Mercury

PRODUCT DISCLOSURE STATEMENT.

Offer of 7 year unsecured, unsubordinated fixed rate green bonds.

Issued by Mercury NZ Limited.

DATE: 21 AUGUST 2020

This document gives you important information about this investment to help you decide whether you want to invest.

There is other useful information about this offer on www.companiesoffice.govt.nz/disclose.

Mercury NZ Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

Arranger, Green Bond Co-ordinator & Joint Lead Manager

ANZ

Joint Lead Managers

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CRAIGS INVESTMENT PARTNERS

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01. KEY INFORMATION SUMMARY.

WHAT IS THIS?

This is an offer (**Offer**) of unsecured, unsubordinated fixed rate green bonds (**Green Bonds**). The Green Bonds are debt securities issued by Mercury NZ Limited (**Mercury**). You give Mercury money, and in return Mercury promises to pay you interest and repay the money at the end of the term. If Mercury runs into financial trouble, you might lose some or all of the money you invested.

ABOUT MERCURY AND ITS SUBSIDIARIES

Mercury, together with its subsidiaries, is an electricity generator and energy retailer.

Currently Mercury's electricity generation is 100% renewable, averaging around 6,600GWh per annum. Nine hydro stations along the Waikato River generate on average around 4,000GWh of electricity each year. Mercury also operates and owns (either in whole or part) five geothermal stations in the central North Island, two of which are in partnership with Māori land trusts. Mercury is also building a wind farm at Turitea, which as at the date of this PDS, is expected to be New Zealand's largest wind farm, in the lower North Island with full output expected in the financial year ending 30 June 2022.

As a retailer of electricity and gas, Mercury currently services the energy needs of residential, commercial and industrial customers.

Mercury is listed on the NZX Main Board and has a foreign exempt listing on the ASX. As at close of the Business Day before the date of this product disclosure statement (**PDS**), it has a market capitalisation on the NZX of approximately $6.8 billion. The Crown has a minimum 51% shareholding in Mercury (as required by the Public Finance Act 1989).

PURPOSE OF THIS OFFER

The proceeds of this Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to renewable energy and other eligible projects (**Eligible Projects**), in accordance with Mercury's Green Financing Framework dated August 2020 (as amended from time to time) (the **Green Financing Framework**). In particular, as at the date of this PDS Mercury expects to apply the net proceeds of the Offer to refinance existing debt, and to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects, primarily the construction of the Turitea wind farm. The Green Financing Framework provides for net proceeds of green financing (including the Green Bonds) to be no greater than Mercury's debt obligation to the pool of Eligible Projects, and the total value of Eligible Projects to be at least equal to the original principal amount of total green financing. See also section 4 of this PDS (Purpose of the Offer).

If Mercury fails to earmark the proceeds of the Green Bonds in the manner described above, or fails to comply with the Green Financing Framework or related matters, or if the Green Bonds cease to satisfy the Green Bond Principles published by the International Capital Market Association or Climate Bonds Standard:

- no Event of Default or any other breach will occur in relation to the Green Bonds; and
- neither you nor Mercury have any right for the Green Bonds to be repaid early.

This means there is no legal obligation on Mercury to earmark the proceeds of the Green Bonds in the manner described above or to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis. See also section 5 of this PDS (Key features of the Green Bonds).

KEY TERMS OF THE OFFER

Issuer	Mercury NZ Limited.
Description of the Green Bonds	Unsecured, unsubordinated fixed rate green bonds.
Term	7 years, maturing on 14 September 2027.
Offer amount	Up to $150 million (with the ability to accept oversubscriptions of up to an additional $50 million at Mercury's discretion).
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date. The Interest Rate may (at the discretion of Mercury in conjunction with the Joint Lead Managers) be determined subject to a minimum Interest Rate. Any such minimum Interest Rate and the indicative Issue Margin will be determined by Mercury in conjunction with the Joint Lead Managers and (as applicable) announced via NZX on the Opening Date (31 August 2020). The Interest Rate will be determined by Mercury in conjunction with the Joint Lead Managers on the Rate Set Date (4 September 2020) and will be: • the sum of the Swap Rate on the Rate Set Date and the Issue Margin; or • if greater, any applicable minimum Interest Rate announced via NZX as described above. The Issue Margin will be determined by Mercury in conjunction with the Joint Lead Managers following a bookbuild on the Rate Set Date. The Interest Rate will be announced via NZX on the Rate Set Date.
Interest payments	Semi-annual in arrear in equal payments on 14 March and 14 September in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 14 March 2021. As the First Interest Payment Date is a Sunday, interest is payable on Monday, 15 March 2021 instead.
Further payments, fees or charges	Taxes may be deducted from interest payments on the Green Bonds. See section 7 of this PDS (Tax) for further details. You are not required to pay brokerage or any other fees or charges to Mercury to purchase the Green Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Green Bonds. Please contact your financial adviser for further information on any brokerage fees.
Selling restrictions	The Green Bonds may only be offered or sold in conformity with all applicable laws and regulations in New Zealand and in any other jurisdiction in which the Green Bonds are offered, sold or delivered. Specific selling restrictions as of the date of this PDS are set out in section 8 of this PDS (Selling restrictions) for the United States, Australia, Hong Kong, Japan, Singapore, the United Kingdom and Switzerland. No action has been or will be taken by Mercury which would permit an offer of Green Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). No person may purchase, offer, sell, distribute or deliver Green Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Green Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations and the specific selling restrictions set out in section 8 of this PDS (Selling Restrictions). By subscribing for Green Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers, the Registrar and the Bond Supervisor in respect of any loss incurred as a result of you breaching these selling restrictions.
Opening Date	Monday, 31 August 2020.
Closing Date	Friday, 4 September 2020 at 12.00pm.
Issue Date	Monday, 14 September 2020.
Minimum application amount	$5,000 and multiples of $1,000 thereafter.

NO GUARANTEE

Mercury is the issuer and the sole obligor in respect of the Green Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Green Bonds.

HOW YOU CAN GET YOUR MONEY OUT EARLY

Neither you nor Mercury have a right to require Mercury to redeem the Green Bonds prior to the Maturity Date, except in the case of an Event of Default (as described below).

Mercury intends to quote these Green Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Green Bonds, the price you get will vary depending on factors such as the financial condition of Mercury and its subsidiaries and movements in the market interest rates. You may receive less than the full amount that you paid for them.

HOW GREEN BONDS RANK FOR REPAYMENT

On a liquidation of Mercury, the Green Bonds will rank as unsecured and unsubordinated obligations of Mercury and will rank:

- below any secured liabilities and liabilities which are preferred by law;
- equally with liabilities owed to Mercury's USPP noteholders, banks and certain financial institutions that have lent money to Mercury (**Guaranteed Liabilities**); however (unlike Bondholders) creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries;
- equally with (and will be repaid at the same time and pro rata with) all other unsecured and unsubordinated liabilities of Mercury, such as those owing to other Bondholders; and
- ahead of Mercury's subordinated liabilities (including capital bonds) and shareholders.

Further important information on the ranking of the Green Bonds on the liquidation of Mercury and its subsidiaries, including in relation to Guaranteed Liabilities, can be found in section 5 of this PDS (Key features of the Green Bonds).

NO SECURITY

The Green Bonds are not secured.

KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that Mercury does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Green Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

Mercury considers that the most significant risk factors are:

- ***Risks relating to legislation and regulation*** – Mercury operates in a highly regulated industry and legislative and regulatory changes (including Treaty of Waitangi claims), changes to conditions, or levies applied to the use of natural resources could affect Mercury's ability to generate power and income, and have a material adverse effect on Mercury's business. Such changes may result in Mercury facing direct or indirect restrictions, conditions or additional costs for its access to freshwater or geothermal resources for its hydro and geothermal generation activities. In addition, regulatory changes imposed on the current electricity market structure may also affect the effectiveness of Mercury's integrated business model of generating and retailing electricity and could adversely impact the value of Mercury in the future. Regulatory changes may also be imposed on the New Zealand electricity sector that could impact the future supply and demand of electricity and affect future spot, wholesale and retail electricity prices. Examples may include the Government's investigation of the large pumped hydro project at Lake Onslow, significant subsidies for rooftop solar and promotion/subsidies for electric vehicles.
- ***Electricity market exposure*** – Spot prices, contract prices, market demand, competitor behaviour, changes to the cost of 'fuel' (such as water for hydro generation) and transmission capacity can all impact Mercury's ability to manage its exposure to the spot electricity market. Electricity demand (such as the wind-down of the Tiwai Point aluminium smelter announced by Rio Tinto), retail competition and regulatory and technological changes could impact on Mercury's retail market share profitability and its financial performance.
- ***Fuel supply and electricity production risks*** – If Mercury is unable to generate expected amounts of electricity, this may impact on its future operating results. This could occur for a number of reasons including adverse hydrological conditions, competition for resources, resource consents being varied or not being renewed, Government regulation or power station availability. Mercury may be unable to generate expected levels of electricity due to reduced 'fuel' supplies (such as water for hydro generation, as described above) or the viability, efficiency or operability of its power stations, or may face increased costs to secure the necessary fuel.

