

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.

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

This statement has been prepared using the Guidance for Reporting Entities¹ and outlines what we have done in FY21 to assess and address the risk of modern slavery in our operations and supply chains.

IN FY21, WE:

-  **PUBLISHED OUR FIRST MODERN SLAVERY STATEMENT.**
-  **ESTABLISHED MERCURY-WIDE PROCUREMENT GUIDELINES.**
-  **UPDATED OUR SUPPLIER CODE OF CONDUCT³.**
-  **REVISED OUR TENDER AND CONTRACT DOCUMENTS TO ADDRESS MODERN SLAVERY RISK.**
-  **ENGAGED WITH SUPPLIERS IN THE KEY "TIER 1" CATEGORIES IDENTIFIED IN OUR FY20 STATEMENT.**

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 wind.

Most of our generation production comes from stations situated in the central North Island of New Zealand. All our hydro stations are based on the Waikato River, and 5 geothermal stations situated in the northern part of the Central Volcanic Plateau, which include shared ownership arrangements with Maori land trusts at Rotokawa and Mokai. Mercury owns 5 wind farms in the lower North Island and the Mahinerangi windfarm in Otago.

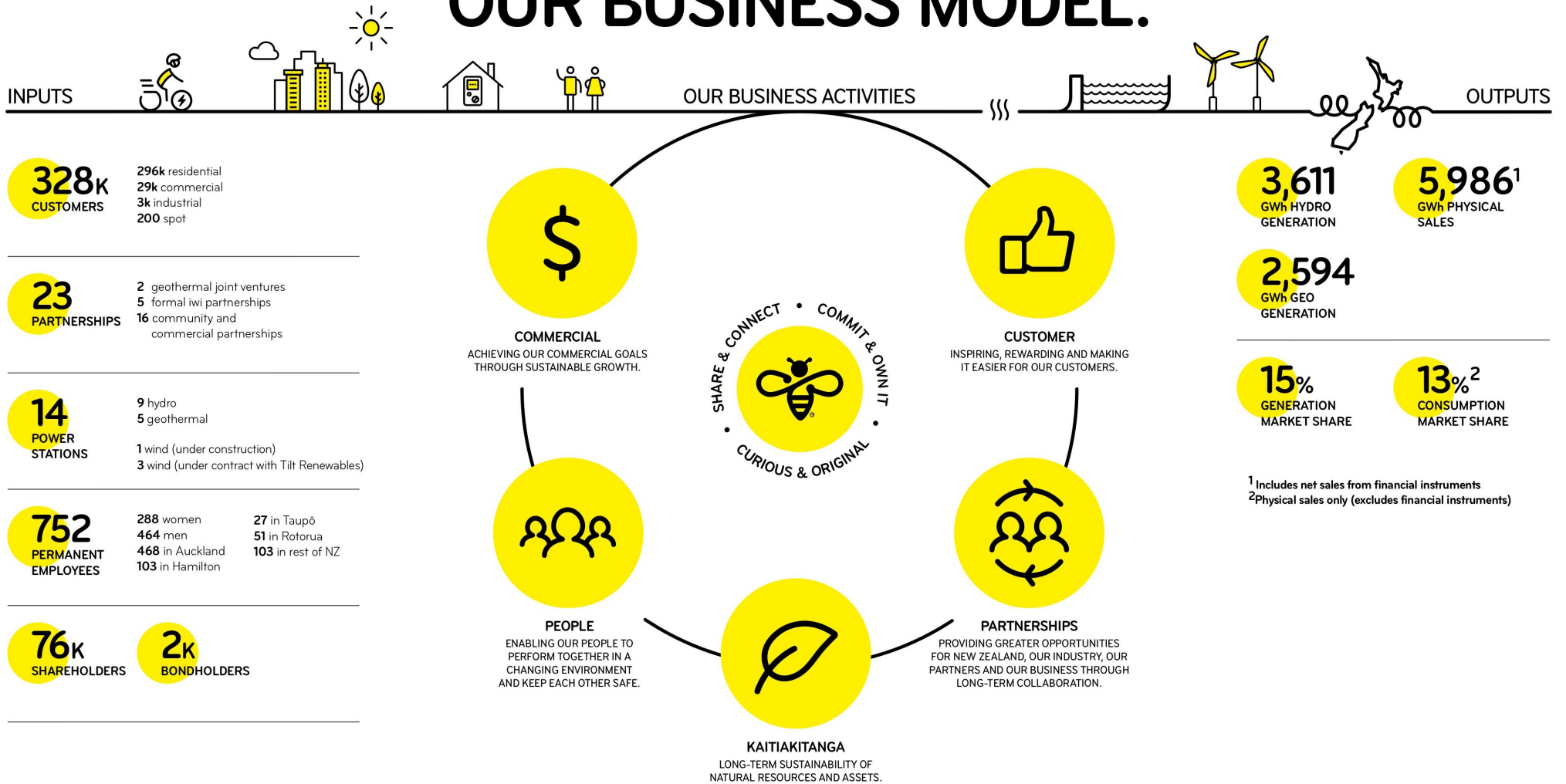
Our retail operations supply energy to residential, commercial (small and medium sized businesses) and industrial customers. We have offices in Auckland, Hamilton, Rotorua, Taupo, Palmerston North, Papamoa, and Wellington. In FY21, Mercury entered into a Sale and Purchase Agreement with Trustpower Limited whereby Mercury will acquire Trustpower's retail business and assets, with the transaction scheduled to complete in FY22 (subject to satisfaction of conditions precedent).

