

## INTRODUCTION.

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

Mercury is dual listed on the NZX and ASX and complies with the requirements of the Australian Modern Slavery Act 2018. An equivalent obligation does not yet exist in New Zealand, however draft legislation on modern slavery and worker exploitation has been proposed which Mercury supports.

## 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 (unincorporated) joint arrangements in which Mercury has majority ownership.

This statement has been prepared using the Guidance for Reporting Entities<sup>1</sup> and outlines what we have done in FY22 (the 12 months to 30 June

2022) to assess and address the risk of modern slavery in our operations and supply chains.

### IN FY22, WE:



**IMPROVED OUR SPEND VISIBILITY**



**INCREASED INTERNAL AWARENESS OF OUR PROCUREMENT GUIDELINES AND COMMERCIAL PROCUREMENT PLAN**



**ASSESSED AND IDENTIFIED OUR STRATEGIC SUPPLIERS USING A KRALJIC MATRIX APPROACH**



**ENGAGED A CROSS SECTION OF STRATEGIC SUPPLIERS TO SELF-ASSESS FOR MODERN SLAVERY RISKS**

## ORGANISATIONAL STRUCTURE, OPERATIONS AND SUPPLY CHAINS.

### ORGANISATIONAL STRUCTURE AND OPERATIONS

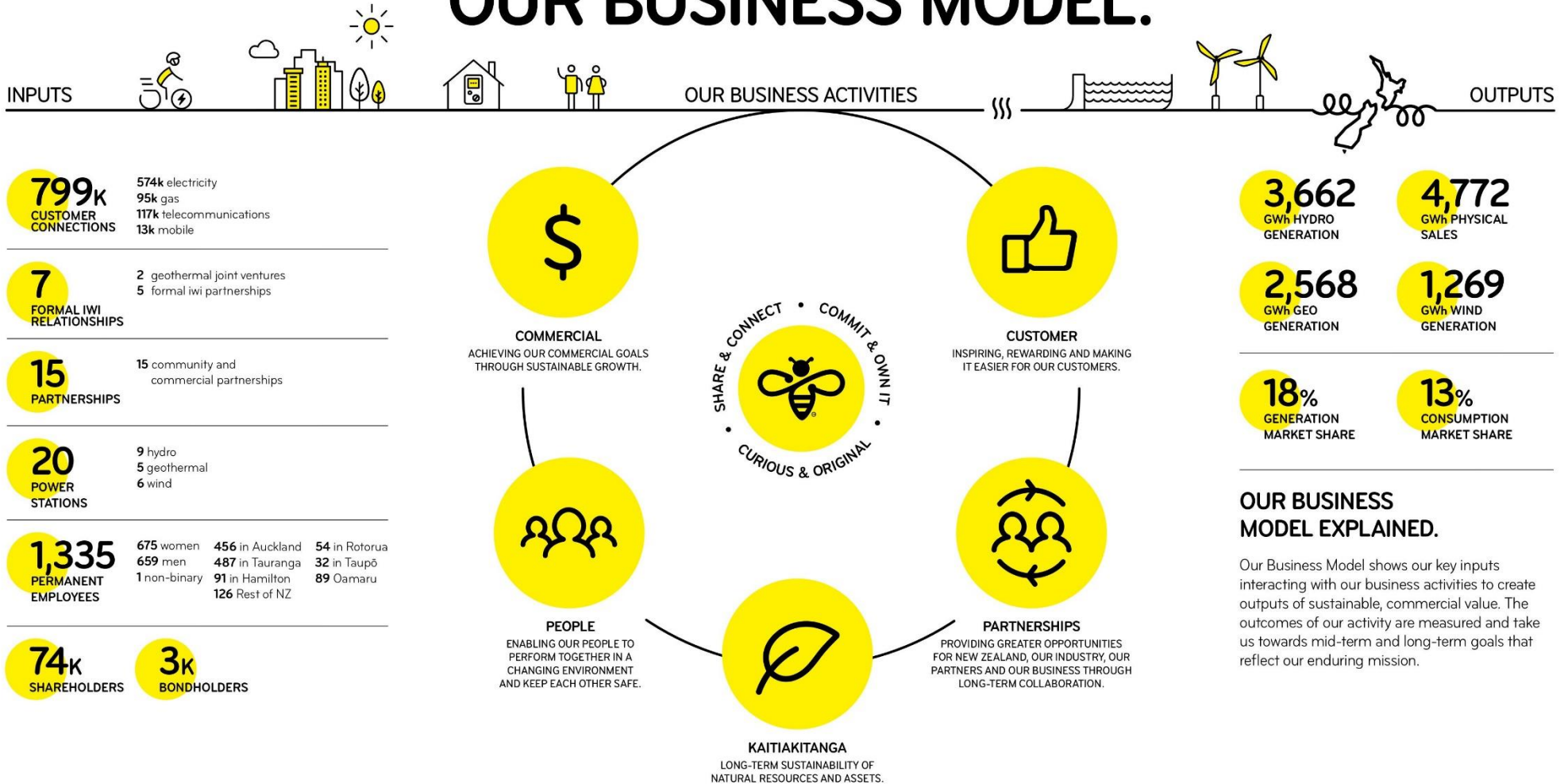
Mercury is an electricity generator and multi-product retailer of electricity, gas, broadband and mobile services, focussed on delivering solutions for New Zealanders at home, at work and on the move. We

