



# **Mercury NZ Limited Green Financing Framework**

**February 2026**



# 1 Introduction

## 1.1 Overview

Mercury NZ Limited (“Mercury”) is an electricity generator and multi-product utility retailer. Our generation assets produce electricity from 100% renewable sources: hydro, geothermal and wind.

We currently operate nine hydro power stations along the Waikato River, five geothermal stations in the northern part of the Central Plateau and five wind farms in the Manawatū, South Taranaki, Otago and Southland regions.

Our strategic framework connects our purpose of “taking care of tomorrow, connecting people and place today” with our strategic priorities, objectives and key results. Consistent with our strategic priorities, we are progressing multiple renewable generation and storage development projects to lift supply and improve flexibility within New Zealand’s highly renewable electricity system.

We sell electricity, gas, broadband and mobile services through our retail operations to residential and small to medium business customers, while our commercial sales team serves industrial and wholesale market customers.

## 1.2 Commitment to sustainability

Our approach to sustainability is grounded in our long history as a New Zealand renewable energy business and is embedded in our strategic framework. Sustainability sits at the core of how we make decisions and is a primary driver for capital investment planning, particularly in new renewable generation, flexible capacity and customer solutions that support Aotearoa New Zealand’s low-carbon transition.

Our strategic framework is brought to life through five aspirations: Stewardship | Kaitiakitanga, Partnerships | Kōtuitanga, Customer | Kiritaki, Our People | Ngā tāngata, and Commercial | Arumoni. Together, these guide how we enable New Zealand’s low carbon future through renewable generation, manage climate and nature related risks and opportunities, support our customers and people, and grow the business in a way that creates sustainable value over the long term for shareholders, lenders, customers, employees, business partners, tangata whenua and the communities in which we operate.

We have a dedicated sustainability function that works alongside risk, finance and the wider business to support integrated thinking, strategy development and Environmental, Social and Governance reporting, including our climate-related disclosures and Greenhouse Gas Emissions Inventory. The Board oversees the integration of sustainability into Mercury’s strategy and decision making, with executive leadership responsible for embedding this in day-to-day operations, and all employees expected to uphold our commitment through their work.

Strong, enduring relationships with stakeholders are essential to our approach. We engage regularly with customers, employees, partners, shareholders, government and regulators, communities, Māori/iwi, suppliers and industry participants to understand what matters most to them and to identify shared goals. Our partnerships with iwi and mana whenua, together with our contributions to the United Nations Sustainable Development Goals, reflect our focus on kaitiakitanga, creating shared value and supporting New Zealand’s transition to a low emissions and more resilient future.

## 1.3 Purpose of our Green Financing Framework

We have developed this Green Financing Framework (“Framework”) to demonstrate our commitment to a more sustainable future and drive prioritisation toward more sustainable investments.

The decision to develop this Framework demonstrates Mercury’s long-term commitment to sustainable outcomes and Mercury’s commitment to a low carbon future for New Zealand. It supports investment in renewable electricity energy generation assets and activities and encourages the growth of green financial instruments and associated investments.

This Framework describes how Mercury may enter into Green Bonds or Green Loans with proceeds allocated to finance, or refinance, our projects and expenditures that deliver, or are expected to deliver, positive environmental outcomes and support Mercury’s long-term strategy and objectives.



Financing will contribute towards sustainable development by allocating the proceeds to projects/expenditures that fall within the Eligible Categories as defined in this Framework.

**Alignment to market standards:**

- This Framework is applied to Green Bonds and Green Loans issued by Mercury that align to one or more of the International Capital Markets Association Green Bond Principles (“GBPs”), the Asia Pacific Loan Market Association Green Loan Principles (“GLPs”)¹ and the Climate Bonds Standard (“CBS”) of the Climate Bonds Initiative (“CBI”).
- This Framework aligns to the GBPs and the GLPs as at the date of this Framework. Recognising that the relevant market standards may be updated from time to time, for future Green Bond and Green Loan transactions Mercury may choose to align to updated versions of these standards if applicable, which will be communicated in the relevant loan or bond documentation.

In addition to alignment with the GBPs and GLPs, Mercury has received programmatic certification from the CBI under the CBS for its wind and geothermal assets² and may choose to continue to issue Green Bonds and/or Green Loans under that programme on an ongoing basis.

This Framework may be subsequently updated as the sustainable finance market and applicable market standards evolve.

## **2 Mercury NZ Limited Green Financing Framework**

This Framework addresses the four core components of the GLPs and GBPs as set out below.

### **2.1 Use of proceeds**

The net proceeds of each Green Bond or Green Loan will be allocated (directly or notionally) to finance or refinance, in whole or in part, new and/or existing projects or expenditures that fall under the eligible categories set out in the table below (“Eligible Categories”). These projects or expenditures may include assets, investments and other related and supporting capital and/or operating expenditures, and will be referred to as “Eligible Projects”. Each Eligible Project will comply with one or more of the GBPs, GLPs, or the CBS, and will contribute towards achieving one or more of the United Nations Sustainable Development Goals as set out below.

