

CORPORATE GOVERNANCE FRAMEWORK.

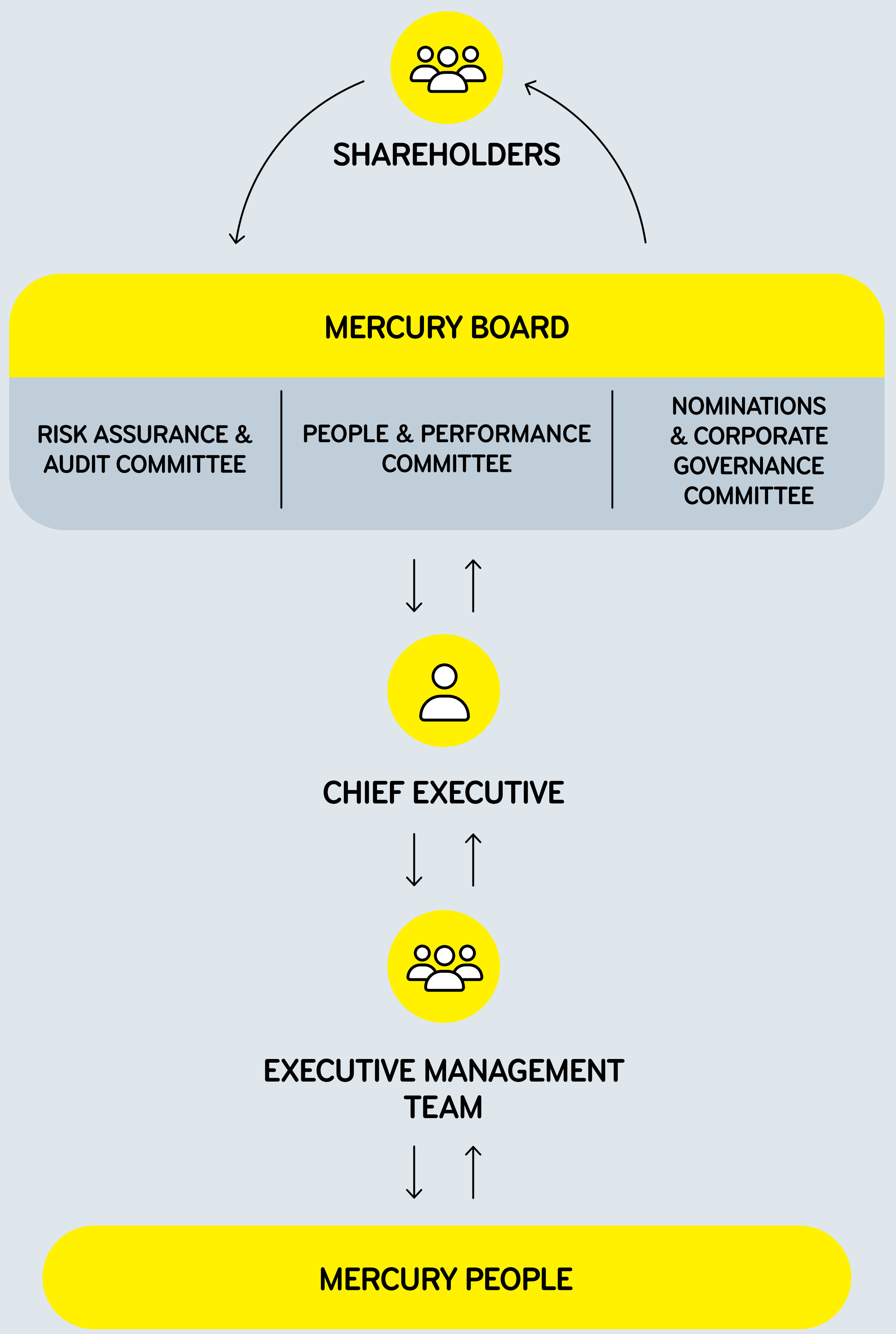
This corporate governance statement (comprising pages 85 to 104 of this report) has been prepared in accordance with NZX Listing Rule 3.8.1 and was approved by the Board of Mercury NZ Limited on 20 August 2024. The information contained in this corporate governance statement is current as at that date. Some information in the corporate governance statement is expressed to be current at another date, for example the FY24 balance date of 30 June 2024. This corporate governance statement reports against the NZX Corporate Governance Code dated 1 April 2023.

At Mercury, we are committed to the highest standards of corporate governance, business behaviour and transparency to protect and enhance the interests of our owners. Our corporate governance framework includes robust policies and processes which are fundamental to all of Mercury's foundational pillars. Our corporate governance framework underpins the maintenance of strong relationships with our stakeholders and our ability to create long-term value. It also ensures Board accountability to our shareholders and provides for an appropriate delegation of responsibilities to our people.

The Board regularly reviews our corporate governance policies and practices to ensure compliance with NZX and ASX standards (Mercury is an ASX Foreign Exempt Listed company) as well as reflecting positive contemporary corporate governance trends in New Zealand and Australia.

Over the reporting period, our corporate governance practices were in substantial compliance with the NZX Corporate Governance Code. The only exceptions relate to Recommendation 3.3 (Remuneration Committee), where the governance of remuneration at Mercury is split between the People and Performance Committee and the Nominations and Corporate Governance Committee (see the Board Committees section of this report for a full explanation of this exception); and Recommendation 5.1 (Director Remuneration), where Mercury adopted a policy for director remuneration during the reporting period but did not have a specific policy for the full reporting period (see the Remuneration Report for a full explanation of this exception).

While not required due to our ASX foreign exempt listing status, we also endeavour to comply with ASX Corporate Governance Principles and Recommendations (fourth edition).



MERCURY'S BOARD.

BOARD COMPOSITION & CHARACTERISTICS

Structure of the Board

The Board typically comprises eight directors although this number may vary as required to ensure effective succession.

To enable Mercury to achieve its strategic goals, the Board strives to include an effective combination and diversity of skills, backgrounds and experiences. The Board also focuses on ensuring that its culture reflects Mercury's values, to foster alignment with the wider business.

There is a brief bio of each director at the beginning of this section.

Chair

Scott St John is the Chair of the Board. First appointed as a director in 2017, he was appointed as Chair in 2024. Scott is an independent, non-executive director. The Chair's overarching responsibilities are to provide leadership to the Board and to ensure the Board is well informed and effective. More information about the role of the Chair is contained in the Mercury Board Charter (found on the Corporate Governance section of our website).

Future Director

The Institute of Directors' Future Directors Programme provides people with governance potential and ambition with mentorship and the opportunity to participate on a board. It aims to increase the next generation of board-ready directors in New Zealand. The Mercury Board is a supporter and active participant in the programme, with Nicole Rosie (the current Future Director) the fifth such appointee to the Mercury Board.

Future Directors are invited to attend, and actively participate in, Mercury Board and Committee meetings, although they do not participate in decision making.

The Board is structured to ensure that as a collective group it has the skills, experience, knowledge, diversity and perspective to fulfil its purpose and responsibilities.

INDEPENDENCE

All of Mercury's directors, including the Chair, are considered by the Board to be 'independent' directors, in that they are non-executive directors who are not substantial shareholders and who are free of any interest, business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement.

The Mercury Board takes director tenure into account in considering independence. The NZX recommends that issuers consider the effect of tenure on independence after 12 years' service. The Board has determined James Miller to be independent. Mercury values the experience and deep understanding of Mercury's business, energy markets and major capital investment which James brings to the Board. James has been on the Board since 2012, but in light of the considerable value that he provides to the Board, his ability to challenge and hold management to account and the fact that he has been Chair of the Risk Assurance and Audit Committee only since 2022, the Board has determined that James' independence is not affected by his tenure. James intends to retire from Mercury at the end of his current three-year term following the 2025 Annual Shareholders' Meeting.

RESPONSIBILITIES

The Board is responsible for Mercury's strategic direction and operation and has delegated certain responsibilities to the Chief Executive and the Executive Management Team (EMT).

The Board's responsibilities are set out in the Board Charter, which is reviewed at least every two years, and include:	
Strategy and Planning	• establishing clear strategic goals with appropriate supporting business plans and resources • monitoring strategy implementation
Environmental and Health and Safety	• ensuring Mercury's environmental and health and safety culture and practices comply with all legal requirements, reflect best practice in New Zealand and are recognised by employees and other stakeholders as key priorities
Financial Performance and Integrity	• monitoring financial performance, effective delivery of the budget and business plan, and ensuring the integrity of reporting
Executive Authority	• setting delegated authority levels for the Chief Executive and EMT
Risk and Audit	• ensuring that effective audit, risk management and compliance systems are in place and monitored to protect Mercury's assets and to minimise the possibility of Mercury operating beyond legal or regulatory requirements or beyond acceptable risk parameters as determined by the Board
Ethics, Culture and Corporate Behaviour	• ensuring Mercury adheres to high standards of corporate behaviour, responsibility and ethics

The Chief Executive and EMT are responsible for:

- developing and making recommendations to the Board on Mercury strategies and associated initiatives
- managing and implementing strategies approved by the Board
- formulating and implementing policies and reporting procedures for management
- decision making compatible with Mercury's Delegations Policy
- managing business risk
- the day-to-day management of Mercury

The Chief Executive and EMT have appropriate employment agreements setting out their roles and conditions of employment.

Chief Executive and EMT performance are reviewed regularly against objectives and measures set by the Board in annual performance scorecards. The Chief Executive's and each EMT member's performance were evaluated during the reporting period on this basis. Further details are contained in the Remuneration Report.

MERCURY'S BOARD CONTINUED.

CONFLICTS

Mercury maintains a directors' interests register. The interests' register is reviewed at each Board meeting to ensure it is up to date and to determine if any directors are interested in any current or proposed transaction in which Mercury is or may become involved. If a director is interested in a transaction, this is discussed with the Chair and the Company Secretary and actively managed. A management plan is established and periodically reviewed as necessary. More details on the Board's approach to conflicts of interest can be found in Mercury's Board Charter. Information on current directors' interests can be found under Directors' Disclosures.

ACCESS TO ADVICE & COMPANY SECRETARY

Directors may access such information and seek such independent advice as they consider necessary or desirable, individually or collectively, to fulfil their responsibilities and permit independent judgement in decision making. They are entitled to have access to internal and external auditors without management present and, with the Chair's consent, seek independent professional advice at Mercury's expense.

All directors have access to the advice and services of the Company Secretary for the purposes of the Board's affairs. The Company Secretary is appointed on the recommendation of the Chief Executive and must be approved by the Board. The Company Secretary is accountable to the Board, through the Chair, on all governance matters. As at the date of this Corporate Governance Statement, Howard Thomas is the Company Secretary.

SELECTION, NOMINATION & APPOINTMENT

All directors are elected by Mercury's shareholders (other than directors appointed by the Board to fill casual vacancies, who must retire and stand for election at the next meeting of shareholders) with rotation and retirement determined in line with the NZX Listing Rules. The Board is responsible for considering and appointing directors to the Board after candidates have been identified by the Nominations and Corporate Governance Committee (see Board Committees). Mercury notifies shareholders of their right to nominate a candidate for election as a director by notice on the NZX and ASX.

Where any director election or re-election is to occur at a shareholder meeting, the Notice of Meeting includes all information on candidates for director election or re-election that the Board considers may be useful to shareholders. Directors must retire every three years and, if desired, seek re-election.

Mike Taitoko, having served for three years since his last re-election, will retire at the September 2024 annual shareholders' meeting and stand for re-election in accordance with the NZX Listing Rules.

The Board and Nominations and Corporate Governance Committee carry out appropriate due diligence before appointing a director or nominating a candidate for election as a director in accordance with our governance processes.

Mercury has a written agreement with each director set out in a letter of appointment containing the terms and conditions of their appointment. A copy of the standard form of this letter is available in the Corporate Governance section of our website. In addition, Mercury also enters into deeds of indemnity and insurance with each director, in terms of which Mercury indemnifies and provides insurance to directors in accordance with the Companies Act 1993.

INDUCTION & DEVELOPMENT

All new directors participate in a comprehensive induction programme to familiarise them with Mercury's business and the energy and telecommunications industries. The induction programme covers key Mercury policies and internal frameworks and includes sessions run by EMT members on their business areas and important projects happening within Mercury. New directors may request further induction training as needed.

The Board receives regular briefings on Mercury's business operations from senior managers. Regular Board strategy days are held to consider matters of strategic importance to Mercury, and Board and management run scenario thinking sessions for key issues. Visits to Mercury's facilities keep the Board informed of Mercury's assets and operations and in particular with respect to health, safety and wellness matters.

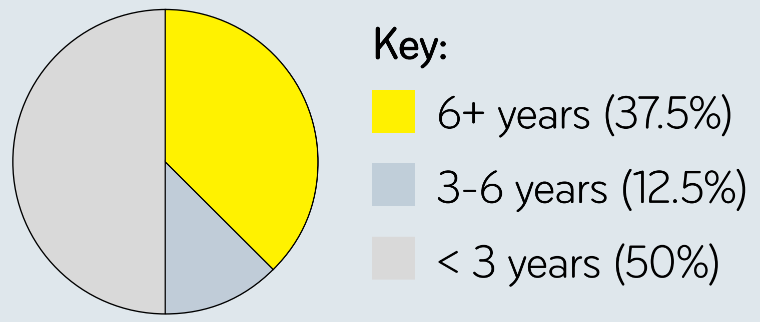
The Board has an ongoing programme to enhance the effectiveness of directors. This involves both deep-dives into aspects of Mercury's business, and sessions focusing on the broader environment including future trends and innovation. During FY24 there was a session run on iwi rights and interests. Additionally, in September 2023, directors undertook a study tour across the US, UK and Europe. This included meetings with industry representatives to discuss topics such as balancing the energy trilemma, delivering on projects, emerging technologies and trends and effective business models.

Directors are also encouraged and supported to continue their own professional development through individual learning opportunities.

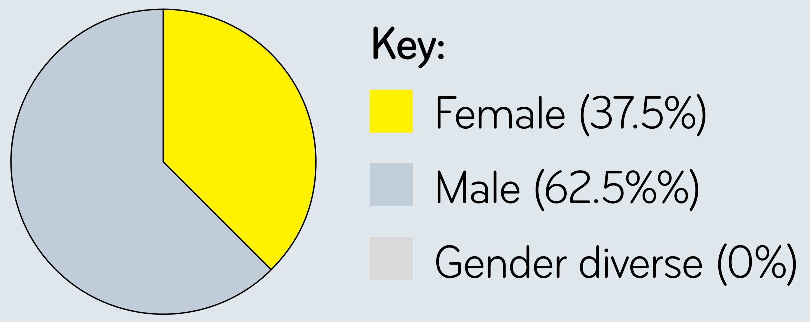
It is essential to Mercury that directors commit sufficient time to prepare and perform their duties properly and effectively. The Board has considered this issue during the reporting period and is satisfied that, taking into account all of their commitments, each director had sufficient time to perform their duties for Mercury.

KEY BOARD STATS [1]

TENURE



GENDER



[1] Prue Flacks and Patrick Strange are not included in this data for FY24 as they were only directors for part of the period. Nicole Rosie (Future Director) is not included in this data.

MERCURY'S BOARD CONTINUED.

BOARD SKILLS MATRIX

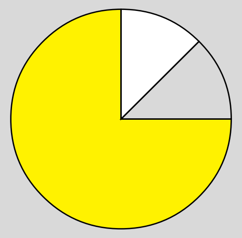
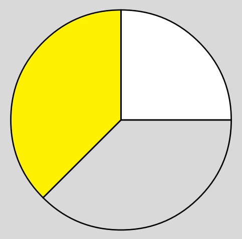
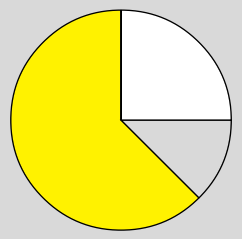
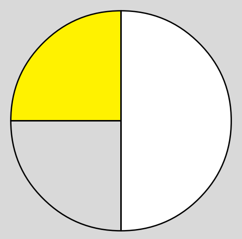
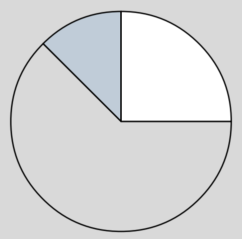
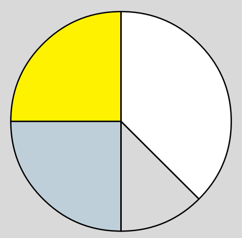
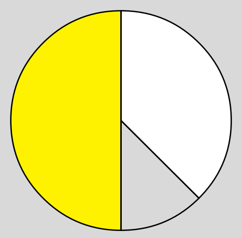
Through the Nominations and Corporate Governance Committee, the Board regularly assesses its skills and competencies in the context of key outputs required, including:

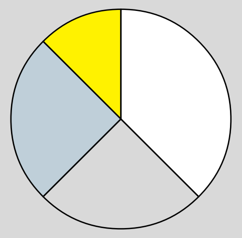
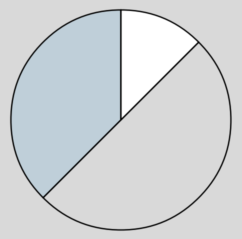
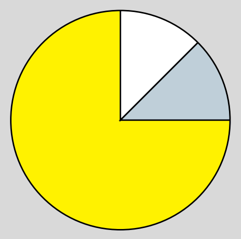
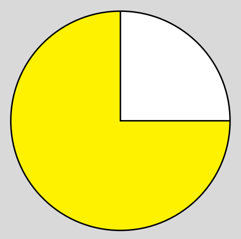
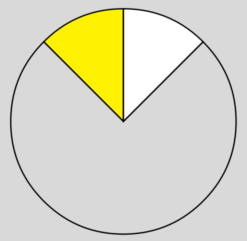
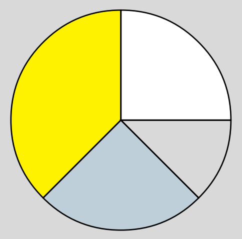
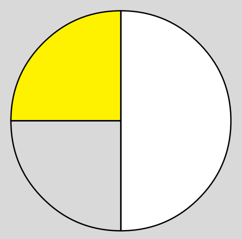
- setting risk parameters for both value creation and value protection;
- cultural leadership to reflect our values, environmental kaitiakitanga and social licence to operate; and
- strategy development in an environment of disruption, requiring courage to challenge, resilience and agility to respond.

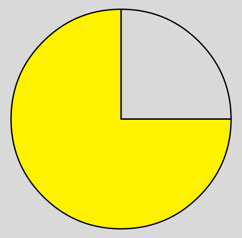
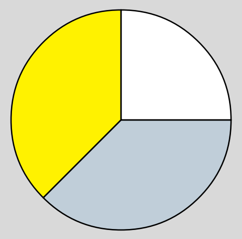
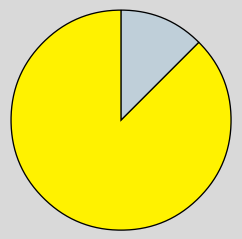
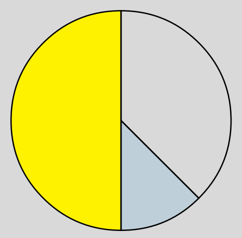
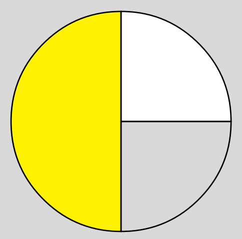
During the reporting period, the Nominations and Corporate Governance Committee has considered and reviewed the skills of the Board and updated the Board skills matrix. Recognising that how well the Board performs is a function of the skills and experience of individual directors and how the directors work together as a whole, we consider that addressing the level of skills and experience collectively is a better indicator of overall Board capability.

Although the Board fosters collaborative and open discussion and each director is expected to contribute broadly, the key skills which individual directors contribute to the Mercury Board are indicated in the director profiles. The purpose of identifying key skills at an individual level is to signal the skills which would need to be considered when a director retires. This is important for succession planning purposes.

[2] The skills matrix presented here includes data for all current directors as at the date of this Integrated Report. It does not include data for Patrick Strange (left the Board on 19 September 2023) or Prue Flacks (left the Board on 31 December 2023).

