

# MERCURY LIMITED GREEN BONDS 2020

## DNV GL PRE ISSUANCE ASSURANCE OPINION

### Scope and objectives

Mercury Ltd ("MERCURY" or "Issuer") has issued an initial NZD 200m Green Bond in September 2020, subsequently followed by a NZD 100m follow up wholesale issuance in October 2020 (henceforth referred to as "BONDS"). DNV GL notes that these BONDS have been issued against the same pool of Green Projects and Assets and has submitted the BONDS for Post Issuance Verification and certification against the Climate Bonds Standard (CBS).

MERCURY has used the proceeds of the BONDS to refinance nominated projects and assets falling under the following categories:

- Renewable Energy – Wind
- Renewable Energy - Geothermal

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as "DNV GL") has been commissioned by MERCURY to provide verification of the BONDS as an independent and approved verifier under the Climate Bonds Standard. Our criteria and information covered to achieve this is described under 'Work Undertaken' below.

No assurance is provided regarding the financial performance of the BONDS, the value of any investments in the BONDS, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the BONDS have met the criteria of the Climate Bonds Standard and the associated Technical Criteria on the basis set out below.

The scope of this DNV GL opinion is limited to the Climate Bonds Standard Version 3.0 and the following associated Sector Technical Criteria:

- Wind Power
- Geothermal Power

### Responsibilities of the Management of MERCURY and DNV GL

The management of MERCURY has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform MERCURY management and other interested stakeholders in the BONDS as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by MERCURY. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by MERCURY's management and used as a basis for this assessment were not correct or complete.

## Basis of DNV GL's opinion

DNV GL has conducted the verification against the CBS v3.0 and associated Sector Technical Criteria through the creation and execution of a verification protocol addressing each requirement of the CBS v3.0 and the associated Sector Technical Criteria. The detail of areas covered in the DNV GL verification is summarised in Schedule 2 below.

## Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by MERCURY in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation and execution of a Climate Bonds Standard Protocol, adapted to include the relevant Sector Technical Criteria for the BONDS nominated projects and assets, as described above and in Schedule 2 to this Assessment;
  - Assessment of documentary evidence provided by MERCURY on the BONDS and supplemented by a high-level desktop research, documentation review and correspondence with key personnel from the issuer MERCURY. These checks refer to current assessment best practices and standards methodology;
  - Discussions with MERCURY management, and review of relevant documentation;
  - Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.
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## Findings and DNV GL's opinion

DNV GL has performed the Pre- and Post-Issuance Verification of the MERCURY Green Bonds. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the 2020 MERCURY Green Bonds with the Climate Bonds Standard.

DNV GL conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements *3000 Assurance Engagements other than Audits or Reviews of Historical Information*. The verification included i) checking whether the provisions of the Climate Bonds Standard were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's approach draws on an understanding of the risks associated with conforming to the Climate Bonds Standard and the controls in place to mitigate these. DNV GL planned and performed the assurance engagement by obtaining evidence and other information and explanations that DNV GL considers necessary to give limited assurance that the MERCURY Green Bonds meet the requirements of the Climate Bonds Standard.

Based on the limited assurance procedures conducted and with understanding of Mercury's corporate structure at the time of verification, nothing has come to our attention that causes us to believe that the MERCURY Green Bonds are not, in all material respects, in accordance with the Pre and Post Issuance requirements of the Climate Bonds Standard Version 3.0 and Associated Wind and Geothermal Technical Criteria.

**for DNV GL Business Assurance Australia Pty Ltd**

Sydney, 16 February 2021



**Mark Robinson**

Manager, Sustainability Services  
DNV GL – Business Assurance

### About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF NOMINATED ASSETS

MERCURY has provided the schedule of nominated projects and assets for the proposed issuance as at May 2020 in NZD as follows. DNV GL Notes that the issuance to date has a total value of NZD 300m, lower than the eligible asset value in the pool of Green Projects.

| <b>Asset</b>               | <b>Type</b> | <b>Eligible Asset Value (million NZD 26 Mar 2020)</b> |
|----------------------------|-------------|---|
| Nga Awa Purua JV           | Geothermal  | 351   |
| Ngatamariki                | Geothermal  | 504   |
| Rotokawa Generation (RGen) | Geothermal  | 69  |
| Rotokawa JV                | Geothermal  | 100   |
| TPC (Mokai)                | Geothermal  | 75  |
| Turitea                    | Wind        | 464   |
| Tilt Investment            | Wind        | 227   |
| <b>Total</b>               |             | <b>1,790</b>  |

## SCHEDULE 2: VERIFICATION CRITERIA

### Summary criteria for assertions of compliance with the Climate Bonds Standard v3.0

The criteria against which MERCURY and its nominated projects and assets have been reviewed prior to inclusion in the Bonds are grouped under the requirements as detailed within the Climate Bonds Standard Version 3.0 including:

#### Part A: Pre Issuance Requirements

| Area                        | Requirement   |
|-----------------------------|---|
| Use of Proceeds             | Nominated Projects & Assets which are proposed to be associated with the Loan and which have been assessed as likely to be Eligible Projects & Assets |
| Project Selection           | Establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets              |
| Management of Proceeds      | The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer                                   |
| Reporting Prior to Issuance | The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance                           |
| Reporting                   | Reporting on use of proceeds and nominated projects and assets  |

#### Part B: Post Issuance Requirements

|                        |   |
|------------------------|---|
| Use of Proceeds        | Nominated Projects & Assets which are proposed to be associated with the Loan and which have been assessed as likely to be Eligible Projects & Assets |
| Project Selection      | Establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets              |
| Management of Proceeds | The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer                                   |

|           |  |
|-----------|--|
| Reporting | Reporting on use of proceeds and nominated projects and assets |
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**Part C: Eligible projects and physical assets**

Nominated projects and assets include financing of or investments in equipment and systems which enable the mitigation of greenhouse gasses, as detailed in Appendix B.

| Area                         | Requirement   |
|------------------------------|---|
| Wind Energy Generation       | Terrestrial wind electricity generation facilities  |
| Geothermal Energy Generation | Criterion 1: Emissions threshold<br>Criterion 2: Emissions mitigation technology and/or plant design<br>Criteria 3 & 4: Environmental, health, safety and social criteria |

**Part D: Certification under the Climate Bonds Standard**

| Area                        | Requirement  |
|-----------------------------|--|
| Pre-Issuance Certification  | The Borrower of a Climate Bonds Standard Certified must satisfy the Pre-Issuance Certification requirements including the completion of all forms, Pre-Issuance Verification by an approved verifier and provision of relevant information   |
| Post Issuance Certification | The Borrower of a Climate Bonds Standard Certified must satisfy the Post Issuance Certification requirements including the completion of all forms, Post Issuance Verification by an approved verifier and provision of relevant information. DNV GL will verify these requirements at Post-Issuance Verification. |
| Maintaining Certification   | The Borrower shall provide annual reporting to the CBI and comply with non-conformance correction as required. DNV GL notes that this is an ongoing requirement beyond the scope of this Verification.   |