generate electricity from 100% renewable sources: hydro, geothermal and wind.

Most of our generation production comes from power stations situated in the central North Island of New Zealand. All our hydro stations are based on the Waikato River, and we own or have interests in five geothermal stations situated in the northern part of the Central Volcanic Plateau, which include shared ownership arrangements with Māori land trusts at Rotokawa and Mokai. Mercury also owns six wind farms, five in the lower North Island plus the Mahinerangi wind farm at Otago in the lower South Island and is the largest wind generator in New Zealand.

Our retail operations supply energy to residential, commercial (small and medium sized businesses) and industrial customers. We have offices in Auckland, Hamilton, Rotorua, Palmerston North, Papamoa, Tauranga, Wellington, and Oamaru. In FY22, Mercury purchased Trustpower's retail business, enhancing our capability to deliver multi-product offerings and increasing our customer connections across electricity, gas, telecommunications and mobile to almost 800,000 by the end of the year.

# OUR BUSINESS MODEL.

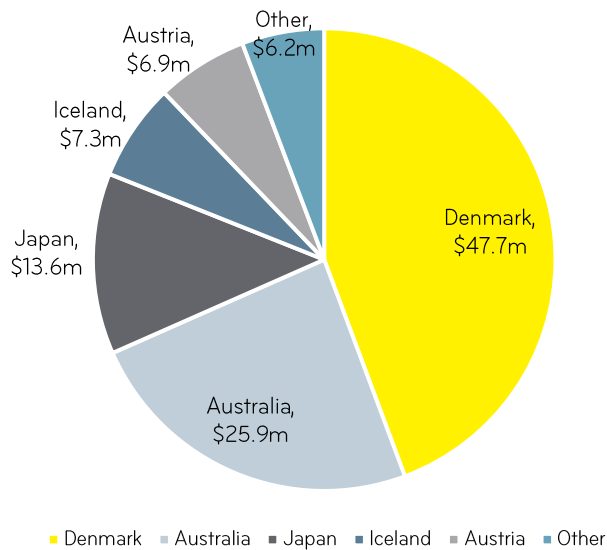


## MERCURY SUPPLY CHAIN SPEND IS \$1.6B

Our spend on goods and services in FY22 was NZD 1.6 billion, with 93% of this paid to New Zealand-based\* suppliers.

## MERCURY SPEND OUTSIDE OF NEW ZEALAND IS \$108M

Our international spend is comparatively low, and generally 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<sup>2</sup>.



\*Country of spend is identified by the country of the invoicing entity. Suppliers with a spend over \$1m were cross checked for foreign currency transactions and the country of invoicing entity readjusted accordingly.

### SUPPLY CHAIN

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

Energy purchases and lines charges;  
 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, 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, PPE, fleet and fleet management.

## MERCURY AND MODERN SLAVERY RISKS.

Our operations are all New Zealand-based. New Zealand is a signatory to international human rights standards, including the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

As per the Global Slavery Index (GSI)<sup>2</sup>, the electricity generation and retail industry in New Zealand is not considered high risk for modern slavery. Our assessment is that there is a low risk that we cause or contribute to modern slavery in New Zealand.

