



Modern Slavery Statement 2020

This statement covers Essential Energy's commitment towards eradicating slavery from our supply chain and the communities we serve.

Reporting period: FY19-20

Introduction

This is the first Modern Slavery Statement produced by Essential Energy in compliance with the *Modern Slavery Act 2018* (Cth) (the "Act"). It sets out the actions taken by Essential Energy to address modern slavery and human trafficking risks in our organisation and supply chain for the financial year ending 30 June 2020.

Essential Energy is committed to maintaining and improving systems and processes to avoid complicity in modern slavery or human rights violations related to our own operations, our supply chain, and our services. We understand that modern slavery can occur in many forms, such as forced labour, child labour, domestic servitude, sex trafficking, workplace abuse and human trafficking. In this statement, the terms "modern slavery" and "slavery and human trafficking" encompass these various forms of coerced labour.

Essential Energy does not tolerate any forms of slavery and human trafficking in our business and supply chain.

About Essential Energy

Essential Energy is a "State Owned Corporation" established under the *Energy Services Corporations Act 1995* (NSW) and the *State Owned Corporations Act 1989* (NSW) to provide services critical to the economy and infrastructure for New South Wales (NSW). We operate and maintain one of Australia's largest electricity networks, across 95 per cent of New South Wales and parts of southern Queensland.

Serving more than 865,000 customers – homes, hospitals, schools, businesses and community services – Essential Energy is an economic enabler for regional, rural and remote communities. We aim to continuously improve safety performance for employees, contractors and the community, along with the reliability, security and cost efficiency of the network, and to reduce our environmental impact where efficient to do so. We also strive to maintain downward pressure on customers' network charges and deliver an acceptable return on capital employed.

Essential Energy is one of the largest employers in regional NSW, with approximately 3,000 employees based at depots and offices in 100 communities across the state.

In the Far West of NSW, our Essential Water operations service approximately 18,000 people in the communities of Broken Hill, Sunset Strip, Menindee and Silverton – delivering secure water supply to around 10,500 customers and reliable sewerage services to around 9,700 customers.

Governance and policy framework

Essential Energy is committed to high standards of corporate governance. Our board, executive and relevant committees provide the direction and leadership to implement appropriate levels of governance across our organisation consistent with Essential Energy's objectives. This includes ensuring that in dealing with suppliers, our decisions and actions are based on transparency, integrity, responsibility and performance, which promotes the long-term sustainability and ongoing success of our business.

Every Essential Energy employee is expected to exhibit the highest ethical standards at all times and to operate within all policies and laws that apply to our organisation. Essential Energy has a number of policy and procedural documents in place which assist in protecting the human rights of our employees and provide a framework for protection against slavery and human trafficking. These documents include:

- > Code of Conduct
- > Statement of Business Ethics
- > Procurement Policy
- > Building a Respectful Workplace Procedure

These documents set our values and ethical direction, guiding the way we treat our employees, the way we work with our customers, suppliers and other business partners, and how we contribute to the communities in which we operate.

In relation to our suppliers, all are required to comply with our Statement of Business Ethics and the policies and standards on ethical business practices, safety and the environment. Suppliers are expected to ensure that all employees and contractors engaged within their business, are legally entitled to work and that no forms of slavery or human trafficking are evident in the manufacturing and/or provision of products and services to Essential Energy.

Our operations and supply chain

Annually, Essential Energy spends in excess of \$500 million across more than 2,000 direct suppliers. We procure a diverse range of goods and services to support our core business of operating and maintaining the network. Our key areas of expenditure are shown in Table 1.

Table 1: Key spend categories

Expenditure category	Typical goods and services
Network services	<ul style="list-style-type: none">• Vegetation management services• Construction and civil works• Network inspection and maintenance• Meter reading• Plant and equipment hire
Network equipment	<ul style="list-style-type: none">• Transformers and switchgear• Poles, cables and fittings• Streetlighting equipment
Fleet and property	<ul style="list-style-type: none">• Commercial vehicles, parts and accessories• Fuel• Property maintenance services and equipment• Waste management services• Cleaning services
Information communications and technology	<ul style="list-style-type: none">• IT software and services• IT hardware• Telecommunications services
Corporate services and equipment	<ul style="list-style-type: none">• Labour services• Safety equipment and work wear• Stationery and corporate equipment

Actions taken to assess and address risks of modern slavery practices

Essential Energy has implemented a framework of actions for compliance with the Act, applying an annual continuous improvement approach as shown below:



Assessment of risk in our supply chain

A risk assessment of our supply chain has been conducted based on spend categories as shown in Table 1. The risk assessment identified the following categories of goods and services to be at high risk of exposure to modern slavery practices:

- > network services – vegetation management, construction and civil works
- > network equipment – where parts are manufactured overseas
- > corporate services and equipment – labour services (including Information Technology labour services), safety equipment and work wear
- > property services – cleaning and security services.

