

# 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.

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Aratiatia Rapids

# MERCURY & CLIMATE CHANGE.

This climate statement has been prepared in alignment with the Aotearoa New Zealand Climate Standards<sup>1</sup> (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

<sup>1</sup> 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/](http://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.

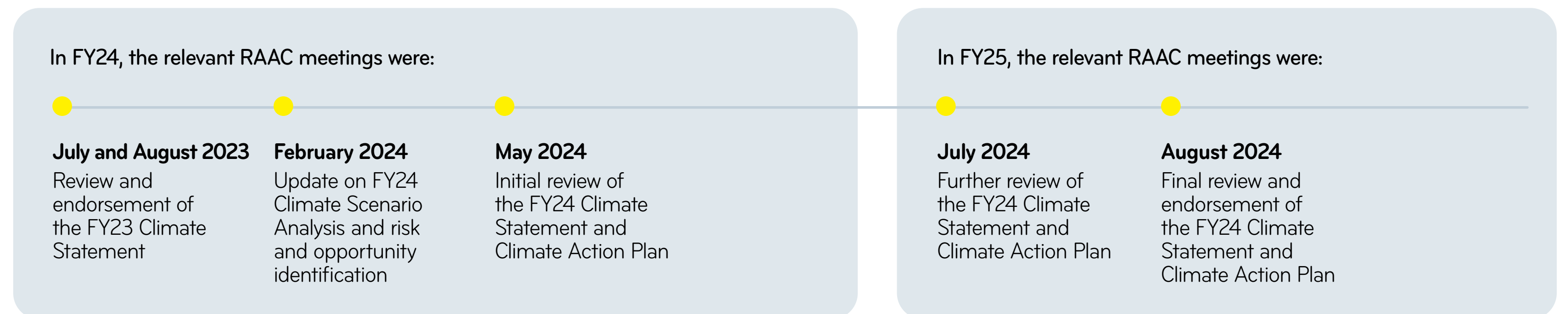
A committee of the Board - the People and Performance Committee (PPC) – supports the Board in setting the approach to remuneration, including incorporating climate-related matters in the Short-Term Incentive component of remuneration.



## 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.





## 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](http://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	<p align="center"><b>MERCURY BOARD</b></p> <p>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.</p>			
	<p align="center"><b>RISK ASSURANCE AND AUDIT COMMITTEE (RAAC)</b></p> <p>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.</p>			
	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	<p align="center"><b>CHIEF EXECUTIVE AND EXECUTIVE MANAGEMENT TEAM</b></p> <p>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.</p>			
	<p align="center"><b>RISK MANAGEMENT COMMITTEE (RMC)</b></p> <p>The RMC is a committee of the EMT chaired by the Chief Executive.</p>			
	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.	
	<p align="center"><b>EXECUTIVE</b></p> <p>Ensures the risks in each business area are identified, understood, mitigated, managed and monitored and escalated appropriately.</p>			
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.	
<p align="center">Management remuneration includes incentives tied to climate-related risks and opportunities.</p>				
OPERATIONS	<p align="center">At an operational level, the identification and day-to-day management of climate-related risks is dispersed throughout Mercury.</p>			