Our spend with suppliers outside New Zealand accounts for 7% of our spend and is in countries with lower estimated prevalence of modern slavery<sup>2</sup> as indicated on page 4.

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 the areas we have identified as most important to our ability to create value: Customer, Partnerships, Kaitiakitanga, People and Commercial. These underpin the long-term sustainability of our business and assets, and relationships with our stakeholders.

## OPERATIONS

Companies can inadvertently elevate the risk of human exploitation by placing unreasonable demands on suppliers, so we consider this when engaging with suppliers. We have a Mercury Code [here](#)<sup>3</sup>, which is our equivalent of a code of conduct and ethics and it requires all Mercury people, including directors and employees, to act honestly, with integrity and fairness, to strive to foster these standards within Mercury.

## SUPPLY CHAIN

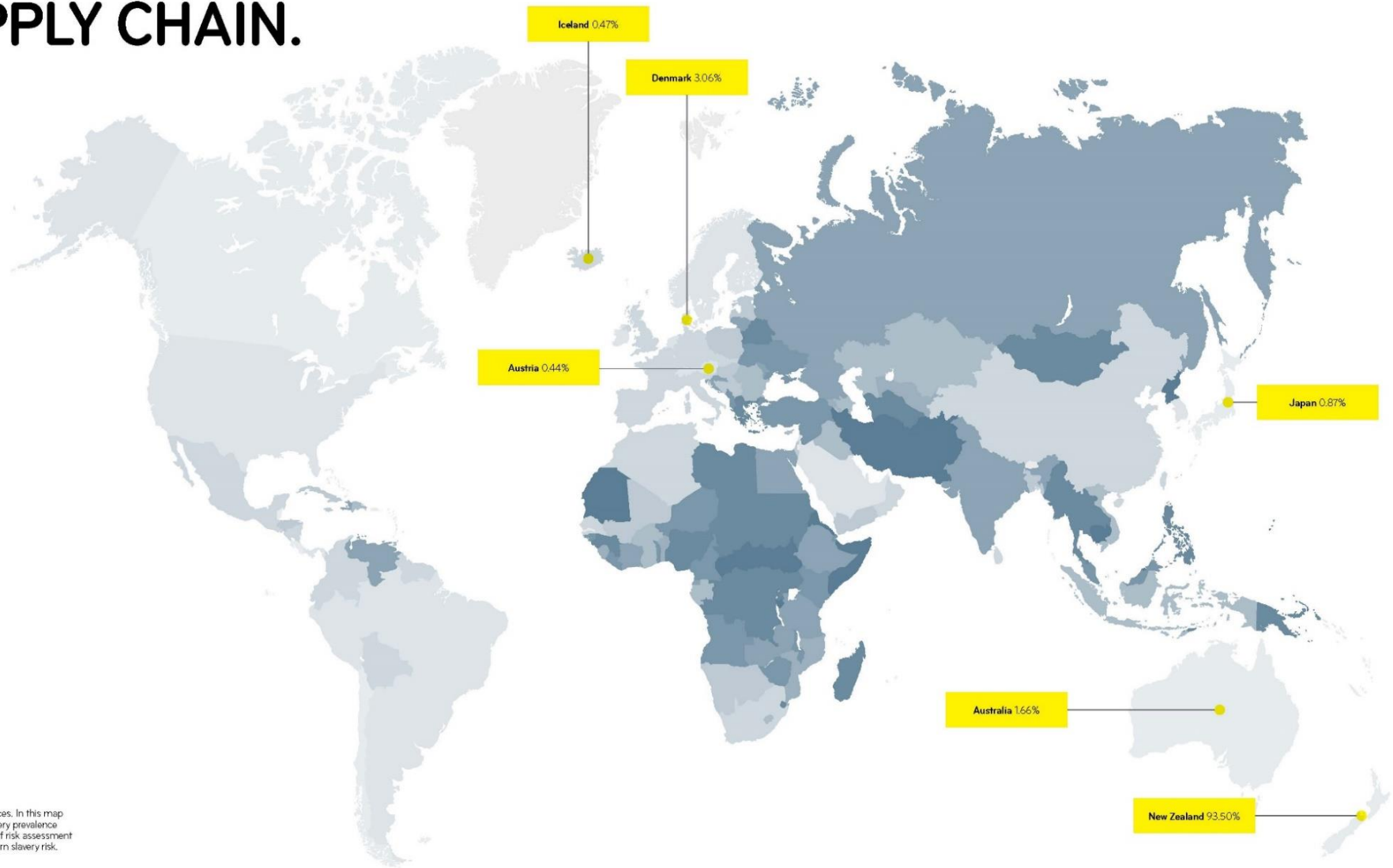
We assess supply chain risk by product or service category, and geography or location. We have met with other companies via a group called Collaborative Advantage to share best practice and focus on the right things.



