

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 Entities¹ and outlines what we have done in FY23 (the 12 months to 30 June

2023) to assess and address the risk of modern slavery in our operations and supply chains.

IN FY23, WE:



IMPROVED OUR SPEND VISIBILITY



INTEGRATED TRUSTPOWER SUPPLY CHAIN DATA INTO OUR DATASET



COMPLETED OUR ASSESSMENT OF ENERGY SOURCE MINERALS

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.

Our electricity generation sites are located along the Waikato River (hydro), the nearby steam fields

of the northern part of the Central Plateau (geothermal) and in the Manawatū, South Taranaki, Otago and Southland regions (wind farms). In FY23, we completed construction of New Zealand's largest wind farm, Turitea, on the Tararua Ranges in the Manawatū and we have a pipeline of future wind development sites across the country.

We have offices in Auckland, Hamilton, Rotorua, Taupo, Palmerston North, Tauranga, Wellington, and Oamaru.

Mercury is New Zealand's largest electricity retailer by market share (customer numbers). Our retail operations and Commercial sales teams supply energy to residential, commercial (small and medium sized businesses) and industrial customers.

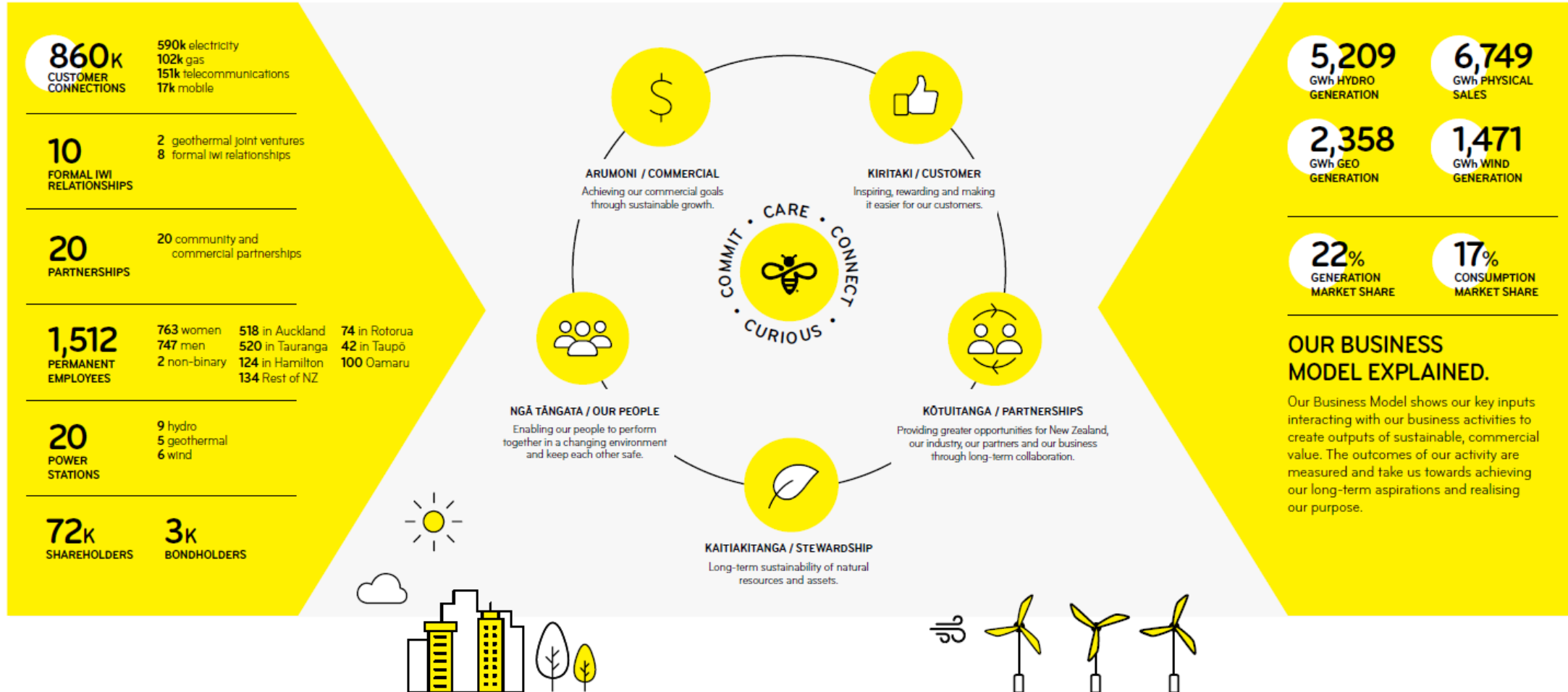
Our purpose 'Taking care of tomorrow: Connecting people and place today' captures our why. It recognises the role we play in using our unique assets and capabilities to enable everyday living and connectivity in our communities, and to bring together the people we work with to care for the natural environment and resources that we use. Our interconnected long-term aspirations expand on our purpose and capture what we aspire to achieve.