SKILL & EXPERIENCE CATEGORY	COMBINED BOARD
STRATEGY & RISK SETTINGS	
Significant commercial experience across different industries and economic cycles	
Major project investment and experience	
M&A and capital structure experience	
AI, automation and digitisation	
Disruption and innovation in energy and other sectors	
Climate Change and natural resource management (including water)	
RETAIL	
Understanding and maximising value in retail distribution networks at scale	

SKILL & EXPERIENCE CATEGORY	COMBINED BOARD
STAKEHOLDERS	
Customer relationships across market segments and demographics	
Partner relationships	
Government relationships	
Shareholder/investment community relationships	
Iwi relationships/connectivity	
ENERGY INDUSTRY	
Energy industry experience	
Wholesale markets trading (energy and/or other commodities)	

SKILL & EXPERIENCE CATEGORY	COMBINED BOARD
GOVERNANCE & RISK MANAGEMENT	
Governance experience, including listed companies	
Finance/accounting/audit committee experience	
Risk management process and experience, including cyber security, climate related, structural asset integrity	
PEOPLE LEADERSHIP	
Health, safety and wellbeing governance	
Large organisation and cultural leadership experience	

KEY

- Substantial (yellow)
- Medium (blue-grey)
- Some (grey)
- None (white)

MERCURY'S BOARD CONTINUED.

REVIEWING PERFORMANCE

The performance of the directors (individually and collectively), and the effectiveness of Board processes and committees, are regularly evaluated using a variety of techniques including external consultants, questionnaires and Board discussion. A performance review was carried out by an external facilitator during the reporting period. A performance review led by the Chair will be carried out during the 2025 calendar year.

DIRECTORS' MERCURY SHAREHOLDINGS

The Board encourages the alignment of directors' interests with those of shareholders and with Mercury's strategic aims. Non-executive directors are encouraged, within five years of their appointment, to purchase and hold Mercury shares equivalent to the non-executive director's fixed annual base fee. Further details of directors' shareholdings in Mercury are set out in Directors' Disclosures.

BOARD COMMITTEES

The Board has three standing committees: the Risk Assurance and Audit Committee (RAAC), the People and Performance Committee and the Nominations and Corporate Governance Committee. Each Committee focuses on specific areas of governance. Together, they strengthen the Board's oversight of Mercury. Committee meetings are scheduled to coordinate with the Board meeting cycle. Each Committee reports to the Board at the subsequent Board meeting and makes recommendations to the Board for consideration as appropriate.

During the period, the Board discussed and clarified the role of the previously named 'Nominations Committee'. The Committee was renamed the 'Nominations and Corporate Governance Committee' to more accurately reflect the Committee's governance roles and responsibilities.

As an exception to the NZX Corporate Governance Code, Mercury does not comply with Recommendation 3.3 because it does not have a separate remuneration committee. This exception has been approved by the Board. The functions that would ordinarily be allocated to a remuneration committee are shared between the People and Performance Committee in respect of the Chief Executive and the EMT, and the Nominations and Corporate Governance Committee in respect of the directors. These responsibilities are reflected in the Committee Charters.

Each standing Committee operates in accordance with a written Charter approved by the Board and reviewed as required and at least every two years. The Committee Charters are available in the Corporate Governance section of our website.

ADDITIONAL COMMITTEES

Mercury assesses on a regular basis whether additional standing or ad hoc committees are required. Additional temporary committees are established from time to time, including as required to provide governance oversight on short-term projects. As at the date of this statement, Mercury has considered that no other standing committees are required. During the year ended 30 June 2024, the Board established one temporary committee for a discrete project. The table below details the directors that were members of that temporary committee and the number of meetings attended.

Committee Member	Meetings attended
Scott St John	0
James Miller	1
Hannah Hamling	1


Arapuni hydro station.

(P) People and Performance Committee

Membership and Meetings

Members as at 30 June 2024: At least three directors, majority independent.	**Meetings in FY24:** At least 3 annually				
	Aug 23	Dec 23	Apr 24	Jun 24	Out of cycle[3]
Susan Peterson (Chair) Became Chair on 1 Jan 2024	●	●	●	●	3
Mike Taitoko	●	●	●	●	3
Adrian Littlewood Became member on 1 Aug 2023	Observer	●	●	●	3
Scott St John (prev. Chair) Chair until 1 Jan 2024, member as Board Chair from 1 Jan 2024	●	●	●	●	3
Prue Flacks Member as Board Chair until 31 Dec 2023	●	●	N/A	N/A	N/A

Purpose

Assisting the Board to fulfil its people and performance responsibilities relating to:

- Mercury's People and Performance strategy and plan
- review of inclusion and diversity objectives and progress against objectives
- the remuneration and performance of the Chief Executive and EMT
- People and performance policies and practices

Monitoring and providing guidance to management on people and performance related matters.

[3] There were three out of cycle People and Performance Committee meetings during the period in relation to the Chief Executive transition.

(R) Risk Assurance and Audit Committee

Membership and Meetings

Members as at 30 June 2024: At least three directors, each independent non-executives. At least one with accounting / financial background. Board Chair not eligible to be RAAC Chair.	**Meetings in FY24:** At least 3 annually				
	Aug 23	Dec 23	Apr 24	Jun 24	Out of cycle[4]
James Miller (Chair)	●	●	●	●	1
Hannah Hamling	●	●	●	●	1
Mark Binns Became member on 1 Sept 2023	N/A	●	●	●	0
Lorraine Witten	●	●	●	●	1
Scott St John Member as Board Chair from 1 Jan 2024	Observer	Observer	●	●	1 (Observer)
Prue Flacks Member as Board Chair until 31 Dec 2023	●	●	N/A	N/A	1
Patrick Strange Member until 19 Sept 2023	●	N/A	N/A	N/A	1

Purpose

Overseeing, reviewing and advising the Board on Mercury's:

- risk management policy and processes (which include oversight of Health and Safety assurance and climate-related risks and opportunities)
- internal control mechanisms and internal and external audit functions
- compliance with legislation and regulation
- financial information prepared by management for publication

Management retains responsibility for the implementation and operation of adequate risk assurance, internal control and audit systems. Management only attend RAAC meetings by invitation. The Board has delegated to the RAAC the authority to oversee and monitor these activities.

[4] There was one out of cycle Risk Assurance and Audit Committee meeting during the period in relation to our FY23 climate-related disclosures.

(N) Nominations and Corporate Governance Committee

Membership and Meetings

Members as at 30 June 2024: At least three directors, majority independent.	**Meetings in FY24:** At least annually		
	Nov 23	Apr 24	Jun 24
Scott St John (Chair) Became Chair from 1 Jan 2024	●	●	●
James Miller	●	●	●
Susan Peterson Became member on 1 Jan 2024	N/A	●	●
Prue Flacks (prev. Chair) Chair until 31 Dec 2023	●	N/A	N/A

Purpose

Ensuring the Board and its committees are structured appropriately and composed of suitably qualified individuals to support the Board's effectiveness in discharging its duties and responsibilities and adding value through good governance.

The Nominations and Corporate Governance Committee plays an important role in identifying, for the Board to consider, people with the necessary expertise, experience, diversity and perspectives for selection as potential directors to be nominated for election at the next annual shareholder meeting or to fill a casual vacancy on the Board.

ASSURANCE & MANAGING RISK.

AUDIT PLAN & ROLE OF AUDITOR

As a public entity under the Public Audit Act 2001, the Auditor General is the independent auditor of Mercury and each of our subsidiaries (together, the 'Group'). The Auditor-General appointed Emma Winsloe of Ernst & Young to carry out the FY24 audit on his behalf. The NZX Listing Rules require rotation of the key audit partner at least every five years. The provision of external audit services is guided by the Audit Independence Policy available on the Corporate Governance section of our website. The external auditor attends the Annual Shareholders' Meeting and is available to shareholders to answer questions relevant to the audit.

INTERNAL AUDIT & RISK ASSURANCE

Mercury has a comprehensive internal audit and risk assurance plan, which take a holistic view of Mercury's culture, practices and procedures and include periodic reviews of relevant areas of Mercury's operations. The internal audit plan is designed, updated and approved by the RAAC in consultation with the Risk Assurance Officer and the Internal Auditor (currently made up of an internal team, Deloitte and other internal audit and process specialists appointed on an outsourced basis) who report on progress and the results of internal audit reviews at each RAAC meeting. The Internal Auditor has access to management and the right to seek information and explanations.

The RAAC meets with the Internal Auditor at least once each year without management present.

During FY24, the focus of the RAAC was compliance (regulatory), reputation, financial (including climate), operational and health and safety. Assurance reviews were undertaken for the following areas: Well Integrity Management Systems, Incident Simulation, NOW's Compliance Framework, Cyber Security, Key Financial Controls, Wholesale Markets, Medically Dependent and Vulnerable Customers, and Treasury.

TIMELY & BALANCED DISCLOSURE

Shareholders and Markets

Mercury is committed to maintaining a fully informed market through effective communication with the NZX and ASX, our shareholders and investors, analysts, media and other interested parties. Mercury provides all stakeholders with equal and timely access to material information that is accurate, balanced, meaningful and consistent. Where Mercury provides a new and substantive investor and analyst presentation, these materials are released to the NZX and ASX ahead of the presentation.

The Market Disclosure Policy is designed to ensure this occurs in compliance with Mercury's continuous disclosure obligations under the NZX Listing Rules. The Policy is available in the Corporate Governance section of our website.

The Board has appointed the Company Secretary as the Disclosure Officer who is responsible for administering the Policy. The Disclosure Committee (made up of the Board Chair, RAAC Chair, Chief Executive, Chief Financial Officer and Disclosure Officer) is responsible for ensuring that Mercury complies with its disclosure obligations.

The Chief Executive and EMT are responsible for providing the Disclosure Officer with all material information relating to their areas of responsibility. Information which, in the opinion of the Disclosure Officer, may require disclosure is provided to the Disclosure Committee for decision.

Disclosures relating to the annual and interim financial statements must be reviewed by the RAAC before being approved by the Board. Once approved for disclosure, the Disclosure Officer is responsible for releasing material information to the market.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

Integrity of Reporting

The Chief Executive and the Chief Financial Officer are required each half year and full year to provide a letter of representation to the Board confirming that the financial statements have been prepared in accordance with legal requirements, comply with generally accepted accounting practice, and present fairly, in all material respects, the financial position of Mercury and the results of its operations and its cash flows.

A letter of representation confirming those matters was received by the Board with respect to the Group's FY24 financial statements.

We report on non-financial information in our Integrated Report. Material environmental, social and governance matters are covered in this report, corporate governance statement and the Climate Statement. To provide this information in a format accessible to our stakeholders we take guidance from both the Global Reporting Initiative (GRI) standards and the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. We obtain an independent limited assurance opinion from Ernst & Young on our FY24 Climate Statement and Greenhouse Gas Emissions Inventory.

OUR KEY RISKS

Safety and wellbeing

Mercury undertakes activities that potentially involve significant safety risks. When we think about safety and wellbeing risks at Mercury we focus on our 11 critical risks: driving, electricity, confined spaces, stored energy, working around water, mental wellbeing, dropped or falling objects, hazardous substances, mobile plant and equipment, working alone, and working at heights. A critical risk is something that has the potential to kill or seriously hurt our people, our partners or a member of the public.

There are several factors that can create wellbeing risk for our people and our customers. Mercury has implemented specific internal and external initiatives (e.g. a suite of staff wellbeing tools, Customer Care programme for Vulnerable and Medically Dependent customers, Here to Help programme for affordability issues) to address this risk and alleviate impacts.

Mercury operates three stations that are designated as Upper-Tier Major Hazard Facilities (MHF) which have unique safety risks beyond those found in our other generation plants. As an operator of a designated MHF, we work closely with WorkSafe and Fire & Emergency NZ and have regular contact with local councils and communities. We have a strong focus on Process Safety management and our Safety Cases demonstrate how we manage and operate safely to ensure that risks to personnel are reduced and that any potential damage to property, the environment and the community is minimised.

COMPLIANCE

Legislative and regulatory changes

Regulatory changes to the current wholesale and retail market structure and pricing regimes may affect how Mercury manages its integrated business model of generation and retailing electricity, gas and telco and could adversely impact on Mercury's ability to create value. Legislative or regulatory changes, including Treaty of Waitangi claims and iwi-related litigation with the Government, changes to consent conditions, or levies on the use of natural resources, may result in Mercury facing significant direct or indirect restrictions, conditions or additional costs on Mercury's access to freshwater or geothermal resources and its hydro, wind and geothermal generation activities.

Managing the energy trilemma (reliability, affordability and renewability) is a key challenge as the energy sector transition progresses and this in turn creates an increased risk of possible regulatory intervention as a way of impacting upon affordability.

Fuel constraints arising from reduced gas availability at times of very low hydro storage can result in high energy market volatility, resulting in financial and operational stress for many New Zealand businesses. This stress increases the risk of regulatory intervention by the Government, which has the potential to impact on Mercury's wholesale/commercial sales and profitability.

Reputation

Our reputation with investors, partners, customers and the broader community is one of our most significant assets. In addition to the risks mentioned elsewhere in this statement, the following events could threaten that reputation and could lead to negative publicity resulting in the loss of business revenues or a reduction in Mercury's value:

- errors in customer connections, billing or general customer communications
- errors by directors, management, contractors or related industry operators negatively reflecting on Mercury
- adverse environmental impact caused by, or perceived to be caused by, Mercury's operations
- health and safety incidents under the operational control of Mercury
- a reduction in standards of how we treat the communities that we operate in.

Some of these reputational risks have the potential to impact on Mercury's social licence to operate and hence our long-term success.

OPERATIONAL

Fuel security and supply

Mercury's generation depends upon the availability of water for hydro generation, wind for wind generation, and geothermal fluid for geothermal generation. The principal risks include the inability

to generate expected levels of electricity due to either temporarily or permanently reduced fuel supplies, loss of access to supply, or increased costs to secure the necessary fuel, all of which may adversely affect Mercury's earnings.

Supply chain

Mercury is exposed to both international and domestic supply chain risks that can impact on our ability to successfully deliver our generation development pipeline projects and major plant refurbishment programme.

Electricity market exposure

In the short run, our ability to manage our electricity portfolio risk depends upon our ability to purchase and sell electricity in the wholesale electricity market which could be impacted by:

- short-term changes in supply and demand
- national fuel availability based on hydrological and thermal conditions (including extended national drought)
- competitor behaviour
- significant reduction or ceasing of electricity consumption (e.g. by large industrial companies)
- constrained transmission and distribution of electricity.

In the long run, wholesale prices are determined by the level of national demand relative to supply from power generation. Prices can be affected by levels of activity in the industrial sector, population size, economic conditions, competitor behaviour, generation build or retirement, technological changes or new sources of energy, and regulatory changes.

We could also be adversely impacted if a large group of customers, one or more major customers, or a New Zealand market participant were to default on payment for electricity provided or for hedge settlements.

Broadband and mobile services

Mercury now retails broadband and mobile telecommunication services to residential and commercial customers. Broadband and mobile both introduce different operational challenges (e.g. network availability, cyber-security) that if not well managed can jeopardise Mercury's capacity to supply telecommunication services to customers.

Power station availability

Our ability to generate electricity depends upon the continued efficient operation of our power stations. The viability, efficiency or operability of our power stations could be adversely affected by a range of factors including:

- catastrophic events such as a major earthquake, volcanic eruption, or other natural perils that could cause failure of one or more of our power stations
- material failure of turbines, transformers, key infrastructure or geothermal wells that results in unplanned power station outages that require replacement or repair and could be influenced by supply chain delays
- unexpected events impacting the short-term availability of key people required to operate stations, provide hydro control or trading oversight
- cyber-attacks upon our power stations that could result in a plant failure or sustained loss of control.

Information security

We depend on many different IT systems for our continued operations. There is a risk that the security of critical systems may be compromised and/or information accessed, copied, deleted or corrupted, impacting on our ability to operate critical systems. Such an event could result in costs to resolve or repair; potential downtime of operations; potential breaches of our customers' privacy, including unauthorised access and disclosure of their personal information; and reputational impacts from any loss of service, or resulting impacts on safety, our environment or community.

FINANCIAL

Insurance

Mercury is insured through a comprehensive programme including cover for generation property, plant and equipment and business interruption with a combined limit of $1 billion. Some catastrophic events are uninsurable, or we have chosen not to insure against them as the cost of cover is prohibitive and the likelihood of occurrence is extremely rare. This is a common approach in our industry.

In the event of a severe catastrophic event, it is possible that the insurance portfolio will not provide sufficient cover, impacting future operational performance and the financial condition of Mercury. We estimate that the maximum foreseeable loss to which the Group could potentially be exposed to (cascade dam failure causing significant flooding, business interruption, direct reinstatement costs and potential loss of life) is approximately $13 billion with an assessed likelihood of occurrence of 1 in 100,000 years.

ASSURANCE & MANAGING RISK CONTINUED.

We review the level and nature of our insurance cover annually. Following a third-party risk tolerance analysis which considered several key financial metrics specific to Mercury, the decision was previously made to retain additional financial risk (e.g. deductibles, shared primary level cover, caps, waiting periods, etc.) in the event of an insurable loss to our generation assets. Side C cover, which insures the company against liabilities arising out of securities market conduct breaches, was also previously removed from our directors' and officers' insurance policy.

Climate change

For details of our key climate-related risks and how we manage them, please refer to our Climate Statement.

Growth and development

Growth and development projects are subject to risks that may affect expected financial returns or outcomes:

- major generation development projects during construction give rise to risks including cost over-runs, commissioning delays, environmental impacts and employee/contractor safety
- political and regulatory uncertainty, high interest rates and poor economic conditions may limit our development choices or adversely affect the viability or costs of future developments.

Liquidity and earnings

A deterioration of our financial condition or instability in capital markets could increase our cost of capital, affect our ability to raise debt, or reduce our cash liquidity thereby impacting our financial performance, pursuit of our strategic objectives or result in insolvency.

The Crown's shareholding and the provisions of the Public Finance Act limits our ability to raise equity capital.

There is a risk that foreign currency or interest rate movements may impact our earnings by increasing the cost for imported goods and services and the cost of debt.

People

Attracting, developing, and retaining capable and adaptable people who can contribute to our strategic priorities and grow with our business remains a focus for Mercury. We also face the challenge of an aging workforce in several key operational areas and attracting suitable people remains an area of risk.

RISK MANAGEMENT FRAMEWORK & RAAC RESPONSIBILITIES

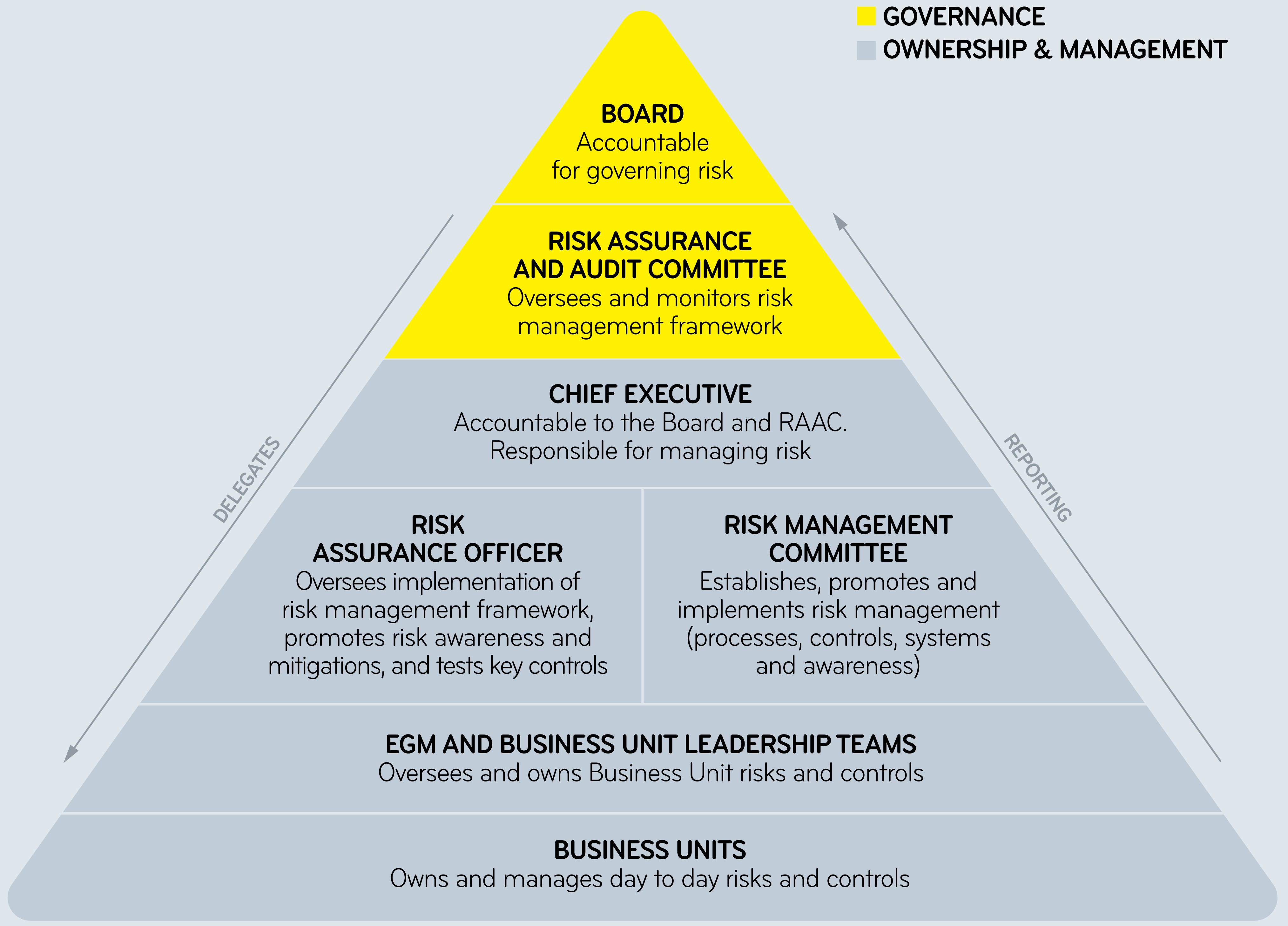
Risk management is an integral part of our business. Responsibility starts with the Board who oversee that effective audit, risk management, and compliance systems are in place and monitored to protect Mercury's assets and to minimise the possibility of operating beyond legal or regulatory requirements or beyond acceptable risk parameters. The Board delegates this oversight responsibility to the Risk Assurance and Audit Committee (RAAC).[1]

The RAAC's Charter sets out the role, responsibilities, composition, structure, and procedures of the Committee. The Charter provides guidance for the effective oversight of risk assurance and audit matters by the Committee on behalf of the Board.