# OUR SUPPLY CHAIN.

FY22 SUPPLY CHAIN SPEND (\$NZ)

COUNTRY	SPEND (\$NZ)
New Zealand	1,458,172,451
Denmark	47,715,881
Australia	25,902,151
Japan	13,624,531
Iceland	7,317,152
Austria	6,891,634
USA	2,239,048
United Kingdom	1,216,495
United Arab Emirates	1,005,630
Israel	730,277
Canada	290,927
Sweden	158,583
Singapore	146,146
Ireland	105,762
Finland	72,193
India	55,593
Hong Kong	46,683
Italy	31,634
Netherlands	30,984
France	23,860
China	22,098
Switzerland	6,137
Hungary	5,365
Philippines	5,134
Spain	4,852
Germany	3,607



Global Slavery Index 2018  
Prevalence of Modern Slavery

LOW HIGH  
NOT ASSESSED

In assessing our risks, we have used a range of data sources. In this map we have used the Global Slavery Index 2018 modern slavery prevalence data, the most up-to-date data source available at time of risk assessment activities, to provide an indication of each country's modern slavery risk.





## MERCURY AND MODERN SLAVERY RISKS. (cont.)

### RISKS OF MODERN SLAVERY

We consider that the risk of modern slavery in our supply chain exists in instances where we are directly linked to suppliers of goods that have been identified as high risk, such as safety apparel for our operational staff, electronic goods such as laptops and mobile phones in our offices, and cobalt and lithium used in batteries for our fleet of electric vehicles. While we have been able to work closely with our safety apparel supplier to address modern slavery, we do not have the same influence with electronics and EV suppliers. The spend on these products equates to a fraction of 1% of our total spend. These are not strategic suppliers, and electronic goods and vehicle manufacturers are large multinational global suppliers, so we assess our ability to influence these suppliers as low.

### MANAGEMENT OF MODERN SLAVERY RISKS.

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

The purpose of the Risk Management Policy is to embed a comprehensive, holistic, Group-wide capability in risk management which provides a consistent method 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 Board Risk Assurance and Audit Committee and approved by the full Board.

The risk management framework encompasses financial, strategic, environmental, operational, regulatory, reputational, social and governance risks. The risks associated with modern slavery will be assessed and managed in accordance with our risk management framework.

We endeavour to work with suppliers who share our commitment to acting ethically and doing the right thing. Our Supplier Code of Conduct describes the way we work with our suppliers and what we expect in return, including our expectations in respect of modern slavery requirements. It is available on the Corporate Governance section of our website [here](#)<sup>4</sup>.

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 reduced ability to engage or partner with key stakeholders and the loss of business revenues or reduction in Mercury's value.

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 if 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.

### FY22 ACTIONS

In FY22 we used a Kraljic matrix to categorise suppliers and identify those that are mutually strategic. We shared our modern slavery journey with these suppliers and asked them to self-assess their supply chain for modern slavery risks. As the purchase of Trustpower's retail business was completed late in the financial year (in May 2022), Trustpower's supply chain was not taken into consideration in our review.

Of the international suppliers most had published a statement in either Australia, UK or USA, had a code of conduct, a whistle blower mechanism, and do perform some level of due diligence on their suppliers. We validated their self-assessment against the information in their websites and found a high correlation backing up their response.

The picture for New Zealand-based suppliers operating solely in New Zealand was quite different. Local



suppliers have a lower awareness of modern slavery. Larger suppliers have developed a supplier code of conduct and are in the process of integrating modern slavery into their code. Medium-sized enterprises are generally currently working on a code of conduct and smaller enterprises while having a whistle-blower mechanism, have not yet developed or integrated modern slavery into their framework.