## 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

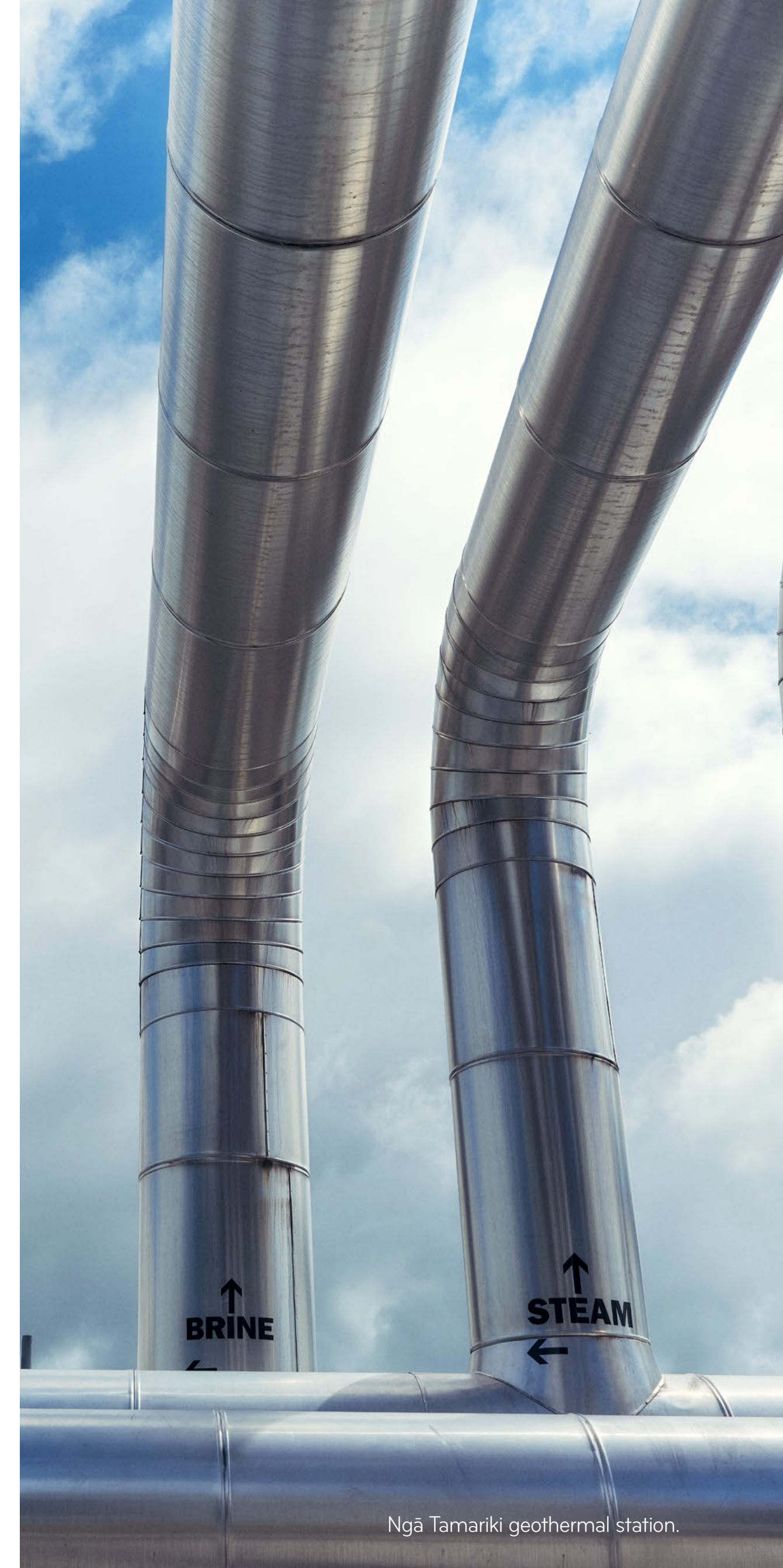
base salary and for FY24 was set at 60% for the Chief Executive and up to 35% for other EMT members.

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
<b>Play a leading role in New Zealand's successful transition to a low carbon economy</b>	Support sector decarbonisation options	Progress on future development pipeline	Role in electricity sector transition progress
<b>Create executable options for new growth</b>	Progress generation development pipeline options	Clear path to carbon reduction	Progress on non-condensable gas reinjection

FY25-27 THREE-YEAR OBJECTIVE	FY25 KPI
<b>Delivering more reliable and renewable energy to power Aotearoa</b>	Generation availability target met
<b>Accelerating the shift to a low-carbon future</b>	Deliver 2 of 3 outcomes of: <ul style="list-style-type: none"> <li>• Advancement of new demand or Commercial and Industrial electrification</li> <li>• Progress emission reduction</li> <li>• Sector and Government Energy Transition Framework</li> </ul>

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<sub>2</sub>e by reinjecting non-condensable gases from one unit at our Ngā Tamariki geothermal station (about 20% of the total).<sup>1</sup> 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.