Mercury has an overarching Risk Management Policy in place (see the Corporate Governance section of

[1]The RAAC oversees the overall audit, risk management, and compliance systems. The Board delegates responsibility for certain people-related risks to the People and Performance Committee (e.g. culture and psychological safety).

BOARD APPROVED RISK MANAGEMENT FRAMEWORK



ASSURANCE & MANAGING RISK CONTINUED.

our website) supported by a suite of risk management tools appropriate for our business, including our Risk Appetite Statement, the Mercury Code, an Energy Markets Risk Management Policy, a Treasury Policy and a Delegations Policy.

The purpose of the Risk Management Policy is to embed a comprehensive, holistic, Group-wide capability in risk management, which provides a consistent method of identifying, assessing, controlling, monitoring, and reporting existing and potential risks to our business and its plans. The Policy sets out the risk management objectives and requirements of Mercury within which management is expected to operate. The Policy applies to all business activities of the Group including Mercury-controlled joint ventures and is reviewed annually by the RAAC and approved by the Board.

The risk management framework supports a comprehensive approach to risk, encompassing financial, strategic, environmental, operational, regulatory, reputational, social and governance risks. This approach includes assessing and managing climate-related risks.

The framework involves actively identifying and managing risk and taking measures to reduce the likelihood of risk, contain potential hazards and take mitigating action to reduce impacts in line with risk tolerances. This approach is consistent with the precautionary principle.

We must accept some risks to achieve our strategic objectives and to deliver shareholder value. Our tolerance for risks is embodied in our Risk Appetite Statement which are set and regularly reviewed by the Board. As part of the current Risk Appetite Statement, Mercury targets a long-term credit profile of BBB+ (bbb on a stand-alone basis) from S&P Global (or its equivalent).

We have a Risk Assurance Officer who has the independence to determine the effectiveness of risk management, assurance and internal audit. The Risk Assurance Officer has a dual reporting line to the Chief Financial Officer and the RAAC Chair. The RAAC tasks the Risk Assurance Officer to ensure healthy and robust debate and interaction between management, risk assurance and audit providers.

Our management operates a Risk Management Committee, whose mandate is to establish, promote and implement risk awareness and adequate risk management controls to all staff. It also aims to monitor and review risk activities as circumstances and our strategic and operational goals change. Membership of the Risk Management Committee is made up of representatives from the Executive Management Team and is chaired by the Chief Executive. The Risk Management Committee meets at least quarterly.

In addition to these risk management processes, several measures are employed to manage risks. These include employee awareness, incident training, due diligence, financial risk mitigation tools, active involvement in the regulatory environment and established whistle blower policy and procedures.

As noted above, the RAAC is responsible for overseeing, reviewing and providing advice to the Board on Mercury's risk management policies and processes. The Risk Assurance Officer reports regularly to the RAAC on the effectiveness of our management of material business risks. In addition, the RAAC annually reviews the risk management framework. The last review of the risk management framework took place in May 2024.

Mercury's Constitution, and relevant Charters and Policies are available in the Corporate Governance section of Mercury's website.

ENGAGING WITH INVESTORS.

OUR INVESTOR RELATIONS PROGRAMME

We are committed to open and effective communication with our stakeholders and owners by providing comprehensive relevant information. We take the steps set out in our Market Disclosure Policy to achieve this.

We communicate with our investors in various ways, including the Investor section of our website, annual shareholders' meetings (ASM) and webcasts, our annual and interim reports, regular information disclosures, and analyst and investor briefings and road shows. Our aim is to clearly communicate our strategic direction, including articulating our strategic priorities and how these leverage our competitive advantages.

We also run a programme to build understanding and appropriate measurement of our performance among investors and research analysts. That programme aims to be responsive, clear, timely, consistent, even-handed and accurate, and is designed to ensure appropriate access to management and directors.

Summary records of matters discussed at meetings with investors and analysts are kept for internal use, unless a recording or transcript of the presentation is published on our website.

WEBSITE

Our website contains a comprehensive set of investor-related information and data including stock exchange and media releases, interim and annual reports, investor presentations and webcasts, and shareholder meeting materials. We will continue to build environmental, social and governance (ESG) website content to meet the increasing demand for transparent disclosures of its performance across these areas and the management of long-term risks and opportunities.

Shareholders can direct questions and comments to Mercury through the website or contact investor@mercury.co.nz.

GOVERNANCE ROADSHOW

Mercury held a series of investor meetings during June 2024, primarily with institutional investors. The governance roadshow aims to provide an overview of Mercury's activities and significant governance matters during the year. Materials from the roadshow can be found on our website.

ANNUAL SHAREHOLDERS' MEETING & WEBCAST

An ASM is held in New Zealand at a time and location which aims to maximise participation by shareholders. Mercury's 2024 ASM will be held in Auckland on 19 September 2024 and once again will be held in a hybrid format (in person and online). This approach was successful at the 2022 and 2023 ASMs and is considered by the New Zealand Shareholders' Association as the most effective approach to enable meaningful shareholder participation.

ELECTRONIC COMMUNICATIONS

We encourage shareholders to provide email addresses to enable them to receive shareholder materials electronically. Communicating electronically is faster and more cost effective. Most of our shareholders receive information electronically. However, we understand that this does not suit everyone. We also provide a hard copy Integrated Report to shareholders who wish to receive it.

ACTING ETHICALLY & RESPONSIBLY.

TE NGĀKAU TAPATAHI ME TE HAEPAPA.

The Mercury Code and the policy framework described below support our promises to each other and define our commitment to our customers, our people and community and our investors. The Mercury Code, Modern Slavery Statement, and all Policies referred to in the table on the following page are available on the Corporate Governance section of our website.

THE MERCURY CODE

Mercury people strive to do what's right. We have put in place the Mercury Code to ensure that our people know what the 'right thing to do' is. The Mercury Code is our version of a code of conduct and ethics and documents the behaviours we require to embed and sustain our culture to successfully deliver our strategy and achieve our Purpose of taking care of tomorrow: connecting people and place today. The Mercury Code underpins everything we do. It requires all Mercury people, including directors and employees, to act honestly and with integrity and fairness at all times, and to strive to foster those standards within Mercury.

A Mercury employee is expected to apply the Mercury Attitude. This attitude shapes our decisions, our actions and our interactions with each other. Our Mercury Attitude aligns our direction to achieve our Purpose.

The Mercury Code is reviewed by our Board at least every two years. All Mercury employees are required to complete an annual re-certification training on applying the Mercury Code. This is an interactive e-learning module which tests employees on their understanding of applying the Mercury Code in different situations. A 100% score is required to pass the module.

Directors are required, in the performance of their duties, to give proper attention to the matters before them and to act in the best interests of Mercury at all times.

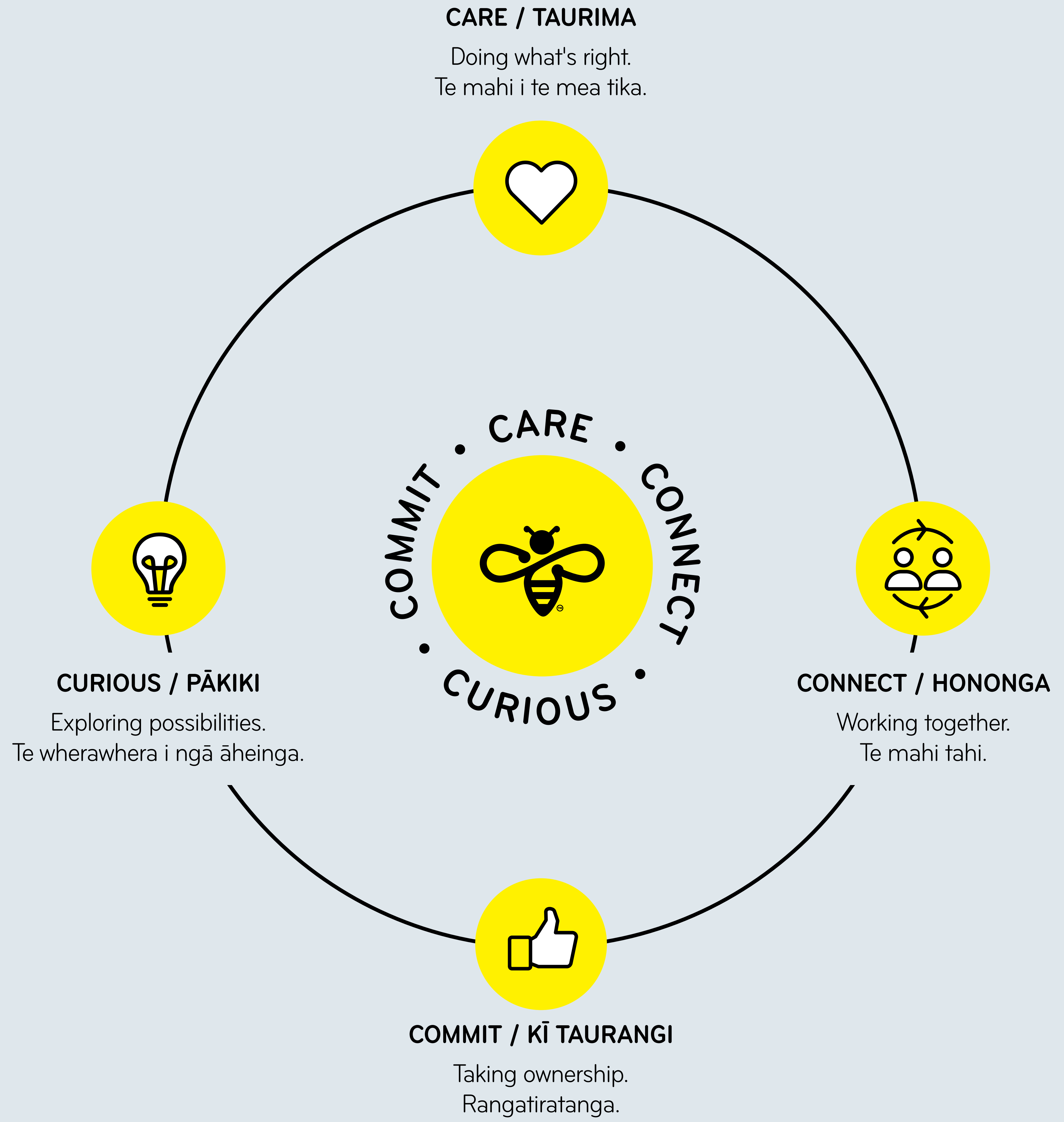
SUPPLIER CODE OF CONDUCT

We also want to ensure that we work with suppliers who share our commitment to acting ethically and doing the right thing. Our Supplier Code of Conduct describes the way we work with our suppliers and what we expect in return. The Supplier Code of Conduct includes our commitments and our expectations in relation to social responsibility, health and safety, compliance with all applicable modern slavery laws, environmental responsibility, and business integrity.

MODERN SLAVERY

Mercury acknowledges the importance of assessing and addressing the risk of modern slavery in our operations and supply chain. We continue to publish a modern slavery statement, consistent with the Australian Modern Slavery Act 2018. Our FY23 statement outlines the work undertaken during FY23 to assess and address the risk of modern slavery in our operations and supply chain and identified the following key focus areas for FY24.

The areas set out in the table on the next page are of fundamental importance to Mercury to ensure good governance and responsible business practices are followed.



ACTING ETHICALLY & RESPONSIBLY CONTINUED.

Our Governance and Responsible Business Practices	
Conflicts	Conflicts of interest must be avoided, except with the prior consent of Mercury. Mercury people are required to declare conflicts of interests and are encouraged to proactively discuss potential conflicts with their manager. Mercury takes practical, preventative action wherever possible, for example by substituting project managers in circumstances of possible conflict with contractors and suppliers. Our directors declare all potential conflicts of interest prior to appointment and if applicable, at each Board meeting in relation to specific agenda items.
Bribery	The acceptance of bribes, including gifts or personal benefits of material value which could reasonably be perceived as influencing decisions, is prohibited under the Mercury Code. Under Mercury's Delegations Policy, donations to political parties are prohibited.
Use of Mercury Assets	The Mercury Code places restrictions on the use of corporate information, assets and property. All persons covered by the Mercury Code are encouraged to report any breach or suspected breach of the Code.
Whistleblowing	We provide a framework for the protection of employees wishing to disclose serious wrongdoing. This is described in Mercury's Whistleblowing Policy. Employees are also encouraged to voice with their manager, the HR team, the General Counsel, other managers or directors any concern over ethical or irresponsible behaviour, even if not reaching the threshold of serious wrongdoing.
Trading In Company Securities	Mercury's Trading in Company Securities Policy sets out the rules and restrictions relating to trading in Mercury securities by directors, employees and contractors, including the prohibition on insider trading. The Policy is closely monitored by the Company Secretary and is overseen by the RAAC. The Chief Executive and EMT members are prohibited, by the Trading in Company Securities Policy, from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under Mercury's Long-Term Incentive Plans. During FY24, the Trading in Company Securities Policy was updated to clarify the application of trading restrictions to people associated with Mercury restricted persons.

Our Governance and Responsible Business Practices	
Market Disclosures	Our Market Disclosure Policy ensures we maintain a fully informed market through communication with the markets, investors and stakeholders and by giving them equal and timely access to material information.
Privacy	We are committed to the safeguarding and proper use of personal information. We have a comprehensive Privacy Policy, which is reviewed every two years, and a robust privacy framework. Privacy is afforded significant consideration within Mercury and is managed in accordance with our risk management framework. Our General Counsel is Mercury's Privacy Officer and is responsible for implementing our Privacy Policy, promoting awareness of privacy matters, monitoring matters on a day-to-day basis, and escalating matters as required to our Chief Executive, with notification to our Risk Management Committee. Privacy issues are reported to the Risk Management Committee on a quarterly basis. We also have a Group Information Security Manager who is responsible for ensuring that appropriate systems and processes are in place for the storage and security of personal information.
Sustainability	Our Sustainability Policy sets out the core principles and values that promote ethical and responsible decision-making. Under the Policy, we commit to integrating sustainability through principles relating to our five-pillar strategy: Customers, Partnerships, Kaitiakitanga, People, Commercial.
Environmental	Our Environmental Policy recognises that our generation activities rely on access to natural resources that we know are highly valued by our communities. We strive to maintain this trust by working with partners to deliver renewable electricity and make a long-term difference New Zealand's environmental health. We work responsibly to deliver today and sustainably for future generations and will achieve this by focussing on: Kaitiakitanga, challenging our performance, promoting awareness, complying with requirements, and setting objectives and targets.
Takeover Response Policy	We have a Takeover Response Policy to guide the Board and management if the Company receives a takeover notice or the Company becomes aware that a takeover offer in respect of the Company (or an analogous scheme of arrangement) is, or is likely to be, proposed by another person.

DIVERSITY, EQUITY & INCLUSION.

REREKĒTANGA, MANA ŌRITE ME TE WHAKAURU.

Mercury embraces and celebrates diversity in all its forms. When we care, commit, connect and bring our curiosity, we make a real difference.

Being inclusive of individuals with different backgrounds, views, experience and capability working together makes us stronger as an organisation. We are committed to recruiting and retaining people who respect each other, our customers, our stakeholders and our partners and have a broad range of skills, experiences and frames of reference to drive innovation, deliver improved financial performance and help us to achieve our ambition.

Diverse emerging leaders programme participants.

Our commitment to diversity, equity and inclusion starts with our Diversity, Equity and Inclusion Policy and framework. A copy of this policy is available in the Corporate Governance section of our website.

Our approach takes a strategic view that to build diversity, equity and inclusion in our organisation we must align a variety of initiatives. These initiatives aim to enable and involve our people, build external partnerships, grow capability, and ensure our work environment and structure support a diverse, equitable and inclusive culture. The activity we undertake across these areas of focus is aligned to the following principles:

- pursue diversity of our people at all levels;
- create a flexible and inclusive work environment that values difference and enhances business outcomes;
- harness diversity of thought and capitalise on individual differences;
- embrace leadership behaviours that reflect our belief in the value of diversity, equity and inclusion;
- attract and retain a talented workforce through increasing the diversity of the candidate pool and maintaining a recruitment strategy that is attractive to all candidates, and
- recognise the importance of investing in creating a greater sense of belonging for our people.

This approach will be achieved across by:

- providing learning opportunities that raise awareness of the benefits of diversity, equity and inclusion, improve understanding of the biases that hinder progress, and support leaders to create safe, supportive, and equitable spaces where team members of all backgrounds and experiences belong;
- ensuring our recruitment and selection, development and talent management approaches are equitable and enable inclusion and diversity at all levels;
- regularly reviewing and enhancing processes and policies to encourage greater flexibility and diversity and enable an inclusive and equitable environment where everyone can belong;
- embedding diversity, equity and inclusion in our culture through engaging internal communications and events, active employee led network groups that promote awareness, and seeking diverse perspectives on issues that matter to our people;
- regularly tracking progress towards a diverse workforce at all levels against specific targets;
- engaging with educational institutions and partners in our communities to address inequity and promote and encourage wide talent pools for the industry;
- reporting on our progress to the Board and holding ourselves to account.

In addition to the actions we undertake, we also support a diverse, equitable and inclusive workplace through not permitting or condoning any harassment, discrimination or victimisation. Our Anti Bullying, Harassment and Discrimination Policy outlines our approach to this.

Our progress against diversity and inclusion goals is measured against objectives set by the Board. These objectives are made up of a mixture of targets and benchmarks. Generally, targets exist where we believe that achieving diversity in that area is aided by us working towards a specific measure. In other areas, we use benchmarks where comparison against those identified data points will help inform our view of how our work towards diversity in that area is progressing.

DIVERSITY, EQUITY & INCLUSION CONTINUED.

