

INTRODUCTION.

One of the 17 UN Sustainable Development Goals is for the international community to end modern day slavery by 2030. The global adoption of these goals has increased the focus on ending modern day slavery and specific regulation has been introduced in many countries, including Australia.

As Mercury is dual listed on the NZX and ASX we must comply with the requirements of the Australian Modern Slavery Act 2018. An equivalent obligation does not yet exist in New Zealand.

REPORTING ENTITY.

Mercury NZ Limited (NZBN: 9429037705305/ ARBN: 162 804 668) (Mercury) is listed on the New Zealand Stock Exchange (NZX:MCY) and the Australian Stock Exchange (ASX:MCY) as an ASX Foreign Exempt Listing. The New Zealand Government holds a legislated minimum 51% shareholding in Mercury.

This statement has been prepared for the Mercury Group, which comprises Mercury, its subsidiaries and the New Zealand-based joint arrangements it wholly controls.

This statement has been prepared using the Guidance for Reporting Entities¹ and outlines what we have done in FY20 to assess and address the risk of modern slavery in our operations and supply chains.

IN FY20, WE:



FORMED MODERN DAY SLAVERY ACT WORKING GROUP.



COMPLETED THE FIRST EDITION OF MERCURY SUPPLIER GUIDING PRINCIPLES ACROSS SUPPLIER BASE.



DEVELOPED 5-YEAR ACTION PLAN/ROADMAP.



COMMENCED UPDATE OF RELEVANT GOVERNANCE DOCUMENTS.



REDUCED 'HANDLE CRANKING' ACTIVITIES, WITH QUALITY AND EFFICIENCY IN MIND.

ORGANISATIONAL STRUCTURE, OPERATIONS AND SUPPLY CHAINS.

ORGANISATIONAL STRUCTURE AND OPERATIONS

Mercury is primarily a generator and retailer of electricity, contributing to the energy needs of New Zealanders. We generate electricity from 100% renewable sources: hydro, geothermal and (in 2021) wind.

We also own just under 20% of Tilt Renewables Limited (NZX:TLT) which owns and operates wind generation in New Zealand and Australia².

Our generation stations are situated in the central North Island of New Zealand along the Waikato River (hydro), and nearby steamfields of the northern part of the Central Volcanic Plateau (geothermal) which include two joint ventures on the Rotokawa Geothermal Field and a 25% interest in Tuaropaki Power Company. Our Turitea wind farm is on the Tararua Range near Palmerston North.