Eligible Projects will qualify for refinancing under this Framework without application of a look-back period so long as the economic life of the relevant assets is beyond the maturity of the related debt instrument/s.

As part of Mercury’s ongoing reporting, it will provide lenders / investors with an estimate of the share of financing and refinancing when executing a new green financing transaction.

Where Green Bonds are CBS certified, net proceeds will be used to finance or refinance only those Eligible Projects that fall under an Eligible Category for which specific technical sector criteria has been finalised by CBI. Mercury may choose to incorporate Eligible Projects relating to additional CBS sector criteria that are developed in future.

The list of Eligible Categories may be amended from time to time in accordance with relevant applicable principles and market standards.

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¹ International Capital Markets Association GBPs (2025), Asia Pacific Loan Market Association GLPs (2025).

² CBS Version 3 (2019)



## Eligible categories

### Renewable energy



### Eligibility criteria

Financing or refinancing for the construction, operation and maintenance of renewable energy generation facilities, including wholly dedicated connection, transmission or supporting infrastructure.

- Wind energy
  - Electricity generation from onshore wind power plants, including repowering or upgrading of existing turbines.
- Hydroelectricity
  - Electricity generation from run of river hydroelectricity schemes, small-scale hydroelectricity schemes (<15MW capacity), schemes with power density of greater than 5W/m<sup>2</sup> and natural lake system hydroelectricity schemes that do not significantly alter an ecosystem.
  - Refurbishment, upgrade, life extension or efficiency-improving works that increase renewable electricity generation capacity or reliability, provided projects comply with applicable environmental and social safeguards.
- Geothermal energy
  - Electricity generation from geothermal power plants that demonstrate direct emissions of <100gCO<sub>2</sub>/kWh in line with CBI Geothermal Criteria; where applicable, mitigation technologies and reinjection systems should be disclosed.
- Solar energy
  - Electricity generation from solar PV facilities.

### Energy storage



Financing or refinancing of projects that contribute to balancing supply and demand, the provision of a reliable, consistent supply of electricity from renewable sources, and support the flexibility and resilience of electricity networks, including:

- Battery energy storage systems that are:
  - wholly dedicated to electricity generation facilities that meet the above renewable energy eligibility criteria; or
  - connected to an electricity network:
    - with an average grid emissions factor below 100 g/CO<sub>2</sub>e/kWh over a rolling 5 year period; or
    - where more than 67% of newly connected generation capacity is below 100 gCO<sub>2</sub>e/kWh over a rolling 5 year period.

### Clean transportation



Electric transportation and infrastructure for clean energy vehicles and reduction of harmful emissions.

- Low carbon transport assets. e.g. electric vehicles and charging infrastructure
- Systems and infrastructure relating to low carbon transport assets
- ICT that improves monitoring, measurement and management of low-carbon transport assets to optimise utilisation



## Quantifying Eligible Projects

Eligible Projects will be quantified by their accounting (book) values.

## 2.2 Project evaluation and selection

The project evaluation and selection process is designed to ensure that the funds raised from Green Bonds and Green Loans (“Green Finance”) are allocated to finance or refinance projects and assets that meet the eligibility criteria set out in this Framework. Mercury will manage the eligible assets selection process and will consider each proposed project against the following factors:

- Conformance with the GBPs or GLPs (as applicable);
- The availability of sector criteria under the CBS (where relevant);
- Identification and management of any perceived, actual or potential environmental and social risks from the Eligible Projects (see 2.2.1 below);
- Mercury’s own professional judgement, discretion and sustainability knowledge; and where Mercury chooses conformance with any other principles, standards or tools that are or become both commonplace and respected in the market;
- Conformance with the Eligible Categories described in section 2.1; and
- Alignment with Mercury’s sustainability objectives.

Mercury may choose to add additional selection criteria or considerations over time as market frameworks evolve.

Mercury’s Green Financing Committee will manage the processes described in this Framework, and will consist of representatives from Financial Reporting, Treasury, Risk Assurance and Sustainability.

### 2.2.1 Identification and Management of Environmental and Social Risks

Mercury’s evaluation and selection process for Eligible Projects uses our Risk Management Framework and Sustainability and Environmental Policy to provide a consistent approach to identifying, assessing, controlling, monitoring and reporting environmental and social risks across our business.

We comply with applicable resource management legislation and resource consent requirements, including the use of Assessment of Environmental Effects processes, to avoid, minimise, remedy or offset adverse effects from our projects. Our generation sites are regularly audited against consent and regulatory obligations and are supported by ongoing environmental inspections and monitoring programmes, with specialist consultants and independent peer review used where appropriate and results reported to local councils, partners and other stakeholders.

We work alongside iwi/tangata whenua and local communities in the catchments where we operate to understand environmental, cultural and social values, and we maintain dedicated capability to respond to environmental incidents across our Waikato hydro lakes and rivers, our geothermal stations and fields, and our wind sites.

