

Board Charter

1 Purpose

Mercury NZ Limited (**Mercury**) is a major New Zealand energy and telecommunications company. It is listed on the New Zealand (NZX) stock exchange and as an ASX Foreign Exempt listing on the Australian (ASX) stock exchange.

This Charter has been established to reflect the Board's commitment to high standards of governance and to ensure governance principles underpin Mercury's business practices.

This Charter sets out the role, responsibilities, composition, structure, and approach of the Mercury Board. The Board is legally responsible for the affairs and activities of Mercury. This Charter provides guidance for the effective oversight of Mercury by the Board on behalf of its shareholders, employees, and other material stakeholders. This Charter should be read with the Constitution.

The Board has also adopted the following governance objectives:

- > lay solid foundations for management and oversight;
- > structure the Board to be effective and add value;
- > act lawfully, ethically, and responsibly and promote ethical and responsible behaviour and decision-making;
- > safeguard integrity in financial and non-financial reporting;
- > make timely and balanced disclosure;
- > respect the rights of shareholders and other stakeholders;
- > recognise and manage risk;
- > remunerate transparently, fairly, and responsibly; and
- > promote a corporate culture which embraces belonging, inclusion and diversity.

2 Composition

2.1 Board

- > The Board is structured to ensure that, as a collective group, it has the skills, experience, knowledge, diversity, and perspective to fulfil its purpose and responsibilities.
- > The number of directors is determined under the Constitution. All directors are elected by the shareholders, with rotation and retirement determined by the Constitution.
- > The Board identifies and appoints directors through a Nominations and Corporate Governance Committee. The Board may appoint directors to fill casual vacancies.
- > The Board will appoint a Board Secretary who will be the Company Secretary or other Mercury employee as nominated by the Board.

2.2 Chair

- > The Chair will be elected by the Board and will be a non-executive, independent director.
- > The Chair chairs all meetings of the Board at which they are present.
- > The Chair provides leadership to the Board and endeavours to ensure the Board is well-informed and effective. As the meeting's facilitator, the Chair ensures that directors can air differences, explore ideas, and generate a collective view necessary for the proper operation of the Board and Mercury. The Chair ensures that Board decisions provide clear guidance to the Chief Executive on expected outcomes.

- > The Chair is responsible for representing the Board to shareholders, overseeing the integrity and effectiveness of the Board's governance processes, and maintaining regular dialogue with the Chief Executive on all operational matters. The Chair consults promptly with other directors over any matter of which the Board should be aware.

3 Role of and delegation to management

The Board delegates the implementation of strategic objectives for Mercury, management of day-to-day operations and responsibility for managing risk to the Chief Executive. It is expected that the Chief Executive will sub-delegate several functions to members of the Executive Leadership Team.

The Board Secretary, in conjunction with the Board Chair and the Chief Executive, will be responsible for the co-ordination of all Board business including meeting scheduling, agendas, scheduling policy reviews, distribution of papers, minutes, statutory filings, market disclosures and other communication with stock exchanges and regulatory bodies.

Decisions reserved for the Board and delegations to management are set out in the Delegations Policy. The policy is reviewed on an annual basis by the Board and the Board monitors delegations, through the Audit and Financial Risk Committee.

Any matters outside those included in the Delegations Policy are referred to the Board for approval.

4 Roles and responsibilities

The primary role of the Board is to create long term value for shareholders by providing strategic guidance for the Mercury Group, and effective oversight of management. The Board is accountable to shareholders for Mercury's performance. In carrying out its responsibilities, the Board collectively, and each member of the Board individually, will act honestly, fairly, diligently and in accordance with applicable laws.

The Board is responsible for the following:

- > establishing clear strategic goals with appropriate supporting business plans;
- > ensuring that adequate resources are available to meet Mercury's objectives;
- > monitoring strategy implementation and performance;
- > selecting and appointing the Chief Executive, determining conditions of employment, and monitoring performance against objectives;
- > monitoring financial performance and the integrity of reporting;
- > setting delegated authority levels for the Chief Executive and Executive Leadership Team to commit to new expenditure and enter into commitments on behalf of Mercury;
- > approving expenditure and actions that exceed the limits delegated to the Chief Executive;
- > overseeing the process for identifying significant risks facing Mercury;
- > overseeing that effective audit, risk management, and compliance systems are in place and monitored to protect Mercury's assets and to minimise the possibility of Mercury operating beyond legal or regulatory requirements or beyond acceptable risk parameters determined by the Board;
- > approving Executive Leadership Team appointments, remuneration including performance remuneration and monitoring performance against objectives;
- > satisfying itself that development and succession plans are in place for the Chief Executive and Executive Leadership Team to promote the right mix of skills, experience, knowledge, diversity, and perspective for the future;
- > establishing and reviewing employment and remuneration practices to encourage the recruitment and retention of diverse, talented, and motivated staff;
- > overseeing the process for effective and timely reporting to shareholders;
- > setting Mercury's dividend policy;
- > Mercury's adherence to high standards of corporate behaviour, responsibility, and ethics;
- > establishing that Mercury's environmental and health, safety and wellbeing culture and practices comply with all legal requirements, reflect best practice in New Zealand and are recognised by employees and other stakeholders as key priorities of Mercury;
- > reviewing Board capability, and making recommendations for new directors; and



- > reviewing directors' fees and recommending changes to shareholders.