Objectives	Future years - targets				
	Employee Group	**Our Long Term Targets**	**June 2023 Actuals (Female/Male)**	**June 2024 Actuals (Female/Male)**	**Progress against targets**
Gender We have clear and simple targets for gender diversity of 40:40:20 at all levels. This means we aim for a minimum of 40% female and 40% male, with the balance being any gender. **Pay Equity** We ensure that everyone is rewarded fairly for their work.	All Employees	40:40:20	51% / 49%	49% / 51%	🟢
	People Leaders	40:40:20	47% / 53%	46% / 54%	🟢
	EMT	40:40:20	37.5% / 62.5%	29% / 71%	🔴
	Board	40:40:20	50% / 50%	37.5% / 62.5%	🟠
	Gender Pay Equity	Our target is 100% Pay Equity.	97.1%	96.7%	🟠
Ethnicity Aligned to our goal of having clear and simple targets, we have simplified long-term targets for ethnicity of 15:15:10. This means we aim for a minimum of 15% Māori, 15% Asian and 10% Pasifika at all levels (these are closely aligned to our population demographics and are minimums).	**Ethnicity**	**Our Long Term Targets**	**June 2023 Actuals**	**June 2024 Actuals**	
	Māori Employees People Leaders	 15% 15%	 7% 6%	 7% 7%	 🔴 🔴
	Asian Employees People Leaders	 15% 15%	 17% 10%	 19% 11%	 🟢 🟠
	Pasifika Employees People Leaders	 10% 10%	 5% 2%	 5% 2%	 🔴 🔴
Age To ensure our business is diverse in a range of ways, we monitor our age profile to check that we are aligned to the national median.	The median age of the NZ workforce is 41.8 years (National Labour Force projections, 2023). Benchmark against national median age ofthe labour force in New Zealand National Labour Force projections.		41.2	41.9	🟢

At 30 June 2024, the proportion of women on the EMT (who represent Mercury's Officers, including the Chief Executive) was 28.6%, or two out of seven (as at 30 June 2023 this was 37.5% or three out of eight). The proportion of women on the Board at balance date was 37.5%, or three out of eight, including the Chair (as at 30 June 2023 this was 50%, or four out of eight). No Directors or EMT/Officers self-identify as gender diverse (also the case as at 30 June 2023).

In order to maintain consistency of measurement against our targets, we have adopted the Stats NZ prioritised ethnic groups. This involves each person being allocated to a single ethnic group based on the groups they have identified with, which are, in order of priority: Māori, Pacific, Asian and European/Other.

At 30 June 2024, our gender pay equity was 96.7% (as at 30 June 2023 this was 97.1%). Gender pay equity is calculated as the average position in range (relative to the role's band midpoint) of female fixed remuneration compared with the average position in range of male fixed remuneration. Our gender pay gap which compares the median hourly rate between males and females was 37% (as at 30 June 2023 this was 41.9%).

Pay equity by ethnicity compared to "other" ethnicity was Māori 98.8%; Asian 98.2% and Pasifika 96.7% (as at 30 June 2023 this was Māori 99.9%; Asian 98.6% and Pasifika 97.6%). The ethnicity pay gap which compares the median hourly rate between each ethnicity and "other" ethnicity was Māori 22.2%; Asian 2% and 37.9% for Pasifika (as at 30 June 2023 this was Māori 32%; Asian -2.7% and Pasifika 37.7%).

The Board believes that for this reporting period Mercury has continued to make progress towards achieving our inclusiveness, equity, and diversity objectives. However, the Board notes that continued focus is required.

REMUNERATION REPORT.

Dear Shareholder

As Chair of the People and Performance Committee (PPC), it is my pleasure to present our Remuneration Report for the year ended 30 June 2024.

Financial and operational highlights

We are pleased to be in a position to report strong financial results in a year of challenging external conditions. These results underscore the importance of strategic clarity, investing for growth, prioritising sector resilience, empowering our people to be successful and maintaining strong relationships with our community.

As noted elsewhere in this report, net profit after tax was $290 million, up $178 million from the prior year. We reported $877 million EBITDAF, up by $36 million on the prior year's $841 million.

Operating costs increased by $39 million on the prior year, with increases in employee costs contributing to this rise.

Enabling our strategic ambitions

Mercury has a clear ambition to play a leading role in the electrification of the New Zealand economy, drive greater value for our customers, provide an exciting and rewarding environment where our people can excel and continue to deliver sustainable growth for our shareholders.

In a world that is rapidly changing, an adaptive culture with an emphasis on performance and delivery will be critical to our success moving forward.

We continue to focus on supporting our teams to be more adaptive, grow our change leadership capability and equip our teams to successfully execute on our strategy in an evolving environment.

Changes to Mercury's operating model were made during the year to further support these aspirations. These changes included the bringing together our people and technology functions in recognition that technology is a mission critical enabler for our people. Concurrently, the integration of the Trustpower and Mercury retail businesses was successfully completed. This integration enables our Mercury team to apply the best approaches to support more retail customers to be successful.

Continuing to grow talent

Turning our sights to the future, the PPC spends considerable time ensuring that we can continue to attract and retain top talent, further invest in our leadership capability at all levels and shape a performance-led culture. These efforts are critical for ensuring effective succession planning across our business. We are delighted that this work enabled the internal promotion of Stew Hamilton as Chief Executive. More details of this work is captured in the Governance at Mercury.

We believe that diversity, equity and belonging are critical components of any healthy and high performing team. At Mercury, we work hard to ensure that we have an inclusive work environment where contributions and diverse perspectives are valued and our team members feel psychologically safe. The Board has set clear goals and targets to track our progress, which are captured more fulsomely in Diversity, Equity and Inclusion.

We are also considering carefully how our reward and recognition policies continue to evolve in a way that empowers and motivates our people and recognises the contribution that they make to company performance.

Executive remuneration

With the departure of Vince Hawksworth in August 2024, the Board made no change to his base salary for FY25. The Board also agreed that Vince would not be eligible for any STI component for the FY25 year, nor be invited to participate in the FY25-FY27 LTI grant.

The Board approved managements performance against the short-term incentives (STIs) Key Performance Indicators (KPIs) at 53.1% of the maximum. More detailed information can be found here.

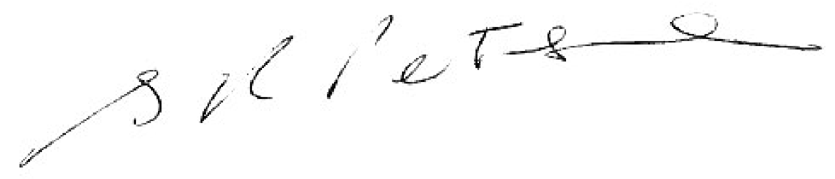
Mercury benchmarks executive remuneration against comparable companies in New Zealand, 'matching' each Mercury executive role to market roles with broadly similar accountabilities in a comparative environment. This is covered in more detail in Remuneration Benchmarking.

Director remuneration

Mercury's approach to director remuneration is to ensure that our directors are rewarded fairly and equitably. On 17 June 2024, Mercury adopted a Non-Executive Director Remuneration Policy to align with the NZX Corporate Governance Code recommendations on director remuneration. The Policy provides a framework for setting and reviewing Mercury's non-executive director remuneration arrangements to ensure that we are able to attract and retain directors with the skills and experience necessary to govern our business and achieve our strategic objectives.

Note of appreciation

As another financial year ends, I'd like to extend my thanks to all the people at Mercury who have contributed to our success over the year. This has been a significant twelve months of execution, and our people have been unwavering in their commitment to our customers, stakeholders and our company. I'd also like to acknowledge my peers on the People and Performance Committee for their support. Together we will continue to ensure Mercury remains a great workplace, where our people are empowered to excel for our customers and shareholders.



SUSAN PETERSON // CHAIR, PEOPLE AND PERFORMANCE COMMITTEE

"We believe that diversity, equity and belonging are critical components of any healthy and high performing team. At Mercury, we work hard to ensure that we have an inclusive work environment where contributions and diverse perspectives are valued."

REMUNERATION REPORT CONTINUED.

EXECUTIVE REMUNERATION GOVERNANCE

Mercury's Board is committed to a remuneration framework that promotes a high-performance culture and that aligns executive reward to the achievement of strategies and objectives to create sustainable value for our shareholders. The Board is committed to demonstrating transparency in its remuneration policy and practice.

The purpose of the PPC is to assist Mercury's Board in fulfilling its responsibilities relating to Mercury's People Experience strategy and plan, People Experience policies and practices and the remuneration and performance plan of the Chief Executive and executives. More information on the responsibilities of the PPC and members of the Committee can be found in the 'Board Committees' section of our Corporate Governance Statement on pages 95 - 96 of this report. The Committee Operates under a written charter. This charter is available to view here.

The PPC reviews the annual performance appraisal outcomes for all members of the EMT and endorses the outcomes for approval by the Board. Annual remuneration reviews take into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Use of discretion

The Board has discretion in relation to granting and testing variable remuneration, including in relation to assessing whether LTI and STI performance hurdles have been satisfied. In addition, malus provisions are available to the Board should an adverse event occur or performance be deemed unacceptable, enabling the Board to diminish or extinguish STI or LTI outcomes. The Board also has discretion on how to treat variable remuneration in a cessation of employment scenario.

The Board did not apply discretion with respect to grants to the CE and CFO during FY24. All grants were made in accordance with the standard terms and treatment applicable to the vested FY22-FY24 LTI grant and FY24 STI plan.

Mercury office, Tauranga.

EXECUTIVE REMUNERATION POLICY

Mercury's Executive Remuneration Policy is available to view here. Mercury's Executive remuneration policy is founded on three guiding principles:

1. **SIMPLICITY**
   Design is kept simple and easy to understand
2. **ALIGNMENT TO PERFORMANCE**
   Remuneration for EMT reflects the level of performance and delivery of successful outcomes
3. **SUSTAINABLE SHAREHOLDER VALUE**
   Remuneration is aligned to long-term sustainable shareholder value

REMUNERATION REPORT CONTINUED.

EXTERNAL AND INDEPENDENT ADVICE

During FY24, Mercury sought external and independent advice from PricewaterhouseCoopers (PwC) to provide executive benchmarking data and Long-term performance incentives (LTIs) calculations to determine grant and vesting LTI values.

This Remuneration Report contains disclosure of the employees who received remuneration and any other benefits in their capacity, the value of which was or exceeded $100,000 per annum, in brackets of $10,000, as required by the Companies Act 1993. This can be found on page 114.

REMUNERATION BENCHMARKING

PwC provided Mercury with benchmark remuneration data from a core comparator group of companies tested with and confirmed by the PPC for this purpose. The comparator group comprised large New Zealand energy sector companies, utility companies and companies with a retail customer focus. The majority of the core comparator group are members of the NZX 20 Index. PwC's approach in selecting proposed market comparators for Mercury was to match each executive role with market roles with broadly similar accountabilities within companies of a comparable scale and complexity to Mercury. The key factors for assessing scale and complexity included industry/sector, key company metrics such as revenue, total assets and employee numbers and geographic/product scope and diversity. However, to ensure strong role matching and robust sample sizes, PwC included additional comparators for individual executive roles where necessary. PwC did not provide consent to list the peer group of companies that was used.

EXECUTIVE REMUNERATION COMPONENTS

Total remuneration for all EMT is made up of three components: fixed remuneration, short-term performance incentives and long-term performance incentives. Mercury's remuneration philosophy is to pay for performance and there is an opportunity for executives to receive, where performance has been exceptional, a total remuneration package in the upper quartile for equivalent market-matched roles.

	Fixed Remuneration	Short-Term Incentives	Long-Term Incentives
Purpose	Attract and retain Executives of a high caliber and experience to deliver our strategy.	To motivate and reward employees for performance over the financial year.	Reward the achievement of performance measured over the longer term aligning Executive reward with shareholder returns.
FY24 and FY25 approach	Fixed remuneration consists of base salary and benefits including insurance and KiwiSaver/Superannuation. Mercury's policy is to pay fixed remuneration with reference to the fixed pay market median.	Performance assessed against a Company scorecard of predetermined financial and non-financial objectives over the course of the financial year. Criteria closely aligned with Mercury's strategic objectives, purpose and goals.	Performance measured by total shareholder return against (1) an industry peer group and (2) the cost of equity, in each case over the three year vesting period.

SHORT-TERM PERFORMANCE INCENTIVES

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance fairly in that financial year.

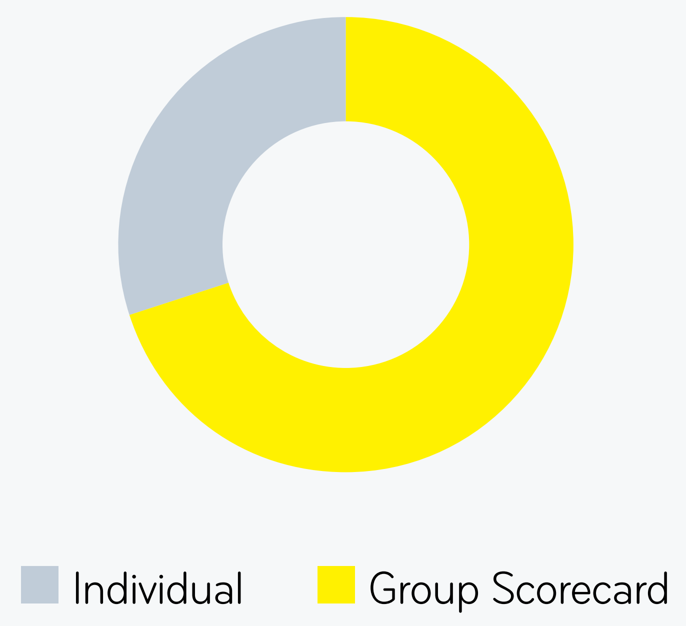
The target value of an STI payment is set annually as a percentage of the executive's base salary.

For FY24 the relevant target percentage for the Chief Executive was 60% and up to 35% for other EMT members.

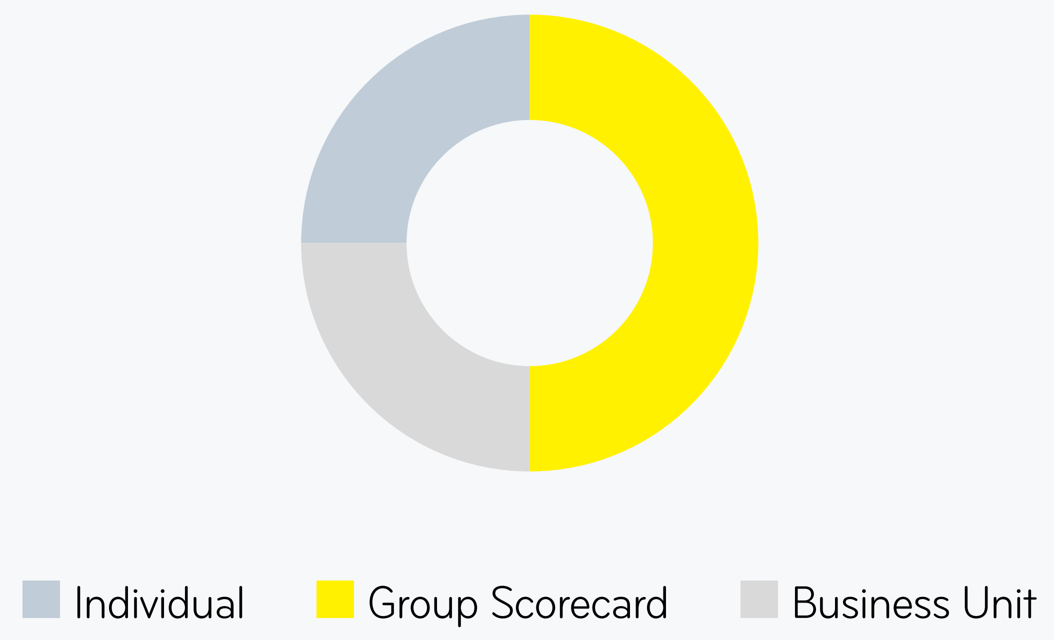
A proportion (70% for the Chief Executive and 50% for other EMT members) of the STI is related to a shared set of Group Key Performance Indicators (KPIs) based on business priorities for the next 12 months, with the objective of aligning the EMT's focus with the company's priorities. The balance of the STI for the Chief Executive is related to individual performance measures set by the Board. In the case of other EMT members, the balance is related to business unit and individual performance measures. The target STI opportunity for all Executives is 100% and maximum STI opportunity is 160%. In the event all on-target KPIs are not met on the Scorecard, no STI payment will be made.

BREAKDOWN OF STI PERFORMANCE (KPI) MEASURES FOR FY24:

Chief Executive



CFO / Other EMT members



FY24 STI GROUP SCORECARD ASSESSMENT

Aligning to our FY22-24 three year goals, 12 Key Performance Indicators (KPIs) were selected for the FY24 Group Scorecard. The Scorecard consisted of on-target KPIs (aligned to 100% of the KPI) and stretch KPIs (aligned to 160% of the KPI) and appropriately weighted in terms of value. The PPC carefully considers delivery and achievement against each KPI and recommends performance outcomes to the Board for approval. Where the Board deems necessary, it applies discretion both upwards and downwards to agree the final outcome.

FY24	KPIs	Alignment to 3 year Objectives	KPI outcome
Commercial 40%	1. EBITDAF[1] target achieved 2. EBITDAF target exceeded	• Increase the value of our business to $800m EBITDAF	1. Achieved. EBITDAF target of $834m exceeded by $38m 2. Not achieved. EBITDAF target of $844m exceeded by $28m. Second milestone not met
Retail 12.5%	3. New propositions piloted 4. Successful retail integration delivery	• Create executable options for new growth • Increase the value of our business to $800m EBITDAF	3. Achieved. Two propositions piloted 4. Part achieved. Not all milestones met
Adaptive Organisation 10%	5. Increased internal movement 6. Safety critical element verification completion	• Unleash the full potential of our people through transforming culture • Be adaptive and resilient organisation, responsive to future needs	5. Achieved. Target met 6. Part achieved. Not all milestones met
Generation Growth 10%	7. Pipeline of new renewables options 8. Reduce unplanned/forced outages	• Increase the value of our business to $800m EBITDAF • Create executable options for new growth	7. Achieved. Required milestones met 8. Not achieved. Milestones not met
Relationships 12.5%	9. Deepening of partner relationships 10. Work closely with iwi partners	• Enhance our licence to operate through collaborative work with our stakeholders • Be adaptive and resilient organisation, responsive to future needs	9. Achieved. Required milestones met 10. Achieved. Required milestones met
Climate 15%	11. Role in electricity sector transition progress 12. Progress non-condensable gas reinjection	• Play a leading role in New Zealand's successful transition to a low carbon economy • Enhance our licence to operate through collaborative work with our stakeholders	11. Achieved. Required milestones met 12. Part achieved. Good progress made

[1] EBITDAF normalised for positive and negative annual variations in hydrology. For FY24 normalised EBITDAF was $872m.

REMUNERATION REPORT CONTINUED.

The Board approved managements performance against the short-term incentives (STIs) Key Performance Indicators (KPIs) for FY24 at 53.1% of maximum. This recognises achievement of a mix of 'on-target', 'stretch' performance and those KPIs that were not achieved.

In terms of the individual targets the Board determined that the targets were met for Commercial KPIs and that stretch targets were met for the Relationship KPIs. The Generation Growth KPI targets were not met.

The Board applied discretion and agreed that the Retail, Adaptive Organisation and Climate KPIs were partially met.

The Board elected to exercise discretion to determine a performance outcome for the on-target Retail scorecard measure of 10% against an on-target of 12.5%. Whilst the on-target measure had not been met, the Board considered it appropriate to recognise the successful project to integrate the Mercury and Trustpower Retail teams.

The Board elected to exercise discretion to reduce the performance outcome for the Adaptive Organisation scorecard measure from 16% to 5%. Whilst considerable progress had been made against process safety through the course of the year, the Board did not believe we were yet where we needed to be.

The Board elected to exercise discretion to determine a performance outcome for the on-target Climate scorecard measure of 10% against an on-target of 15%. Whilst the on-target measure had not been met, the Board acknowledged the significant programme of climate work that was delivered during the year.

FY25 GROUP SCORECARD

The FY25 Group Scorecard aligns to our new FY25-FY27 three year goals, with 12 Key Performance Indicators (KPIs). The Scorecard consists of on-target KPIs and stretch KPIs and appropriately weighted in terms of value. For FY25, in the event there is a fatality or the normalised hydrology adjusted EBITDAF does not reach 80% then no STI payment will be made.

For FY24 and FY25 Group Scorecards, the Commercial goal is normalised for positive and negative annual variations in hydrology as these are beyond management's control.

The stretch performance levels within each goal allowed employees to be rewarded for exceptional performance. The maximum amount of an STI payment for an EMT member for the shared KPIs was 160% of the STI on-target amount.