This summary does not cover all of the risks of investing in the Green Bonds. You should also read section 6 of this PDS (Risks of investing) and section 5 of this PDS (Key features of the Green Bonds).

WHAT IS MERCURY'S CREDIT RATING?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

Mercury has been rated by S&P Global Ratings (**S&P Global**). S&P Global gives ratings from AAA through to C. S&P Global's ratings may be modified with a (+) or (-) sign to show relative standing within a rating category.

As at the date of this PDS, Mercury has been assigned a long-term credit rating of BBB+ with a stable outlook by S&P Global. Mercury's current credit rating includes a one-notch uplift from the company's stand-alone credit profile of 'bbb', reflecting the legislated majority ownership by the Crown. The Crown does not guarantee the Green Bonds and is under no obligation to provide financial support to Mercury.

The Green Bonds are to be rated by S&P Global. Mercury expects the initial credit rating assigned to the Green Bonds by S&P Global will be BBB+. Mercury expects this credit rating will be assigned to the Green Bonds before the Issue Date.

WHERE YOU CAN FIND OTHER MARKET INFORMATION ABOUT MERCURY

This is a short-form offer document that Mercury is permitted to use because these Green Bonds rank in priority to ordinary shares in Mercury which are traded on the NZX Main Board. Mercury is subject to a disclosure obligation that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Mercury's page on the NZX website, which includes information made available under the disclosure obligation referred to above, can be found at www.nzx.com/companies/MCY.

MERCURY'S CURRENT CREDIT RATING.

S&P GLOBAL								
				Mercury's credit rating BBB+ (stable outlook)				
Rating	AAA	AA	A	BBB	BB	B	CCC	CC to C
Summary description (capacity of issuer to meet its financial obligations)	Extremely strong	Very strong	Strong	Adequate	Less Vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
Approximate probability of default over 5 years*	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	

* The approximate, median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by S&P Global, Moody's and Fitch (source: Reserve Bank of New Zealand publication "Explaining Credit Ratings", dated November 2008).

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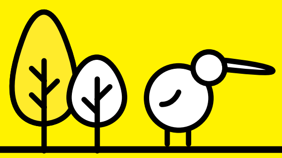


LETTER FROM THE CHAIR.

DEAR INVESTOR,

On behalf of Mercury's directors, I am pleased to present you with this Offer to invest in Green Bonds to be issued by Mercury.

This product disclosure statement describes the Green Bonds, the Offer and other important information you should know about the investment.

Mercury, together with its subsidiaries, is an electricity generator and energy retailer.

Currently Mercury's electricity generation is 100% renewable, averaging around 6,600GWh per annum. Nine hydro stations along the Waikato River generate on average around 4,000GWh of electricity each year. Mercury also operates and owns (either in whole or part) five geothermal stations in the central North Island, two of which are in partnership with Māori land trusts. Mercury is also building the Turitea wind farm with full output expected in the financial year ending 30 June 2022. At the date of this PDS, Turitea is expected to be New Zealand's largest wind farm, producing approximately 840GWh per annum. As a retailer of electricity (and gas), Mercury currently services the energy needs of residential, commercial and industrial customers.

Mercury has a long-term corporate credit rating of BBB+/Stable, assigned by S&P Global, which was reaffirmed in December 2019. This rating includes a one-notch uplift from the company's stand-alone credit profile of 'bbb', reflecting the legislated majority ownership by the Crown.

Mercury is seeking to raise up to $150 million under the Offer, with an ability to accept up to an additional $50 million in oversubscriptions. The proceeds of the Green Bonds are intended to be earmarked to finance or refinance new or existing projects and expenditures including renewable energy, energy efficiency and electrification, and clean transportation, that have been identified by Mercury as "Eligible Projects".

Mercury has developed a Green Financing Framework to ensure that the Green Bonds comply with the Green Bond Principles published by the International Capital Market Association and the Climate Bonds Standard. DNV GL (a current approved verifier under the Climate Bonds Standard) has undertaken an independent third-party review of our Green Financing Framework and has provided a limited assurance conclusion that our Green Financing Framework meets the requirements of the Green Bond Principles and the Climate Bonds Standard.

There are risks associated with the Green Bonds that may affect your returns and repayment of your investment. An overview of these risks is set out in this PDS. I encourage you to seek financial, investment or other advice from a qualified professional adviser as you take the time to consider this Offer.

On behalf of Mercury's directors, I invite you to consider this Offer and seek independent financial advice. I welcome your interest in this opportunity to invest in Mercury Green Bonds. For more information on the Green Bonds, please visit our website: www.mercury.co.nz/green-bonds.

Yours sincerely

Prudence Flacks

PRUE FLACKS
CHAIR, MERCURY NZ LIMITED

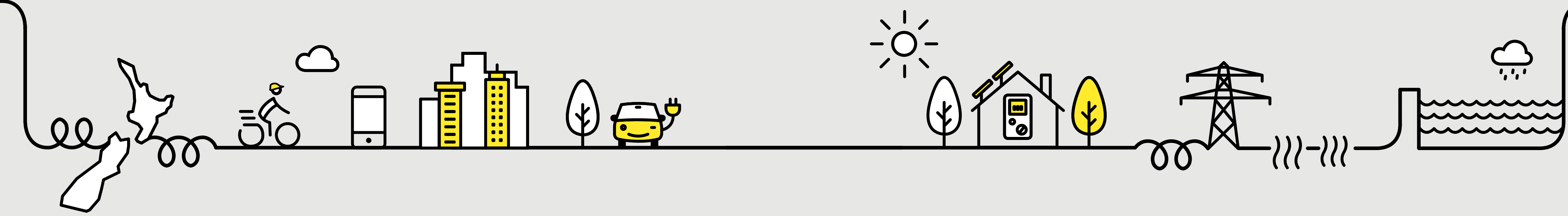
02. KEY DATES AND OFFER PROCESS.

Opening Date	Monday, 31 August 2020 Any applicable minimum Interest Rate and the indicative Issue Margin will be determined and announced on this date.
Closing Date	Friday, 4 September 2020 at 12.00pm
Rate Set Date	Friday, 4 September 2020
Issue Date and allotment date	Monday, 14 September 2020
Expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market and earliest expected mailing of holding statements	Tuesday, 15 September 2020
Interest Payment Dates	14 March and 14 September in each year.
First Interest Payment Date	14 March 2021. As the First Interest Payment Date is a Sunday, interest is payable on Monday, 15 March 2021 instead.
Maturity Date	14 September 2027

The timetable is indicative only and subject to change. Mercury may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date).

If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

Mercury reserves the right to cancel the Offer and the issue of the Green Bonds, in which case any application monies received will be refunded (without interest) as soon as practicable and in any event within five Business Days of the cancellation.



03. TERMS OF THE OFFER.

Issuer	Mercury NZ Limited.
Description of the Green Bonds	Unsecured, unsubordinated fixed rate green bonds.
The Green Bond Principles and Climate Bonds Standard	Mercury has developed and adopted the Green Financing Framework to ensure that, as at the date of this PDS, its processes for identifying Eligible Projects and managing the use of the proceeds of the Green Bonds are consistent with the Green Bond Principles and the Climate Bonds Standard. There is no legal obligation on Mercury to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis. See section 5 of this PDS (Key features of the Green Bonds).
Term	7 years, maturing on 14 September 2027.
Offer amount	Up to $150 million (with the ability to accept oversubscriptions of up to an additional $50 million at Mercury's discretion).
Issue price	$1.00 per Green Bond, being the Principal Amount of each Green Bond.
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date. The Interest Rate may (at the discretion of Mercury in conjunction with the Joint Lead Managers) be determined subject to a minimum Interest Rate. Any such minimum Interest Rate and the indicative Issue Margin will be determined by Mercury in conjunction with the Joint Lead Managers and (as applicable) announced via NZX on the Opening Date (31 August 2020). The Interest Rate will be determined by Mercury in conjunction with the Joint Lead Managers on the Rate Set Date (4 September 2020) and will be: • the sum of the Swap Rate on the Rate Set Date and the Issue Margin; or • if greater, any applicable minimum Interest Rate announced via NZX as described above. The Issue Margin will be determined by Mercury in conjunction with the Joint Lead Managers following a bookbuild on the Rate Set Date. The Interest Rate will be announced via NZX on the Rate Set Date.
Interest Payment Dates	Semi-annual in arrear on 14 March and 14 September in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 14 March 2021. As the First Interest Payment Date is a Sunday, interest is payable on Monday, 15 March 2021 instead.
Interest payments and entitlement	Regular scheduled payments of interest will be of equal semi-annual amounts. Any other payment of interest on the Green Bonds will be calculated based on the number of days in the relevant period and a 365-day year. On Interest Payment Dates interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date. The record date for interest payments is 5.00pm on the date that is 10 calendar days before the relevant scheduled Interest Payment Date (prior to any adjustment to the Interest Payment Date to fall on a Business Day). If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.
Opening Date	Monday, 31 August 2020.
Closing Date	Friday, 4 September at 12.00pm.
Scaling	Mercury may scale applications at its discretion, but will not scale any application to below $5,000 or to an amount that is not a multiple of $1,000.
Minimum application amount	$5,000 and multiples of $1,000 thereafter.
How to apply	Application instructions are set out in section 12 of this PDS (How to apply). Mercury reserves the right to refuse all or any part of any application for Green Bonds under the Offer without giving a reason.
No underwriting	The Offer is not underwritten.

