

Mercury – 2017 Annual Shareholders' Meeting

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When: 10.30am, 7 November
PAGES: 19

[SLIDE 2: 2017 ANNUAL SHAREHOLDERS' MEETING]

ADDRESS BY THE CHAIR: JOAN WITHERS

[SLIDE 3: JOAN WITHERS, CHAIR]

Kia ora koutou katoa. Haere mai ki tenei hui motuhake.

Good morning ladies and gentlemen, and thank you for joining us.

My name is Joan Withers and I am Chair of Mercury.

On behalf of your Directors, the Chief Executive, our leadership team and all of our people at Mercury... a very warm welcome, and a special welcome to those shareholders who are following this meeting online from our webcast.

I appreciate that you have taken the time to either attend or to join us online.

For those of you here in person, I hope you have enjoyed some of the images from the slide show that has been playing as you've taken your seats.

It's been compiled to showcase Mercury employees and some of the things they get involved in, in their jobs and in their communities, as we work to inspire New Zealanders to enjoy energy in more wonderful ways.

We value this opportunity to interact with you, and trust that it provides a useful forum above and beyond the necessary governance business of the Board and reporting on past progress in delivering Mercury's strategy.

It is also an opportunity:

- to present on the evolution of Mercury's strategy since the last ASM, and the outlook for FY18;
- for us to signal progress against targets; and

- for us to engage with you, our owners, sharing with you our understanding of “what matters most” to our business and the opportunities that exist in the dynamic energy sector that Mercury is an important part of.

With that context, I am pleased to confirm that we have a quorum represented here today and therefore declare the 2017 Annual Shareholders’ Meeting of Mercury NZ Limited open.

I am going to depart from my usual order of introductions today and not start with the Board as I want to spend a little time talking about board composition. So with me on stage are:

- our Chief Executive, Fraser Whineray;
- our Chief Financial Officer, William Meek; and
- our Company Secretary, Howard Thomas.

Here today, we also have all of Mercury’s Executive, along with our auditors, Ernst and Young, and the company’s solicitors, Chapman Tripp.

[SLIDE 4: YOUR BOARD]

Now to introduce your Board.

- Andy Lark who joined the Board in 2014.
 - Andy has a huge background in entrepreneurship, and has held senior and executive roles in marketing and digital technologies.
 - His prior roles include Chief Marketing and Online Officer for the Commonwealth Bank of Australia and Chief Business Officer for Xero.
- Patrick Strange who joined the Board in 2014.
 - Patrick brings considerable energy sector expertise to the Board, having previously been Chief Executive of New Zealand’s transmission owner and operator, Transpower New Zealand Limited.
 - He’s currently chair of Chorus, and a director of NZX Limited, Auckland International Airport and Essential Energy, Australia.
- Scott St John, the newest member of our Board, who joined Mercury on the 1st of September this year.
 - Scott is Chancellor of University of Auckland and has an extensive background in investment advisory and capital markets.
 - Scott holds directorships with Fisher & Paykel Healthcare and Fonterra. He is a former member of the Capital Markets Development Taskforce and the Financial Markets Authority Establishment Board.
- Prue Flacks, who chairs our Human Resources Committee and has been on the Board since 2010.
 - Prue is a barrister and solicitor with extensive experience in commercial law and, in particular banking, finance and securities law.



- She was a partner at Russell McVeagh for 20 years and is a director of Chorus and Bank of New Zealand and has recently assumed the Chairmanship of Queenstown Airport Ltd.
- Mike Taitoko who joined in 2016.
 - Mike is a leading advisor on Maori economic development. He also brings to the Board strong commercial skills in the application of digital technologies.
 - He is Managing Director of data analytics and visualisation company Wairoa Pacific, and a director of Committee for Auckland and Auckland Tourism Events and Economic Development (ATEED).
- James Miller, who joined in 2012 in the lead-up to our IPO.
 - James is a Fellow of the Institute of Finance Professionals and Chartered Accountants, Australia New Zealand.
 - He has an extensive background in capital markets and is chair of NZX Limited, and a director of ACC and Auckland International Airport.
- Keith Smith, who chairs our Risk Assurance and Audit Committee and joined as a director in May 2009.
 - Keith is an experienced professional director with a strong accountancy services background including as a former partner in the chartered accountancy practice, BDO.
 - Among other directorships, Keith is currently Chair of Goodman and also deputy chairman of The Warehouse Group Limited.
- And Nicky Ashton - our *Future Director*.