Our mission, which guides us in what we do and why, is Energy Freedom. This is about Aotearoa 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. Some ways we do this is by championing e.transport, rewarding our loyal customers and innovating with digital solutions.



OUR BUSINESS MODEL.



¹ Includes net sales from financial instruments
² Physical sales only (excludes financial instruments)



SUPPLY CHAIN SPEND \$1.8B

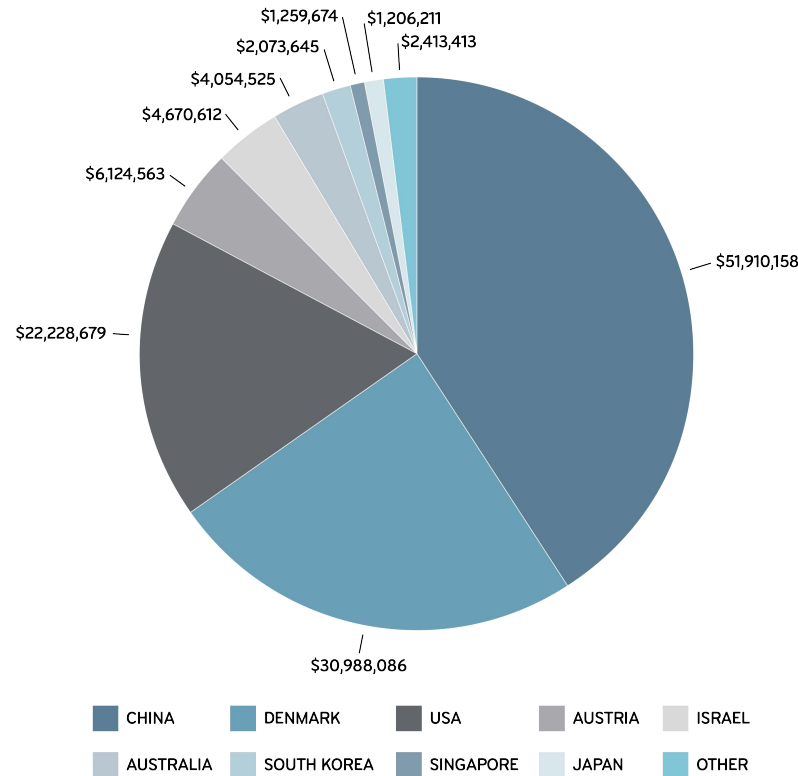
Our spend on goods and services in FY21 was NZD 1.8 billion, with 93 % of this paid to New Zealand-based* suppliers.

