

MELBOURNE WATER MODERN SLAVERY STATEMENT: FY 2020-21

Introduction

Melbourne Water Corporation (**Melbourne Water**) has taken a proactive approach to the management of modern slavery risk in our operations and supply chains. We take these risks seriously and are committed to striving for increasing levels of transparency and believe the best way to identify and mitigate negative risks in our operations and supply chains is to work collaboratively with internal stakeholders, industry and our suppliers.

Melbourne Water has led a Victorian Water Industry Social Procurement Working Group (**SPWG**) with an ongoing program of work since 2016, to identify and address human rights impacts with a focus on labour rights risks and opportunities in the supply chains of Victorian Water Corporations.

The development and delivery of this statement is guided by Melbourne Water's commitments to the Victorian Charter of Human Rights and Responsibilities (2006), the *Modern Slavery Act 2018* (Cth) (**MSA**), and the United Nations Sustainable Development Goals (**SDGs**). The SDGs of Gender Equality (goal 5), Decent Work and Economic Growth (goal 8) and Reduced Inequalities (goal 10) have particular relevance. The SDGs provide a framework for articulating the value of our contribution to sustainability more broadly, including through our response to modern slavery.

Melbourne Water is proud of the progress it has made to date. While we have not identified any specific instances of modern slavery harm in our operations or supply chain, we recognise that our journey of mitigating modern slavery risk has only just begun. Our Board and leaders are committed to addressing the risk of modern slavery occurring within our operations and supply chains, and will continue to pursue efforts to promote awareness of our responsibilities through the implementation of policies, processes and training.

This statement has been approved by the Board of Melbourne Water on 17th December 2021 and has been signed by John Thwaites (Chair) and Nerina Di Lorenzo (MD) authorised to sign this statement on behalf of Melbourne Water.



John Thwaites, Chairman



Dr Nerina Di Lorenzo, Managing Director

A. Identify the reporting entity

The reporting entity under the MSA is Melbourne Water Corporation (**Melbourne Water**), a water corporation established under section 85 of the *Water Act 1989* (Vic). Melbourne Water is pleased to present this modern slavery statement for the reporting period 1 July 2020 to 30 June 2021 (**Reporting Period**).

Who We Are

As a statutory authority owned by the Victorian Government, Melbourne Water works on behalf of the community to deliver a range of valuable services across the Greater Melbourne region.

To help make Melbourne a fantastic place to live, we supply affordable, high-quality water, provide reliable sewerage treatment and resource recovery, manage healthy waterways, provide integrated drainage management and flood resiliency, and maintain outstanding natural community spaces. Every day we:

- manage water supply catchments
- treat and supply both drinking and recycled water products
- transfer, treat and recover resources from most of Melbourne's sewage
- manage waterways and major drainage systems in the Port Phillip and Westernport region.

To ensure Melbourne's water supply remains secure, Melbourne Water manages catchments, water storages and the water transfer network to meet the needs of a growing city. We prepare for droughts, floods, bushfires and other events.

Where We Operate

Melbourne Water's operating area



Operations

As at June 2021, Melbourne Water employed 1,123 permanent employees (935 as full time employees and 188 as part time employees) and 100 fixed term and casual employees. The majority of our staff work from our head office located at Docklands in Melbourne.

Melbourne Water has two Enterprise Agreements which provide terms and conditions, including hours of work and pay, to the vast majority of its employees. The Agreements - Melbourne Water Enterprise Agreement 2020 and Melbourne Water (Waterways and Land Delivery) Enterprise Agreement 2017 - are negotiated every three or four years with the respective unions, and are governed by the State Government's Industrial Relations policies and require approval from the Fair Work Commission. Both Agreements are made available to all employees upon commencement of employment and remain available to employees through the Melbourne Water intranet.

Melbourne's sewage treatment system consists of two main treatment plants, the Western Treatment Plant at Werribee and the Eastern Treatment Plant at Bangholme. Our major water treatment plants include the Winneke and Tarago Treatment Plants.

We supply, treat and transfer drinking water to Melbourne's three retail water companies and other non-metropolitan water businesses who in turn provide it to households and businesses across Melbourne.

We also supply recycled water to wholesale customers. Together with councils, we play a role in managing most of Melbourne's drainage system. These customers include local government, direct service customers and developers. (For more detail on operation sites and customers, please refer to our website).