This can be explained as modern slavery legislation has only recently been considered by the New Zealand government, and proposed legislation has not yet been enacted. Once enacted the legislation will create a greater focus on modern slavery and facilitate visibility of the next level of our supply chain.

This was the first year we had a full year's spend categorised into specific material groups which lifted our ability to focus our efforts where they can make the biggest difference. We have also updated and internally promoted our procurement guidelines and commercial procurement plan to encourage and improve consideration of modern slavery risks when we are entering into supplier agreements.

### **LOOKING AHEAD TO 2023**

We purchased the retail business of Trustpower in May 2022. We will integrate this new supply chain data into our 2023 reporting framework and perform a review of specific strategic Trustpower suppliers. We will ask them to assess their supply chain for modern slavery risks. We completed the northern section of our Turitea wind farm and purchased the New Zealand assets of Tilt in August 2021. Management and maintenance of these assets is outsourced. We will work with these suppliers to assess modern slavery

risks in their supply chain. We will also look at EnergySource Minerals, a California-based company looking at mineral extraction from geothermal fluid in which Mercury holds an equity interest. A continued focus on improving our spend visibility will enhance our ability to identify and address modern slavery risks.

We intend to demonstrate continuous improvement by building on these and additional foundational workstreams such as supplier relationship management and a centralised contract database during FY23. Mercury is committed to working with our suppliers and industry partners as part of our integrated sustainability framework.

## **REVIEWING THE EFFECTIVENESS OF OUR ACTIONS.**

Our work on modern slavery is led by representatives from our procurement and sustainability teams who report to the Chief Financial Officer and GM Sustainability and our modern slavery statement is endorsed by our Board of Directors.

Mercury is involved in the Collaborative Advantage Business Network which is jointly run by Deloitte and Kathmandu. This network helps us gauge how other businesses are addressing modern slavery and share best practice.

It is evident that countries with modern slavery legislation have a greater ability to take steps to identify and deal with modern slavery. There is currently no modern slavery legislation in New Zealand. We are supportive of MBIE's proposed legislation. In

the meantime, we believe the first step is to grow awareness of modern slavery in New Zealand.

Of the suppliers we worked with in FY22, we found that generally larger New Zealand suppliers are actively taking steps to address modern slavery in their policies, processes and procedures, as well as investigating their operations and supply chain for modern slavery risks. Small and medium sized suppliers are mostly unaware of modern slavery risks.

We consider that the area where we will have the greatest level of effectiveness will be with suppliers that see us as a strategic customer. We recognise that we will have little ability to influence large multinational suppliers. An example would be electric vehicle and electronic goods suppliers whom we are unlikely to be able to influence. However, we hope that growing awareness of modern slavery and participation in larger groups such as the Collaborative Advantage business network will enable us to leverage our influence with these suppliers.



## MODERN SLAVERY CONSULTATION.

This statement has been prepared for the Mercury Group. This comprises Mercury and its subsidiaries and New Zealand-based joint arrangements in which Mercury has majority ownership.

While Mercury has many subsidiaries, the Group's employees, policies and procurement practices are managed centrally and so the implementation of processes to assess and mitigate modern slavery risks across these entities is consistent. Mercury has a high level of consultation and engagement with its joint venture arrangements and is contracted as the operator to perform operations and maintenance services in these entities. 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 FY23 initiatives will apply across the full Group supply chain.

## REFERENCES

<sup>1</sup> <https://modernslaveryregister.gov.au/resources/>

<sup>2</sup> <https://www.globallslaveryindex.org/>

<sup>3</sup> [https://issuu.com/mercurynz/docs/mercury\\_code\\_march\\_2021\\_with\\_links?fr=sZjA5ZDE4MTY2Nzk](https://issuu.com/mercurynz/docs/mercury_code_march_2021_with_links?fr=sZjA5ZDE4MTY2Nzk)

<sup>4</sup> [https://issuu.com/mercurynz/docs/mercury\\_supplier\\_code\\_of\\_conduct?fr=sYzA5MDE4MTY2Nzk](https://issuu.com/mercurynz/docs/mercury_supplier_code_of_conduct?fr=sYzA5MDE4MTY2Nzk)

This statement has been approved by the Board of Directors on 1 November 2022, and signed by:



**PRUE FLACKS**  
**CHAIR, MERCURY NZ LIMITED**