Quotation	Application has been made to NZX for permission to quote the Green Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Green Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA. NZX ticker code MCY030 has been reserved for the Green Bonds.
Transfer restrictions	You may only transfer your Green Bonds in multiples of $1,000 in aggregate value and after any transfer you and the transferee must each hold Green Bonds with an aggregate value of at least $5,000 (or no Green Bonds).
Ranking	On a liquidation of Mercury, the Green Bonds will rank as unsecured and unsubordinated obligations of Mercury and will rank: • below any secured liabilities and liabilities which are preferred by law; • equally with Mercury's Guaranteed Liabilities, however (unlike Bondholders) creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries; • equally with (and will be repaid at the same time and pro rata as) all other unsecured and unsubordinated liabilities of Mercury, such as those owing to other Bondholders; and • ahead of Mercury's subordinated liabilities (including capital bonds) and shareholders. Further important information on the ranking of the Green Bonds on the liquidation of Mercury can be found in section 5 of this PDS (Key features of the Green Bonds).
No guarantee	Mercury is the issuer and the sole obligor in respect of the Green Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Green Bonds.
Financial covenant	Mercury agrees to ensure that Net Worth at any time will not be less than $500 million.
Early redemption	You have no right to require Mercury to redeem the Green Bonds prior to the Maturity Date, except in the case of an Event of Default (as described below). See section 5 of this PDS (Key features of the Green Bonds) for further details.
Events of Default	If an Event of Default occurs, and is continuing, the Bond Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Green Bonds to be immediately due and payable. The Events of Default are set out in clause 11 of the Master Trust Deed (a copy of which is contained on the Disclose Register) and are summarised in section 5 of this PDS (Key features of the Green Bonds).
Further payments, fees or charges	Taxes may be deducted from interest payments on the Green Bonds. See section 7 of this PDS (Tax) for further details. You are not required to pay brokerage or any other fees or charges to Mercury to purchase the Green Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Green Bonds. Please contact your financial adviser for further information on any brokerage fees.
Selling restrictions	The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these.
Governing law	New Zealand.
Bond Supervisor	The New Zealand Guardian Trust Company Limited.
Securities Registrar	Computershare Investor Services Limited.

DOCUMENTS

The terms of the Green Bonds, and other terms key to the Offer, are set out in the Master Trust Deed, as supplemented by the Supplemental Trust Deed (together, the **Trust Deed**).

You should read these documents. Copies may be obtained from the Disclose Register at www.companiesoffice.govt.nz/disclose.

04. PURPOSE OF THE OFFER.

The proceeds of the Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to Eligible Projects in accordance with Mercury's Green Financing Framework. In particular, as at the date of this PDS, Mercury expects to apply the net proceeds of the Offer to refinance existing debt, and to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects, primarily the construction of the Turitea wind farm. This purpose will not change, irrespective of the total amount that is raised.

Mercury is currently constructing the Turitea wind farm in New Zealand's lower North Island. Full output is expected in the financial year ending 30 June 2022, at which time, Turitea is expected to be the country's largest wind farm at 222MW, producing approximately 840GWh annually. As at the date of this PDS, the Turitea wind farm is expected to increase Mercury's annual generation by over 12%, adding to the current 100% renewable generation portfolio of hydro and geothermal assets.

Mercury has developed and adopted the Green Financing Framework to ensure that, as at the date of this PDS, its processes for identifying Eligible Projects and managing the use of the proceeds of the Green Bonds are consistent with the Green Bond Principles and the Climate Bonds Standard. The Green Financing Framework provides for net proceeds of green financing (including the Green Bonds) to be no greater than Mercury's debt obligation to the pool of Eligible Projects, and the total value of Eligible Projects to be at least equal to the original principal amount of total green financing. See further under "Green Financing Framework" in section 5 of this PDS (Key features of the Green Bonds).

Generally, Mercury's operations may extend to investments which are not governed by the Green Bond Principles. However, proceeds of the Green Bonds are intended to be earmarked to Eligible Projects.

Mercury may undertake non-Eligible Projects outside of the Green Financing Framework.

If Mercury fails to earmark the proceeds of the Green Bonds in the manner described in this PDS, or fails to comply with the Green Financing Framework or related matters or if the Green Bonds cease to satisfy the Green Bond Principles published by the International Capital Market Association or Climate Bonds Standard:

- no Event of Default or any other breach will occur in relation to the Green Bonds; and
- neither you nor Mercury have any right for the Green Bonds to be repaid early.

This means there is no legal obligation on Mercury to earmark the proceeds of the Green Bonds in the manner described above or to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis. See also section 5 of this PDS (Key features of the Green Bonds).

The Offer is not underwritten.

05. KEY FEATURES OF THE GREEN BONDS.

A number of key features of the Green Bonds are described in section 3 of this PDS (Terms of the Offer). The other key features of the Green Bonds are described below.

Copies of the Trust Deed and the Green Financing Framework can be accessed on the Disclose Register.

GREEN FINANCING FRAMEWORK

Set out below is a summary of the way in which the Green Financing Framework addresses the Green Bond Principles as at the date of this PDS. To confirm the integrity of the Green Bonds as a "green" instrument, Mercury has ensured that, as at the date of this PDS, the Green Bonds comply with the Green Bond Principles and the Climate Bonds Standard.

Mercury may amend the Green Financing Framework from time to time. Any amendments to the Green Financing Framework would apply to these Green Bonds. There is, however, no legal obligation on Mercury to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis.

Green Bond Principles

The Green Bond Principles are voluntary process guidelines for issuing green bonds published by the International Capital Market Association (and as may be amended from time to time). As at the date of this PDS, the Green Bond Principles establish four core components for an instrument to be considered to be a green bond:

- ***Use of proceeds:*** The proceeds of the green bond must be used to finance or refinance assets or other projects that have clear environmental benefits.
- ***Process for project evaluation and selection:*** The issuer should provide clear information to investors about the issuer's environmental sustainability objectives; the process for evaluation of eligible projects; and the eligibility criteria.
- ***Management of proceeds:*** The issuer should have internal processes to track and attest to the use of the proceeds of the green bond.
- ***Reporting:*** The issuer should make, and keep, readily available up to date information on the use of the proceeds of the green bond.

Mercury has developed and adopted the Green Financing Framework to address these principles.

Certification

Mercury has also obtained certification from the Climate Bonds Initiative (**CBI**). CBI is an international organisation established to promote investments that will deliver a global low-carbon and climate resilient economy. CBI has implemented the Climate Bonds Standard, currently version 3.0 (**Climate Bonds Standard**) which sets out criteria to verify that the funds of debt instruments are being used to finance such investments.

Briefly, the CBI certification process involves both pre-issuance and post-issuance certification. The pre-issuance certification consists of assessment of Mercury's internal processes, including its selection process for Eligible Projects and the internal tracking of proceeds.

In respect of the post-issuance certification, Mercury will seek to obtain further assurance to reconfirm the CBI certification at least once during the term of the Green Bonds.

Assurance from independent verifier

As part of the CBI pre-issuance certification process, Mercury has obtained a limited assurance conclusion from an independent verifier, DNV GL, that based on their review as described in their assurance statement, nothing has come to their attention that causes them to believe that the Green Bond is not, in all material respects, in accordance with the pre-issuance requirements of the Climate Bonds Standard and associated wind and geothermal technical criteria. Mercury has obtained the CBI certification certifying that Mercury has met the criteria set out in the Climate Bonds Standard in respect of the Green Bonds. A copy of the DNV GL assurance statement and the CBI certification can be found free of charge on the Disclose Register at www.companiesoffice.govt.nz/disclose and on Mercury's website at www.mercury.co.nz/green-bonds. Both DNV GL and CBI have consented to the DNV GL assurance statement and the CBI certification respectively being made available on the Disclose Register and Mercury's website.

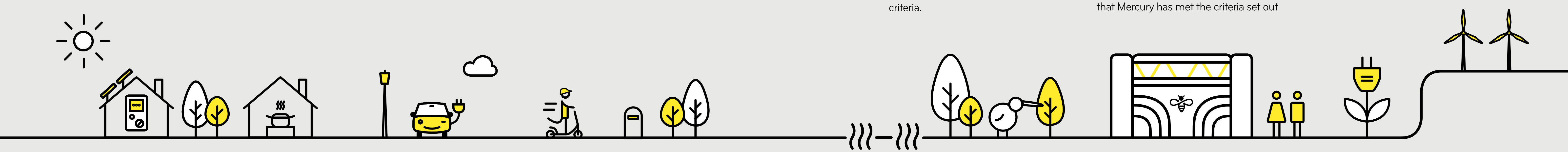
Use of proceeds

In accordance with the Green Financing Framework and as described in section 4 of this PDS (Purpose of the Offer), the proceeds of the Green Bonds are intended to be earmarked to finance or refinance new or existing projects and expenditures, that have been identified by Mercury as "Eligible Projects".