Supply chains

Our annual procurement spend is governed by our Procurement Policy and Framework, which guides our activities to ensure that our buying power advances social, economic and environmental objectives. As a Victorian Government-owned organisation, we aim to ensure that our purchases represent value for money and are sourced fairly and ethically.

Our supply chain includes the purchase of goods and services including electricity, gas, equipment, materials, professional and technical services with the majority of suppliers located in Australia. We categorised the key areas of spend into six portfolios for the purposes of our risk assessment (see below).

C. Risks of modern slavery practices in Melbourne Water's operations and supply chains.

Operations

Currently, the majority of our workforce comprises permanent employees. Less than 2% of our workforce is casually employed and less than 7% is fixed term, primarily working backfilling long term leave or on time-constrained projects. This workforce composition, coupled with the fact that our employees are Australia-based, a country with a low risk rating from a modern slavery perspective, led to the conclusion that our workforce and in turn operations, generally posed a low risk from a modern slavery perspective.

Supply chain risk and opportunity assessment

To ensure congruence with existing management systems, a heat map tool was developed in 2019/2020 to align with a typical risk assessment framework in the Victorian Water Industry. Additionally, the tool searched for alignment with *AS ISO20400: 2018 - Sustainable Procurement - Guidance* and especially its guidelines around how to use the concept of due diligence as a primary vehicle to assessing and prioritising risks to people, as per the United Nations Guiding Principles on Business and Human Rights, whilst considering leverage and other business considerations to further prioritise areas of focus. To ensure use of the heat

map tool captured comprehensive stakeholder input, detailed guidance was developed regarding how the tool works and this was provided to the SPWG to encourage contribution.

A pre-assessment of 41 products and services across six portfolios was undertaken by a third-party specialist that supported the design of the heat map tool. Following this pre-assessment, ten different Victorian water corporations participated in workshops to finalise the risk assessment. This collaborative process involved representatives from functions such as procurement, sustainability, risk and operations, and resulted in heat maps of sustainability issues, including human rights, alongside risk scorings and commentary.

By using the heat map tool to assess six portfolios of typical water corporation procurement spend for sustainability risks and opportunities, the SPWG sought to understand where 'hotspots' (greater likelihood of sustainability issues) sat within their supply chains. Whilst the SPWG undertook the assessment collectively, the tool itself was designed to be reused by individual water corporations as required.

The heat maps, risk scores and commentary produced by the completion of a supply chain risk assessment identified human rights risks, including modern slavery risks, across all six portfolios. The categories of spend within each of these portfolios that presented human rights risks are outlined below:

- Asset Maintenance portfolio: Ongoing operations and maintenance of facilities (including cleaning), grass cutting, herbicide application/edge treatment
- Construction portfolio: Construction labour (minor and major projects) and offshore engineering services
- Corporate portfolio: Temporary staff, labour hire and traineeship programs, security
- Customer portfolio: Debt collection services, customer research services
- Equipment and Material portfolio: Mechanical and electrical equipment, chemical products
- Information Technology Consulting portfolio: Offshore IT Services.

Of these categories, offshore engineering and cleaning services presented high human rights risk, including modern slavery, and were prioritised for the development of a mitigation strategy. As we assessed threats and opportunities, it was identified that there were opportunities for diversity and inclusion in various products and services relating to treatment operations and to generate sustainable work experience for disadvantaged communities.

As noted above, the impacts of COVID-19 and the personnel change at Melbourne Water have meant that we have not been able to take the next steps in progressing our supply chain risk assessment in the period between March 2021 (when our first modern slavery statement was submitted) and the end of the FY2021 reporting period.

D. Actions taken by the Melbourne Water to assess and address modern slavery risks

Our approach and contribution to the SDGs

Melbourne Water's approach to assessing and addressing the risk of modern slavery is framed by our commitment to the UN Global Compact (**UNGC**), the world's largest sustainability initiative. This means we support the SDGs that are part of the initiative, which aim to mobilise efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind. The SDGs are a common set of 17 goals that guide us in working

towards a sustainable future for the communities we serve. Melbourne Water contributes to each of these 17 goals in some aspect and they are embedded into our long-term direction setting. They play a critical role in delivering sustainable outcomes through our core services to benefit our communities and helping to build a more sustainable Melbourne region.

The water industry is in a strong position to advance the SDGs, not only through the vital role of clean water and sanitation in creating and delivering sustainable communities, but more broadly through its crucial role in planning for a more liveable region for future generations. Melbourne Water has a demonstrated history of designing and implementing sustainable water.