Nicky has a strong background in consumer marketing and has been with us since mid-2016 as part of the Future Director scheme.

In line with the parameters of that scheme, aimed at developing New Zealand's next generation of business leaders, Nicky contributes to our discussions and debates, but is not involved in Board decision-making.

Nicky's tenure will conclude at the end of this calendar year.

We have a strong focus on ensuring that Mercury's Board is well-balanced with skills and experience aligned to the company's strategic priorities, and I believe we are well served in that regard.

We were delighted to top 50 Australasian companies in a recent survey of buy-side and sell-side analysts on board composition and board effectiveness.

The Nominations Committee compose a board skill matrix which appears in our Annual Report and which we regularly track to ensure that the skills and experience we have around the table match the Company's requirements both now and going forward.



We also pay attention and have a significant commitment to the ongoing development of directors. Just last week your directors, along with Mercury's Executive, all attended a very worthwhile programme guided by the globally recognised Cambridge Institute for Sustainability Leadership.

The programme, held here in Auckland, has helped build a shared understanding of environmental, social and governance (ESG) imperatives, including:

- global pressures and trends that will shape the business context;
- how society, regulators and investors are responding – and the implications of these responses for business;
- the commercial implications of these trends, and insight into how businesses are responding; and
- the relationship between sustainability and fiduciary responsibility, and the implications for corporate governance.

There is an increasing focus on ESG matters from investors and the size of the pool of responsible investment funds is estimated at \$US22 trillion.

Mercury is well positioned to benefit from demonstrating our strong credentials in this space.

[SLIDE 5: AGENDA]

Running through the order of events today...

I'm looking forward to taking you through some of our governance highlights of the past year. I'll also cover Dividends and Share Price Performance and EBITDAF guidance before handing over to Fraser.

Fraser will update you on our business and financial performance, and bring to life with examples our focus on customers, our priorities across Mercury and our Company's alignment with critically important long-term national outcomes.

In terms of the formal business, we will cover each resolution in turn and invite questions specific to those items. It will then be time to vote on four resolutions.

Three resolutions relate to the re-election, or election in the case of Scott St John, of directors. One relates to changes to our constitution.

I will outline the process for the discussion and voting on the resolutions at that point in the agenda.

Following the resolutions we will take questions from you on our financial and operational performance or other questions relating to the Company.

At the close of the meeting, we hope you will join us for morning tea. This time, at the conclusion of our meeting, provides an opportunity for us to get feedback from you, our owners, and for us to provide some more detail about the things we are doing to take us towards our mission of Energy Freedom.



I invite you to talk with Mercury people – easily recognisable with their yellow jackets and ‘choice’ t-shirts – about some of the wonderful things they do to inspire, reward and make things easy for the people who interact with us every day.

[SLIDE 6: WELLBEING]

I'd like to start my overview with reference to employee wellbeing.

Our people at Mercury are at the heart of what we do, and our commitment to their wellbeing is fundamental to the sustainability of our business.

We have seen a steady increase (39%) in the reporting of meaningful near-miss events from across all parts of Mercury.

This is a very positive sign as it signals both collective ownership and collective awareness of what constitutes a hazard, and a willingness to do something about it.

Incidents involving injury to Mercury employees this year were mostly of low severity, but we are still dissatisfied with this outcome.

Our goal continues to be Zero Harm.