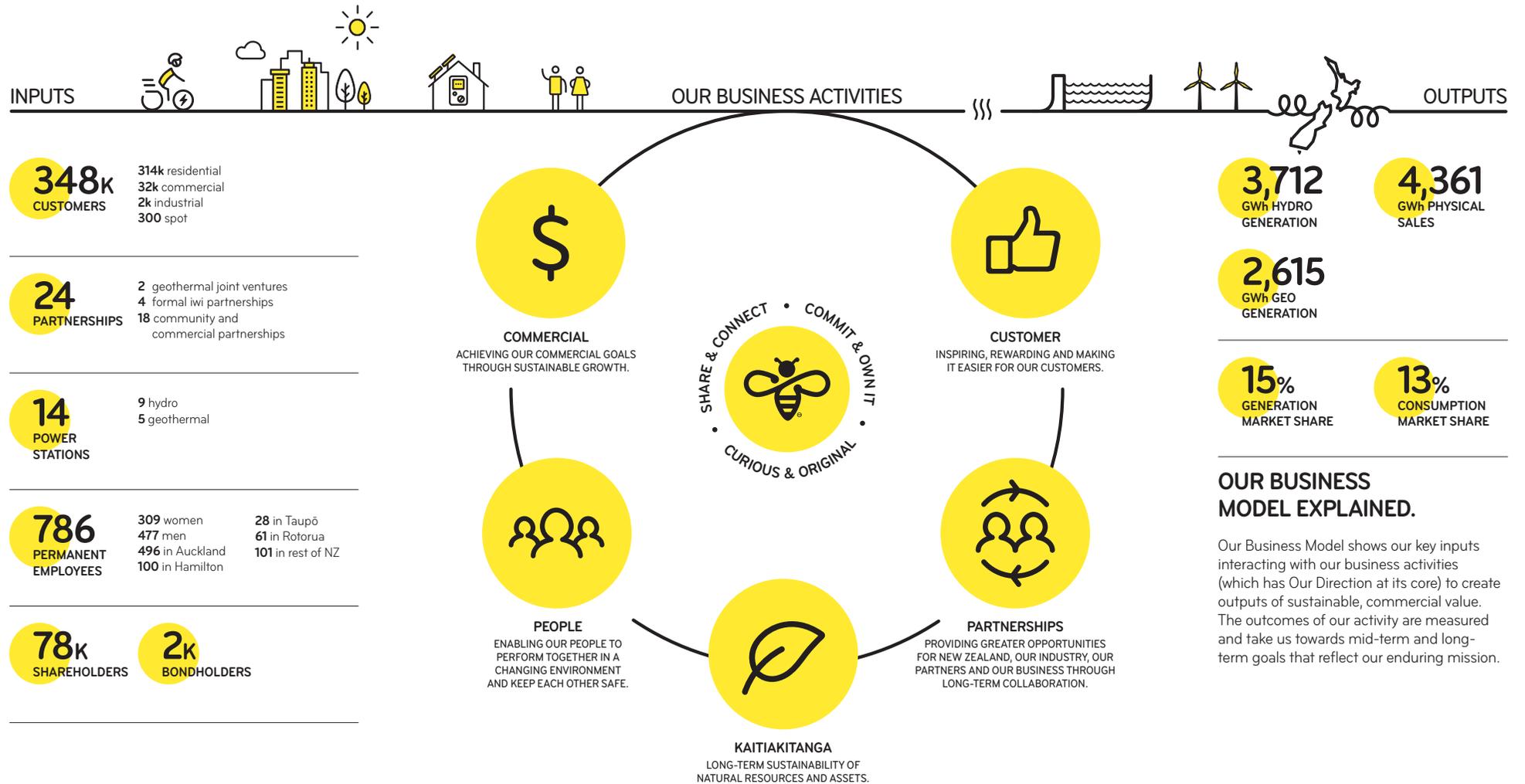
Our retail operations serve residential, commercial (small and medium sized businesses) and industrial customers. We have offices in Auckland, Hamilton, Rotorua, Taupō, Palmerston North and Wellington.

Our mission, which guides us in what we do and why, is Energy Freedom for all New Zealanders. This is about New Zealand being stronger economically and more sustainable through better use of homegrown, renewable energy.

Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways. We do this by championing e.transport, providing offers to our loyal customers and innovating with digital solutions to make interactions with us easy and rewarding.

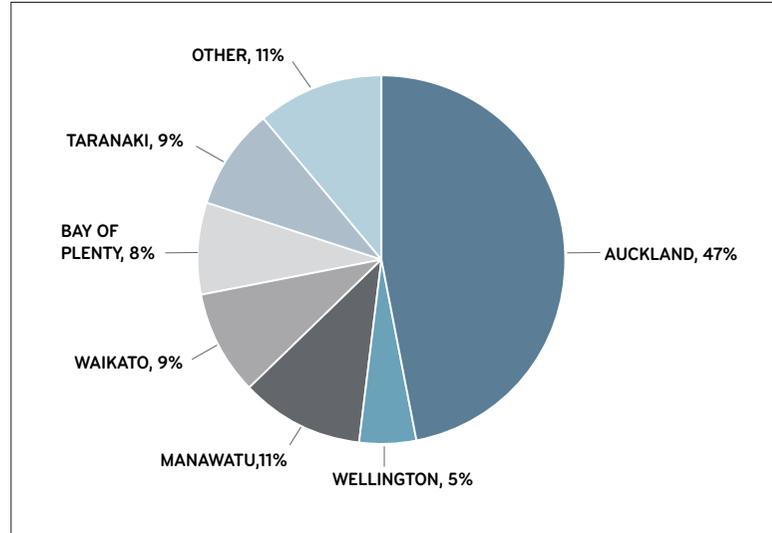


OUR BUSINESS MODEL.



MERCURY SPEND BY NZ REGION (94%)

Our spend on goods and services in FY20 was NZD 1.5 billion, with 94% of this paid to New Zealand-based suppliers.