The following rationale was used to assist in determining high risk categories:

- > raw materials may have been sourced overseas
- > goods (or parts) may be manufactured overseas
- > services provided may use low-skilled labour or have opaque worker contracting arrangements.

The results of the risk assessment provide a focus for further assessment of our supply chain.

Policies and procedures

All relevant policies and procedures have been revised and updated to account for identifying and managing the risks associated with slavery and human trafficking. Our Code of Conduct outlines our corporate values and ethical principles and sets out the behaviours expected of all employees, contractors and suppliers. Our Statement of Business Ethics has been updated to reflect our position on slavery and human trafficking.

Essential Energy's Procurement Policy addresses commercial considerations, the mitigation of risk, compliance with regulatory requirements and guidelines and the requirement to act and be seen to act fairly, ethically and responsibly. It clarifies our businesses objectives, values and goals for market engagement.

All procurement procedures, forms and tools including market engagement templates have been updated to clearly articulate our position. Through tender and supplier registration exercises, the market engagement templates provide suppliers with the opportunity to inform Essential Energy of their efforts towards reducing the risk of slavery and human trafficking in their supply chains.

Supplier assurance and due diligence

Essential Energy's Standard Terms and Conditions of Purchase are clear regarding compliance requirements and governed for adherence accordingly.

We have developed a Supplier Assurance Questionnaire to assist with improving visibility and transparency into our supply chain. The questionnaire is being systematically deployed to suppliers in our prioritised risk categories.

Stage one assessment of our suppliers covering approximately 35 per cent of our annual spend has been completed. A program is in place to deploy the questionnaire further into our supply base over the next two years with the stage two goal covering of 50 per cent of our annual spend by January 2021, and stage three commencing shortly after to cover 65 per cent. Further expansion will follow in subsequent years.

In the event that a case of slavery or human trafficking is found to be occurring within our direct supply chain, we will engage directly with the supplier to remedy the issue. We are committed to working with our suppliers to resolve issues, however if the issue is deemed severe and/or remediation will not bring the suppliers operation into alignment with Essential Energy's values and ethics, the supplier relationship may be terminated.

Essential Energy has mechanisms for employees and third parties to anonymously report suspected or detected illegal activities or breaches of policy, including for non-conformance to our Code of Conduct and Statement of Business Ethics. A Corruption Hotline and Ethics Email inbox are established, to which employees and third parties are able to communicate their concerns of slavery or human trafficking. Reports received will be registered and investigated, with involvement from our Executive and Senior Leaders, including but not limited to our Procurement, Risk and Compliance, Audit and Legal managers.

Suspected or detected modern slavery activity may also be reported by Essential Energy to the Australian Federal Police, following determination of the nature of the report, evidence or witness attestation, severity and urgency, considering impact on human rights and/or other illegal activity. Essential Energy will strive to ensure all concerns are investigated and managed in a systematic, fair, timely and transparent manner.

Awareness and education

As part of our framework of actions to comply with the Act, modern slavery awareness and education modules have been developed for both our employees and suppliers. The items covered by the modules include, but are not limited to:

- > background to the Act
- > information about what constitutes modern slavery and the forms it can take
- > how modern slavery practices can impact our supply chain
- > examples of modern slavery
- > what to do if slavery or human trafficking is suspected or detected.



The module is incorporated into our new recruit induction program and is also currently being deployed to all existing employees in a staged manner across 2020 and 2021, prioritising key employees in Procurement, Human Resources, Stakeholder Engagement, Legal, Risk and Compliance and operational Contract Management areas.

Our suppliers also receive awareness and educational materials as part of the Supplier Assurance Program.

Assessing the effectiveness of our actions

The effectiveness of our actions will be assessed by monitoring and analysing:

- > completion rates for awareness and education modules
- > supplier questionnaire responses
- > template completion by prospective suppliers through the tendering process
- > information submitted accompanying supplier registrations
- > survey and audit results.

Our Assurance Framework is designed to obtain key information from suppliers to determine where they currently stand in relation to moving towards compliance with the Act. Essential Energy uses an industry best practice survey developed with and through a collaboration forum with other distribution and transmission businesses.

Key metrics from analysing our first wave of supplier questionnaire responses are shown below.



35%

Addressable spend assessed



183

Key Essential Energy personnel have completed awareness training



Nil

Human rights breaches (inc Modern Slavery)

Future commitments

During FY20-21 we will focus on the following key activities:

- > expanding our Assurance Program to reach 65 per cent of total spend, by commencing implementation of stages two and three for supplier surveys (out of a total of four stages)
- > expanding our knowledge-base by rolling out employee awareness and education sessions
- > factoring modern slavery into the procurement procedural flow for a new enterprise resource planning system, which will be deployed during 2020-21.

This statement has been approved by Essential Energy's Board and will be updated on an annual basis.

John Cleland
Chief Executive Officer

25 November 2020

Date