## 2.3 Management of proceeds

### 2.3.1 Tracking of proceeds

Mercury will track an amount equal to the net proceeds of each Green Bond or Green Loan within Mercury’s systems. The proceeds of Mercury’s Green Finance will be managed by Mercury’s Green Finance Committee and allocated to finance or refinance Eligible Projects as set out in this Framework.

Net proceeds from Mercury’s total Green Finance will not be greater than Mercury’s debt used to finance the pool of Eligible Projects. The total value of Eligible Projects will be at least equal to the principal amount of total Green Finance (subject to temporary investment of unallocated proceeds).

Mercury will track/monitor exposure to Eligible Projects through internal financial systems to ensure sufficient coverage by Eligible Projects.

Mercury intends to disburse or allocate funds to Eligible Projects upon execution, or within a maximum of 24 months of the issuance date of each Green Bond or Green Loan.



### 2.3.2 Unallocated proceeds

To the extent that any proceeds have not been, following execution or during the life of the Green Bond or Green Loan, applied directly to finance or refinance Eligible Projects, Mercury may temporarily invest the balance of unallocated proceeds in:

- a. Cash, or cash equivalents, within a Treasury function;
  - b. Other investment instruments that do not include greenhouse gas intensive projects or assets which are inconsistent with the delivery of a low carbon and climate resilient economy;
- or
- c. Apply the unallocated balance to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursement to a proposed Eligible Project.

## 2.4 Reporting

### 2.4.1 Reporting summary

Mercury recognises that transparency and disclosure for debt investors is vital.

Mercury's intention is to make information available on its website as follows:

Item	Frequency of disclosure
Framework	Once off: prior to first issuing the Green Finance under this Framework, or subsequently if this Framework is amended
Pre-Issuance External Review	Once off: sought prior to first issuance under this Framework (may be sought again if this Framework changes or an issuance requires it, including any CBS certified Green Bond)
Post-Issuance External Review	Annually for all outstanding Green Finance items
Mercury Green Finance Programme Report	Annually for all outstanding Green Finance items
Allocation of Proceeds Report	Annually for all outstanding Green Finance items, including impact reporting metrics

### 2.4.2 Impact Reporting Metrics

Mercury will provide qualitative and/or quantitative reporting of the environmental impacts (where possible and relevant) resulting from Eligible Projects which may already be disclosed in business-as-usual (BAU) climate reporting such as: annual emissions inventory report; annual CDP return; annual report or other specific climate-related disclosures.

Subject to the nature of Eligible Projects and availability of information, Mercury will look to utilise the impact reporting guidelines as detailed within the GLPs, GBPs and/or ICMA's Harmonised Framework for Impact Reporting. For example, Mercury may report per Eligible Project: annual generation (GWh), annual emissions (ktCO<sub>2e</sub>) and assessed greenhouse gas impact if generation replaced by thermal generation (ktCO<sub>2e</sub>).

### 2.4.3 Assurance

Mercury will undertake pre-issuance assurance from an independent third party (CBI approved where the Green Finance is CBI certified) prior to the initial issuance.

Mercury will also engage post-issuance assurance on an annual basis to provide a regular review and assurance that outstanding Green Bonds and Green Loans remain in compliance with this Framework, no later than 12 months following initial issuance. Post-issuance assurance will also cover both allocation and impact reporting.

DNV Business Assurance Australia Pty Ltd ("DNV") has been commissioned by Mercury to provide an external review of the programme through verification of the Eligible Projects and the green finance allocated (directly or notionally)



to the Eligible Projects under the CBS. The conclusions of DNV's latest external review can be found on Mercury's website (Green Financing).

Details of Mercury's Eligible Projects can be found in DNV's latest assurance report located on Mercury's website (Green Financing).

## **2.5 Continual Improvement**

To ensure the ongoing improvement of Mercury's Framework, this document may be updated from time to time to reflect emerging market expectations and regulatory developments and to include feedback and input from external parties, which is encouraged.

Such responses from stakeholders enable Mercury to achieve its longer-term aspirations to create greater impact and improves Mercury's broader environmental sustainability commitments.

## **2.6 Governance**

This Framework has been reviewed by the Audit and Financial Risk Committee and approved by the Board. The Audit and Financial Risk Committee will review any future changes to the Framework as required and recommend any proposed changes to the Board for approval.





## **SCHEDULE 1 – CBI disclaimer**

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Green Bonds or any Eligible Project, including but not limited to the Terms Sheet, the transaction documents, Mercury or the management of Mercury.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of Mercury and is not a recommendation to any person to purchase, hold or sell the Green Bonds and such certification does not address the market price or suitability of the Green Bonds for a particular investor. The certification also does not address the merits of the decision by Mercury or any third party to participate in any Eligible Project and does not express and should not be deemed to be an expression of an opinion as to Mercury or any aspect of any Eligible Project (including but not limited to the financial viability of any Eligible Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Project or Mercury. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Project. The certification may only be used with the Green Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