While not related to our reporting, I would like to take this opportunity on behalf of the Company to acknowledge a tragic incident in the Aratiatia Rapids in February this year – an incident that resulted in the death of young Auckland woman Rachael De Jong. I again extend my heartfelt condolences to Rachael's family for their loss.

[SLIDE 7: MILESTONES]

As I noted in the announcement of Mercury's annual result, the 2017 financial year has been a milestone one.

At our 2016 Annual Shareholders' Meeting, Mercury presented itself for the first time under its new branding, after we rationalised from Mighty River Power and Mercury Energy.

Since then, the business has strongly embedded this positive change through clarity of focus on our strategic drivers, which are: delivering customer advocacy, leveraging our core strengths and delivering sustainable growth.

Your Board is pleased to report encouraging momentum in a number of key areas; with record customer satisfaction, record employee engagement and record financial performance, all of which are detailed in Mercury's 2017 Annual Report.

The combination of these proof points is to a large degree responsible for Mercury's re-branding activity winning the Supreme Award at this year's TVNZ New Zealand Marketing Awards, and



then taking out the grand prize at the New Zealand marketing industry's advertising effectiveness awards: the Effies.

Having worked in the media industry for 20 years, believe me, this is a phenomenal achievement.

We understand that it's the first time a New Zealand energy company has won this level of recognition for its change and customer-focused communications. We were up against leading New Zealand brands and campaigns, not just other energy companies, so I think the execution of this change is something you can be proud of as owners.

Recently, Mercury also received recognition at New Zealand's CRM Contact Centre Awards.

Our people and the teams serving our customers took prizes in eight categories, including our inbound sales team winning the Energy Retailer section.

This reflects the great work in ensuring our mission, purpose and goals are demonstrated in everything that Mercury does to create value.

To help celebrate, our people have brought along some of these awards which are on display with our customer team at the back of the arena.

Mercury's 2017 financial result was enabled by strong portfolio and plant management, growth in our retail business through our focus on customer loyalty and a solid contribution from our Metrix smart metering business.

Another milestone has been the evolution of our reporting so that it provides clarity on how Mercury creates value, our ultra long-term sustainability and prosperity.

[SLIDE 8: GOVERNANCE]

From discussions with owners both here and around the world we appreciate the drive towards understanding how organisations sustainably grow value over the long term.

In our 2017 Annual Report we have enhanced reporting on how we incorporate sustainability into our strategy, governance and operations, and how we manage sustainability risks and opportunities.

Technically we have incorporated principles from the Integrated Reporting <IR> Framework and have reported against Global Reporting Initiative (GRI) standards.

Mercury was an early adopter in aligning our reporting against the NZX Corporate Governance Best Practice Code 2017.

We also support the initiatives and advice driven by individual and collective investors and shareholder representative groups, such as the NZ Corporate Governance Forum and the New Zealand Shareholders Association, to improve transparency in remuneration disclosures and board composition, and on opportunities such as diversity.

We believe that having high standards of corporate governance is critical for New Zealand.



In April, the Board adopted the Mercury Code, replacing our Code of Ethics and Code of Conduct, and this underpins everything we do.

The Code is available to be read via the corporate governance section of our website. It requires all Mercury people, including directors and employees to act honestly and with the highest standards of integrity and fairness at all times.

The Code supports our promises to each other and defines our commitment to our customers, our people, our communities, and to you - our owners.

[SLIDE 9: LEADERSHIP]

Turning to leadership, I want to acknowledge the performance of the Executive Team during the financial year in review.

Under Fraser's leadership as Chief Executive, we have assembled a talented, high-performing executive and senior management group which operates in a collegial manner and whose conduct, demeanour and integrity reflect the standards and provide the example we strive for as an organisation.

Fraser's influence on issues that matter to New Zealand has extended well beyond our own organisation.

Over the past two years, he has driven much of the momentum on raising awareness of the benefits electric vehicles (EVs) can provide to the country, both in economic and environmental terms.

And, in the latter part of this financial year, Fraser headed a delegation of senior business leaders to Switzerland with the objective of bringing back ideas and lessons that can help New Zealand to thrive well into the future.