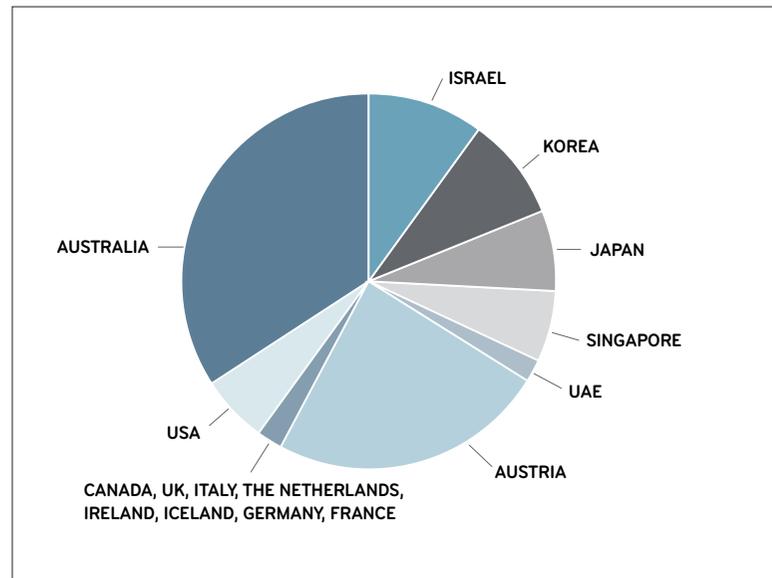


MERCURY SPEND OUTSIDE OF NZ (6%)

*Country of spend is identified by the country of the invoicing entity.

In 2020, Mercury undertook a full supply chain review of our direct suppliers. This confirmed that the majority of our international spend is in countries with low instances of modern slavery.

We understand and acknowledge that we may have indirect suppliers in countries with an elevated risk of modern slavery.



SUPPLY CHAIN

Our supply chain is diverse and includes the following goods and services categories:

- Generation operations: engineering and specialist services, plant and machinery, mechanical and electrical maintenance, generation critical facilities, well and reservoir services, chemicals and fuels;
- Retail services: metering services, sales and marketing;
- Environmental: monitoring and testing, consultants, resource consents etc;
- Support services: IT, control and instrumentation, travel and recruitment, mail logistics and freight, training providers, professional services and consultancy; and
- Facilities: office maintenance and supplies, cleaning, PPE, fleet and fleet management.

MERCURY AND MODERN SLAVERY RISK.

We recognise our responsibilities as a corporate citizen of New Zealand and are working to identify and address any risks of modern slavery in our operations and supply chains.

Building robust frameworks, policies and processes are fundamental to our foundational pillars: Commercial, Customer, Partnerships, Kaitiakitanga, and People. These underpin the long-term sustainability of our business and assets, and relationships with our stakeholders.

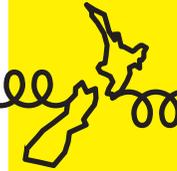


OUR DIRECTION.

OUR PURPOSE

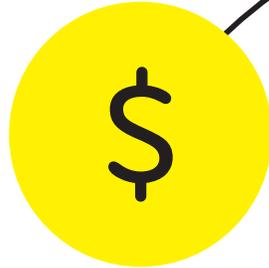


OUR MISSION



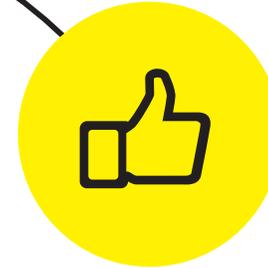
TO INSPIRE
NEW
ZEALANDERS
TO ENJOY
ENERGY IN
MORE
WONDERFUL
WAYS

ENERGY
FREEDOM



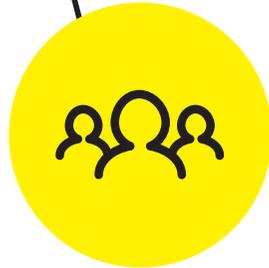
COMMERCIAL

ACHIEVING OUR COMMERCIAL GOALS
THROUGH SUSTAINABLE GROWTH.



CUSTOMER

INSPIRING, REWARDING AND MAKING
IT EASIER FOR OUR CUSTOMERS.



