

Non-executive Director Remuneration Policy

1 Introduction

This policy provides a framework for setting and reviewing Mercury's non-executive director remuneration arrangements.

2 Process

The Nominations and Corporate Governance Committee:

- > reviews director remuneration arrangements;
- > seeks external advice on director remuneration matters as it deems appropriate; and
- > makes recommendations to the Board about director remuneration, including for shareholder approval where necessary.

3 Remuneration Philosophy and Principles

Mercury's approach to remuneration is to ensure that our directors are rewarded fairly and equitably. Non-executive director remuneration is designed to ensure that Mercury is able to attract and retain directors with the skills and experience necessary to govern the business and achieve our strategic objectives.

The total fee pool available to be paid to Mercury's directors is subject to shareholder approval as required by the NZX Listing Rules. If the number of directors increases following approval of the total fee pool by shareholders, the Board may, without shareholder approval, proportionately increase the total fee pool to accommodate this in accordance with the NZX Listing Rules.

4 Remuneration Elements

Mercury's director remuneration is paid in the form of directors' fees. Total directors' fees are made up of the following components:

- > fixed annual base fee for scheduled board commitments;
- > additional fees for the committee chairs and committee members to reflect the additional responsibilities of these roles (note the Chair of the Board receives an increased fixed annual base fee which covers attendance at all committee meetings and does not receive additional committee fees); and
- > if appropriate, ad hoc compensation for significant additional work performed outside usual Board and committee responsibilities (e.g. special projects).

The allocation of directors' fees within the shareholder approved fee pool is at the discretion of the Board.

Mercury also meets directors' reasonable out-of-pocket expenses including travel and other costs associated with Mercury business.

Directors' fees do not include performance-based remuneration and Mercury does not pay any retirement benefits to non-executive directors.

Non-executive directors are encouraged to purchase and hold Mercury shares equivalent to the non-executive director's fixed annual base fee after tax. Each director is encouraged to achieve the minimum shareholding by the date ("Measurement Date") which is the later of:

- > the third anniversary of the date this Policy is first approved by the Board; and
- > the third anniversary of the director's appointment to the Board.

A directors fixed annual base fee after tax consists of that director's fixed annual base fee less tax at the director's personal tax rate on the Measurement Date and at each assessment date after the Measurement Date.

The Board may, in its sole discretion, in respect of a director or directors, relax the minimum shareholding or adjust the Measurement Date having regard to any difficulty a director may have had to acquire shares as a result of the application of the blackout period or other restrictions under Mercury's Trading in Company Securities Policy.

This is subject to personal circumstances that should be discussed with the Board Chair or, in the case of personal circumstances of the Board Chair, the Chair of the Audit and Financial Risk Committee.

5 Review of Director Remuneration

The Nominations and Corporate Governance Committee reviews the level of director remuneration annually and makes recommendations to the Board. As part of its review the Committee considers factors such as (but not limited to) the size and complexity of Mercury's operations, developments within the industry and requirements and time commitments of the role.

Where an increase in the total pool of directors' fees is sought the Committee will consult with key stakeholders and seek benchmarking advice from an independent remuneration consultant. Proposed director remuneration will be recommended to shareholders for approval in a transparent manner including a summary of the findings of any independent remuneration report, along with the consultant's assumptions and methodology.

6 Disclosure of Director Remuneration

Actual director remuneration will be clearly disclosed in Mercury's annual report in accordance with the NZX Corporate Governance Code and the Companies Act 1993. The disclosure will include a breakdown of remuneration for committee roles and for fees and benefits received for any other services provided to Mercury.

7 Approval and Review of Policy

This Policy has been approved by the Board. The Nominations and Corporate Governance Committee reviews this policy as required and at least annually and recommends proposed changes to the Board for approval.