OUR BUSINESS MODEL.

INPUTS

OUR BUSINESS ACTIVITIES

OUTPUTS

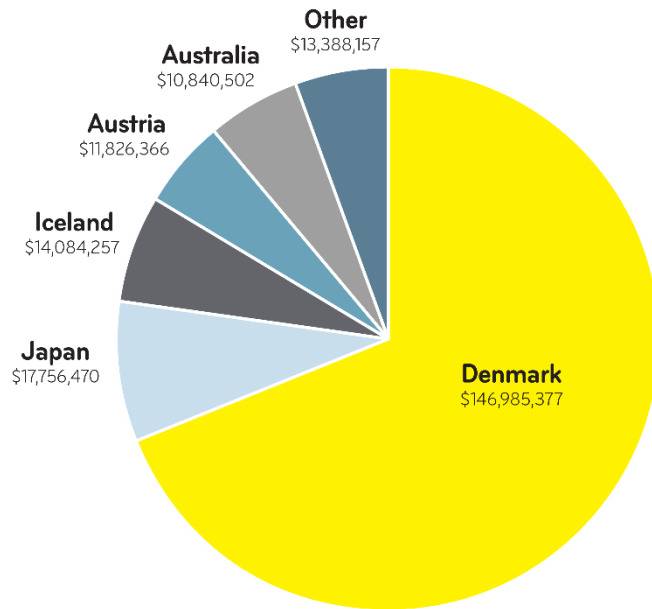


MERCURY SUPPLY CHAIN SPEND IS \$1.9B

Our spend on goods and services in FY23 was NZD 1.9 billion, with 89% of this paid to New Zealand-based* suppliers.

MERCURY SPEND OUTSIDE OF NZ IS \$215M

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.



*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 11% of our spend and is in countries with

lower estimated prevalence of modern slavery² 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](#)³, 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.