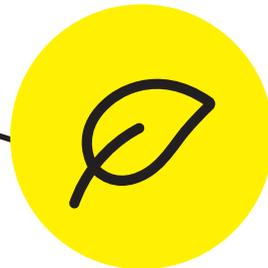
PEOPLE

ENABLING OUR PEOPLE TO
PERFORM TOGETHER IN A
CHANGING ENVIRONMENT AND
KEEP EACH OTHER SAFE.



PARTNERSHIPS

PROVIDING GREATER OPPORTUNITIES
FOR NEW ZEALAND, OUR INDUSTRY, OUR
PARTNERS AND OUR BUSINESS THROUGH
LONG-TERM COLLABORATION.



KAITIAKITANGA

LONG-TERM SUSTAINABILITY OF
NATURAL RESOURCES AND ASSETS.



OPERATIONS

As per the Global Slavery Index (GSI)⁴, the electricity generation and retail industry in NZ is not considered high risk for modern slavery.

The human rights areas most relevant for our operations are workplace safety, labour conditions, and supporting the aspirations of our first nations partners. Companies can inadvertently elevate the risk of human exploitation by placing unreasonable demands on suppliers, so we keep this in mind when engaging with suppliers.

In April 2017, our Board adopted the Mercury Code (replacing our Code of Conduct and our Code of Ethics) which underpins everything we do.

It requires all Mercury people, including directors and employees, to act honestly and with integrity and fairness, and to strive to foster these standards within Mercury.

SUPPLY CHAIN

We assess supply chain risk by product or service category, and geography or location. We have met and shared best practice with other electricity generators and retailers to improve alignment for our industry.

Our initial approach is to focus onshore in New Zealand with suppliers either owned or operating in New Zealand.

We think there are potential risks in five categories to assess during FY21.

Through evaluation of our supply chain and in benchmarking with other organisations, we have decided to initially focus on Tier One New Zealand based suppliers as follows³:

- Catering
- Industrial cleaning services
- Transportation and storage and mail services
- Post
- Safety apparel*

*Safety apparel has also been identified by the Global Slavery Index (GSI) in the list of products at risk.

These five categories have been selected based on consultation with the Global Slavery Index and also through consideration where vulnerable workers are prevalent in New Zealand.

We endeavour to work with suppliers who share our commitment to acting ethically and doing the right thing. Our Supplier Guiding Principles, deployed in 2018, describe the way we work with our suppliers and what we expect in return.

These principles include our commitments to treating people fairly, wellbeing, protecting our business and our reputation, protection of personal information and sustainability. Our Supplier Guiding Principles are available in the Corporate Governance section of our website.

MANAGEMENT OF MODERN SLAVERY RISKS.

Risk management is an integral part of Mercury's business. We have in place an overarching Risk Management Policy supported by a suite of risk management policies appropriate for our business, including a Risk Appetite Statement and the Mercury Code.

The Risk Management Policy embeds a comprehensive, holistic, Group-wide capability in risk management which provides a framework of identifying, assessing, controlling, monitoring and reporting existing and potential risks to Mercury's business and to the achievement of its plans.

The Policy sets out the risk management objectives and requirements of Mercury within which management is expected to operate. The Policy applies to all business activities of the Group including Mercury-controlled joint ventures and is reviewed annually by the Risk Assurance and Audit Committee and approved by the Board.

The risk management framework supports a comprehensive approach to risk, encompassing financial, strategic, environmental, operational, regulatory, reputational, social and governance risks.

In addition to these risk management processes, several measures are employed to manage risks, including employee awareness, incident training, due diligence, financial risk mitigation tools and active involvement in the regulatory environment.



Modern Day Slavery will be incorporated into this risk management framework.

Mercury's reputation with investors, stakeholders and the broader community is one of its most important assets. Modern slavery is recognised as a risk to that reputation and could lead to negative publicity resulting in the loss of business revenues or reduction in Mercury's value.

ACTIONS TO DATE.

All Mercury employees must complete Mercury Code training when they start with Mercury and every two years thereafter. The Mercury Code is supported by Mercury's wider policy framework and guidelines.

As well as the Mercury Code, Mercury's comprehensive internal employment policies include anti-bullying, harassment and discrimination, disputes resolution, leave policies, inclusion and diversity, health and safety, drug and alcohol and flexibility guidelines.