As a board we have received tremendous feedback about his role and participation.

[SLIDE 10: SHAREHOLDER RETURNS]

This leadership has been matched by operational and financial performance.

Underscoring the year's performance, Total Shareholder Returns, or returns via dividends paid and share price appreciation, within FY2017 was 16.4%.

The Board is also pleased to have returned a total of \$270 million to around 85,000 predominantly New Zealand owners, including the Crown, from cash flows generated through the year.



Our final ordinary dividend was 8.8 cents per share, fully-imputed. This brought the full-year fully-imputed ordinary dividend to 14.6 cents per share, up from 14.3 cents per share in FY2016.

This is consistent with Mercury's policy to make ordinary distributions with a pay-out ratio of 70% to 85% of Free Cash Flow on average through time.

This return to shareholders was also on guidance and it represented the ninth consecutive year of ordinary dividend growth.

As well as the fully-imputed ordinary dividend, in September Mercury paid a special dividend, also fully-imputed, of 5.0 cents per share as a means of returning cash to shareholders that is surplus at this time to the Company's requirements.

As we have previously stated, Mercury seeks to utilise its balance sheet and Free Cash Flow to fund value enhancing initiatives, however no material opportunities requiring additional capital were executed in FY2017.

This special dividend distributes excess Free Cash Flow plus proceeds from carbon credit sales within FY2017.

Your Board continues to have an ongoing focus on capital management, and will continue to balance special returns to shareholders whilst maintaining appropriate balance sheet flexibility to deliver on the company's strategy.

[SLIDE 11: EBITDAF GUIDANCE]

Today we confirm updated EBITDAF guidance, communicated to the market mid-October.

At the time of the Annual Results, guidance was issued at \$500 million subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

Rainfall in the Lake Taupo area through the first three months of this financial year has contributed to a favourable operating environment.

Consequently, within our scheduled quarterly operational update last month we increased our FY2018 hydro generation forecast.

Annual hydro generation is now forecast to be 4,400 GWh for the financial year, or 400 GWh above average.

Associated with that, Mercury's full year EBITDAF guidance was lifted to \$515 million. This is re-confirmed.

Ordinary dividend guidance remains at 15.0 cents per share, up a little over 2% on last year.

Guidance may change and remains subject to any material events, significant one-off expenses or other unforeseeable circumstances including changes in hydrological conditions.



Before I hand over to Fraser, I want to thank you again for your support as owners of Mercury.

As I noted in our annual report, Mercury is well positioned to continue generating consistent and growing returns for our owners, along with value for our partners, our customers, our people and our communities.

Thank you also to our customers for your loyalty, and our people for their commitment and professionalism.

And finally, thank you to our business partners and to the many people and organisations sharing the mutual relationships with Mercury that drive our success.

I will now hand over to our Chief Executive, Fraser Whineray.



ADDRESS BY THE CHIEF EXECUTIVE: FRASER WHINERAY

[SLIDE 12: CHIEF EXECUTIVE, FRASER WHINERAY]

Tihei mauriora.

Kei ngā mana,

Kei ngā reo,

Kei ngā karangatanga maha e hui tahi nei i tēnei rā,

tēnā rā koutou katoa!

Thank you Joan.

Good morning ladies and gentlemen. I am very pleased to address you, the owners of Mercury, at our ASM.

We are pleased that you have chosen to join us today. In fact choice was the theme of this year's annual report.

[SLIDE 13: FY2017 ANNUAL REPORT COVER PHOTO]

We chose this theme very deliberately because we respect that freedom to choose sits with our customers, our people and communities, our partners and with you, our owners. I will touch on these aspects today.

We have worked hard throughout the year to distinguish ourselves by the choices that we offer.

We have made pleasing progress.

There are about 2 million hours of effort and diligence from our employees alone that went into the last financial year, which today we compress into about 90 minutes.