The Board retains discretion to ensure the final outcome of STI payments fairly reflects performance over the relevant financial year.

ON-TARGET AND STRETCH EBITDAF WORTH 50% / ON-TARGET AND STRETCH NON-FINANCIAL GOALS WORTH 10% EACH

FY25	KPIs	ALIGNMENT TO 3 YEAR OBJECTIVES
COMMERCIAL 50%	1 EBITDAF target achieved[2] 2 EBITDAF target exceeded	Providing what matters most through financial growth
GENERATION GROWTH 10%	3 Generation availability target met 4 Advancement of pipeline activity exceeded	Delivering more reliable and renewable energy to power Aotearoa
CLIMATE 10%	5 Deliver 2 of 3 outcomes of: - Advancement of new demand or Commercial and Industrial electrification - Progress emission reduction - Sector and Government Energy Transition Framework in place 6 Deliver all 3 outcomes above	Accelerating the shift to a low-carbon future
RELATIONSHIPS 10%	7 Deepening of iwi relationships 8 Broadening of iwi relationships	Creating success with others
ADAPTIVE ORGANISATION 10%	9 Maintain health, wellbeing and safety employee voice scores; and deliver integration synergies 10 Progress operational excellence and productivity	Performing with an adaptive and inclusive culture
TECHNOLOGY 10%	11 Deliver enhanced technology solutions 12 Deliver performance improvement use cases	Innovating with technology

[2]EBITDAF normalised for positive and negative annual variations in hydrology.

REMUNERATION REPORT CONTINUED.

LONG-TERM PERFORMANCE INCENTIVES

Long-term performance incentives (LTIs) are at-risk payments designed to align the reward of executives with the enhancement of shareholder value over a multi-year period.

Under the LTI plan, grants are made annually with performance measured over a three-year period. The LTI plan is a dividend protected share rights plan and executives are granted a number of share rights determined by dividing the face value of the grant by the value of one Mercury share at the date of the grant. At vesting, subject to meeting the performance hurdles, each share right is converted to one ordinary share. The LTI outcome opportunity is capped at 100%, though executives may also receive additional shares representing the value of dividends paid over the vesting period. The executive is liable for tax on the shares received at this point.

Each grant under the LTI plan has two tranches with different performance hurdles:

Tranche	Performance hurdle
Tranche 1	50% of the grant is based on Mercury's Total Shareholder Return (TSR) relative to the performance of an industry peer group comprising Meridian Energy, Genesis Energy, Contact Energy and Manawa Energy. There is no positive TSR performance gate on this tranche but Mercury's TSR must be at the 50th percentile of the comparator group for any award to be made on this component.
Tranche 2	50% of the grant is based on Mercury's absolute TSR against the company's cost of equity over the vesting period, plus 1%.

For the FY24 grant period commencing 1 July 2023, the value represented 40% of the Chief Executive base salary and between 25% to 35% of base salary for other EMT members.

The Board retains discretion over the final outcome of the LTI plan, to allow appropriate adjustments where unanticipated circumstances may impact performance, positively or negatively, over a three-year period.


Ngā Awa Pūrua geothermal station.

Ray Ferguson and Andrew Smith.

REMUNERATION REPORT CONTINUED.

CHIEF EXECUTIVE'S REMUNERATION

Chief Executive's remuneration (FY24 and FY23)

	Salary[3] $	Benefits[4] $	Subtotal $	Pay for performance $			Total remuneration $
				STI	LTI	Subtotal	
Chief Executive – Vince Hawksworth							
FY24	1,371,002	79,221	**1,450,223**	773,241	321,298[5]	**1,094,539**	2,544,762
FY23	1,391,385	73,011	**1,464,396**	993,588	1,388,127[6]	**2,381,715**	3,846,111[6]

[3] Actual salary paid includes holiday pay paid as per NZ legislation. The base salary for Vince Hawksworth for FY23 was $1,285,200 and $1,349,460 for FY24. With a Company change from a monthly pay cycle to a fortnightly pay cycle during FY24, Vince was paid for 51 weeks for FY24 with the remaining week paid in FY25.

[4] Benefits include KiwiSaver and insurance.

[5] The FY24 LTI value relates to the grant for the FY22-FY24 performance period ending 30 June 2024. Performance against the LTI measures for FY22-FY24 was assessed as 35%. The value shown is the total value of 35% of the share rights issued to Vince at the time of the grant on 9 September 2021. The value of share rights on grant date is calculated using the volume weighted average price of Mercury shares over the 10 trading days from the commencement date of the grant. The share rights for the FY22-FY24 grant will transfer to Vince after this integrated report is published. The market value of the vested share rights will be calculated at transfer date using the number of vested share rights including dividend shares multiplied by the volume weighted average price of Mercury shares over the 5 trading days prior to the share transfer date and will be reported in our FY25 integrated report.

[6] The FY23 LTI value relates to the grant for the FY21-FY23 performance period ending 30 June 2023. The value shown is the market value of the vested shares at the 23 August 2023 transfer date. The value was calculated using the number of vested share rights including dividend shares multiplied by the volume weighted average price over the 5 trading days prior to the share transfer date. This value has been updated following the FY23 integrated report as the market value could not be calculated until transfer date. Total Chief Executive remuneration reported in the FY23 integrated report was $3,357,981, with the LTI value reported as $899,997, being the value of the share rights issued to Vince at the time of the grant on 7 October 2020. The value of share rights on grant date is calculated using the volume weighted average price of Mercury shares over the 10 trading days from the commencement date of the grant.

Five-year summary – Chief Executive's remuneration

		Total remuneration paid[7] $	Percentage STI against maximum[8] %	Percentage vested LTI against maximum %	Span of LTI performance period
Chief Executive – Vince Hawksworth	FY24	2,544,762	60	35	2021 - 2024
	FY23	3,846,111	81	100	2020 - 2023
	FY22	2,072,443	77	Not eligible	Not eligible
	FY21	1,799,515	50	Not eligible	Not eligible
	FY20	513,940	51	Not eligible	Not eligible
Chief Executive – Fraser Whineray	FY20	1,653,476	69	87	2017 – 2020

[7] Total remuneration paid including Salary, Benefits, STI and LTI payments. The FY23 value has been updated following the FY23 integrated report as the market value of LTI could not be calculated until transfer date. Total Chief Executive remuneration reported in the FY23 integrated report was $3,357,981.

[8] For FY22 to FY24 the Maximum STI was 160% of 'on-target' performance pay. All other years the Maximum STI was 178% of 'on-target' performance pay.

REMUNERATION REPORT CONTINUED.

Breakdown of Chief Executive's pay for performance (FY24)

	Description	Performance measures	Percentage achieved by Vince Hawksworth
STI[9]	Set at 60% of base salary. Based on a combination of key financial and non-financial performance measures	70% based on the six Company Shared goals (weighted 10-40%)	53%
		30% based on individual measures	75%
LTI[10]	FY22-FY24 grant set at 75% of base salary. Share rights issued at 9 September 2021 with value of $917,994. Volume weighted average price (VWAP)[11] of 6.7.	50% relative TSR performance against Peer Group	70%
		50% absolute TSR against the company's cost of equity over the vesting period, plus 1%.	0%

[9] The above STI percentages achieved by Vince is the percentage STI against the maximum STI percentage of 160%. The above STI for FY24 will be paid in FY25.
[10] The above LTI outcome for FY22-FY24 will be issued in shares in FY25.
[11] The volume weighted average price calculated across the 10 trading days from the Commencement Date of 1 July 2021.

Chief Executive's long-term performance incentives

LTI Tranche[12]	Performance Period	Grant year	Share rights issued date	Number of share rights issued on grant	Value of share rights on grant date $[13]	Number of share rights vested including dividend shares[14]	Value of shares on transfer date $[15]	Share transfer date
FY21-FY23	1 July 2020 to 30 June 2023	FY21	7 October 2020	191,501	$899,997	214,085[16]	1,388,127	23 August 2023
FY22-FY24	1 July 2021 to 30 June 2024	FY22	9 September 2021	137,014	$917,994	54,040	To be determined on transfer date	August 2024
FY23-FY25	1 July 2022 to 30 June 2025	FY23	16 September 2022	167,111	$963,896	To be determined after vesting date	To be determined on transfer date	August 2025
FY24-FY26	1 July 2023 to 30 June 2026	FY24	25 September 2023	83,178	$539,784	0	0	N/A

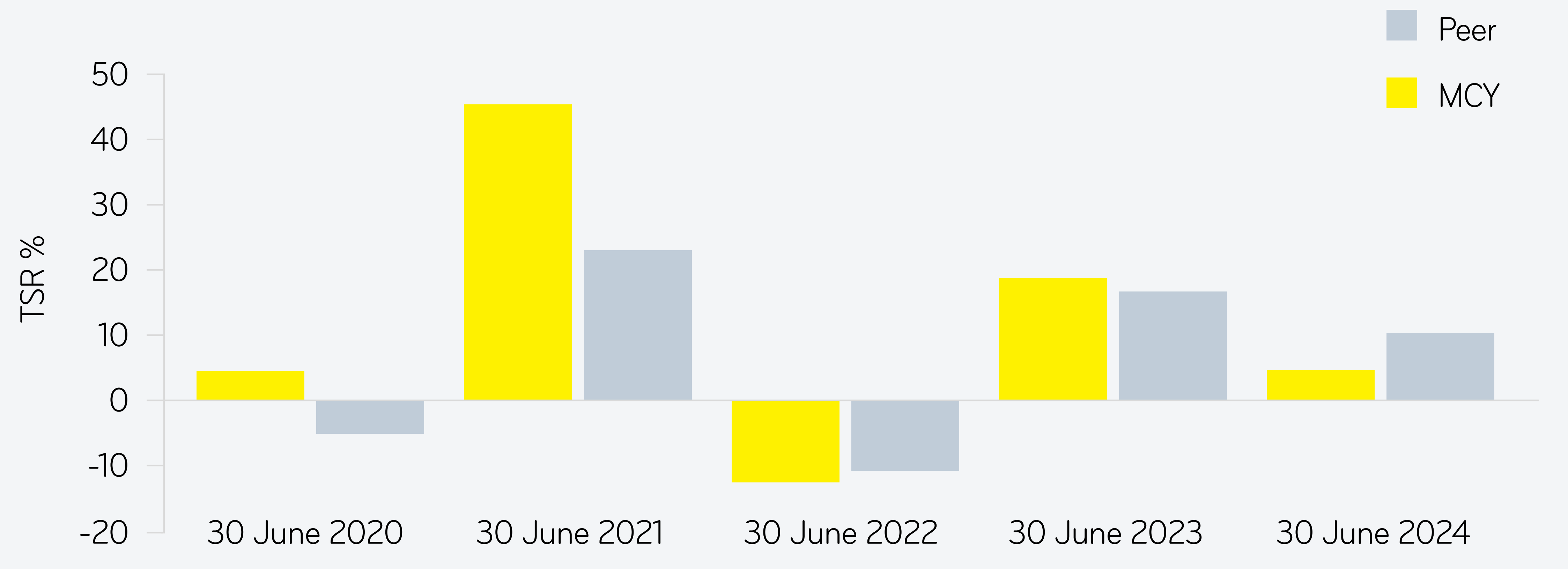
[12] With Vince Hawksworth's departure in FY25, the Board agreed:
- FY25-27 tranche: Vince Hawksworth was not invited to participate in the FY25-27 grant;
- FY24-26 tranche: Vince Hawksworth will no longer be eligible for any LTI in respect of the FY24-26 grant and all share rights will be forfeited; and
- FY23-25 tranche: Vince Hawksworth's FY23-25 grant will remain on foot and will vest in line with that year's grant.

[13] The value of share rights on grant date is calculated using the volume weighted average price of Mercury shares over the 10 trading days from the commencement date of the grant.
[14] Vesting is subject to the performance hurdles being met. See page 110 for the performance hurdles.
[15] The value of share rights on transfer date is calculated using the number of vested share rights including dividend shares multiplied by the volume weighted average price of Mercury shares over the 5 days prior to the share transfer data.
[16] This figure was incorrectly reported as 214,805 in our 2023 Remuneration Report and has now been corrected to 214,085.

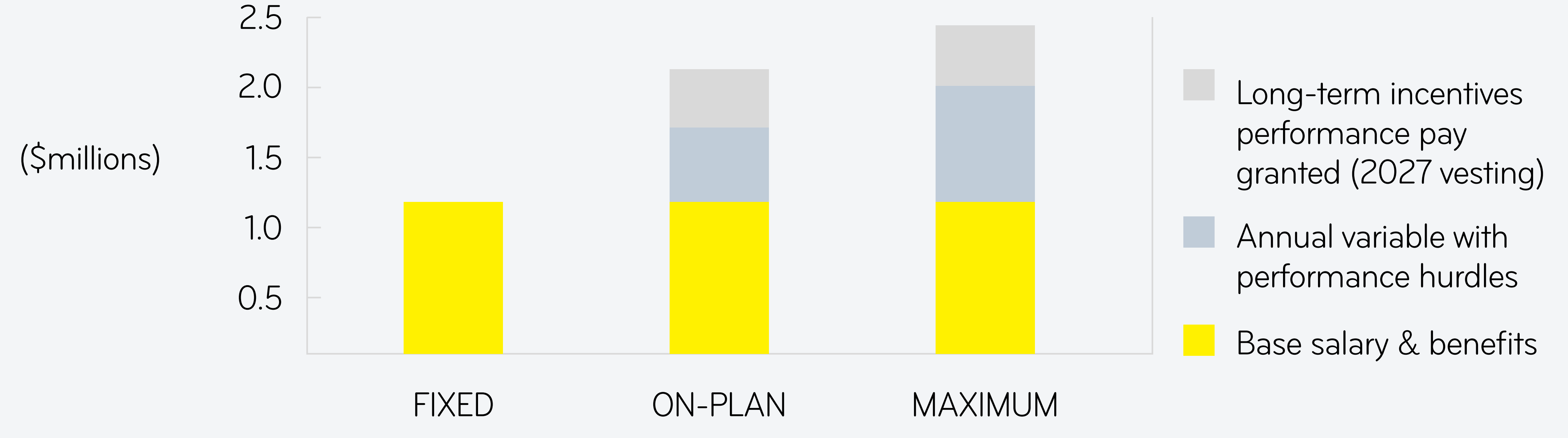
Caroline Warwick and Hui Jia.

REMUNERATION REPORT CONTINUED.

Five-year summary – TSR Performance (company vs peer group)



Incoming Chief Executive – Stewart Hamilton (FY25 appointment)



KIWISAVER

The Chief Executive is a member of KiwiSaver. As a member of this scheme, the Chief Executive is eligible to contribute and receive a company contribution of 3% of gross taxable earnings (including short-term incentives). For FY24, the company's contribution for Vince Hawksworth was $70,938.

FY25 CHIEF EXECUTIVE'S REMUNERATION STRUCTURE

With the departure of Vince Hawksworth and incoming Chief Executive appointment of Stewart Hamilton in FY25, both remuneration structures for FY25 are outlined below. These figures are based on the annualised amount in the Chief Executive role. Vince Hawksworth is not eligible for an STI for the FY25 year or invited to participate in the FY25-FY27 LTI grant.

FY25	Base Salary $	Benefits[17] $	Subtotal $	Pay for performance 'on-target' $			Total remuneration $
				STI	LTI granted[18]	Subtotal	
Chief Executive – Vince Hawksworth	1,349,460	48,767	1,398,227	N/A	N/A	N/A	1,398,227
Incoming Chief Executive – Stewart Hamilton	1,100,000	27,381	1,127,381	550,000	440,000	990,000	2,117,381

[17] Benefits include KiwiSaver and insurance.

[18] This LTI will be granted in FY25 and, if hurdles are met, paid in shares in 2027.

REMUNERATION REPORT CONTINUED.

CHIEF FINANCIAL OFFICER'S REMUNERATION

In the interests of providing greater transparency of executive remuneration, the Board has elected to provide details regarding total remuneration paid to the Chief Financial Officer in FY24.

FY24	Base Salary[19] $	Benefits[20] $	Subtotal $	Pay for performance $[21]			Total remuneration $
				STI	LTI	Subtotal	
Chief Financial Officer	567,757	31,934	599,691	180,329	61,249	241,578	841,269

[19] Actual salary paid includes holiday pay paid as per NZ legislation.

[20] Benefits include superannuation and insurance.

[21] The STI payment relates to FY24 but to be paid in FY25. Performance against the LTI measures for FY22-FY24 was assessed as 35%. The LTI value shown above is the total value of 35% of the share rights issued to the Chief Financial Officer (CFO) at the time of the grant on 9 September 2021. The value of share rights on grant date is calculated using the volume weighted average price of Mercury shares over the 10 trading days from the commencement date of the grant. The share rights for the FY22-FY24 grant will transfer to the CFO after this integrated report is published. The market value of the vested share rights will be calculated at transfer date using the number of vested share rights including dividend shares multiplied by the volume weighted average price over the 5 trading days prior to the share transfer date.

SHARE OWNERSHIP

The Chief Executive and Chief Financial Officer's ownership of Mercury shares as at 30 June 2024 are:

Executive	Number of shares owned (excludes shares held in trust for the LTI scheme)	Change in shares owned since 30 June 2023
Chief Executive	263,312[22]	219,596
Chief Financial Officer	0	40,438[23]
Balance of EMT	96,001[24]	-127,715

[22] Chief Executive shares include shares held in personal capacity as well as those held in trust. The Chief Executive also has a beneficial interest in 100,000 MCY040 bonds and 30,000 MCY060 bonds held in trust.

[23] The Chief Financial Officer disclosed in an Ongoing Disclosure Notice to the market dated 6 September 2023 a transfer of 40,438 shares to Tracey Meek, the Chief Financial Officer's wife. The Chief Financial Officer ceased to have a relevant interest in these shares upon transfer to Tracey Meek.

[24] Balance of shares owned by other EMT members as at 30 June 2024, excluding shares owned by the Chief Executive and Chief Financial Officer. This includes shares in which a beneficial interest is held and includes shares owned by Marlene Strawson who left Mercury in December 2024.

EMPLOYEE REMUNERATION

During the FY24 year the Group paid remuneration in excess of $100,000 including benefits to 718 employees (not including directors) in the following remuneration bands:

Remuneration Band[25]	Currently Employed	No longer employed	Total
$100,001-$110,000	71	5	76
$110,001-$120,000	73	2	75
$120,001-$130,000	116	3	119
$130,001-$140,000	83	4	87
$140,001-$150,000	55	5	60
$150,001-$160,000	54	2	56
$160,001-$170,000	39	4	43
$170,001-$180,000	33	5	38
$180,001-$190,000	26		26
$190,001-$200,000	16	4	20
$200,001-$210,000	10	4	14
$210,001-$220,000	13	3	16
$220,001-$230,000	13	3	16
$230,001-$240,000	13	2	15
$240,001-$250,000	5		5
$250,001-$260,000	6		6
$260,001-$270,000	5		5
$270,001-$280,000	3	1	4
$280,001-$290,000	6		6
$290,001-$300,000	4		4
$300,001-$310,000	1		1
$310,001-$320,000	3		3

Remuneration Band[25]	Currently Employed	No longer employed	Total
$320,001-$330,000	1		1
$330,001-$340,000	1		1
$340,001-$350,000	3		3
$360,001-$370,000	2		2
$370,001-$380,000	3		3
$390,001-$400,000		1	1
$420,001-$430,000	1		1
$450,001-$460,000	1		1
$470,001-$480,000	1		1
$580,001-$590,000	1		1
$620,001-$630,000	1		1
$680,001-$690,000	1		1
$690,001-$700,000	1		1
$720,001-$730,000	1		1
$910,001-$920,000	1		1
$980,001-$990,000		1	1
$1,070,001-$1,080,000	1		1
$3,830,001-$3,840,000	1		1
Total	**669**	**49**	**718**

[25] The remuneration bands above include 19 employees who received redundancy payments in FY24.

At 30 June 2024, our gender pay equity was 96.7% (as at 30 June 2023 this was 97.1%). Gender pay equity is calculated as the average position in range (relative to the role's band midpoint) of female fixed remuneration compared with the average position in range of male fixed remuneration. Our gender pay gap which compares the median hourly rate between males and females was 37% (as at 30 June 2023 this was 41.9%).