As at the date of this PDS, the Eligible Projects are categorised as follows:

- **Renewable energy:** the production, transmission, connection, appliances and/or products of renewable energy, such as wind energy, geothermal energy, and solar energy.
- **Energy efficiency and electrification:** projects that contribute to a reduction of energy consumption, including energy storage (batteries), and electrical infrastructure associated with renewable generation.
- **Clean transportation:** clean energy vehicles and reduction of harmful emissions, including low carbon transport assets (for example electric vehicles and charging infrastructure), systems and infrastructure, and Information Communication Technology (ICT) that improves monitoring, measurement and management of assets to maximise utilisation.

Mercury may undertake non-Eligible Projects outside of the Green Financing Framework.



Evaluation and selection of Eligible Projects

The project evaluation and selection process is designed to ensure that the funds raised from the Green Bonds are earmarked to finance or refinance the projects that meet the eligibility criteria set out in the Green Financing Framework.

When selecting the Eligible Projects, Mercury will consider each proposed project against the following factors:

- conformance with the Green Bond Principles;
- the availability of criteria under the Climate Bonds Standard;
- 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 as described above; and
- alignment with Mercury's sustainability objectives.

Management of proceeds

The Green Financing Framework provides that Mercury will track an amount equal to the net proceeds of the Green Bonds within Mercury's systems. Those proceeds will be managed by Mercury's Green Finance Committee (consisting of representatives from Financial Reporting, Treasury, Risk Assurance and Sustainability). Any proceeds that are not internally allocated to Eligible Assets will be temporarily invested in assets such as cash or cash equivalents, or otherwise applied in accordance with the permitted temporary investments outlined in Mercury's Green Financing Framework.

Reporting

The Green Financing Framework provides for Mercury to:

- make information available on its website including a pre-issuance external review, annual post-issuance external reviews, and Mercury's green finance programme report on an annual basis; and
- 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 climate reporting.

No Event of Default

If:

- Mercury fails to earmark the proceeds of the Green Bonds as described in this PDS;
- Mercury fails to comply with the Green Financing Framework;
- Mercury undertakes non-Eligible Projects outside of the Green Financing Framework;
- the Green Bonds cease to satisfy the Green Bond Principles or the Climate Bonds Standard;
- Mercury fails to maintain CBI certification of the Green Bonds; or
- Mercury fails to notify Bondholders that the Green Bonds cease to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard,

then:

- no Event of Default will occur in relation to the Green Bonds; and
- neither you nor Mercury have any right for the Green Bonds to be repaid early.

Mercury's obligations under the Trust Deed are not affected by the labelling of the bonds as Green Bonds, and any breach of the Trust Deed (including in relation to non-compliance with any laws, directives and consents, whether environmental or otherwise) is to be determined without regard to any such Green Bond label, the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard. Should any of the above scenarios occur, the bonds may cease to be labelled as Green Bonds but will remain unsecured, unsubordinated fixed rate bonds. If the bonds cease to be labelled as Green Bonds, then Mercury will make a public statement as such, and from that point in time, the Green Financing Framework will no longer govern the management of the bonds. This means there is no legal obligation on Mercury to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis.

The Bond Supervisor has no obligations in relation to the application of the proceeds of the Green Bonds.

THE BOND SUPERVISOR

The Bond Supervisor is appointed to act as supervisor and trustee for the Bondholders on the terms contained in the Trust Deed.

You can only enforce your rights under the Green Bonds through the Bond Supervisor. However, you can enforce your rights under the Green Bonds against Mercury directly if the Bond Supervisor is obliged to enforce but has failed to do so.

RANKING

The Green Bonds constitute unsecured, unsubordinated obligations of Mercury.

The ranking of the Green Bonds on a liquidation of Mercury and its subsidiaries is summarised in the diagram below. The diagram is a summary of indicative amounts only and in the event of a liquidation of Mercury and its subsidiaries, the actual priority amounts may differ.

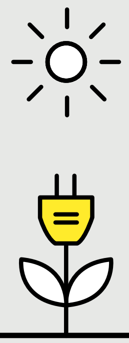


Diagram showing ranking of Green Bonds on liquidation of Mercury and its subsadiaries

	Ranking on liquidation	Type of liability/equity	Amount[1]
Higher ranking / Earlier priority	Liabilities that rank above the Green Bonds	Secured liabilities and liabilities preferred by law (for example, Inland Revenue for certain unpaid taxes)[2] Guaranteed Liabilities (including to USPP noteholders, banks and certain financial institutions that have lent money to Mercury)[3]	$292 million $436 million
	Liabilities that rank equally with the Green Bonds	Green Bonds Other unsubordinated liabilities (including to holders of Mercury's other senior bonds and general creditors)[4]	$200 million $1,783 million
	Liabilities that rank below the Green Bonds	Subordinated liabilities (including to holders of Mercury's capital bonds)	$302 million
Lower ranking / Later priority	Equity[5]	Ordinary shares and retained earnings	$3,739 million

Notes:

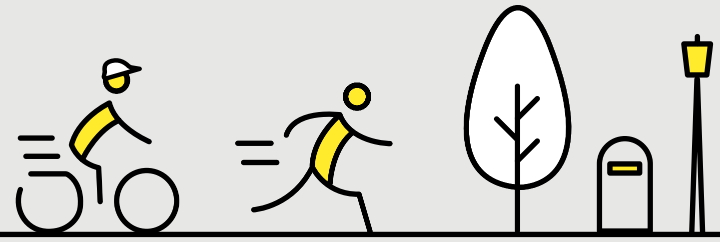
1 Amounts shown above are indicative based on the financial position of Mercury as at 30 June 2020. They are adjusted for the issue of the Green Bonds, based on an issue size of $200 million, with proceeds expected to be applied within the calendar year of issue towards repaying a portion of Guaranteed Liabilities. If the amount of Green Bonds issued is less than the assumed issue size, then the expected amount of remaining Guaranteed Liabilities will be correspondingly higher. Amounts shown above are subject to rounding adjustments.

2 Liabilities that may, depending on the source of payment, rank above the Green Bonds on a liquidation of Mercury include secured liabilities, employee entitlements for unpaid salaries and wages, holiday pay and bonuses, and PAYE, and amounts owing to the Inland Revenue for unpaid taxes and goods and services tax. Secured liabilities include those secured over particular assets under a perfected purchase money security interest, which are shown as ranking above the Green Bonds for reasons of simplicity, as in a liquidation of Mercury the secured party in relation to a perfected purchase money security interest has first rights to the particular asset or its sale proceeds. Where it is not reasonably practicable for Mercury to identify the extent to which payables and accruals are subject to security (such as purchase money security interests), on a conservative basis Mercury has included those amounts as secured liabilities in the table. There are typically other liabilities which are preferred by law or secured, including enforcement costs and similar, which arise when a company is in liquidation which are not possible to foresee and cannot therefore be quantified.

3 Guaranteed Liabilities are not secured and rank equally with the Green Bonds in a liquidation of Mercury as issuer. However, (unlike Bondholders) creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries. As at 30 June 2020, these subsidiaries had total assets of approximately $1,928 million and Mercury and all its subsidiaries had consolidated total assets of approximately $6,885 million.

4 Other unsubordinated liabilities include amounts relating to Mercury's other senior bonds and commercial paper of approximately $226 million. They also include amounts corresponding to deferred tax (approximately $1,202 million), derivative financial instruments (approximately $254 million) and lease liabilities (approximately $68 million), not all of which would be crystallised on liquidation. Such liabilities on liquidation may be materially different.

5 The amount of equity stated above includes an amount in relation to Mercury's existing quoted equity securities (i.e. Mercury's ordinary shares).



Further borrowing and security

After the issue of the Green Bonds, Mercury may (without the consent of Bondholders) borrow money or otherwise incur liabilities from time to time that:

- rank equally with the Green Bonds on a liquidation of Mercury. This may include, for example, further senior bonds issued by Mercury;
- rank equally with the Green Bonds but have the benefit of a guarantee from subsidiaries of Mercury. This may include, for example, further bank lending to Mercury or further USPP notes issued by Mercury; or
- rank above the Green Bonds on a liquidation of Mercury. This may include, for example, liabilities with permitted security as described below and liabilities preferred by law.

The financial covenants and other terms described below limit the ability of Mercury to borrow money that ranks equally with, or above, the Green Bonds.

Restrictions on borrowing

The Negative Pledge Deed contains certain financial and other covenants that various lenders, other than the Bondholders, have the benefit of. Certain terms in the Negative Pledge Deed limit the ability of Mercury to borrow money. These terms currently include:

- a requirement to ensure that the ratio of (i) total debt (calculated by reference to the consolidated position of Mercury and its subsidiaries) to (ii) total debt plus shareholders' funds (substantially equivalent to Net Worth in relation to the Green Bonds) does not at any time exceed 55%; and
- a requirement to ensure that an interest cover ratio of (i) EBITDA to (ii) interest and financing costs (in each case calculated by reference to the consolidated position of Mercury and its subsidiaries, for each 12 month period ending on an annual or semi-annual balance date of Mercury) is at least 250%.