It is very important that you, our owners who are here, and the circa 85,000 not here, get to see a snapshot of the value we are creating.

This includes data-driven digital solutions for customers, our leadership and partnership approach to EV uptake and our provision of solar and battery options fit for New Zealand conditions.

These were all matters signalled at last year's ASM.

Across the year I believe we have executed well.



We delivered important IT and digital enhancements designed to improve our capacity to meet customer needs.

We completed a migration of the majority of our business applications to the cloud and upgraded our core asset management system (Maximo).

And our SAP customer service and billing system upgrade is expected to be completed later this month.

This all helps Mercury people to do their jobs effectively and to meet the needs of our customers.

[SLIDE 14: FINANCIAL PERFORMANCE]

In terms of financial performance, Mercury achieved a 6.1% lift in operating earnings (EBITDAF) to \$523 million for the financial year.

This reflected strong inflows across the Waikato catchment in the second half of the year.

Mercury's net profit after tax increased \$24 million to \$184 million.

Underlying earnings after tax increased by \$24 million, or 16%, to \$176 million, reflecting improved operating earnings and flat operating costs.

Operating costs of \$214 million were flat in FY2017 when compared with FY2016.

This is the fourth year in a row in which our operating costs have been held steady and our intention is to maintain that rigour in FY18.

[SLIDE 15: OUR CUSTOMERS]

To be New Zealand's leading energy brand, which is our goal, we need to earn the opportunity to be chosen by New Zealanders.

We pay close attention to the things that our existing, loyal customers say they want: rewarding them, inspiring them and making their interactions with us easier.

These are our three customer promises.

We are proud, but not complacent, to report that Mercury materially outperforms the market in terms of customers switching.

For FY2017 Mercury brand customers churned at a rate around 6% lower than the market at a total switching level.

Overall, the Mercury brand gained 19,000 residential customers across the financial year through our focus on loyalty and retention.



How did we do this?

We've embedded Airpoints™, and have in excess of 145,000 customers as members. We have 140,000 customers on fixed-term pricing. And Mercury's Free Power Days, which allow customers to boost their enjoyment of electricity, resonated strongly.

One customer told us he used the day for dog washing – leading to the cover we chose for our annual report. All up, more than 157,000 Free Power Days were enjoyed throughout the year.

What's common in all of these activities is that they're not just for one, 100 or 1000 customers. Anyone can get that many customers for a proposition. These are for more than 100,000 customers each.

Mercury's innovation approach is to be alongside our customers as technology moves from what is possible to what is commercially probable in New Zealand's small electricity market, with a unique and world-leading structure.

Many of you would have seen our e.bike advertising which has contributed to a huge lift in e.bike sales in New Zealand year-on-year, with Mercury customers able to enjoy a discount on purchase.

For those who haven't, I'd like to share this ad with you now.

[VIDEO – Mercury e.bike ad]

Of course, our business is not about selling e.bikes – which we don't do – it is about making things easy for customers, rewarding them, and inspiring them.

The stories from the thousands who have trialed e.bikes as we've taken our big yellow trailer around New Zealand are incredible.

You will see, at the back today, how we are linking e.bikes to our 10-year partnership with the Waikato River Trails to support regional growth in areas where we are part of local communities.

If you want some outdoor fun, go to the website Waikatorivertrails.co.nz and make a weekend of it.

For parents, or grandparents frustrated at seeing children spending too much time on digital devices, here is your solution from Mercury.

That is also 'energy made wonderful'.

Recognising customers' desire for choice, we increased our solar energy options, along with battery storage capability, via Mercury Solar, launched in November 2016.

Auckland's demand for solar installations was lower than anticipated in FY2017.

Reflecting that, Mercury's installations were below our expectation, but the start to this year has been encouraging.



As we have said previously, solar will be a very important niche in New Zealand within our already highly competitive, efficient, unsubsidised renewable and winter-peaking electricity market.

[SLIDE 16: OUR R&D CENTRE]

We continue to expand our research and development facility, based in Penrose, Auckland.