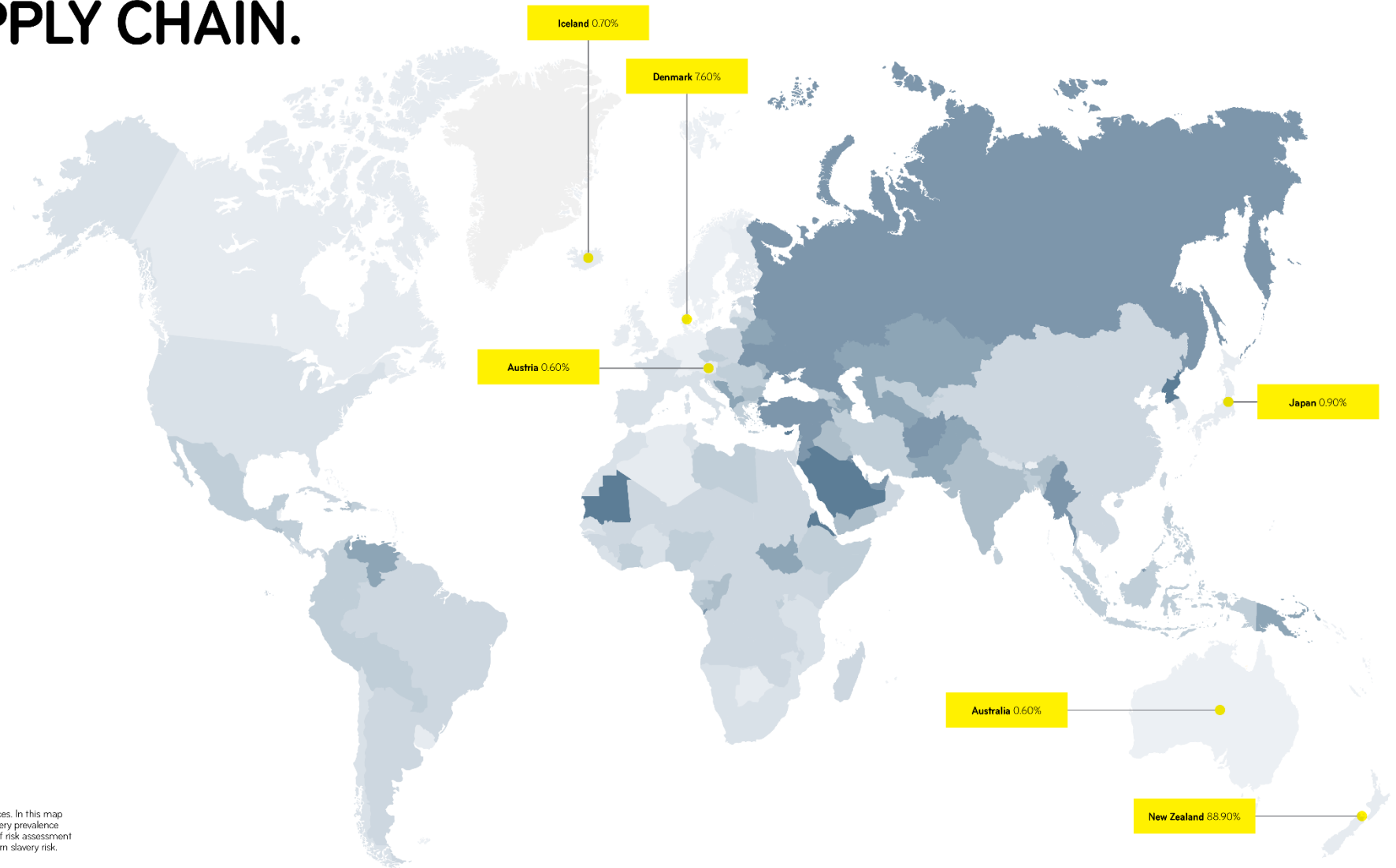
SUPPLY CHAIN

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.

FY23 SUPPLY CHAIN SPEND (\$NZ)	
COUNTRY	SPEND (\$NZ)
New Zealand	1,726,167,697
Denmark	146,985,377
Japan	17,756,470
Iceland	14,084,257
Austria	11,826,366
Australia	10,840,502
USA	5,951,012
Singapore	2,529,951
India	1,875,997
Ireland	1,031,197
South Korea	513,660
United Kingdom	496,743
Canada	454,611
Israel	285,288
Germany	243,166
Sweden	206,638
France	130,522
Finland	49,302
Netherlands	39,090
Czech Republic	21,722
China	19,008
Brazil	16,437
Italy	10,182
Spain	8,554
Hungary	2,762



Global Slavery Index 2023
Prevalence of Modern Slavery



In assessing our risks, we have used a range of data sources. In this map we have used the Global Slavery Index 2023 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 within Mercury a group-wide capability in risk management which provides a consistent method of identifying, assessing, controlling, monitoring and

reporting existing and potential risks faced by Mercury's business.

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](#)⁴.

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.

FY23 ACTIONS

We integrated the Trustpower supply chain data into our reporting framework this year and begun a review of our strategic suppliers from this integration.

In December 2022, Mercury acquired the outstanding interest of 52% in NOW Broadband. We have begun a review of their supply chain. We worked with Energy Source Minerals whom Mercury holds an equity interest and completed an assessment of their supply chain.

We have continued to build on improving our spend visibility to enhance our ability to identify and address modern slavery risks.

LOOKING AHEAD TO 2024

We will complete the assessment of Trustpower's and NOW Broadband's supply chain and will reassess some of our key strategic relationships to ensure that we have updated data for our key suppliers.



We expect New Zealand's Modern Slavery legislation to be deployed in early 2024 and Mercury is well placed to be compliant with the proposed legislation.

We intend to demonstrate continuous improvement by building on additional foundational workstreams such as supplier relationship management during FY24. 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. 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 FY23, 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 FY24 initiatives will apply across the full Group supply chain.

REFERENCES

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

² <https://www.globalslaveryindex.org/>

³ https://issuu.com/mercurynz/docs/mercury_code_march_2021_with_links?fr=sZjA5ZDE4MTY2Nzk

⁴ https://issuu.com/mercurynz/docs/mercury_supplier_code_of_conduct?fr=sYzA5MDE4MTY2Nzk

This statement has been approved by the Board of Directors on 2 November 2023.



Prue Flacks
Chair, Mercury NZ Limited