Mercury also has a whistle-blower policy outlining the steps an employee can take and the protections and support offered to that employee when wrongdoing is identified.

Our procedures in relation to responsible procurement and contractor engagement provide internal governance to help align the contracting of goods and/or services from external parties with the Mercury Code and New Zealand Laws.

In 2018, we reviewed the employment practices of contractors in areas of our business known to use sub-contractors (and therefore have no direct relationship with Mercury). From this review, we were satisfied that our sub-contractors also comply with applicable employment laws and regulations. We continue to monitor the employment practices of our contractors and sub-contractors.

IMPACTS OF COVID-19 ON OUR SUPPLY CHAIN

During the New Zealand level 4 lockdown in late March 2020, we engaged early with key suppliers. After effecting the changes necessary for lockdown, we focussed on enabling contractors to retain staff where possible, and for their staff to maintain income levels.

We provided support through a range of initiatives including:

- Providing work to core generation contractors to complete from home and complement the limited on-site work they were undertaking;
- Our procurement team working closely with suppliers who employ low-paid, vulnerable workers. We made a number of concessions to help to keep those workers in employment.
- Early invoice payment was implemented for all suppliers, allowing supplier payments to be made on a fortnightly cycle as opposed to monthly.

REVIEWING THE EFFECTIVENESS OF OUR ACTIONS.

We established a cross-functional modern slavery working group, tasked with creating a roadmap and addressing risks of modern slavery within our supply chain and operations.

This working group drives the changes identified in our roadmap, and reports to the group Chief Financial Officer and GM Corporate Affairs prior to seeking Board endorsement for our modern slavery statement.

Mercury is also involved in the Walk Free Business Network, addressing modern slavery in New Zealand supply chains.

These networks help us gauge how other New Zealand business are addressing modern slavery and share best practice.

Looking ahead, we will be focussing on continuous improvement initiatives which will include review and assessment of their efficiency and effectiveness.

We also regularly review our board charters and corporate governance policies and practices in line with our risk management framework to ensure their ongoing effectiveness.



MODERN SLAVERY CONSULTATION.

This statement has been prepared for the Mercury Group. This comprises Mercury and its subsidiaries and New Zealand-based joint arrangements that it currently controls.

Mercury has a high level of consultation and engagement with its subsidiaries and joint venture arrangements. These entities are included in Mercury's risk settings. There is a high level of alignment across the Group in procurement practices and the full Group has been considered in our identification and assessment of modern slavery risk. Our FY21 initiatives will apply across the full Group supply chain.

LOOKING AHEAD.

In FY21, we will continue many of the initiatives commenced in FY20, utilising our influence within our supply chains to improve identification and further collaboration with suppliers to address modern slavery risk. In FY21, particular focus areas will be:

Supply Chain Review: Review completed of domestic category 'Tier One' suppliers. High level risk analysis completed including engagement with identified suppliers to determine if modern slavery risks are acknowledged and adequately managed. Tier Two suppliers identified in preparation for FY22 review.

Supplier Code: Update of our existing Supplier Guiding Principles to reflect new Mercury Supplier Code of Conduct. Changes made will reflect our updated Corporate Responsibility policy and alignment with Mercury's five pillars and integrated approach as well as alignment with modern slavery guidelines.

Spend Visibility: Active engagement across the business to move to increase the level of spend managed under a purchase order, thereby increasing spend visibility within our supply chain. In knowing the depth and breadth of our supply chain, this can facilitate the identification of any areas where modern slavery may arise.

Procurement Guidelines: Created and implemented, including reference to modern slavery and the Supplier Code of Conduct.

Contract and RFX template review: To set a standard and consistent approach, updating our contract and RFX document templates to integrate modern slavery requirements and standards.

We will build on these and additional foundational workstreams during FY21 and demonstrate continuous improvement. Mercury is committed to working with our suppliers and industry partners as part of our integrated sustainability framework.

REFERENCES

1. <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>
2. <https://www.mercury.co.nz>
3. <https://www.unspsc.org/>
4. <https://www.globalslaveryindex.org/>

Our Executive Management Team have been involved in the preparation and endorsement of this statement.

This statement has been approved by the Board on 22nd February 2021, and signed by:



PRUE FLACKS
CHAIR, MERCURY NZ LIMITED