Through this, we evaluate advances in global technology that can deliver better customer outcomes tailored for New Zealand conditions.

Recently we announced plans for installation of a super battery directly connected to the national grid.

This will allow us to store and trade energy on both the wholesale and reserve markets, a New Zealand first.

At 1MW it is equivalent to about 1 million AA rechargeable batteries. But to put it into context, the storage in the Waikato River is equivalent to 300 trillion AA batteries.

Our Southdown R&D centre is unique. It is big enough to locate more than 100MW, of battery storage. This adds to the strategic nature of this site.

Beyond connection to the national grid the application of batteries to New Zealand's monopoly distribution networks must be open and competitive for the best customer outcomes.

Currently I believe there is a risk of narrow interests leading to customers not getting the best outcomes in the long term.

We are happy to price any network battery tender.

Strategic use of data is an important enabler for Mercury. We have commercialised more initiatives based on smart meter data than any other energy retailer in New Zealand, again helping customers enjoy more energy made wonderful.

Our metering division, Metrix, is the second-largest smart meter data and services provider in the country and for FY2017 Metrix contributed \$49 million in revenue with close to 400,000 meters owned at 30 June 2017 and more under management.

[SLIDE 17: OUR PEOPLE]

As well as being chosen by customers, Mercury must be chosen as a great place to work.

This year our people achieved excellent outcomes by bringing our new brand to life.

Our success in this area is reflected in our 2017 Employee Engagement Survey, where 81% of employees identified themselves as engaged (up from 79%).



Supporting employee development, Mercury, in an industry first, aligned our in-house contact centre training programme with NZQA requirements. Thirty-nine employees gained NZQA accredited qualifications through this rigorous nine-month programme in the financial year.

[SLIDE 18: RIGHT RESOURCES, RIGHT PLACE]

It is a significant commercial advantage to Mercury that our generation of electricity from our renewable hydro and geothermal stations is based relatively close to large numbers of our customers in the North Island.

Low South Island lake levels this winter impacted on electricity output from competitors managing South Island hydro stations, with consequential impacts on spot prices for electricity.

However New Zealand's security of supply was assisted by offsetting strong annual inflows into our North Island system.

Combined with our own effective maintenance and asset enhancement programme, it meant Mercury was able to play its part to help consumers by generating strongly through this period.

A highlight is that Mercury completed the first of four upgraded hydro generation units at Whakamaru, an initiative signalled at last year's ASM.

The project was captured on a video I'd like to show today.

While the upgrade of the unit took the team 8 months to execute and years in the planning, the video has been sped up so it won't take that long...

[VIDEO – Whakamaru upgrade timelapse]

This video gives you a great view of the work Mercury people do every day to keep plant operating efficiently and effectively in order to power the lives of New Zealanders.

This refurbishment was a significant achievement for the business.

The unit is now capable of producing an additional 6 MW. When the whole project is complete across four units by 2020 Whakamaru will be able to produce an additional 24 MW approximately of peak capacity.

Now that's some wonderful energy.

Our people who manage the hydro stations also play a key role in water management throughout the Taupo and Waikato River catchments.

We take great pride in how our people assisted the flood manager, Waikato Regional Council, to mitigate flooding in low-lying areas from the heavy rains from consecutive cyclones Debbie, Cook and Donna.



This is a contribution that many people don't realise, but that we think it's worth all our owners understanding.

To ensure the sustained performance of our geothermal production, this year we completed a substantial geothermal drilling programme, for four new wells and one repair, ahead of schedule.

[SLIDE 19: OUR PARTNERSHIPS]

Collaboration based on mutual understanding and delivering shared value guides Mercury's approach to partnerships.

We seek to learn from and respect the past, and believe that this provides a hard-to-replicate model.

Our partnerships with the Tauhara North No.2 Trust and the Tuaropaki Trust have not only added to New Zealand's geothermal electricity generation but have also created regional opportunities for growth.