Vic Water Social Procurement Working Group (SPWG)

Ongoing participation

The SPWG was developed with the objective of achieving social outcomes through collaboration and collective purchasing power. The SPWG is comprised of representatives from various Victorian water corporations, with these representatives responsible for sharing information, driving efficiencies, promoting consistency in policy and processes and supporting strategic approaches in supply chain analysis with regards to modern slavery. Through the SPWG, VicWater members have been able to jointly fund third party specialist support for that analysis.

Supplier Code of Practice

The Melbourne Water Supplier Code of Practice (**SCoP**), developed in conjunction with the SPWG, reflects a commitment to working with suppliers to educate, identify and mitigate negative impacts, and enhance positive social and environmental impacts of water corporations' activities. It contains a consolidated set of minimum and aspirational expectations and standards for suppliers regarding their workforce and well-being, alongside environment, business integrity, family violence, gender diversity, reconciliation, disability support and supply chain.

The SCoP is an important tool in creating clear alignment and shared understanding between water corporations and members of their supply chains. We have asked new strategic suppliers to self-assess as part of the tender process and we work with existing key suppliers to monitor their progress.

Melbourne Water has developed a brochure explaining the SCoP that is available on our external website in order to share with suppliers the importance and rationale behind the SCoP, and the SCoP is also referenced in contractual documents. The content of the SCoP is aligned with our commitment to the UNGC and SDG's, allowing us to implement those commitments through our procurement practices. Moving forward, Melbourne Water will participate in a review of the Victorian Government's Supplier Code of Conduct.

Developing risk management strategies

Workshops

Following the risk assessment of the typical categories of procurement spend referred to above, two target categories were prioritised to develop a human rights risk management strategy: cleaning services and offshore engineering services. A third category, water treatment services, was also targeted for the development of a strategy to capture an opportunity to increase inclusion and diversity. A dedicated workshop was co-facilitated with a third party specialist for each category.

The workshops involved an analysis of each category, in line with ISO 20400 - human rights risks, supply market dynamics, internal stakeholder issues, and cost implications - as well as the drafting of a fit-for-purpose strategy to collectively address human rights issues with these industries.

Contract and Tender design improvements

During this Reporting Period, we have been focused on working collaboratively with the SPWG and third party specialists in the area of human rights and modern slavery to develop tools and templates, including tender question sets, response schedule, contract clauses and contract management process to mitigate and manage the risk in our procurement processes. We expect this work to continue in the future, with the aim of implementing these processes across the procurement process lifecycle in future reporting periods.

Toolkit

The SPWG has continued its engagement with third party specialists to progress its modern slavery risk management agenda. This involves the development and piloting of a Procurement Toolkit (**Toolkit**) which will contain resources and materials that are adaptable to each water corporation's context to support them to:

- Identify labour rights risk, including modern slavery
- Engage with suppliers to understand their residual labour rights risk
- Manage that supplier relationship to ensure that labour rights are respected.

Melbourne Water piloted the Toolkit on two high spend and complexity pipeline construction projects which went out for tender. Use of the Toolkit involved:

- A hands on approach and learning opportunity for the key business unit that delivers major projects and for the members of the SPWG
- Including the topic of modern slavery in our industry briefings to initiate awareness in small to medium businesses that may not have the level of understanding of some of our larger key suppliers with whom we are already starting conversations on this important topic
- Embedding the modern slavery supplier self-assessment questionnaire in the request for tender documentation for supplier responses, in addition to providing our modern slavery obligations and expectations to provide context. Tender responses will be assessed against the weighted criteria in the evaluation guide which includes modern slavery obligations as part of the Social Procurement assessment criteria.

Melbourne Water will continue to work with the SPWG in the coming year to review and establish, where necessary, processes and procedures to embed our approach to potential violations of human rights within our existing risk framework. We anticipate that a future focus for us will be on the important issues of training and awareness of monitoring compliance.

External stakeholder engagement

The activities, insights and progress of the SPWG have been shared at various events and forums to encourage other organisations and industry associations to engage in similar programs of work. Melbourne Water has presented on the topic of modern slavery for the previous two years at OzWater, the largest international water conference and trade exhibition in Australia. Leveraging Melbourne Water's membership of the United Nations Global Compact Network Australia, we have been an active participant in their Modern Slavery Community of Practice. Along with like-minded corporations we have shared best practices and approaches.