<sup>1</sup>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)	DISORDERLY TRANSITION SCENARIO (BLUE SCENARIO)	DISORDERLY TRANSITION SCENARIO (AMBER SCENARIO)	3+ DEGREE WARMING SCENARIO (MAROON SCENARIO)
	Global temperature increases are limited to 1.5 degrees by 2100.	Global temperature increases are limited to 2.5 degrees by 2100.	Global temperature increases are limited to 3 degrees by 2100.	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.
<b>KEY DATAPOINTS – GLOBAL IMPACTS</b>				
Temperature increase (2081-2100, relative to 1850-1900) <sup>2</sup>	1.4°C	2.2°C	2.7°C	3.6°C
Technology Change <sup>3</sup>	Fast	Fast	Slow	Slow
Negative emissions technologies <sup>3</sup>	Medium-high use	Medium use	Low-medium use	Low use
<b>KEY DATAPOINTS – AOTEAROA NEW ZEALAND IMPACTS</b>				
Average number of hot days (above 25°C) (for the period 2031-50, average across regions) <sup>4</sup>	25 hot days	27 hot days	27 hot days	30 hot days
Renewable energy percentage of total consumption in 2050 <sup>5</sup>	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

<sup>2</sup> 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](https://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>)

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

<sup>4</sup> 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](http://www.environment.govt.nz/assets/Publications/Files/Climate-change-projections-2nd-edition-final.pdf))

<sup>5</sup> 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](http://www.climatecommission.govt.nz/public/Evidence-21/Evidence-CH-12-Long-term-scenarios-to-meet-the-2050-target.pdf))





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.
<b>ENERGY PATHWAYS:</b> 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.
<b>ENERGY PATHWAYS:</b> 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.
<b>MACROECONOMIC TRENDS:</b> 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.
<b>POLICY AND SOCIOECONOMIC ASSUMPTIONS:</b> 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.
<b>POLICY &amp; SOCIOECONOMIC ASSUMPTIONS:</b> 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.
<b>CARBON SEQUESTRATION FROM AFFORESTATION</b>	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.
<b>NATURE-BASED SOLUTIONS</b>	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.
<b>NEGATIVE EMISSIONS TECHNOLOGY</b>	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.

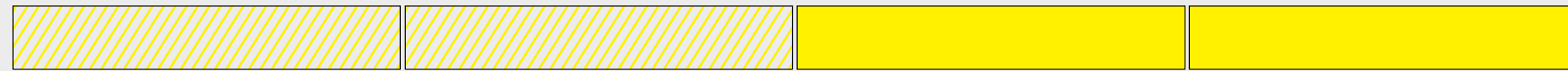


## GREATER VARIABILITY IN WEATHER PATTERNS (INCLUDING MORE FREQUENT HIGH INFLOW EVENTS AND DROUGHTS) REDUCES HYDRO GENERATION FLEXIBILITY AND PROFITABILITY