We are deeply inspired by these trusts.

Our relationships with iwi in the Waikato River catchments are hugely valued by us, and have been built over many years based on respect and trust.

We support programmes that are mutually mana-enhancing and of benefit over the ultra-long term.

As an example, Mercury worked with Ngāti Koroki Kahukura to install a solar energy system at Pohara Marae in the Waikato.

Our association also with Starship Children's Hospital continues to go from strength to strength.

Through the generosity of many Mercury customers, we have together raised in excess of \$10m in a partnership that goes back 18 years to help children and their families at a time of need.

That is something else we would like to celebrate with you today.

[Video: Starship children thanking for \$10 million contribution]

It is very humbling, and grounding to hear the stories of the children who helped with this video – and who provided the drawings. They have phenomenal courage.

Around 60,000 Mercury customers have contributed over the duration of our partnership: demonstrating crowd-funding before it was called crowd-funding.

We recently sent a thank-you message to over 25,000 customers who currently contribute through their monthly power bills, and hope that thousands more will join with this opportunity.



Just as raindrops are the start of the powerful Waikato River, the equivalent of a gold coin or two each month makes a formidable contribution to children and their families.

[SLIDE 20: OUR ROADMAP]

Looking forward, major activities planned through the 2018 financial year that support our mission of energy freedom include:

- growing our customer-led digital offerings and capability by completing an upgrade of our customer systems to a fully-supported cloud-based environment;
- evolving our health and safety approach beyond occupational health and safety to include wellness and process safety;
- refurbishing and returning to service two new hydro units at Aratiatia and Whakamaru, and the drilling of a new geothermal well at Ngatamariki; and
- completing and embedding Metrix's new operating platform.

We look forward to reporting on progress and our achievements in these areas.

I also believe that there is an opportunity now to get the regulatory settings right around emerging technology and the pricing of electricity distribution.

Pricing reform of New Zealand's monopoly distribution networks is needed to ensure pricing structures are simplified and made more equitable for consumers.

Prices must also send the right signals:

- meaningful signals to retailers who can in turn incentivise their consumers about when and how to use electricity efficiently; and
- signals to drive appropriate investment in, and operation of, new technologies like solar, batteries and EVs.

There is some noise developing about several monopoly network companies seeking to extend their reach into such things as when you can charge your electric car.

New Zealand has huge peaking capacity, especially off-peak, thanks to hydro power.

I can provide comfort to current and future EV drivers that there is more than enough peaking capacity to charge your car. Having a monopoly network company extend its reach into your home or car is totally unnecessary.

Be wary of a smokescreen of new technology which is sold as trying to enable outcomes when the real objective is to control you and constrain your Energy Freedom.

Norway, with 5.3 million people and the highest EV penetration of any country, is not concerned whatsoever.

And if a localised part of any network feels like it might get constrained, Mercury would be happy to competitively tender for a solution.



[SLIDE 21: WIND]

Building on opportunities, as we have regularly communicated Mercury is primed for domestic generation growth with consented high-quality wind farm sites at Turitea and Puketoi in the Manawatu available to add to our renewable electricity fleet.

These are some of the best yielding sites available in New Zealand, with the potential to be developed in stages depending on market conditions and Mercury's commercial strategy.

We re-affirm that a decision will be made about activating these consents when commercial conditions are right.

[SLIDE 22: OUR SUSTAINABILITY AND OUTLOOK]

My assessment of the operating environment is that we are in reasonably good shape.

But there are substantial opportunities for New Zealand, the industry and Mercury to focus on to leverage renewable energy.

I'd like to start with the platform we have laid, because I believe that it is something that owners of Mercury should be aware of, and have every right to be proud of.

It is important because this is the platform that supports our credentials to help influence better long term outcomes for New Zealand.

With respect to emissions, whereas many companies are identifying carbon reduction targets, which is to be applauded, you should know that we are carbon negative (defined by our gross emissions less contracted carbon sequestration).