Equivalent restrictions on borrowing are also included in the terms of the USPP notes issued by Mercury, as set out in the USPP Note Purchase Agreement.

Bondholders **do not** have the benefit of the Negative Pledge Deed or the USPP Note Purchase Agreement, and their restrictions and other terms may be amended or waived without the consent of or notice to the Bondholders.

Restrictions on granting security

Under clause 9.1 of the Master Trust Deed, Mercury agrees that it will not create or permit to exist any security interest over any of its assets or any of the assets of any Principal Subsidiary, except in certain limited permitted instances. The permitted instances include security interests:

- arising by operation of law or statute in the ordinary course of business, where the money secured is not in default or is being contested in good faith by appropriate proceedings;
- consisting of any deferred purchase or title retention arrangement relating to goods purchased in the ordinary course of business where the security interest is discharged by payment of the purchase price, and payment is made within six months of its creation;
- consisting of netting and set off arrangements, other than those which have been created with the intention of providing a particular creditor or class of creditors with preferential rights over creditors generally;
- given in favour of Mercury or any of its subsidiaries;
- over any asset that secures project finance debt incurred to finance the acquisition or development of that asset;
- provided to the clearing manager of the New Zealand electricity market; and
- over any asset to secure indebtedness not exceeding 5% of total assets (calculated by reference to the consolidated position of Mercury and its subsidiaries).

This summary does not cover all of the permitted instances. For full details see clause 9.1 of the Master Trust Deed.

Similar terms that limit the ability of Mercury to grant security are also contained in Mercury's Negative Pledge Deed and USPP Note Purchase Agreement (although these are not terms of the Green Bonds so Bondholders do not have the benefit of these, and they may be amended or waived without the consent of or notice to the Bondholders).

FINANCIAL COVENANT

Mercury agrees to ensure that Net Worth at any time will not be less than $500 million.

EVENTS OF DEFAULT

The Events of Default are contained in the Master Trust Deed. They include:

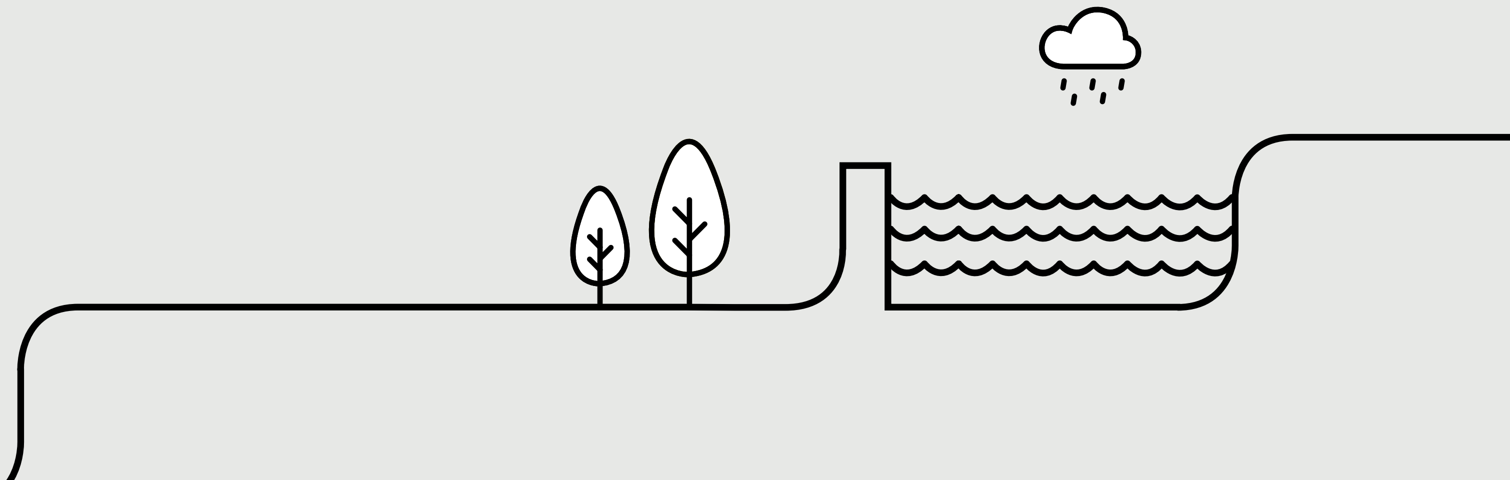
- A failure by Mercury to make a payment on the Green Bonds (subject to applicable grace periods).
- A breach by Mercury of any of its other issuer obligations under the Trust Deed in a material respect (subject to applicable remedy periods).
- Any representation, warranty or statement by Mercury in the Trust Deed not being true, accurate or complied with in all material respects and this has a material adverse effect on Mercury.
- Indebtedness of more than $10 million in respect of other borrowed money of Mercury or a Principal Subsidiary is not paid when due (or within any applicable grace period), or is called up as a result of a default.
- Insolvency events that affect Mercury or any Principal Subsidiary (as applicable).

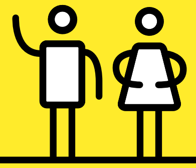
This summary does not cover all of the Events of Default. For full details of the Events of Default see clause 11 of the Master Trust Deed.

If an Event of Default occurs, the Bond Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Principal Amount and any accrued interest on the Green Bonds due and payable. If this occurs, Mercury will need to repay the Principal Amount of the Green Bonds and any outstanding interest due. Outstanding interest will be calculated based on the number of days since the last Interest Payment Date and on a 365-day year.

OTHER RELEVANT INFORMATION ABOUT THE TRUST DEED

The Trust Deed contains a number of standard provisions, including in relation to the powers and duties of the Bond Supervisor, and the process for amending the Trust Deed. You can find a copy of the Trust Deed on the Disclose Register. You should read the Trust Deed for further information.





06. RISKS OF INVESTING.

INTRODUCTION

This section 6 describes the following potential key risk factors:

- general risks associated with an investment in the Green Bonds; and
- specific risks relating to the creditworthiness of Mercury, together with its subsidiaries.

The selection of risks outlined in this section are based on an assessment of the probability of a risk occurring and its potential impact (individually or in combination with other key risks) at the date of this PDS. There is no guarantee or assurance that key risks will not change, alter in their significance or that other risks will not emerge.

You should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Green Bonds.

Before making any investment decision it is important that investors consider the suitability of an investment in the Green Bonds in light of their own individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). The risks described in this section do not take account of the personal circumstances, financial position or investment requirements of any particular person other than Mercury.

GENERAL RISKS

An investment in the Green Bonds is subject to the following general risks.

Credit Risk on Mercury

The risk that Mercury becomes insolvent and is unable to meet its obligations under the Green Bonds.

Secondary Market Risk

The risk that, if you wish to sell your Green Bonds before maturity:

- you may be unable to find a buyer; or
- the price at which you are able to sell them is less than the amount you paid for them.

These outcomes may arise because of factors related to Mercury's creditworthiness, or because of other factors. These other factors may include the following:

- The fact that a trading market for the Green Bonds may never develop, or, if it develops, is not very liquid. Although permission is expected to be granted to quote the Green Bonds on the NZX Debt Market, this does not guarantee any trading market in the Green Bonds.
- The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Green Bonds would typically be expected to go down and vice versa.
- The fact that Bondholders seeking to sell relatively small or relatively large amounts of Green Bonds may not be able to do so at prices comparable to those available to other Bondholders.
- The fact that Mercury's credit rating may decrease if the rating agency no longer expects a moderate likelihood of extraordinary support from the New Zealand Government. Mercury's credit rating includes a one-notch uplift from the company's stand-alone credit profile of 'bbb', due to this expectation arising from legislated Crown majority ownership. The Crown does not guarantee the Green Bonds and is under no obligation to provide financial support to Mercury.
- The fact that the Green Bonds may cease to meet (or Mercury may fail to comply with) the requirements of the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard; or that Mercury or any Eligible Project fails to comply with any environmental laws and standards, or otherwise undertakes non-Eligible Projects outside of the Green Financing Framework; or that market practices, standards, principles or regulations further develop in a way that the Green Bonds are not consistent with.

Should any of the scenarios mentioned in the last bullet point above occur, the bonds may cease to be labelled as Green Bonds but will remain unsecured, unsubordinated fixed rate bonds. Bondholders that invested in Green Bonds on the basis of the green label or compliance with green principles or standards may consider that the bonds no longer align with their intentions or requirements. Bondholders looking to sell their bonds at that time may have increased difficulty finding interested buyers or obtaining an acceptable price. See also section 5 of this PDS (Key features of the Green Bonds).

SPECIFIC RISKS RELATING TO MERCURY'S CREDITWORTHINESS

Mercury considers that the circumstances which could significantly affect, either individually or in combination, the future financial position and financial performance of Mercury together with its subsidiaries, and therefore significantly increase the risk that Mercury may default on its obligations under the Green Bonds are as set out below. These circumstances, either individually or in combination, may affect Mercury's ability to pay interest on, or repay, the Green Bonds.