**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.

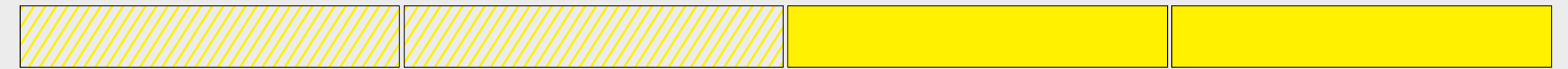


## GROWING INTENSITY OF ATMOSPHERIC CONDITIONS (INCLUDING STORM EVENTS) THAT CAUSE ASSET DAMAGE

**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.

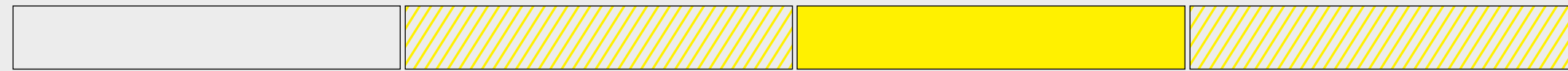


## SUPPLY CHAIN AND LABOUR CONSTRAINTS

**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.

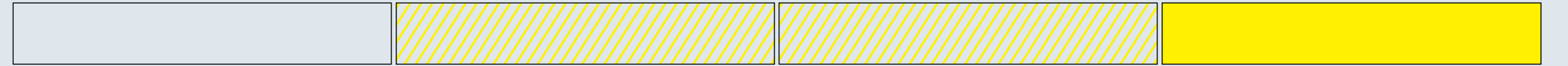


## CAPITAL MARKETS TILT TOWARDS INVESTING IN LOW-CARBON GENERATION

**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.







## 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.

Maraetai hydro station.





## 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<sub>2</sub>e per annum from our Ngā Tamariki station and are looking to expand CO<sub>2</sub> 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.

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.

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





## 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 <sub>2</sub> e (Original)	FY22 TONNES CO <sub>2</sub> e (Adjusted)
Reticulated Gas sales	78,196	121,136
Distribution losses (reticulated gas sales)	4,643	7,192
LPG Sales	1,758	9,951
<b>Total</b>	<b>84,597</b>	<b>138,279</b>

### Impact of calculation methodology change on emissions

	FY23 TONNES CO <sub>2</sub> e (Original)	FY23 TONNES CO <sub>2</sub> e (Adjusted)
Reticulated Gas sales	119,004	121,301
Distribution losses (reticulated gas sales)	4,380	4,464
LPG Sales	10,145	10,145
<b>Total</b>	<b>133,529</b>	<b>135,910</b>

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
<b>Scope 1</b>	Target Year: FY2030 70% reduction in emissions intensity (in kgCO <sub>2</sub> e/kWh) from base year	Target Year: FY2040 70% reduction* in emissions intensity (in kgCO <sub>2</sub> e/kWh) from base year
<b>Scope 2</b>	Target Year: FY2030 42% absolute reduction from base year	Target Year: FY2040 90% absolute reduction from base year
<b>Scope 3 – Use of sold products (Natural Gas Sales)</b>	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
<b>Scope 1</b>	4.7 tCO <sub>2</sub> e/GWh decrease from base year 18.39% decrease in emissions intensity from base year	1.7 tCO <sub>2</sub> e/GWh decrease from base year 6.45% decrease in emissions intensity from base year
<b>Scope 2</b>	476 tCO <sub>2</sub> e decrease from base year 42.96% absolute reduction from base year	587 tCO <sub>2</sub> e decrease from base year 52.98% absolute reduction from base year
<b>Scope 3 – Use of sold products</b>	2,369 tCO <sub>2</sub> e decrease from base year 1.71% absolute reduction from base year	3,168 tCO <sub>2</sub> e 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<sub>2</sub>e/kWh since our base year, and by 0.046kg CO<sub>2</sub>e/kWh since FY15. Details of these figures can be found in table 12 and figure 1 in our FY24 [Greenhouse Gas Emissions Inventory Report](#).

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.