Pay equity by ethnicity compared to "other" ethnicity was Māori 98.8%; Asian 98.2% and Pasifika 96.7% (as at 30 June 2023 this was Māori 99.9%; Asian 98.6% and Pasifika 97.6%). The ethnicity pay gap which compares the median hourly rate between each ethnicity and "other" ethnicity was Māori 22.2%; Asian 2% and 37.9% for Pasifika (as at 30 June 2023 this was Māori 32%; Asian -2.7% and Pasifika 37.7%).

TOTAL REMUNERATION RATIO

The total remuneration ratio for FY24 between employee (median) and Chief Executive was 1:30. This is based on, for employees, actual remuneration paid in FY24 (employee median was $83,973) and for the Chief Executive, the amount specified in the table on page 111, $2,544,762.

1:30

DIRECTOR REMUNERATION.

Mercury adopted a Non-Executive Director Remuneration Policy on 17 June 2024. The Policy can be found on the Corporate Governance section of our website. As an exception to the NZX Corporate Governance Code, Mercury did not fully comply with Recommendation 5.1 for part of the reporting period because we did not have a director remuneration policy for the whole period. Mercury is now compliant with Recommendation 5.1.

The directors' remuneration is paid in the form of directors' fees. Additional fees are paid to the Chair and in respect of work carried out by directors on various Board committees to reflect the additional time involved and responsibilities of these positions. The total pool of directors' fees includes headroom which may be used to pay ad hoc compensation to directors for significant additional work performed outside usual Board and committee responsibilities (e.g. special projects). No additional compensation was paid in FY24.

The total pool of fees able to be paid to directors is subject to shareholder approval and currently stands at $1,085,400 for a Board of eight directors. Directors' fees were last reviewed in 2021, with the increase taking effect from 1 October 2021. These fees are set following consultation with key stakeholders and having considered independent remuneration benchmarking advice. Under the NZX Listing Rules, the size of the total pool of directors' fees may increase from time to time as the number of directors on the Board increases. Mercury meets directors' reasonable travel and other costs associated with Mercury business. Mercury does not pay any retirement benefits and does not offer share incentives or share options to directors.

The following people held office as directors during the year to 30 June 2024 and the remuneration set out in the table was received during the period. The number of meetings and attendance rate by directors during the year to 30 June 2024 was as follows:

Director	Board		Risk Assurance & Audit Committee		People & Performance Committee		Nominations & Corporate Governance Committee		Total[1]
No. of meetings	13[2]		5[3]		7[4]		3		28
	Fees $	Meetings Attended	Fees $	Meetings Attended	Fees $	Meetings Attended	Fees $	Meetings Attended	Fees $
Scott St John[5]	154,000 (Chair)	13	–	5 (3 as observer)	10,200 (Chair)	7	3,000	3	167,200
Mark Binns Joined as director on 1 September 2023. Fees paid are representative of part-year payments.	85,833	11	10,833	3	–	1 (observer)	–	–	96,666
Hannah Hamling	103,000	11	13,000	5	–	–	–	–	116,000
Adrian Littlewood Joined as a director on 1 August 2023. Fees paid are representative of part-year payments.	94,417	12	–	2 (observer)	9,167	7 (1 as observer)	–	–	103,584
James Miller	103,000	13	28,000 (Chair)	5	–	–	6,000	3	137,000
Susan Peterson[6]	103,000	13	–	2 (observer)	15,200 (Chair)	7	3,000	2	121,200
Mike Taitoko	103,000	12	–	1 (observer)	10,000	7	–	–	113,000
Lorraine Witten	103,000	13	13,000	5	–	–	–	–	116,000
Prue Flacks Retired as a director on 31 December 2023. Fees paid are representative of part-year payments.	102,500	5	–	3	–	2	–	1	102,500
Patrick Strange Retired as a director on 19 September 2023. Fees paid are representative of part-year payments.	25,750	2	3,250	2	–	–	–	–	29,000
Total	977,500		68,083		44,567		12,000		1,102,150[7]

For reference: Future Director Nicole Rosie was paid $3,333 in relation to her role as future director in FY24. Nicole Rosie's position as future director began on 1 May 2024.

[1] Disclosure Committee is not reported on as these occur as ad-hoc and on an as required basis.

[2] This includes nine regular Board meetings and four out of cycle Board meetings. The out of cycle meetings were outside of, and in addition to, the usual meeting cycle and were in relation to our FY2023 annual results, our drilling campaign and the Chief Executive transition.

[3] This includes four regular Risk Assurance and Audit Committee meetings and one out of cycle meeting relating to our FY23 climate-related disclosures.

[4] This includes four regular People and Performance Committee meetings and three out of cycle meetings relating to the Chief Executive transition.

[5] Scott St John became Chair of the Board on 1 January 2024. Scott St John's fees cover $102,500 as Chair and $51,500 in the capacity of director. Scott's fee for the People and Performance Committee and the Nominations and Corporate Governance Committee reflect his participation in those committees as director and Chair of the People and Performance Committee between the period of 1 July 2023 to 31 December 2023. Following that period, Scott participated in committees in the capacity of Board Chair and did not receive payment for those attendances in addition to his fees as Chair.

[6] Susan Peterson was a member of the People and Performance Committee from 1 July 2023 to 31 December 2023 before becoming Chair of the People and Performance Committee and a member of the Nominations and Corporate Governance Committee on 1 January 2024. Susan's fees reflect part-year committee and committee chair payments.

[7] The total directors' fee pool was last approved by shareholders at Mercury's 2021 annual shareholders' meeting as $1,085,400. Under Rule 2.11.3 of the NZX Listing Rules, the Board may, without shareholder approval, proportionately increase the total pool of directors' fees to accommodate an increase in the number of directors from the number of directors in office when the fee pool was last approved by shareholders. During FY24, the number of directors on the Board increased from eight to 10 when Adrian Littlewood and Mark Binns became directors, decreased to nine following Patrick Strange's retirement and then decreased to eight again following Prue Flacks' retirement. The total directors' fee pool was adjusted throughout FY24 to accommodate the changing number of directors in accordance with the NZX Listing Rules, with the total fees paid to directors in FY24 of $1,102,150 being less than the maximum amount by which the fee pool could have been increased.

NZX CORPORATE GOVERNANCE CODE INDEX.

NZX CGC Recommendation	Section title	Location
Principle 1 – Ethical Standards		
1.1 Code of ethics	Acting Ethically & Responsibly	The Mercury Code & Our Governance and Responsible Business Practices, p101-102
1.2 Financial product dealing policy	Acting Ethically & Responsibly	Our Governance and Responsible Business Practices, p102
Principle 2 – Board Composition & Performance		
2.1 Board charter	Mercury's Board	Responsibilities, p92
2.2 Board nomination and appointment	Mercury's Board	Selection, Nomination & Appointment, p93
2.3 Director agreements	Mercury's Board	Selection, Nomination & Appointment, p93
2.4 a. Director profiles, tenure and ownership interests	Your Board of Directors Directors' Disclosures	p86-88 Interests register, p117
b. Director meeting attendance	Remuneration Report	Director Remuneration, p115
c. Director independence	Mercury's Board	Independence, p92
2.5 Diversity policy	Diversity, Equity & Inclusion	p102
2.6 Director training	Mercury's Board	Induction & Development, p93
2.7 Director performance	Mercury's Board	Board Skills Matrix, p94 Reviewing Performance, p95
2.8 Majority independent directors	Mercury's Board	Independence, p92
2.9 Independent chair	Mercury's Board	Independence, p92
2.10 Chair / CEO separation	Your Board of Directors Your Executive Management Team	p86-88 p89
Principle 3 – Board Committees		
3.1 Audit committee	Mercury's Board	Board Committees, p95-96
3.2 Attendance at audit committee by employees by invitation	Mercury's Board	Board Committees, p96
3.3 Remuneration committee	Mercury's Board *As an exception to the NZX Corporate Governance Code, Mercury does not comply with Recommendation 3.3 because it does not have a separate remuneration committee.* *See the Board Committees section of this report for a full explanation of this exception.*	Board Committees, p95
3.4 Nomination committee	Mercury's Board	Board Committees, p95-96
3.5 Other standing committees	Mercury's Board	Board Committees, p95
3.6 Takeover protocol	Acting Ethically & Responsibly	Our Governance and Responsible Business Practices, p102

NZX CGC Recommendation	Section title	Location
Principle 4 – Reporting & Disclosure		
4.1 Continuous disclosure policy	Acting Ethically & Responsibly	Our Governance and Responsible Business Practices, p102
4.2 Code of ethics, charters and policies on website	Acting Ethically & Responsibly www.mercury.co.nz/investors/corporate-governance	The Mercury Code & Our Governance and Responsible Business Practices, p101-102
4.3 Balanced, clear and objective financial reporting	Notes to the Consolidated Financial Statements	p41-61
4.4 Non-financial disclosure	Climate Statement	p62-84
Principle 5 - Remuneration		
5.1 Director remuneration policy	Remuneration Report *As an exception to the NZX Corporate Governance Code, Mercury did not fully comply with Recommendation 5.1 for part of the reporting period because we did not have a director remuneration policy for the whole period. Mercury is now compliant with Recommendation 5.1.* *See the Remuneration Report for a full explanation of this exception.*	Director Remuneration, p115
5.2 Executive remuneration policy	Remuneration Report	Executive Remuneration, p105-114
5.3 CEO remuneration	Remuneration Report	Chief Executive's Remuneration, p111-114
Principle 6 – Risk Management		
6.1 Risk management	Assurance & Managing Risk The Risks We Face	Our Key Risks, Risk Management Framework & RAAC Responsibilities, p97-100 Our Key Risks, p16
6.2 Health and safety risks	The Risks We Face 4. Ngā Tāngata / People	Our Key Risks, p16 Pursuing Safety Citizenship, p28
Principle 7 - Auditors		
7.1 Audit framework	Assurance & Managing Risk	Audit Plan & Role of Auditor, p97
7.2 External auditor attends annual meeting	Assurance & Managing Risk	Audit Plan & Role of Auditor, p97
7.3 Internal audit	Assurance & Managing Risk	Internal Audit & Risk Assurance, p97
Principle 8 – Shareholder Rights & Relations		
8.1 Investor website	www.mercury.co.nz/investors	
8.2 Shareholder communications	Engaging With Investors	p100
8.3 Right to vote	Other Disclosures	Information About Mercury NZ Limited Ordinary Shares, p126
8.4 Pro rata offers	N/A during the reporting period	
8.5 Notice of meeting	See the Notice of Meeting for 2024 on NZX and posted on our website	

DIRECTORS' DISCLOSURES.

INTERESTS REGISTER

DISCLOSURE OF DIRECTORS' INTERESTS

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the Company of a position held by a director in another named company or entity. The following are particulars included in the Company's Interests Register as at 30 June 2024:

Mark Binns	
Crown Infrastructure Partners Limited	Chair[1]
Hynds Limited	Chair[1]
Auckland International Airport Limited	Director[1]
Meridian Energy Limited	Shareholder[1]
Manawa Energy Limited	Shareholder[1]
Contact Energy Limited	Shareholder[1]
Genesis Energy Limited	Shareholder[1]
Vector Limited	Shareholder[1]

Hannah Hamling	
ArcActive Limited	Shareholder

Adrian Littlewood	
Craigs Investment Partners Limited	Director[1]
CIP Holdings Limited	Director / Shareholder[1]
Contact Energy Limited	Shareholder[1]
Spark New Zealand Limited	Shareholder[1]

James Miller	
Channel Infrastructure NZ Limited	Chair
Vista Group International Limited	Director
Ryman Healthcare Limited	Director

Susan Peterson	
Vista Group International Limited	Chair / Shareholder
Craigs Investment Partners Limited	Director
CIP Holdings Limited	Director / Shareholder
Arvida Group Limited	Director / Shareholder
Xero Limited	Director / Shareholder

[1] Entries added by notices given by the directors during the year ended 30 June 2024

[2] Entries removed by notices given by the directors during the year ended 30 June 2024

Scott St John	
Fisher & Paykel Healthcare Corporation Limited*	Chair
Next Foundation (and associated vehicles)	Director
ANZ Bank New Zealand Limited	Chair[1] (previously Director)
Australia and New Zealand Banking Group Limited	Director[1]
ANZ Group Holdings Limited	Director[1]
Fonterra Co-operative Group Limited	Director[2]

*Scott St John has given notice that he will retire from the Board of Fisher & Paykel Healthcare Corporation Limited in August 2024.

Mike Taitoko	
Takiwa Limited	Director / Shareholder
Waiora Consulting Limited	Director / Shareholder
Toha Foundry Limited	Director / Shareholder
Takiwā NZ Limited	Director / Shareholder
Toha Network Limited	Director / Shareholder[1]
Toha Aotearoa 2030 Limited	Director / Shareholder[1]

Lorraine Witten	
VWORK Limited	Director / Shareholder
MOVe Logistics Group Limited* (and other group entities)	Director[1] (previously Chair) / Shareholder
Rakon Limited	Chair / Shareholder
Rakon PPS Trustee Limited	Director / Shareholder

* Lorraine Witten has given notice that she will retire from the Board of MOVe Logistics Group Limited and other group entities in October 2024.

RETIRED DURING THE REPORTING PERIOD

Prue Flacks retired as a director during the period on 31 December 2023 and Patrick Strange retired as a director during the period on 19 September 2023. The following are particulars included against their names in the Company's Interest Register during this period.

Prue Flacks	
None	
Patrick Strange	
Auckland International Airport Limited	Chair
Transgrid	Director

DIRECTORS' DISCLOSURES CONTINUED.

DIRECTORS' AND OFFICERS' INDEMNITIES

Indemnities have been given to and insurance has been effected for, directors and senior managers of the Group to cover acts or omissions of those persons in carrying out their duties and responsibilities as directors and senior managers.

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE AND BOND TRANSACTIONS

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in Group shares and bonds during the period to 30 June 2024:

Name of director	Date of acquisition/ disposal of relevant interest	Nature of transaction and relevant interest	Consideration (NZD)	Securities in which a relevant interest was acquired/(disposed)
Scott St John	29 September 2023	Acquisition of beneficial interest in ordinary shares as a result of participation in Mercury's Dividend Reinvestment Plan	$6,191.65	1,019
Scott St John	2 April 2024	Acquisition of beneficial interest in ordinary shares as a result of participation in Mercury's Dividend Reinvestment Plan	$4,485.07	673

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES AND BONDS

Directors disclosed the following relevant interests in Group shares and bonds as at 30 June 2024:

Director	Number of Shares in which a relevant interest is held	Number of bonds	Change since 30 June 2023
Mark Binns	28,240	150,000 MCY050 Capital Bonds	N/A
Hannah Hamling	16,300	–	–
Adrian Littlewood	4,160	–	N/A
James Miller	40,320	–	–
Susan Peterson	5,400	–	–
Scott St John	48,931	–	+1,692 shares
Mike Taitoko	2,200	–	–

DISCLOSURE OF SUBSIDIARY DIRECTORS' INTERESTS

The following are particulars included in the Interests Register for Mercury's subsidiary companies as at 30 June 2024:

Director	Interest	Entity
Prue Flacks	*Refer to Disclosure of Directors' Interests.*	
Phil Gibson	Nil	
Stewart Hamilton	Nil	
Vincent Hawksworth[1]	Chief Executive Officer	Mercury NZ Limited
James Miller	*Refer to Disclosure of Directors' Interests.*	
William Meek[1]	Chief Financial Officer	Mercury NZ Limited
Craig Neustroski	Nil	
Mike Taitoko	*Refer to Disclosure of Directors' Interests.*	
Marlene Strawson	Nil	
Howard Thomas[1]	Nil	
Timothy Aynsley	Nil	

[1] This person is a Director of more than one subsidiary of Mercury NZ Limited, please refer to Company Disclosures.

SECURITY HOLDER INFORMATION.

SHAREHOLDER INFORMATION

Twenty largest registered shareholders as at 30 June 2024[1]

Name	Number of shares	% of shares[2]
The Sovereign in right of New Zealand acting by and through their Minister of Finance and Minister for State Owned Enterprises	716,140,528	51.15
HSBC Nominees (New Zealand) Limited	70,623,375	5.04
HSBC Nominees (New Zealand) Limited A/C State Street	60,638,789	4.33
Citibank Nominees (New Zealand) Limited	54,385,255	3.88
JPMorgan Chase Bank NA NZ Branch-Segregated Clients ACCT	46,133,013	3.30
Custodial Services Limited	39,838,182	2.85
BNP Paribas Nominees (NZ) Limited	38,428,815	2.74
Accident Compensation Corporation	20,520,406	1.47
FNZ Custodians Limited	17,076,924	1.22
New Zealand Depository Nominee Limited	13,022,078	0.93
JBWere (NZ) Nominees Limited	12,682,302	0.91
Tea Custodians Limited Client Property Trust Account	11,924,171	0.85
BNP Paribas Nominees (NZ) Limited	9,725,232	0.69
Generate Kiwisaver Public Trust Nominees Limited	9,617,193	0.69
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	9,529,744	0.68
Forsyth Barr Custodians Limited	8,122,081	0.58
ANZ Wholesale Australasian Share Fund	7,202,491	0.51
Simplicity Nominees Limited	6,898,496	0.49
PT (Booster Investments) Nominees Limited	6,078,205	0.43
Mercury NZ Limited[3]	5,956,785	0.43
Total	**1,164,544,065**	**83.18**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.

[2] Percentage calculated on the basis of Mercury having 1,400,012,517 ordinary shares on issue as at 30 June 2024, which included 5,956,785 ordinary shares held as treasury shares.

[3] Held as treasury shares.

Distribution of shareholders and holdings as at 30 June 2024

Size of holding	Number of shareholders	% of shareholders[1]	Number of shares	Holding quantity %[1]
1 to 1,000	27,062	39.33	18,175,324	1.30
1,001 to 5,000	33,213	48.27	77,087,065	5.51
5,001 to 10,000	5,386	7.83	39,439,828	2.82
10,001 to 100,000	3,045	4.43	62,813,154	4.49
100,001 and above	103	0.15	1,202,497,146	85.89
Total	**68,809**	**100**	**1,400,012,517**	**100**

[1] Rounding applied.

Substantial product holders as at 30 June 2024

	Class of Securities	Number of Securities in Substantial Holding	Total Number of Securities in Class
The Sovereign in Right of New Zealand	Ordinary shares	725,738,272[1]	1,400,012,517[2]

[1] This comprises (a) 716,140,528 shares held by the Crown on its own account; (b) 9,529,744 shares forming part of the New Zealand Superannuation Fund which are the property of the Crown; and (c) 68,000 shares held by Public Trust on trust for the Crown and certain iwi.

[2] As at 30 June 2024, Mercury had 1,400,012,517 ordinary shares on issue, which included 5,956,785 ordinary shares held as treasury shares.

BONDHOLDER INFORMATION.

Twenty largest registered holders of MCY020 capital bonds (3.60%) as at 30 June 2024[1]

Name	Number of MCY020 capital bonds	% of MCY020 capital bonds[2]
Forsyth Barr Custodians Limited	106,285,000	35.43
Custodial Services Limited	52,932,000	17.64
JBWere (NZ) Nominees Limited	31,217,000	10.41
FNZ Custodians Limited	12,803,000	4.27
Forsyth Barr Custodians Limited	9,366,000	3.12
Public Trust	9,313,000	3.10
NZPT Custodians (Grosvenor) Limited	7,195,000	2.40
Forsyth Barr Custodians Limited	4,530,000	1.51
Tea Custodians Limited Client Property Trust Account	4,056,000	1.35
Generate Kiwisaver Public Trust Nominees Limited	3,387,000	1.13
Masfen Securities Limited	3,200,000	1.07
Best Farm Limited	2,900,000	0.97
Citibank Nominees (New Zealand) Limited	2,815,000	0.94
The Tindall Foundation Inc	1,800,000	0.60
Forsyth Barr Custodians Limited	1,290,000	0.43
Wharetukura Limited	1,200,000	0.40
Robert Murray Solloway	1,025,000	0.34
Richard Barton Adams and Allison Ruth Adams	1,000,000	0.33
CML Shares Limited	900,000	0.30
Investment Custodial Services Limited	808,000	0.27
Total	**258,022,000**	**86.01**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.
[2] Percentage calculated on the basis of Mercury having 300,000,000 MCY020 capital bonds on issue as at 30 June 2024.
Note: All MCY020 Capital Bonds were redeemed on 11 July 2024.