Risks relating to legislation and regulation

Mercury operates in a highly regulated industry, encompassing the generation and retailing of electricity, transmission and distribution, and participation in the spot electricity market.

The regulatory environment in which Mercury operates has changed in the past and it could change over the term of the Green Bonds, for example, due to changes in Government policy relating to freshwater, climate change and resource management. Legislative or regulatory changes, changes to carbon prices or consent conditions, or levies applied to the use of natural resources, may result in Mercury facing direct or indirect restrictions, conditions or additional costs for its access to freshwater, carbon credits, or geothermal resources for its hydro and geothermal generation activities and New Zealand Emissions Trading Scheme (**NZ ETS**) compliance.

Regulatory changes imposed on the current electricity market structure may also affect the effectiveness of Mercury's integrated business model of generating and retailing electricity and could adversely impact the value of Mercury in the future. Regulatory changes may also be imposed on the New Zealand electricity sector that could impact the future supply and demand of electricity and affect future spot, wholesale and retail electricity prices. Examples may include the Government's investigation of the large pumped hydro project at Lake Onslow, significant subsidies for rooftop solar and promotion/subsidies for electric vehicles.

Mercury seeks to mitigate these risks via active engagement with Government and its regulatory agencies through direct submissions on regulatory reform and memberships with relevant business and sector advocacy bodies.

Treaty of Waitangi and other claims

Treaty of Waitangi and other claims by Māori to land, water or geothermal resources may, if successful, result in the resumption of property used by Mercury for generation purposes, or in the imposition of restrictions, conditions or additional costs on Mercury's access to water, geothermal fluid or its generation assets and activities.

There is currently an application before the Waitangi Tribunal seeking binding recommendations for the resumption of land at Pouākani, which includes land at Mercury's Maraetai power station. Mercury has received advice that the Waitangi Tribunal's decision on the matter is unlikely to impair its ability to operate its hydro assets. In addition, in the event Mercury is affected by the outcome of the Waitangi Tribunal's recommendation, the Crown is required to compensate Mercury under the Public Works Act 1981.

The Pouākani Claims Trust No 2 and a group of kaumatua have recently filed a claim in the Māori Land Court seeking a declaration that certain parts of the Waikato riverbed are Māori customary land, including the riverbed beneath the Whakamaru, Maraetai I and II and Waipāpa dams. Mercury holds the fee simple or beneficial title to that land and has received advice that the applicants are unlikely to succeed with a claim to customary title in those parts of the Waikato riverbed beneath the Whakamaru, Maraetai I and II and Waipāpa dams.

Mercury seeks to mitigate the risk of such claims via active stakeholder management and by seeking to ensure that various courts and tribunals are aware of the effects any resumption orders may have on New Zealand's security of electricity supply, flood control and other issues.

Electricity market exposure

Mercury's business is subject to market risks arising from its participation in the spot and retail electricity markets. Spot prices, contract prices, market demand, competitor behaviour, fuel cost changes and transmission capacity can all impact Mercury's ability to manage its exposure to the spot electricity market. Electricity demand, retail competition and regulatory and technological changes could impact on Mercury's retail market share and profitability and its financial performance.

Mercury's electricity portfolio settings and resultant spot price exposure is dependent on its ability to purchase and sell electricity in the spot and contract electricity markets which could be impacted by:

- short-term changes in supply and demand (for example, the material reduction in electricity demand which occurred due to the temporary closure of non-essential businesses during the global pandemic COVID-19);
- national fuel conditions based on hydrological conditions;
- competitor behaviour;
- constrained transmission and distribution of electricity and gas; and
- contract market liquidity (for example for ASX electricity futures).

Spot prices are determined by the level of customer demand relative to supply from power generation and can be affected by levels of activity in the industrial sector, population growth, economic conditions, competitor behaviour including new generation build and closure of existing stations, technological changes or new sources of energy, and regulatory changes.

One specific example of this relates to the Tiwai Point aluminium smelter in the lower South Island, operated by New Zealand Aluminium Smelters, which represented approximately 13% of New Zealand's electricity demand in 2019. On 9 July 2020, majority owner, Rio Tinto, announced the wind-down of operations at the smelter with expected completion in August 2021. This significant reduction in electricity consumption is likely to result in a fall in spot prices in the absence of a supply-side response (for example, the closure of thermal generation) or medium-term demand growth. In the short-term, Mercury anticipates that the impact on wholesale electricity prices in the North Island (where Mercury's generation assets are located) will be moderated to some extent by limitations on the ability of current transmission assets to export excess electricity from the lower South Island before transmission upgrades can be completed. Changes in forward electricity prices in the ASX New Zealand Electricity Futures market may indicate the combined general market view of how future wholesale electricity prices could be affected by Tiwai's closure.

Since the closure was announced, forward electricity prices for settlement after the expected closure date have dropped by approximately 21% (based on the average settlement price for the North Island Otahuhu node on 8 July 2020 and 17 August 2020, for futures settling in the period of financial year 2022 and financial year 2023). Such changes to wholesale electricity prices would be expected to cause an equivalent reduction in Mercury's generation revenue, however Mercury's overall exposure would be partially mitigated over the short to medium term by its general hedging, including electricity derivatives and customer sales.

Competitor behaviour, such as pricing campaigns or the entry of new competitors, may put downward pressure on retail electricity prices and may also reduce Mercury's market share or require Mercury to increase its sales and marketing costs in order to maintain sales volumes. Competitor behaviour can also be affected by changes in customer behaviour, including reductions in demand, the displacement of demand by technology change or large business customers choosing to buy electricity directly on the wholesale spot market rather than entering into fixed contracts.

Mercury could also be adversely affected if a large group of customers, one or more major customers, or a New Zealand market participant were to default on payment for electricity provided or for hedge settlements (including as a result of widespread financial stress arising from COVID-19).

Fuel supply and electricity production risks

If Mercury is unable to generate expected amounts of electricity, this may impact on its future operating results. This could occur for a number of reasons including adverse hydrological conditions, competition for resources, resource consents being varied or not being renewed, Government regulation (as discussed above) or power station availability.

Mercury's generation is dependent on the availability of, and access to, 'fuel', including water for hydro generation, geothermal fluid for geothermal generation, and wind for wind generation. The principal risks to Mercury include that it is unable to generate expected levels of electricity due to either temporarily or permanently reduced fuel supplies or that it may face increased costs to secure the necessary fuel, both of which may adversely affect Mercury's future operating results. For example, Mercury is required to surrender New Zealand Units (**NZU**) under the NZ ETS due to greenhouse gas (**GHG**) emissions being released at Mercury's geothermal power stations. The cost of these operations may increase in the future if the cost of NZUs increases, whether due to changes in climate change-related regulation or otherwise. These emissions are currently offset by long-term contracts to acquire NZUs from New Zealand forestry suppliers.

Mercury's ability to generate electricity is also dependent on the continued operation of its power stations. The viability, efficiency or operability of Mercury's power stations could be adversely affected by a range of factors, including material failure of turbines, generators, transformers or geothermal wells and other mechanical, electrical or steam field equipment or loss of connection to the national grid that results in unplanned power station outages and which may require replacement or repair.

Mercury seeks to mitigate these risks through an established asset management framework. This maintenance includes the development of major asset group strategies, ongoing condition assessment and risk analysis resulting in short- and long-term maintenance plans and reinvestment programmes.

Natural disaster and insurance risk

Mercury is exposed to the risk that losses arising in a severe catastrophic event may not be sufficiently covered by Mercury's insurance. This may affect the future operational performance and financial condition of Mercury, which could in turn impact on Mercury's ability to meet its debt repayment obligations.

Mercury's generation assets are concentrated in a few geographical areas in the North Island of New Zealand, with nine hydro stations on the Waikato River, five geothermal stations situated in the Taupo / Bay of Plenty area and Turitea wind farm under construction near Palmerston North. These assets are therefore susceptible to being damaged or destroyed by a natural disaster or other large-scale catastrophic event, including earthquakes, volcanic eruptions and storms.

Although Mercury is insured through a comprehensive programme including cover for generation property, plant and equipment and business interruption with a combined limit (as at the date of this PDS) of $1 billion:

- Some catastrophic events are uninsurable, or Mercury has chosen not to insure against them, such as acts of terrorism.
- At the date of this PDS, Mercury estimates that the maximum foreseeable loss to which Mercury and its subsidiaries could potentially be exposed in a severe catastrophic event is approximately $9 billion with an assessed likelihood of occurrence of 1 in 100,000 years. This is based on the scenario where Ōhakuri Dam fails following an earthquake or extreme flooding event, resulting in a cascade failure of Mercury's six downstream hydro dams and corresponding generation assets.

Therefore, if Mercury's generation assets are damaged or fail in such a catastrophic event and this causes significant losses outside or in excess of Mercury's insurance cover, Mercury may be unable to, or choose not to, replace the damaged assets, with Mercury potentially losing the capital invested in them, and their anticipated future revenues. Such losses and potentially significantly reduced operations would affect Mercury's future financial performance and may impact on Mercury's ability to meet its debt repayment obligations.