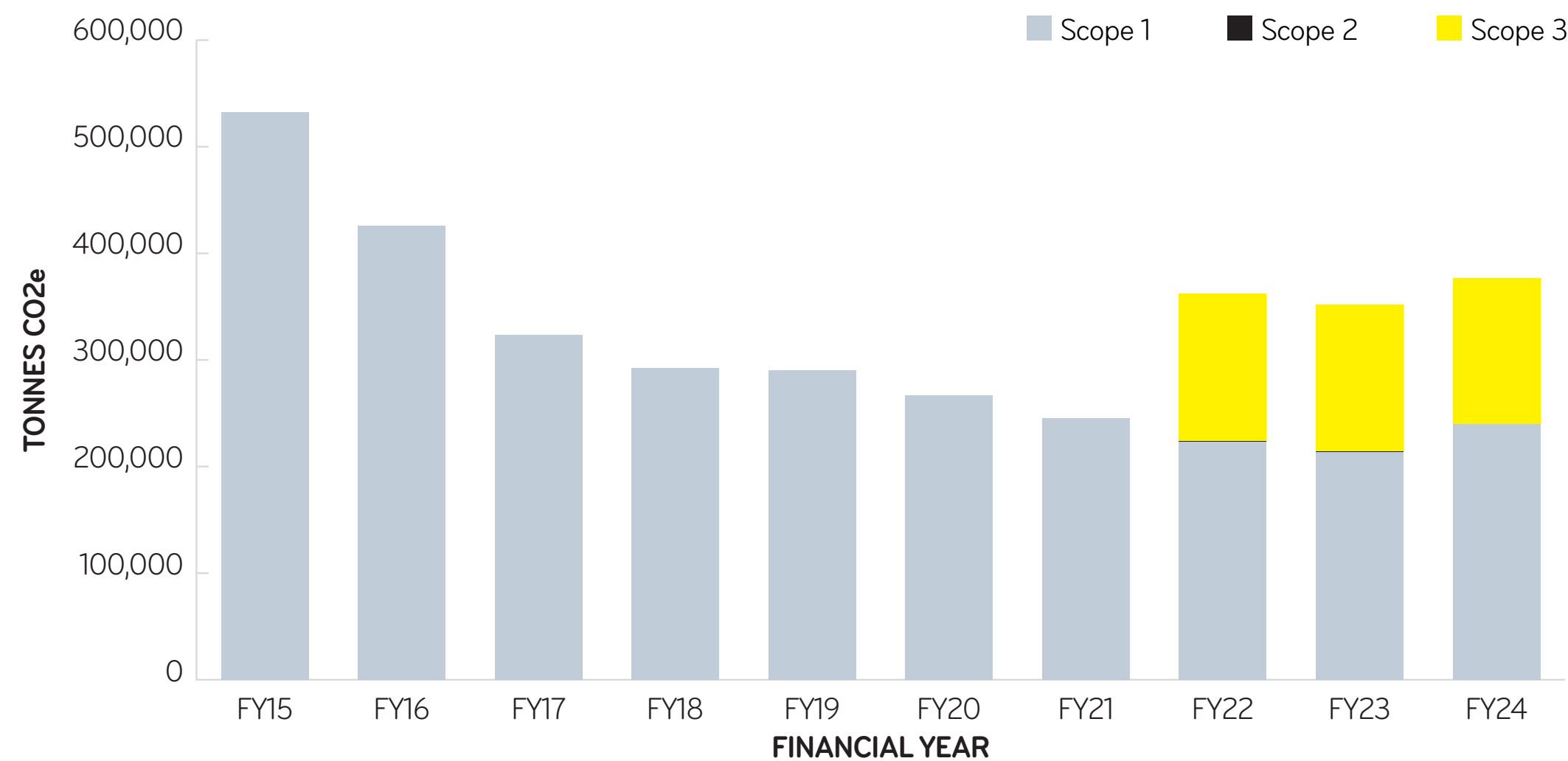
Consistent with a reduction in our gross emissions over time, our emission intensity has also reduced where the impact of our increase in wind generation from both new builds and acquisitions is having measurable impacts.

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.