Distribution of MCY020 (3.60%) capital bondholders and holdings as at 30 June 2024

Size of holding	Number of MCY020 capital bondholders	% of MCY020 capital bondholders[1]	Number of MCY020 capital bonds	Holding quantity %[1]
1,001 to 5,000	78	6.44	390,000	0.13
5,001 to 10,000	238	19.64	2,305,000	0.77
10,001 to 100,000	825	68.07	27,371,000	9.12
100,001 and above	71	5.86	269,934,000	89.98
Total	**1,212**	**100**	**300,000,000**	**100**

[1] Rounding applied.

BONDHOLDER INFORMATION CONTINUED.

Twenty largest registered holders of MCY030 green bonds (1.56%) as at 30 June 2024[1]

Name	Number of MCY030 green bonds	% of MCY030 green bonds[2]
Custodial Services Limited	38,966,000	19.48
Tea Custodians Limited Client Property Trust Account	26,769,000	13.38
HSBC Nominees (New Zealand) Limited	16,507,000	8.25
Forsyth Barr Custodians Limited	14,247,000	7.12
ANZ Wholesale NZ Fixed Interest Fund	12,250,000	6.13
FNZ Custodians Limited	12,110,000	6.06
BNP Paribas Nominees (NZ) Limited	11,384,000	5.69
JBWere (NZ) Nominees Limited	8,364,000	4.18
Adminis Custodial Nominees Limited	6,000,000	3.00
HSBC Nominees (New Zealand) Limited A/C State Street	5,211,000	2.61
MT Nominees Limited	4,448,000	2.22
ANZ Custodial Services New Zealand Limited	4,367,000	2.18
FNZ Custodians Limited	3,584,000	1.79
Generate Kiwisaver Public Trust Nominees Limited	3,112,000	1.56
Citibank Nominees (New Zealand) Limited	2,416,000	1.21
Forsyth Barr Custodians Limited	2,392,000	1.20
BGLIR Trustee Limited	2,000,000	1.00
Mint Nominees Limited	1,918,000	0.96
Forsyth Barr Custodians Limited	1,556,000	0.78
Investment Custodial Services Limited	1,240,000	0.62
Total	**178,841,000**	**89.42**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.

[2] Percentage calculated on the basis of Mercury having 200,000,000 MCY030 green bonds on issue as at 30 June 2024.

Distribution of MCY030 (1.56%) green bondholders and holdings as at 30 June 2024

Size of holding	Number of MCY030 green bondholders	% of MCY030 green bondholders[1]	Number of MCY030 green bonds	Holding quantity %[1]
1,001 to 5,000	17	5.45	85,000	0.04
5,001 to 10,000	58	18.59	529,000	0.26
10,001 to 100,000	185	59.29	6,806,000	3.40
100,001 and above	52	16.67	192,580,000	96.29
Total	**312**	**100**	**200,000,000**	**100**

[1] Rounding applied.

BONDHOLDER INFORMATION CONTINUED.

Twenty largest registered holders of MCY040 green bonds (2.16%) as at 30 June 2024[1]

Name	Number of MCY040 green bonds	% of MCY040 green bonds[2]
Custodial Services Limited	47,205,000	23.60
FNZ Custodians Limited	30,336,000	15.17
Forsyth Barr Custodians Limited	15,924,000	7.96
BNP Paribas Nominees (NZ) Limited	13,061,000	6.53
Tea Custodians Limited Client Property Trust Account	11,950,000	5.98
HSBC Nominees (New Zealand) Limited	11,875,000	5.94
Southland Building Society	9,250,000	4.63
PIN Twenty Limited	7,178,000	3.59
Citibank Nominees (New Zealand) Limited	6,705,000	3.35
NZX WT Nominees Limited	4,163,000	2.08
FNZ Custodians Limited	3,465,000	1.73
Dunedin City Council	3,000,000	1.50
MT Nominees Limited	3,000,000	1.50
Forsyth Barr Custodians Limited	2,905,000	1.45
Forsyth Barr Custodians Limited	2,686,000	1.34
Investment Custodial Services Limited	2,211,000	1.11
JBWere (NZ) Nominees Limited	2,013,000	1.01
FNZ Custodians Limited	1,851,000	0.93
JBWere (NZ) Nominees Limited	1,807,000	0.90
JBWere (NZ) Nominees Limited	1,485,000	0.74
Total	**182,070,000**	**91.04**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.
[2] Percentage calculated on the basis of Mercury having 200,000,000 MCY040 green bonds on issue as at 30 June 2024.

Distribution of MCY040 (2.16%) green bondholders and holdings as at 30 June 2024

Size of holding	Number of MCY040 green bondholders	% of MCY040 green bondholders[1]	Number of MCY040 green bonds	Holding quantity %[1]
1,001 to 5,000	21	7.66	105,000	0.05
5,001 to 10,000	59	21.53	568,000	0.28
10,001 to 100,000	149	54.38	5,718,000	2.86
100,001 and above	45	16.42	193,609,000	96.80
Total	**274**	**100**	**200,000,000**	**100**

[1] Rounding applied.

BONDHOLDER INFORMATION CONTINUED.

Twenty largest registered holders of MCY050 capital bonds (5.73%) as at 30 June 2024[1]

Name	Number of MCY050 capital bonds	% of MCY050 capital bonds[2]
Forsyth Barr Custodians Limited	82,710,000	33.08
JBWere (NZ) Nominees Limited	33,125,000	13.25
HSBC Nominees (New Zealand) Limited	22,108,000	8.84
Custodial Services Limited	18,610,000	7.44
Citibank Nominees (New Zealand) Limited	11,550,000	4.62
Forsyth Barr Custodians Limited	6,494,000	2.60
Generate Kiwisaver Public Trust Nominees Limited	6,238,000	2.50
FNZ Custodians Limited	5,851,000	2.34
Forsyth Barr Custodians Limited	4,966,000	1.99
Adminis Custodial Nominees Limited	3,780,000	1.51
CML Shares Limited	3,655,000	1.46
Millar Capital Fund Limited	3,000,000	1.20
Investment Custodial Services Limited	2,476,000	0.99
Masfen Securities Limited	2,000,000	0.80
Best Farm Limited	1,500,000	0.60
Forsyth Barr Custodians Limited	1,335,000	0.53
Fletcher Building Educational Fund Limited	1,000,000	0.40
JBWere (NZ) Nominees Limited	1,000,000	0.40
Robert William Bentley Morrison and Andrew James Stewart and Anthony James William Howard	1,000,000	0.40
RGTKMT Investments Limited	800,000	0.32
Total	**213,198,000**	**85.28**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.

[2] Percentage calculated on the basis of Mercury having 250,000,000 MCY050 capital bonds on issue as at 30 June 2024.

Distribution of MCY050 (5.73%) capital bondholders and holdings as at 30 June 2024

Size of holding	Number of MCY050 capital bondholders	% of MCY050 capital bondholders[1]	Number of MCY050 capital bonds	Holding quantity %[1]
1,001 to 5,000	117	10.96	585,000	0.23
5,001 to 10,000	234	21.91	2,224,000	0.89
10,001 to 100,000	645	60.39	21,418,000	8.57
100,001 and above	72	6.74	225,773,000	90.31
Total	**1,068**	**100**	**250,000,000**	**100**

[1] Rounding applied.

BONDHOLDER INFORMATION CONTINUED.

Twenty largest registered holders of MCY060 green bonds (5.64%) as at 30 June 2024[1]

Name	Number of MCY060 green bonds	% of MCY060 green bonds[2]
Custodial Services Limited	64,546,000	43.03
HSBC Nominees (New Zealand) Limited	20,600,000	13.73
Forsyth Barr Custodians Limited	12,946,000	8.63
FNZ Custodians Limited	8,575,000	5.72
BNP Paribas Nominees (NZ) Limited	7,634,000	5.09
Queen Street Nominees ACF Pie Funds	5,900,000	3.93
JBWere (NZ) Nominees Limited	3,820,000	2.55
ANZ Fixed Interest Fund	2,950,000	1.97
NZPT Custodians (Grosvenor) Limited	2,500,000	1.67
Forsyth Barr Custodians Limited	2,449,000	1.63
Investment Custodial Services Limited	1,959,000	1.31
JBWere (NZ) Nominees Limited	1,000,000	0.67
ANZ Custodial Services New Zealand Limited	682,000	0.45
Fletcher Building Educational Fund Limited	670,000	0.45
Custodial Services Limited	625,000	0.42
HSBC Nominees (New Zealand) Limited A/C State Street	600,000	0.40
Omega Investments Limited	550,000	0.37
Citibank Nominees (New Zealand) Limited	500,000	0.33
Lee Paterson Family Trust Company Limited	500,000	0.33
Sirius Capital Limited	500,000	0.33
Total	**139,506,000**	**93.00**

[1] As required by the NZX Listing Rules, New Zealand Central Securities Depository (NZCSD) holdings are included above and not detailed separately.
[2] Percentage calculated on the basis of Mercury having 150,000,000 MCY060 green bonds on issue as at 30 June 2024.

Distribution of MCY060 (5.64%) green bondholders and holdings as at 30 June 2024

Size of holding	Number of MCY060 green bondholders	% of MCY060 green bondholders[1]	Number of MCY060 green bonds	Holding quantity %[1]
1,001 to 5,000	24	8.14	120,000	0.08
5,001 to 10,000	52	17.63	492,000	0.33
10,001 to 100,000	178	60.34	5,494,000	3.66
100,001 and above	41	13.90	143,894,000	95.93
Total	**295**	**100**	**150,000,000**	**100**

[1] Rounding applied.

COMPANY DISCLOSURES.

STOCK EXCHANGE LISTINGS

Mercury NZ Limited (referred to in this section as "Mercury" or "the Company") is listed on the New Zealand stock exchange and as an ASX Foreign Exempt Listing on the Australian stock exchange.

In New Zealand, Mercury is listed with a "non-standard" (NS) designation. This is due to particular provisions of the Constitution, including the requirements regulating ownership and transfer of Ordinary Shares.

ASX approved a change in Mercury NZ Limited's ASX admission category from an ASX Listing to an ASX Foreign Exempt Listing, effective from the commencement of trading on 19 February 2016.

The Company continues to have a full listing on the NZX Main Board, and the Company's shares are still quoted on the ASX. The Company is primarily regulated by the NZX, complies with the NZX Listing Rules, and is exempt from complying with most of the ASX Listing Rules (based on the principle of substituted compliance).

MERCURY NZ LIMITED

The following persons held office as Directors of Mercury NZ Limited during the 2024 financial year and as at the end of the 2024 financial year, being 30 June 2024: Scott St John (Chair)[1], Mark Binns[2], Hannah Hamling, Adrian Littlewood[2], James Miller, Susan Peterson, Mike Taitoko, Lorraine Witten, Prue Flacks (Chair)[3] and Patrick Strange[3].

SUBSIDIARY COMPANIES

The following persons held office as directors of subsidiaries of Mercury NZ Limited during FY24:

Company name	Directors
Blockchain Energy Limited	Vincent Hawksworth William Meek Howard Thomas
Bosco Connect Limited	Vincent Hawksworth William Meek Howard Thomas
Glo-Bug Limited	Vincent Hawksworth William Meek Howard Thomas
Kawerau Geothermal Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury Drive Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury Energy Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury ESPP Limited	William Meek Marlene Strawson[3] Howard Thomas
Mercury Geothermal Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury LTI Limited	Prue Flacks[3] Mike Taitoko Howard Thomas
Mercury Solar Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury SPV Limited	Vincent Hawksworth William Meek Howard Thomas
Mercury Wind Limited	Vincent Hawksworth William Meek Howard Thomas
Mighty Geothermal Power International Limited	Vincent Hawksworth William Meek Howard Thomas
Mighty Geothermal Power Limited	Vincent Hawksworth William Meek Howard Thomas
Mighty River Power Limited	Vincent Hawksworth William Meek Howard Thomas
Ngātamariki Geothermal Limited	Vincent Hawksworth William Meek Howard Thomas
NOW New Zealand Limited	Timothy Aynsley Vincent Hawksworth Paul Callow[3] Hamish White Craig Neustroski[2]
Rotokawa Generation Limited	William Meek Phil Gibson Stewart Hamilton
Rotokawa Geothermal Limited	Vincent Hawksworth William Meek Howard Thomas
Special General Partner Limited	Vincent Hawksworth William Meek Howard Thomas
Tararua Wind Power Limited	Vincent Hawksworth William Meek Howard Thomas
Waverley Wind Farm (NZ) Holding Limited	Vincent Hawksworth William Meek Howard Thomas
Waverley Wind Farm Limited	Vincent Hawksworth William Meek Howard Thomas
What Power Crisis (2016) Limited	Vincent Hawksworth William Meek Howard Thomas

[1] Scott St John became Chair on 1 January 2024.
[2] Directors appointed during FY24.
[3] Directors removed during FY24.

OTHER DISCLOSURES.

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

NZX

Mercury NZ Limited (referred to in this section as "Mercury" or "the Company") has a waiver in respect of NZX Listing Rule 8.1.5. This waiver permits Mercury's Constitution (Constitution) to contain provisions allowing:

- the Crown and Mercury to enforce the 10% limit; and
- Mercury to suspend dividend and voting rights attached to Mercury ordinary shares where the 10% limit is breached.

ASX

ASX has granted the Company waivers in respect of the ASX Listing Rules to allow the Constitution to contain provisions reflecting the ownership restrictions imposed by the New Zealand Public Finance Act 1989 (Public Finance Act) and to allow the Crown to cancel the sale of shares to applicants who acquire shares under the General Offer and are not New Zealand applicants.

The majority of the waivers that ASX previously granted to Mercury are no longer relevant following the change of the Company's admission category to an ASX Foreign Exempt Listing in February 2016.

The waivers from ASX Listing Rules 8.10 and 8.11 continue to apply. These waivers permit the Constitution to contain provisions:

- allowing the Crown and Mercury to enforce the 10% limit; and
- enabling Mercury to prevent shareholders who acquired shares under the General Offer and are not New Zealand applicants from transferring those shares and to enable Mercury to sell those shares.

INFORMATION ABOUT MERCURY NZ LIMITED ORDINARY SHARES

This statement sets out information about the rights, privileges, conditions, and limitations, including restrictions on transfer, that attach to shares in Mercury.

Rights and privileges

Under the Constitution and the New Zealand Companies Act 1993 (Companies Act), each share gives the holder a right to:

- attend and vote at a meeting of shareholders, including the right to cast one vote per share on a poll on any resolution, such as a resolution to:
  - appoint or remove a director;
  - adopt, revoke or alter the Constitution;
  - approve a major transaction (as that term is defined in the Companies Act);
  - approve the amalgamation of the Company under section 221 of the Companies Act; or
  - place the Company in liquidation;
- receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by the Company in respect of that share;
- receive an equal share with other shareholders in the distribution of surplus assets in any liquidation of the Company;
- be sent certain information, including notices of meeting and the Company reports sent to shareholders generally; and
- exercise the other rights conferred upon a shareholder by the Companies Act and the Constitution.

Restrictions on ownership and transfer

The Public Finance Act includes restrictions on the ownership of certain types of securities issued by Mercury and consequences for breaching those restrictions. The Constitution incorporates these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of shares under the Public Finance Act and the Constitution is set out below. If Mercury issues any other class of shares, or other securities which confer voting rights, in the future, the restrictions summarised below would also apply to those other classes of shares or voting securities.

51% Holding

The Crown must hold at least 51% of the shares on issue.

The Company must not issue, acquire or redeem any shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

On 10 December 2018, Mercury entered into an agreement with the Crown, under which the Crown agrees to participate in any future dividend reinvestment plan or share buyback of the Company, in each case only to the extent required to maintain the Crown's proportionate shareholding following the dividend reinvestment plan or share buyback. A copy of the Crown Participation Agreement is available on the Treasury's website.

10% Limit

No person (other than the Crown) may have a 'relevant interest' in more than 10% of the shares on issue (10% Limit).

The Company must not issue, acquire or redeem any shares if it has actual knowledge that such issue, acquisition or redemption will result in any person other than the Crown exceeding the 10% Limit.

Ascertaining whether a breach has occurred

If a holder of shares breaches the 10% Limit or knows or believes that a person who has a relevant interest in shares held by that holder may have a relevant interest in shares in breach of the 10% Limit, the holder must notify Mercury of the breach or potential breach.

Mercury may require a holder of shares to provide it with a statutory declaration if the Board knows or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have a relevant interest in any shares held by that holder.

Determining whether a breach has occurred

Mercury has the power to determine whether a breach of the 10% Limit has occurred and, if so, to enforce the 10% Limit. In broad terms, if:

- Mercury considers that a person may be in breach of the 10% Limit; or
- a holder of shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the Company,

then Mercury is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. Mercury must give the affected shareholder the opportunity to make representations to the Company before it makes a determination on these matters.

OTHER DISCLOSURES CONTINUED.

Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice received from Mercury requiring them to dispose of shares or their relevant interest in shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach; and
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, Mercury may arrange for the sale of the relevant number of shares on behalf of the relevant holder. In those circumstances, the Company will pay the net proceeds of sale, after the deduction of any other costs incurred by the Company in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant holder as soon as practicable after the sale has been completed.

If a relevant interest is held in any shares in breach of the 10% Limit then, for so long as that breach continues:

- no votes may be cast in respect of any of the shares in which a relevant interest is held in excess of the 10% Limit; and
- the registered holder(s) of shares in which a relevant interest is held in breach of the 10% Limit will not be entitled to receive, in respect of the shares in which a relevant interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, the registered holder may not exercise the votes attached to, and will not be entitled to receive any dividends or other distributions in respect of, any of its shares.

An exercise of a voting right attached to a share held in breach of the 10% Limit must be disregarded in counting the votes concerned. However, a resolution passed at a meeting is not invalid where votes exercised in breach of the voting restriction were counted by the Company in good faith and without knowledge of the breach.

The Board may refuse to register a transfer of shares if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within the prescribed timeframe.

Crown directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the Constitution (for example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach).

Trustee corporations and nominee companies

Trustee corporations and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions are satisfied.

Share cancellation

In certain circumstances, shares could be cancelled by the Company through a reduction of capital, share buy-back or other form of capital reconstruction approved by the Board and, where applicable, the shareholders.

Sale of less than a Minimum Holding

Mercury may, at any time, give notice to a shareholder holding less than a Minimum Holding of shares (as that term is defined in the NZX Listing Rules) that if, at the end of three months after the date the notice is given, shares then registered in the name of the holder are less than a Minimum Holding, Mercury may sell those shares on market (including through a broker acting on Mercury's behalf), and the holder is deemed to have authorised Mercury to act on behalf of the holder and to sign all necessary documents relating to the sale.

For the purposes of the sale and of Rule 5.12 of the ASX Settlement Operating Rules, where the Company has given a notice that complies with Rule 5.12.2 of the ASX Settlement Operating Rules, the Company may, after the end of the time specified in the notice, initiate a Holding Adjustment to move the relevant shares from that CHESS Holding to an Issuer Sponsored Holding (as those terms are defined in the ASX Settlement Operating Rules) or to take any other action the Company considers necessary or desirable to effect the sale.

The proceeds of the sale of any shares sold for being less than a Minimum Holding will be applied as follows:

- First, in payment of any reasonable sale expenses.
- Second, in satisfaction of any unpaid calls or any other amounts owing to the Company in respect of the shares.
- The residue, if any, must be paid to the person who was the holder immediately before the sale or his or her executors, administrators or assigns.

Cancellation of sale of shares

The Crown may cancel the sale of shares to an applicant under the offer of shares by the Crown (the Offer) in the Mighty River Power Share Offer Investment Statement and Prospectus if the applicant misrepresented its entitlement to be allocated shares under the Offer as a 'New Zealand Applicant' (as that term is defined in the Share Offer Investment Statement and Prospectus). If the Crown cancels a sale of shares on those grounds:

- Mercury must sell shares held by that applicant, up to the number of shares sold to it under the Offer, irrespective of whether or not those shares were acquired by the applicant under the Offer (unless the applicant had previously sold, transferred or disposed of all of its shares to a person who was not an associated person of the applicant); and
- the applicant will receive from the sale the lesser of:
  - the sale price for the shares less the costs incurred by the Crown and the Company; and
  - the aggregate price paid for the shares less those costs, with any excess amount being payable to the Crown.