The Board seeks to ensure that new directors:

- > are appropriately introduced to Mercury's management and businesses;
- > are acquainted with relevant industry knowledge; and
- > receive all appropriate papers, policies, and documents to effectively discharge their duties and add value to Mercury.

5 Committees

The Board has established committees to assist with the exercise of its authority and discharge of its responsibilities.

The standing committees are:

- > Audit and Financial Risk Committee;
- > Safety and Enterprise Risk Committee;
- > People and Performance Committee; and
- > Nominations and Corporate Governance Committee.

The Board may establish other standing or ad hoc committees.

Each Committee recommends its own Charter for Board approval, setting out matters relevant to its composition and responsibilities. The Charter is reviewed as required and at least every two years by the Committee and the Board.

Committee Chairs and members are appointed by the Board. Membership is determined with regard to workload, skills, experience, knowledge, diversity, and perspective for the future.

6 Board and committee meetings

Board and Committee meetings proceed in accordance with the Constitution and otherwise as determined by the Chair of the Board or relevant Committee.

The Chair is responsible, in consultation with the Chief Executive and Board Secretary, for the agenda for, and conduct of, all Board meetings. Each director may suggest agenda items. The standing items for each full meeting include:

- > approval of minutes of the previous meeting;
- > matters arising;
- > updates from the Committee Chairs;
- > a health, safety and wellbeing update;
- > reviewing the register of Directors' interests;
- > a report from the Chief Executive;
- > a report from the Chief Financial Officer;
- > specific papers or proposals requiring Board approval as required by the Delegations Policy or other Group policies; and
- > matters requiring public disclosure.

The Board normally holds 10 meetings annually and meets at other times as required. The Board Secretary prepares written notice of Board meeting dates, times, and locations. Any director, or the Board Secretary at the request of a director, may convene a Board meeting by giving the required written notice.

At least annually, the Board:

- > reviews and approves Mercury's strategic plan;
- > reviews the operational plans and implementation programme for achieving the strategic plan;
- > approves the annual budget and business plan;
- > approves the interim and annual financial statements;



- > approves the interim and annual reports;
- > considers and, if approved, declares the payment of any dividends;
- > reviews Board composition, structure, and succession;
- > reviews the performance and composition of Board Committees;
- > reviews in detail Mercury's health, safety and wellbeing performance;
- > considers Mercury's audit requirements;
- > undertakes Board and individual director performance evaluations;
- > reviews directors' remuneration;
- > reviews the Chief Executive's performance and remuneration;
- > reviews the Executive Leadership Team's performance and remuneration;
- > reviews company-wide remuneration policies and incentive schemes;
- > reviews Mercury's risk appetite, risk assessment policies and controls, insurance covers and compliance with legal and regulatory requirements;
- > reviews Mercury's major policies;
- > reviews investor, customer, supplier, regulator and other major stakeholder relations; and
- > settles the Board's work plan for the following 12 months.

Open and constructive discussion is encouraged at all Board and Committee meetings to ensure decisions are taken that benefit from the diverse range of skills, knowledge, experience, and perspectives of directors.

Each director is expected to fully participate in Board and Committee meeting discussions, having read all papers provided in the relevant meeting pack. Papers are provided sufficiently in advance of the meeting for adequate reading time. The content, presentation, quantum, and delivery of papers to directors for each meeting is in accordance with guidelines agreed by the Board. Unless specifically directed otherwise, directors are not required to read materials made available in the directors' resource centre.

Minutes are taken of all Board and Committee meetings. All discussions and the record of the meeting remain confidential unless there is a specific direction from the Board or disclosure required by law. Subject to any legal or regulatory requirements, the Board decides the manner, timing, and method of publication of its decisions.

The Chief Executive attends all Board meetings and other members of the Executive Leadership Team may be invited to attend Board meetings.

The Board meets periodically without management present. The Board normally meets without members of the Executive Leadership Team at the start of each meeting. This permits the Board to determine its priorities for the meeting and to discuss matters which are not appropriate to be discussed in the presence of management. In general, matters of strategic importance are not discussed without the Chief Executive.