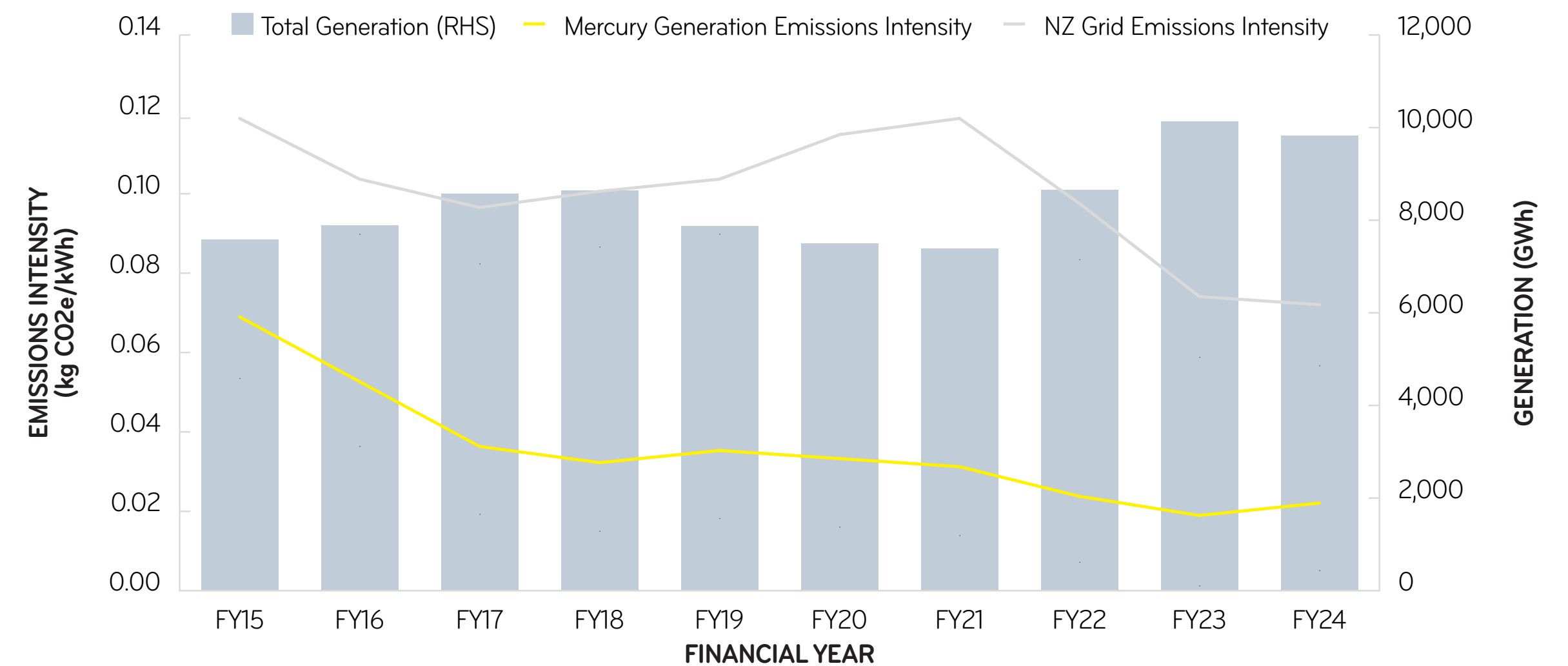
Further, our calculation methodology for reticulated gas sales has been adjusted to include wholesale spot market purchases, aligning with the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Standard. This adjustment ensures that all gas passing through Mercury's value chain is accurately accounted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

	FY22 (tCO <sub>2</sub> e)	FY23 (tCO <sub>2</sub> e)	FY24 (tCO <sub>2</sub> e)
<b>Scope 1</b>	222,736	213,645	239,574
<b>Scope 2 (location-based)</b>	1,108	632	521
<b>Scope 3</b>	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



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
<b>Geothermal</b>			
Water extracted (Mm3)	25	24	25
Water reinjected at source (Mm3)	10	13	11
<b>Hydro</b>			
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 <sub>2</sub> e)	FY23 (tCO <sub>2</sub> e)	FY24 (tCO <sub>2</sub> e)
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<sub>2</sub>e, 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.







## 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.





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### **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.

A stylized, handwritten signature of 'Ernst &amp; Young Limited' in a dark blue or black ink.

Ernst & Young Limited  
Auckland, New Zealand  
20 August 2024



Mercury 