To help manage this risk, Mercury reviews the level and nature of its insurance cover annually. Mercury also seeks to mitigate the impact of major damage to its generation assets through detailed risk management and business continuity plans and has implemented systems to maintain and operate its dams in accordance with current international dam safety practice and the New Zealand Society of Large Dams (NZSOLD) 'Dam Safety Guidelines' (providing for, among other things, the prevention and mitigation of accidental releases, dam safety incidents and dam failures). This includes routine dam surveillance monitoring by Mercury, annual dam safety reviews and 5-yearly independent safety reviews of each dam and dam safety related equipment.

07. TAX.

If you are tax resident in New Zealand or otherwise receive payments of interest on the Green Bonds that are subject to the resident withholding tax rules, resident withholding tax will be deducted from payments of interest to you, unless you notify the Securities Registrar that you have RWT-exempt status (as that term is defined in the Income Tax Act 2007) and that status remains valid on the record date for the relevant payment date.

If you receive payments of interest on the Green Bonds subject to the non-resident withholding tax rules, an amount equal to any approved issuer levy (**AIL**) payable will be deducted from payments of interest to you in lieu of deducting non-resident withholding tax (except where you elect otherwise and Mercury agrees, or it is not possible under any law, in which case non-resident withholding tax will be deducted).

If the AIL regime applies, Mercury will apply the zero rate of AIL if possible, and otherwise pay AIL at the applicable rate.

If the AIL regime changes, Mercury reserves the right not to pay AIL. See the Master Trust Deed for further details.

INDEMNITY

If, in respect of any of your Green Bonds, Mercury becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify Mercury in respect of such liability. Any amounts paid by Mercury in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of Green Bonds. See the Master Trust Deed for further details.

GENERALLY

There may be other tax consequences from acquiring or disposing of the Green Bonds. If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

Taxes may affect your returns. The information set out above does not constitute taxation advice to any Bondholder, is general in nature and based on the taxation laws in force in New Zealand as at the date of this PDS. Future changes to these or other laws may affect the tax consequences of an investment in the Green Bonds.

08. SELLING RESTRICTIONS.

GENERAL

The Green Bonds may only be offered or sold in conformity with all applicable laws and regulations in New Zealand and in any other jurisdiction in which the Green Bonds are offered, sold or delivered. Specific selling restrictions as of the date of this PDS are set out below for the United States, Australia, Hong Kong, Japan, Singapore, the United Kingdom and Switzerland.

No action has been or will be taken by Mercury which would permit an offer of Green Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

No person may purchase, offer, sell, distribute or deliver Green Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Green Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations and the specific selling restrictions set out below. Only the Joint Lead Managers may distribute this PDS outside New Zealand and only in compliance with the specific selling restrictions set out below.
In particular, this PDS may not be distributed to any person in the United States and the Green Bonds may not be offered or sold, directly or indirectly, to any person in the United States.

By subscribing for Green Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers, the Securities Registrar and the Bond Supervisor in respect of any loss incurred as a result of you breaching these selling restrictions.

UNITED STATES

The Green Bonds have not been and will not be registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Green Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Green Bonds of the tranche of which such Green Bonds are part, as determined and certified by the Joint Lead Managers except in accordance with Rule 903 of Regulation S. Any Green Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

> "The Green Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Green Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Until 40 days after the completion of the distribution of all Green Bonds or the tranche of which those Green Bonds are a part, an offer or sale of the Green Bonds within the United States by any Joint Lead Manager or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

AUSTRALIA

This PDS and the offer of Green Bonds are only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions in sections 708(8) (sophisticated investors) or 708(11) (professional investors) of the Australian Corporations Act 2001 (the **Corporations Act**). This PDS is not a prospectus, product disclosure statement or any other formal "disclosure document" for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in a "disclosure document" under Australian law. This PDS has not been and will not be lodged or registered with the Australian Securities & Investments Commission or the Australian Securities Exchange and the issuer is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this PDS as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act. Investors in Australia should be aware that the offer of Green Bonds for resale in Australia within 12 months of their issue may, under section 707(3) of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act apply to the re-sale.

HONG KONG

WARNING: This PDS has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this PDS or to permit the distribution of this PDS or any documents issued in connection with it. Accordingly, the Green Bonds have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Green Bonds has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Green Bonds that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Green Bonds may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this PDS have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this PDS, you should obtain independent professional advice.

JAPAN

The Green Bonds have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Green Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Green Bonds may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Green Bonds is conditional upon the execution of an agreement to that effect.

SINGAPORE

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**), Mercury has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Green Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

This PDS and any other materials relating to the Green Bonds have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this PDS and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Green Bonds, may not be issued, circulated or distributed, nor may the Green Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This PDS has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this PDS immediately. You may not forward or circulate this PDS to any other person in Singapore.

Any offer is not made to you with a view to the Green Bonds being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Green Bonds. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

UNITED KINGDOM

Neither this PDS nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Green Bonds.

The Green Bonds may not be offered or sold in the United Kingdom by means of this PDS or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This PDS is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This PDS may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Green Bonds has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Mercury.

In the United Kingdom, this PDS is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investment to which this PDS relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this PDS.

SWITZERLAND

The Green Bonds may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this PDS nor any other offering or marketing material relating to the Green Bonds constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act (**FinSA**) or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the Green Bonds has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this PDS will not be filed with, and the offer of Green Bonds will not be supervised by, the Swiss Financial Market Supervisory Authority.

Neither this PDS nor any other offering or marketing material relating to the Green Bonds may be publicly distributed or otherwise made publicly available in Switzerland. The Green Bonds will only be offered to investors who qualify as "professional clients" (as defined in the FinSA). This PDS is personal to the recipient and not for general circulation in Switzerland.

09. WHO IS INVOLVED.

	NAME	ROLE
Issuer	Mercury NZ Limited	Issuer of the Green Bonds.
Bond Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce Mercury's obligations under the Green Bonds.
Arranger	ANZ Bank New Zealand Limited	Provides advice and assistance to Mercury in arranging the Offer.
Joint Lead Managers	ANZ Bank New Zealand Limited Bank of New Zealand Craigs Investment Partners Limited Forsyth Barr Limited	Assist with the bookbuild for the Offer, and marketing and distribution of the Offer. Except as described above, the Joint Lead Managers are not otherwise involved in the Offer. None of the Arranger, the Joint Lead Managers and their respective directors, employees, agents and advisers have independently verified the content of this PDS. This PDS does not constitute financial advice from the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to purchase any Green Bonds. You must make your own independent investigation and assessment of the financial condition and affairs of Mercury before deciding whether or not to invest in the Green Bonds.
Securities Registrar	Computershare Investor Services Limited	Maintains the register of Bondholders.
Solicitors to Issuer	Chapman Tripp	Provides legal advice to Mercury in respect of the Offer.
Solicitors to Bond Supervisor	Bell Gully	Provides legal advice to the Bond Supervisor in respect of the Offer.
Green Bond assurance	DNV GL	Provides an independent limited assurance conclusion to verify the compliance of the Green Bonds with the Green Bond Principles and Climate Bonds Standard.
Green Bond Co-ordinator	ANZ Bank New Zealand Limited	Provides assistance to Mercury with structuring the "green" aspects of the Offer, including the Green Financing Framework and facilitating the audit assurance of the Green Bonds.

10. HOW TO COMPLAIN.

Complaints about the Green Bonds can be directed to:

Mercury NZ Limited at

Head of Investor Relations
33 Broadway
Newmarket
Auckland 1023

Telephone: 0275 173 470
Email: Investor.Relations@mercury.co.nz

If for any reason Mercury is unable to resolve your complaint, please contact:

The Bond Supervisor at

The New Zealand Guardian
Trust Company Limited
Level 14, 191 Queen Street
Auckland 1010

Telephone: 0800 683 909
Email: ct-auckland@nzgt.co.nz

The Bond Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (**FSCL**) and approved by the Ministry of Consumer Affairs. If the Bond Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing complaints@fscl.org.nz, or calling FSCL on 0800 347 257, or by completing the complaints form online at www.fscl.org.nz/complaints/complaint-form, or by writing to FSCL at PO Box, 5967, Wellington 6145.

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website www.fma.govt.nz.

11. WHERE YOU CAN FIND MORE INFORMATION.

Further information relating to Mercury and the Green Bonds is available on the online offer register maintained by the Companies Office known as 'Disclose'. The offer register can be accessed at https://disclose-register.companiesoffice.govt.nz/.

A copy of the information on that register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz. The information contained on that register includes a copy of the Trust Deed (including the Supplemental Trust Deed and the conditions of the Green Bonds).

Mercury is subject to a disclosure obligation in relation to its shares that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Mercury's page on the NZX website, which includes information made available under the disclosure obligations referred to above, can be found at www.nzx.com/companies/MCY. The Green Financing Framework and any updated Green Financing Framework can be accessed at Mercury's website (currently at www.mercury.co.nz/green-bonds).