During the Reporting Period, we continued our external engagement by presenting at the joint VicWater and Water Services Association of Australia (**WSAA**) event "Water Industry Forum: Addressing modern slavery together". This was a three hour virtual forum where we shared our lessons learned and understanding of what water industry supplier risk assessments and evaluations may look like.

This type of engagement of external stakeholders is important for enabling mutual sharing of experience and addressing systemic modern slavery issues across industry.

How COVID-19 has impacted our capacity to assess and address modern slavery risks and what steps we have taken

Melbourne Water recognises the impact of COVID-19 on the operations of our suppliers. Since the beginning of the pandemic in 2020, we have taken a number of steps to support our suppliers and the community. Melbourne Water also actively considers how the reduction in workforce movements, projects and order cancellations, and delays to work schedules may impact and contribute to a disproportionate increase in exposure to modern slavery and other forms of exploitation in our supply chain. We have sought to mitigate this via fostering of open communication with suppliers, ensuring continuity of supplier relationships and ongoing demand for goods and services, in addition to adopting the Victorian Government's Fair Payment Policy to pay all contracts under \$3 million within 10 business days to reduce financial stress for suppliers.

E. How we assesses effectiveness

Community of practice - Creating a community of practice

By bringing the Victorian water corporations together, the SPWG represents a community of practice and introduces a level of accountability to participants to contribute to the progress of initiatives, which sets the SPWG up for a culture of continuous reflection and improvement. The SPWG has worked together since its inception to develop and implement a collaborative, ongoing program of work with the ambition to take an industry-leading position in how it responsibly manages its operations and supply chains. As part of its role, the SPWG has and will assess the effectiveness of actions it has implemented to manage modern slavery risk.

Continuous improvement - Seeking third party specialist advice

The SPWG has fostered a culture of continuous improvement by inviting third party specialists to support in the development of their work program, develop risk assessment tools, co-design and facilitate category strategy development workshops, and co-design and facilitate modern slavery capability building workshops. By seeking external guidance and insight, the SPWG is challenged and aided to understand where they have been effective in collectively addressing modern slavery in their industry's supply chains, and to identify opportunities to improve their approach.

Ongoing review of effectiveness of controls

Melbourne Water recognises that the risks of adverse human rights impacts are complex and continually changing – as is our business. For example, tender and contract negotiations are yet to be concluded on the two high spend and complexity pipeline construction projects on which Melbourne Water piloted the Toolkit. However, once contracts are in place, we plan to conduct annual reviews and spot audits of compliance by suppliers with modern slavery requirements.

Whilst Melbourne Water has not identified any specific instances of modern slavery harm in our supply chain, should issues be identified, our approach will be to work collaboratively with our suppliers to address harm and mitigate exposure.

We have drafted and begun preparing a complaints process for roll-out, and will also develop an assurance program to monitor our progress and assessment of effectiveness of actions in 2022.

F. Consultation

Melbourne Water does not own or control any other entities.

G. Other Information

The year ahead - Planning for 2022

Progressing our Melbourne Water Supply Chain Modern Slavery Risk Assessment

As mentioned above, a risk assessment was conducted on six portfolios of typical water corporation procurement spend in order to understand where greater likelihood of sustainability issues sat within our supply chains. In FY22 and beyond, Melbourne Water will build on the risk assessment tool developed with the SPWG, and apply it to our specific supply chain beginning with the highest risk areas in order to ensure we continually drive improvements and maintain a robust understanding of modern slavery risk within our supplier base.

Further enhancements to tools and templates

Whilst work is well underway on the updates to contract and tender templates, it is envisaged that these will be finalised and fully embedded in 2022 in order to further mitigate modern slavery risks. In addition, our standard contractual terms include a requirement to comply with our policies and all related laws, and in 2022 we will further strengthen our management of modern slavery risk by embedding modern slavery compliance clauses and KPIs for measurement.

A trial of a modern slavery checklist for incorporation into the procurement process is also planned, in order to increase risk mitigation. In addition, we will continue to use, and refine the Toolkit to continually improve on what has already been developed.

Assessment of effectiveness

As stated above, we plan to conduct annual reviews and spot audits of compliance by suppliers with modern slavery requirements which are currently being negotiated. We will also develop an assurance program to monitor our progress and assessment of effectiveness of actions in 2022.

Continued participation in water sector collaboration

Melbourne Water will continue to work with the SPWG in order to seek continuous improvement and shared learnings on how to identify, address and reduce modern slavery risks within our supply chains and operations.