MERCURY SPEND OUTSIDE NZ IS \$127M .

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 slavery².

| OTHER COUNTRY SPEND \$NZ | |
|--------------------------|-----------|
| United Arab Emirates | \$818,859 |
| France | \$616,711 |
| Ireland | \$269,214 |
| United Kingdom | \$260,802 |
| Canada | \$172,177 |
| Italy | \$141,310 |
| Finland | \$73,075 |
| Netherlands | \$40,611 |
| Hungary | \$9,054 |
| Spain | \$5,287 |
| Germany | \$3,828 |
| Mexico | \$1,369 |
| Poland | \$1,116 |

**SPEND OUTSIDE NZ (\$127M)
(TOP TEN)**



*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)², the electricity generation and retail industry in NZ 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 slavery².

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: Customer, Partnerships, Kaitiakitanga, People and Commercial. These underpin the long-term sustainability of our business and assets, and relationships with our stakeholders.

OPERATIONS

As per the Global Slavery Index (GSI)², the electricity generation and retail industry in NZ is not considered high risk for modern slavery.

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](#), 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 ensure we are focused on the right things.

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. 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 Conduct³ describes the way we work with our suppliers and what we expect in return. Our Supplier Code of Conduct includes our expectations in respect of modern slavery requirements and is available in the Corporate Governance section of our website [here](#).

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.

FY21 ACTIONS

We reviewed and updated our standard contract templates, tender documents, and Supplier Guiding Principles to incorporate our modern slavery requirements. Our Supplier Guiding Principles was renamed Supplier Code of Conduct³ to align with industry practice.

A supply chain review of 5 categories of spend: catering, cleaning, freight, post, and safety apparel was performed based on our assessment of the highest risk categories in our supply chain. Our focus was onshore New Zealand direct suppliers either owned or operating in New Zealand.

We met with key suppliers in these 5 categories and presented our modern slavery journey and asked suppliers to complete a self-assessment.

LOOKING AHEAD

In FY22 we will use a Kraljic matrix to categorise suppliers and identify those that are mutually strategic. We will present our modern slavery journey to these strategic suppliers and ask them to self-assess their supply chain for modern slavery risks. We will use and internally promote our recently developed procurement guidelines and commercial procurement plan and we expect this to encourage and improve consideration of sustainability and ethical supply. A continued focus on improving our spend visibility will enhance our influence over where and how money is spent.

We will build on these and additional foundational workstreams during FY22 and demonstrate continuous improvement. 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 cross functional modern slavery working group comprises input from the legal, procurement, communications and sustainability teams. The group reports 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 business are addressing modern slavery and share best practice.

There is currently no modern slavery legislation in New Zealand. Therefore, we believe the first step is to grow awareness of modern slavery.

Of the suppliers we worked with in FY21, we found that generally larger 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 at-risk categories of supply².

Small and medium sized suppliers were mostly unaware of modern slavery but are now investigating their supply chain for at risk categories of supply². Uniforms and or safety apparel were identified as a key focus for most of the suppliers we approached. Following the self-assessment our safety apparel supplier is investigating its operations and supply chain and is working to ensure its key suppliers are complying with modern slavery legislation.

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 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 Modern Slavery 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 FY22 initiatives will apply across the full Group supply chain.

REFERENCES

1. <https://modernslaveryregister.gov.au/resources/>
2. <https://www.globalslaveryindex.org/>
3. <https://www.mercury.co.nz/about/corporate-governance>

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

This statement has been approved by the Board of Directors on 2 November 2021, and signed by:



PRUE FLACKS
CHAIR, MERCURY NZ LIMITED