12. HOW TO APPLY.

The Offer will be open to institutional investors and members of the public who are resident in New Zealand.

All of the Green Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, NZX Firms and other approved financial intermediaries invited to participate in a bookbuild conducted by the Joint Lead Managers.

There is no public pool for the Green Bonds. This means you can only apply for the Green Bonds through a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

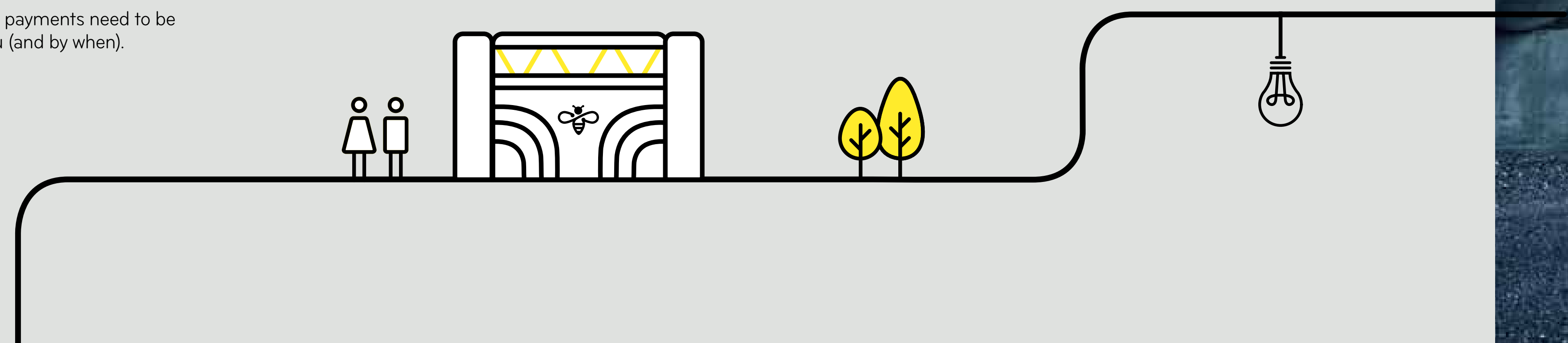
The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this PDS (if you have not already received a copy);
- explain what you need to do to apply for the Green Bonds; and
- explain what payments need to be made by you (and by when).

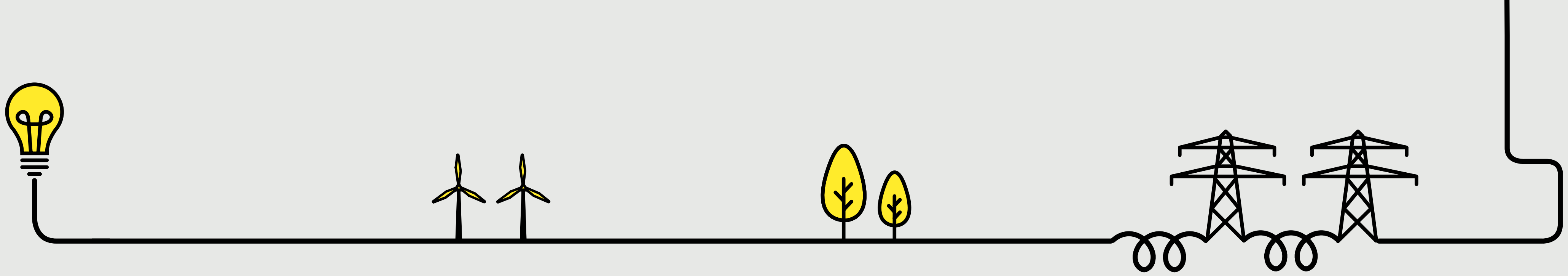
The Primary Market Participant or approved financial intermediary can also explain what arrangements will need to be put in place for you to trade the Green Bonds (including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant) as well as the costs and timeframes for putting such arrangements in place.

13. CONTACT INFORMATION.

ISSUER	**Mercury NZ Limited** 33 Broadway Newmarket Auckland 1023 Telephone: 0275 173 470
SECURITIES REGISTRAR	**Computershare Investor Services Limited** Level 2, 159 Hurstmere Road Takapuna Auckland 0622 Private Bag 92119 Auckland 1142 Telephone: +64 9 488 8777
ARRANGER, GREEN BOND CO-ORDINATOR AND JOINT LEAD MANAGER	**ANZ Bank New Zealand Limited** Level 10, ANZ Centre 170 Featherston Street Wellington 6011 Telephone: 0800 269 476
JOINT LEAD MANAGERS	**Bank of New Zealand** Level 6, Deloitte Centre 80 Queen Street Auckland 1010 Telephone: 0800 284 017 **Craigs Investment Partners Limited** Level 36 Vero Centre 48 Shortland Street Auckland 1010 Telephone: 0800 226 263 **Forsyth Barr Limited** Level 23, Lumley Centre 88 Shortland Street Auckland 1010 Telephone: 0800 367 227



GLOSSARY.



$	New Zealand dollars.
Arranger	ANZ Bank New Zealand Limited.
Bond Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time.
Bondholder	A person whose name is entered in the Register as a holder of a Green Bond.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.
CBI	Climate Bonds Initiative.
Climate Bonds Standard	The Climate Bonds Standard, currently version 3.0, as amended from time to time.
Closing Date	Friday, 4 September 2020 at 12.00pm.
Disclose Register	The online offer register maintained by the Companies Office known as 'Disclose'.
Eligible Projects	Projects or expenditures including renewable energy, energy efficiency and electrification and clean transportation, that have been identified by Mercury as meeting the criteria for "Eligible Projects" as set out in the Green Financing Framework.
Event of Default	Each event set out in clause 11 of the Master Trust Deed, which are summarised in section 5 of this PDS (Key features of the Green Bonds).
Extraordinary Resolution	A resolution passed with the support of Bondholders holding not less than 75% of the aggregate Principal Amount of Green Bonds held by those persons voting.
First Interest Payment Date	14 March 2021. As the First Interest Payment Date is a Sunday, interest is payable on Monday, 15 March 2021 instead.
FMCA	Financial Markets Conduct Act 2013.
Green Financing Framework	The document developed and adopted by Mercury and entitled Mercury NZ Limited Green Financing Framework 2020, dated August 2020. The Green Financing Framework may be amended by Mercury from time to time.
Green Bond Principles	The Green Bond Principles dated June 2018 as published by the International Capital Market Association as amended from time to time.
Green Bonds	The green bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS.
Guaranteed Liabilities	Liabilities owed to Mercury's USPP noteholders, banks and certain financial institutions that have lent money to Mercury. Unlike Bondholders, creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries.
Inland Revenue	The New Zealand Inland Revenue Department.
Interest Payment Dates	14 March and 14 September in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.
Interest Rate	The interest rate for the Green Bonds, as announced by Mercury via NZX on the Rate Set Date.
Issue Date	Monday, 14 September 2020.
Issue Margin	The issue margin determined by Mercury in conjunction with the Joint Lead Managers following the bookbuild for the Offer as announced by Mercury via NZX on the Rate Set Date.

Joint Lead Managers	ANZ Bank New Zealand Limited, Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited.
Listing Rules	The listing rules applying to the NZX Debt Market.
Master Trust Deed	The master trust deed dated 4 April 2003 as amended from time to time (most recently on 21 May 2019) between Mercury and the Bond Supervisor pursuant to which certain bonds, including the Green Bonds, may be issued (as amended or supplemented from time to time).
Maturity Date	14 September 2027.
Mercury or Issuer	Mercury NZ Limited.
Negative Pledge Deed	The negative pledge deed dated 7 March 2001 provided by Mercury and the Guaranteeing Subsidiaries (as defined therein). Bondholders do not have the benefit of this deed.
NZX	NZX Limited.
NZX Debt Market	The debt security market operated by NZX.
NZX Main Board	The main registered market for trading equity securities operated by NZX.
Offer	The offer of Green Bonds made by Mercury under this PDS.
Opening Date	Monday, 31 August 2020.
PDS	This product disclosure statement for the Offer dated 21 August 2020.
Primary Market Participant	Has the meaning given to that term in the NZX Participant Rules as amended from time to time.
Principal Amount	$1.00 per Green Bond.
Principal Subsidiary	Has the meaning given to that term in the Master Trust Deed.
Rate Set Date	Friday, 4 September 2020
Register	The register in respect of the Green Bonds maintained by the Securities Registrar.
Securities Registrar	Computershare Investor Services Limited.
Supplemental Trust Deed	The supplemental trust deed dated 21 August 2020 between Mercury and the Bond Supervisor setting the terms and conditions of the Green Bonds (as amended or supplemented from time to time).
Swap Rate	The mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger in consultation with Mercury, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date (rounded to 2 decimal places, if necessary, with 0.005 being rounded up).
Trust Deed	The Master Trust Deed, as supplemented by the Supplemental Trust Deed.
USPP	An issuance of notes to investors in the United States by private placement.
USPP Note Purchase Agreement	The Note Purchase Agreement dated 8 December 2010 between Mercury and the initial purchasers of its USPP notes.

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Mercury