The Chair may require any director or other attendee to leave a meeting at any time.

Visits to specific Mercury operations are arranged when appropriate and reports and presentations from key executives on Mercury's business and operations are incorporated into the Board meeting schedule on a regular basis.

7 Individual director responsibilities and duties

The conduct of directors is consistent with their duties and responsibilities to Mercury and to its owners. Directors are expected to act honestly, ethically, diligently and in good faith in what they believe are the best interests of Mercury and its shareholders while undertaking their duties. Directors will comply with The Mercury Code.

All directors are expected to continuously educate themselves, according to their individual needs, to ensure that they appropriately and effectively perform their duties.

Each director receives a letter of appointment setting out the key terms and conditions of their appointment. Directors are expected to comply with their legal duties and obligations when discharging their responsibilities as directors. Broadly these include:



- > acting in good faith and in the best interests of Mercury;
- > acting with care and diligence and for proper purpose;
- > avoiding conflicts of interest or managing them appropriately, including filing declarations of interest with the Board Secretary and keeping them current; and
- > refraining from making improper use of information gained through the position of director and from taking improper advantage of the position of director.

In addition to fulfilling legal duties, directors are expected to exercise high standards of honesty and ethical behaviour. Without limiting directors' right to express their views freely in discussions/meetings with other directors and to freely exercise their voting rights as directors, once decisions have been made by the Board, all directors are expected to support the letter and spirit of those decisions outside the Board.

Directors keep confidential all Board information, discussions, deliberations, and decisions that are not publicly known. Directors' obligations of confidentiality continue after they have ceased to be directors.

8 Director compensation

Directors' remuneration is paid as directors' fees. Additional fees are paid to the Chair, Committee Chairs and Committee members to reflect the additional responsibilities of these roles. If appropriate, ad hoc compensation will be paid for significant additional work performed outside usual Board and Committee responsibilities (e.g. special projects). The total fee pool available to directors is subject to shareholder approval, unless the number of directors increases following approval of the total fee pool by shareholders, in which case additional remuneration may be payable if permitted by the NZX Listing Rules.

The Board maintains a Non-executive Director Remuneration Policy.

9 Director independence

The Board comprises a majority of independent non-executive directors, a majority of whom will be ordinarily resident in New Zealand.

The Board's standards for determining independence include the requirements of the NZX and ASX. In particular, the Board refers to the non-exhaustive factors set out in the commentary to recommendation 2.4 of the NZX Corporate Governance Code. The Board assesses the independence of directors on their appointment and at least annually thereafter.

10 Director share ownership

Non-executive directors are encouraged to purchase and hold Mercury shares as set out in the Non-Executive Director Remuneration Policy.

11 Access and independent advice

Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making.

Directors may:

- > have access to any officer, employee, consultant, or advisor of Mercury at any time to request additional information or explanations;
- > have access to internal and external auditors without management present, to request additional information or explanations; and
- > with the Chair's consent seek independent professional advice at Mercury's expense.

12 Conflicts

Directors must disclose to Mercury any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue and take any necessary and reasonable measures to try to resolve the conflict. Directors will minimise the possibility of any conflicts by restricting involvement in any businesses that would be likely to lead to a conflict of interest.

An entry in the Interests Register to the effect that a director is, or may be, interested (as defined in the Companies Act 1993) in a transaction must be disclosed to the Board. A director who is interested in a transaction may not (except in relation to the



granting of an indemnity or if the transaction is one in respect of which directors are expressly required to sign a certificate under the Companies Act 1993) be included in the quorum for a meeting at which the transaction is considered or vote in relation to that transaction but may:

- > attend a meeting of directors at which a matter relating to the transaction arises;
- > sign a document relating to the transaction on behalf of Mercury; and
- > do anything else as a director in relation to the transaction, as if he or she were not interested in the transaction.

13 Board performance

The performance of the Board is reviewed annually. The evaluations will review the Board's role, Board processes and Committees to support that role and the performance of the Board and each director.

14 Board relationship with shareholders and stakeholders

The Board recognises the significant role Mercury holds in New Zealand's capital, energy and telecommunications markets. It will ensure avenues are available for shareholder and stakeholder views to be communicated and heard.

The Board monitors economic, political, regulatory, social, and legal issues and other relevant matters that may influence or affect Mercury's ability to achieve its strategy and business plans.

Unless otherwise directed by the Chair or Chief Executive, communications with the public are only undertaken by specifically authorised Mercury representatives in accordance with Mercury's Market Disclosure Policy and Delegations Policy.

15 Review and approval of Board Charter

This Charter has been approved by the Board. The Board will review the Charter as required, and at least every two years, to ensure that the Charter remains consistent with the Board's objectives and responsibilities.