If an applicant who misrepresented their entitlement to shares has sold, transferred or otherwise disposed of shares to an associated person, then the power of sale will extend to shares held by that associated person, up to the number of shares transferred, sold or otherwise disposed of to the associated person by the relevant applicant.

Public Entity

Mercury is a public entity under the Public Audit Act 2001, and the Group's independent auditor is the Auditor-General.

OTHER DISCLOSURES CONTINUED.

DONATIONS

Donations of $155,285 were made by the Group during the year ended 30 June 2024 ($228,125 during the year ended 30 June 2023). Under Mercury's Delegations Policy, donations to political parties are prohibited.

OTHER DISCLOSURES

Mercury NZ Limited is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia). Mercury will not acquire any classified assets in circumstances in which the ASX Listing Rules would require the issue of restricted securities, without the written consent of ASX.

On 20 August 2024 the Board declared a fully imputed final dividend of 14.0 cents per share to all shareholders who are on the Company's share register at 5pm on the record date of 12 September 2024. The dividends will be imputed at a corporate tax rate of 28%, which amounts to an imputation credit of 5.4 cents per share for the final dividend. Mercury will also pay a supplementary dividend of 2.5 cents per share relating to the final dividend to non-resident shareholders. The Company will receive from the New Zealand Inland Revenue Department a tax credit equivalent to supplementary dividends.

These dividends, together with the interim dividend of $129 million (9.3 cents per share) paid to shareholders on 2 April 2024, brings the total declared dividends to $325 million (or 23.3 cents per share).

As at the date of this annual report, the Company has a S&P Global BBB+ rating with a stable outlook.

The Company benefits from a one-notch uplift due to the Crown's majority ownership.

Mercury's Net Tangible Assets per Share (excluding treasury stock) as at 30 June 2024 was $3.38, compared with $3.41 at 30 June 2023 (restated).

GLOBAL REPORTING INITIATIVE (GRI) INDEX.

STANDARD CORE REPORTING

GRI standard	Disclosure title	Location	Comments
GENERAL DISCLOSURES			
ORGANISATIONAL PROFILE			
GRI 2: General Disclosures 2021			
2-1	Organisational details	Front cover, Company Disclosures (p125), Directory (p133), Who We are & Our Business Model (p3, 5)	
2-2	Entities included in the organisation's sustainability reporting	Notes to the Consolidated Financial Statements p41	
2-3	Reporting period, frequency and contact point	Front Cover, Directory p133	
2-4	Restatements of information		Restatements of greenhouse gas emissions in prior years are described in our FY24 GHG Emissions Inventory Report
2-5	External assurance		Our FY24 Climate Statement has had limited assurance
2-6	Activities, value chain and other business relationships	Who We Are & Our Business Model p3,5	
2-7	Employees	Our Business Model p5	
2-8	Workers who are not employees	Information unavailable	
2-9	Governance structure and composition	Climate Statement p65-68 Governance at Mercury p90-104	
2-10	Nomination and selection of the highest governance body	Governance at Mercury, p93	
2-11	Chair of the highest governance body	Your Board of Directors p86-88	
2-12, 2-13, 2-14	Role of the highest governance body in overseeing the management of impacts Delegation of responsibility for managing impacts Role of the highest governance body in sustainability reporting	Climate Statement p65-68	
2-15	Conflicts of interest	Directors' Disclosures p117-118	
2-16	Communication of critical concerns	The Risks We Face p16 Climate Statement p62-84 Governance At Mercury p97-100	
2-17	Collective knowledge of the highest governance body	Governance at Mercury p94	
2-18	Evaluation of the performance of the highest governance body	Governance at Mercury p92-96	
2-19, 2-20, 2-21	Remuneration policies Process to determine remuneration Annual total compensation ratio	Remuneration Report p105-114	
2-22	Statement on sustainable development practices	Chair and Chief Executive Update p10-13 Governance at Mercury p101-102	
2-23	Policy commitments	Governance at Mercury p101-102 The Mercury Code Supplier Code of Conduct Sustainability Policy	These policies can be found in the Corporate Governance section of our company website
2-24	Embedding policy commitments	Governance at Mercury p101-102	
2-25	Processes to remediate negative impacts	Governance at Mercury p101-102	
2-26	Mechanisms for seeking advice and raising concerns	Governance at Mercury p101-102	
2-27	Compliance with laws and regulations	Delivering Value at a Glance p19 Climate Statement p78	
2-28	Membership associations	Company website - Partnerships	
2-29	Approach to stakeholder engagement	What Matters Most p14-17	
2-30	Collective bargaining agreements	Information unavailable	
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	What Matters Most p14-17	
3-2	List of material topics	What Matters Most p14-17 Climate Statement p73-75	
3-3	Management of material topics	What Matters Most p14-17 Climate Statement p72-79	

GLOBAL REPORTING INITIATIVE (GRI) INDEX CONTINUED.

TOPIC STANDARDS

GRI Standard	Description	Location	Comments
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Our Business Model p5 Looking At The Numbers p32-34	
201-2	Financial implications and other risks and opportunities due to climate change	Climate Statement p69, 73-75	
GRI 204: Procurement Practices 2016 204-1	Proportion of spending on local suppliers	Company website - Corporate Governance - Modern Slavery Statement	
GRI 207: Tax 2019 207-1	Approach to tax	Looking At The Numbers, Note A3: Taxation p45	
GRI 303: Water and Effluents 2018			
303-3, 303-4, 303-5	Water withdrawal Water discharge Water consumption	Climate Statement p82	Mercury extracts and reinjects geothermal water for geothermal generation (some of which is consumed during the generation process) and is a non-consumptive user of water through its hydro power stations.
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	Climate Statement p81	For further detail, see our FY24 GHG Emissions Inventory Report available from our company website
305-2	Energy indirect (Scope 2) GHG emissions	Climate Statement p81	
305-3	Other indirect (Scope 3) GHG emissions	Climate Statement p81	
305-4	Emissions intensity	Climate Statement p81	

GRI Standard	Description	Location	Comments
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover		Mercury had 201 new permanent staff commence employment in FY24. Voluntary turnover for permanent staff was 10.9%
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Company website - Careers	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Company website - Health, Safety & Wellbeing	
403-4	Worker participation, consultation, and communication on occupational health and safety	Workers' representatives hold a range of positions on health and safety committees including joint chair of the generation committee	
403-9	Work-related injuries	Delivering on Our FY22-24 Objectives p6 Chair and CE Update p12	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Diversity & Inclusion p104	
405-2	Ratio of basic salary and remuneration of women to men	Diversity & Inclusion p104	

GLOBAL REPORTING INITIATIVE (GRI) INDEX CONTINUED.

SECTOR SPECIFIC: ELECTRIC UTILITIES

GRI Standard	Description	Location	Comments
Sector Specific Generation Standard Disclosures			
EU1	Installed capacity	Our Business Model p5	Mercury owns or has interests in power stations with installed capacity of: Hydro 1,117MW, Geothermal 466MW, Wind 595MW
EU2	Net energy output	Our Business Model p5	
EU3	Number of residential, industrial, institutional and commercial customer accounts	Our Business Model p5	
EU5	Allocation of CO_2e allowances	Climate Statement p81-82	
Access			
EU27	Number of disconnections for non-payment		There were a total of 299 residential disconnections in FY24 due to non-payment.

INFORMATION FOR SHAREHOLDERS.

SHAREHOLDER ENQUIRIES

You can view your investment portfolio, change your address, supply your email, update your details or payment instructions online: www.investorcentre.com/nz

You will need your CSN and FIN to access this service.

Enquiries may also be addressed to the Share Registrar (see Directory for contact details).

INVESTOR INFORMATION

Our website at mercury.co.nz is an excellent source of information about what's happening within the company.

Our Investor Centre allows you to view all regular investor communications, information on our latest operating and financial results, dividend payments, news and share price history.

ELECTRONIC SHAREHOLDER COMMUNICATION

It is quick and easy to make the change to receiving your reports electronically. This can be done either:

- Online at www.investorcentre.com/nz by using your CSN and FIN (when you log in for the first time). Select 'My Profile' and 'Communication Preferences' to update your details; or
- By contacting Computershare Investor Services Limited (see Directory for contact details).

PAPER & INK INFORMATION

Our Integrated Report is printed on Eco-100 Natural paper. This environmentally-responsible, carbon-neutral paper is produced using FSC® (Forest Stewardship Council) certified 100% Post Consumer Recycled, Process Chlorine Free (PCF) pulp from Responsible Sources - and manufactured under the strict ISO14001 Environmental Management System.

It carries the internationally-recognised Blue Angel, Nordic Swan, Austrian Environmental Label and the NAPM (National Association of Paper Merchants) Recycled Mark.

The inks used are mineral-oil-free and are manufactured from vegetable oils and fatty acid alkyl-esters (modified vegetable oils) which are all derived from renewable resources. They all conform to the EuPIA (European Printing Ink Association) exclusion list, so do not contain any carcinogenic, mutagenic, or toxic substances according to the Dangerous substances directive 67/548/EEC. They therefore are biodegradable and will break down when disposed of in suitable waste streams with extremely minimal effect on the environment.

As you're reading, you may notice some specks and imperfections - these are natural attributes of non-chlorine-bleached, recycled paper. When you're finished with this report, please recycle it responsibly.

DIRECTORY.

BOARD OF DIRECTORS

Scott St John, Chair

Mark Binns

Hannah Hamling

Adrian Littlewood

James Miller

Susan Peterson

Mike Taitoko

Lorraine Witten

Nicole Rosie, Future Director

EXECUTIVE MANAGEMENT TEAM

Vince Hawksworth,
Chief Executive

Lucie Drummond,
Executive General Manager Sustainability

Phil Gibson,
Executive General Manager Portfolio

Stew Hamilton,
Executive General Manager Generation

William Meek,
Chief Financial Officer

Craig Neustroski,
Executive General Manager Customer

Fiona Smith,
Executive General Manager People Experience and Technology

COMPANY SECRETARY

Howard Thomas,
General Counsel and Company Secretary

INVESTOR RELATIONS & SUSTAINABILITY ENQUIRIES

Paul Ruediger,
Head of Business Performance and Investor Relations
Phone: +64 27 517 3470
Email: investor@mercury.co.nz

REGISTERED OFFICE IN NEW ZEALAND

Mercury NZ Limited
33 Broadway, Newmarket, Auckland 1023
P O Box 90399
Auckland 1142
New Zealand

REGISTERED OFFICE IN AUSTRALIA

c/– TMF Corporate Services (Australia) Pty Limited
Suite 1, Level 11, 66 Goulburn Street,
Sydney, NSW 2000
Phone: +61 2 8988 5800

LEGAL ADVISORS

Chapman Tripp
Level 34
PwC Tower at Commercial Bay
15 Customs Street West
Auckland 1010
PO Box 2206
Auckland 1140
Phone: +64 9 357 9000

BANKERS

ANZ Bank

ASB Bank

Bank of China

Bank of New Zealand

China Construction Bank

Commonwealth Bank of Australia

Industrial and Commercial Bank of China

MUFG Bank

Mizuho Bank

Westpac

CREDIT RATING (re-affirmed December 2023)

Long-term: BBB+

Outlook: Stable

SHARE REGISTRAR – NEW ZEALAND

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna,
Auckland 0622
Private Bag 92119
Victoria Street West
Auckland 1142, New Zealand
Phone: +64 9 488 8777
Email: enquiry@computershare.co.nz
Web: www.investorcentre.com/nz

SHARE REGISTRAR – AUSTRALIA

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford,
VIC 3067
GPO Box 3329, Melbourne, VIC 3001, Australia
Phone: 1 800 501 366 (within Australia)
Phone: +61 3 9415 4083 (outside Australia)
Email: enquiry@computershare.co.nz

GLOSSARY.

Mercury presents certain non-GAAP (Generally Accepted Accounting Practice) financial information throughout this integrated report. This is provided where we believe it will provide greater clarity to users of the information. It also provides consistency across reporting periods and comparability amongst industry peers.

CO_2E

The universal unit of measurement to indicate the global warming potential of each greenhouse gas (GWP), expressed in terms of the GWP of one unit of carbon dioxide.

CPS

Cents per share.

EBITDAF (or Operating Earnings)

Earnings before net interest expense, tax expense, depreciation, amortisation, change in the fair value of financial instruments, gain/(loss) on disposal and impairments.

Free Cash Flow

Net cash flow from operating activities less stay-in business capital expenditure.

Fugitive Emissions

Direct discharges of greenhouse gases that occur during geothermal electricity generation processes.

Growth Capital Expenditure (CAPEX)

Capital expenditure incurred by the company to create new assets and revenue.

GWh

Gigawatt hour. One gigawatt hour is equal to one million kilowatt hours.

MWh

Megawatt hour. One megawatt hour is equal to one thousand kilowatt hours.

Net Debt

Total borrowings (both current and non-current) less cash and cash equivalents.

Operating Costs

Represents employee compensation and benefits, maintenance expenses and other expenses.

Other Income

Earnings of associates and other revenue, less direct costs of other revenue.

Stay-in-Business (SIB) Capital Expenditure (CAPEX)

Capital expenditure incurred by the company to maintain its assets in good working order.

Total Recordable Injury Frequency Rate (TRIFR)

A record of the number of reported medical treatment, restricted work, lost time and serious harm injuries per 200,000 hours, including employees and on-site contractors.

Total Shareholder Return (TSR)

The financial gain or loss resulting from the change in share price plus any dividends paid expressed as a percentage of the initial share price.

Trading Margin

Sales from electricity generation, derivatives and sales of electricity, gas and telco services to customers, less energy costs, lines charges, telco and other direct costs of sales and third party metering.

RĀRANGI INGOA LIST OF NAMES.

OUR POWER STATIONS AND WIND FARMS.

The power stations and wind farms generating renewable energy for New Zealand homes and businesses have names reflecting past stories and histories.

Arapuni

"Ara" means path and "puni" means either blocked up or campsite. The meaning may be either "pathway to campsite" or "blocked path".

Aratiatia

Aratiatia means a series of pegs stuck into a steep ascent in a zig-zag pattern to make climbing easier.

It may also refer to the travels of the ancestral explorer Tia of the Arawa canoe who made his way to these rapids while exploring the Waikato River.

Ātiamuri

A-Tia-Muri literally means turned back and refers to Tia of the Arawa canoe. This intrepid traveller had to turn back at the Ātiamuri Rapids in his early explorations of the Waikato River. Legend also says that Tia was petrified into a large stone in the river rapids.

Karāpiro

The name Karāpiro is 'karā' meaning rock, and 'piro' meaning putrid smell. In the 1820s the Ngāti Maru tribe from the Hauraki Gulf were driven south by Northland's Ngāpuhi tribe. Ngāti Maru were given refuge in the Waikato by the Ngāti Haua tribe, but tensions mounted between them. This culminated in the battle of Taumatawīwī in 1830. The cremation of dead warriors took place on rocks beside the Waikato River.

Kaiwera Downs

Named for nearby Kaiwera Downs farmland.

Kawerau

The name Kawerau means "carrier of leaves" (and was the name of an ancient Māori chief).

Mahinerangi

Named after Lake Mahinerangi, the adjacent Manawa hydro asset lake.

Maraetai

The name means meeting place by the sea, from "Marae" (meeting place) and "Tai" (tide or shore). This name was possibly transplanted from somewhere on the coast.

Mōkai

Meaning slave or captive (i.e. captured in battle).

Nga Awa Pūrua

The station was named after the rapids, located nearby on the Waikato River. Ngā Awa Pūrua means "where the waters meet".

Ngā Tamariki

"The children".

Ōhakuri

"Oha" means keepsake or relic and "kuri" means dog. This name may refer to a prized dogskin cloak.

Rotokawa

From "kawa" meaning bitter and "roto" meaning lake or wetlands/swamp.

Tararua

The name is taken from the range where the wind farm is located. The metaphorical union between people and the land, Papatūānuku, is seen in places named after parts of the human body. The Tararua Range was declared to be Te Tuarātapu-o-Te Rangihaeata (the sacred back of Te Rangihaeata) to commemorate a peace arrangement between Ngāti Toa and Ngāti Kahungunu. The range became a dividing line between Ngāti Toa on the west side and Ngāti Kahungunu on the east.

Turitea

"Bright clear water."

Waipāpa

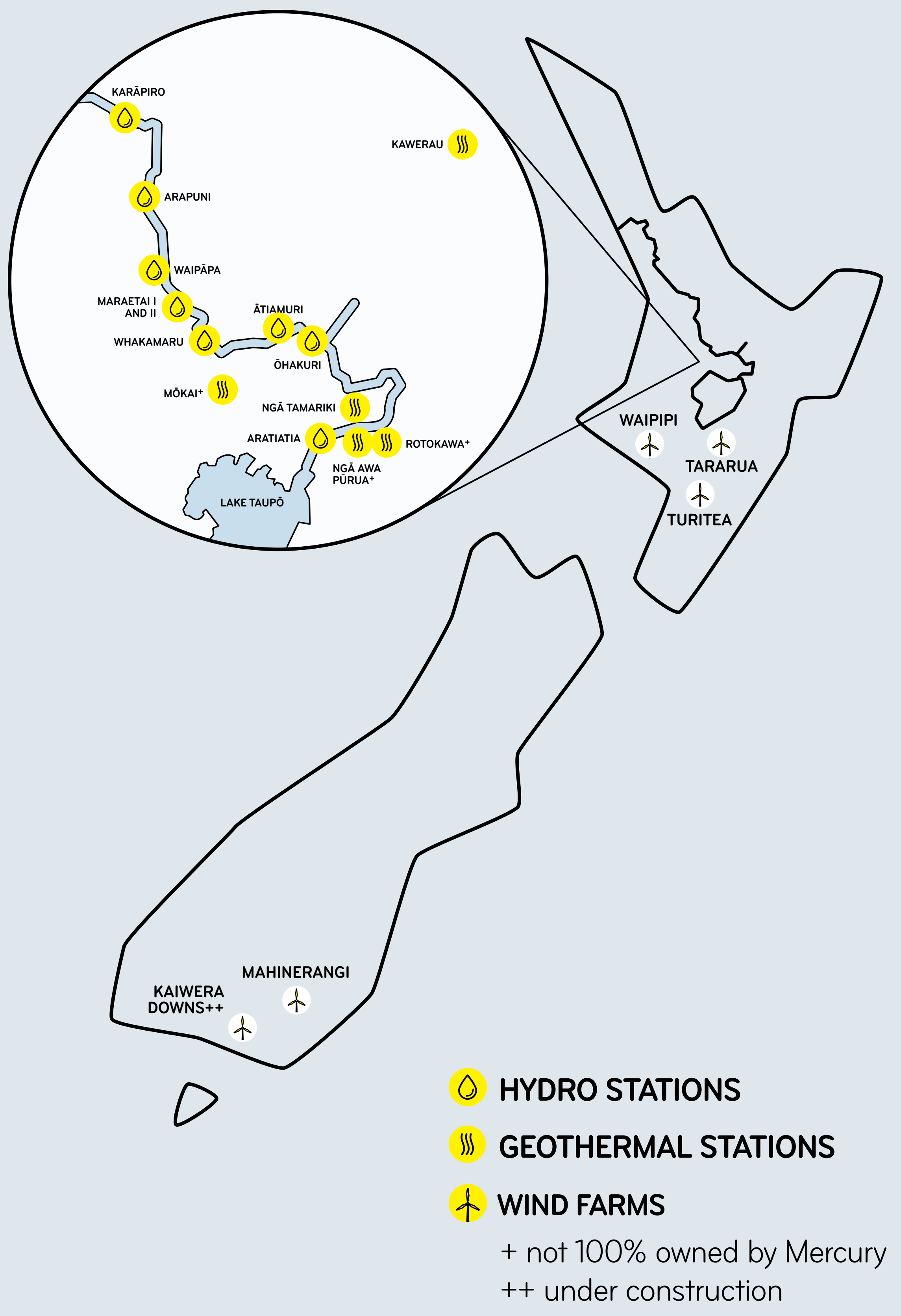
"Wai" means water, "papa" means flat or flat rock. The name possibly means the "stream across the plain" or "stream of the flat rock".

Waipipi

Waipipi Stream runs through the site and the Iwi land is known as Waipipi.

Whakamaru

Whakamaru means to give shelter to or safeguard.



Aratiatia hydro station.

Mercury