Our long-term carbon contracts, the first of their kind in New Zealand, underwrote the planting of close to 10,000 hectares of forestry in the North and South Islands.

The \$2 billion investment in geothermal generation over the last decade by Mercury, Tauhara North No.2 Trust and Contact has been the largest contributor to reducing gross greenhouse gas emissions over that period.

The constructed geothermal projects represent a reduction of approximately two million tonnes per annum of emissions by displacing generation from thermal power stations.

With respect to wages, we pay at least the living wage of \$20.20 per hour to all of our staff except to starting apprentices and summer students who we work with to introduce to great opportunities for advancement as we help build their skills.

With respect to indigenous and regional growth, we have the largest commercial engagement with the Maori economy out of any listed New Zealand company.

These are some of the things Mercury has done.

The context is important, because sustainability as a concept itself is facing a challenge.



Sustainability is borne out of having to live within limits – to allocate scarce resources of time, money and environmental capacity.

If the solutions to sustainability start with ‘every little bit helps’, then I’m quite confident we will collectively fail to deploy those scarce resources well enough, with potentially catastrophic consequences.

Stated another way, if governments, organisations, businesses and citizens focus on sustainability initiatives that sound good but frankly won’t make the necessary difference because they lack scientific validity, then we’ve got a seriously big problem.

That is why we need to be very wary of greenwashing.

In my view, greenwashing could distract the planet from living within its means through misleading the discussion on what matters most. In that sense, greenwashing is almost as bad as the emissions themselves.

This provides context for what we’re now focused on.

New Zealand has a core competitive advantage in renewable energy which must not atrophy.

I believe that any government target related to renewable electricity, though well-meaning is not aspirational enough.

The real issue is the use of non-renewable sources for our wider energy requirements.

Almost 60% of New Zealand’s overall energy usage still involves fossil fuel, much of which is imported.

To break free from this dependence and set the best possible long-term aspiration, consistent with a desire for a low-carbon economy, rather than a renewable electricity target New Zealand needs a renewable energy target focused on reducing fossil fuel use.

New Zealand’s renewable electricity is the majority of the so-called green economy in the country today.

And the electrification of transport is New Zealand’s largest green growth opportunity.

Let us walk through the open door on this one, rather than lean against closed doors like biofuels which are 5% blends – which means 95% non-renewable – and hydrogen, where you waste 2/3 of the electricity you started with to split water, compress it, and deliver it, through infrastructure that doesn’t currently exist. No one can beat the laws of physics, so why fight it.

The great news is the momentum building in some of the right areas.

And we have been a part of that.

At our ASM in 2014, we made a commitment to convert 70% of our own vehicle fleet to EVs by the end of 2018.

And here’s a reminder. Some of you may recognise yourselves in this video...

[Video: Mercury shareholders commenting on EVs in 2014]



[SLIDE 23: EV SLIDE]

I am extremely pleased to announce to you today, that we have met, one year ahead of time, that target for our EV fleet conversion set three years' ago.

We now have in excess of 70% - or 80 out of 114 - EVs in our total fleet. This represents the transition to EVs of every vehicle that can be practically transitioned to models currently available.

I am also proud to let you know today, that Mercury has become a signatory to the EV100 global movement: one of the first New Zealand companies to do so, and something that will be formally announced by the Climate Group on the 10th of November.

EV100 is a global initiative bringing together forward looking companies committed to accelerating the transition to electric vehicles and making electric transport the new normal by 2030 – ideally well before then.

[SLIDE 24: MERCURY BRAND SLIDE]

To summarise, on behalf of all of us at Mercury, I am very pleased with what has been achieved throughout this financial year and I am excited by the opportunities ahead.

The customer-led focus on execution and innovation has supported a strong financial performance that underpins Mercury's wider contribution to customers and the country.

We acknowledge the choices that our customers, our owners, our people and our partners have all made and thank you for being part of our story.

Together we are Mercury.

Energy Made Wonderful.

Nga mihi nui ki a koutou katoa

