

FY2020

Modern Slavery
Statement



Introduction

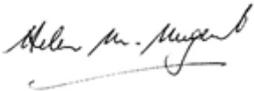
Board approval

This Modern Slavery Statement (**Statement**) is jointly made by:

- Ausgrid Operator Partnership (ABN 78 508 211 731) (**Ausgrid**);
- Ausgrid's subsidiary, Ausgrid Management Pty Ltd (ACN 615 449 548) (**Ausgrid Management**);
- Ausgrid Asset Partnership (ABN 48 622 605 040) (**Ausgrid Assets**); and
- Ausgrid Assets' subsidiary, Ausgrid Finance Pty Ltd (ACN 615 343 005) (**Ausgrid Finance**),

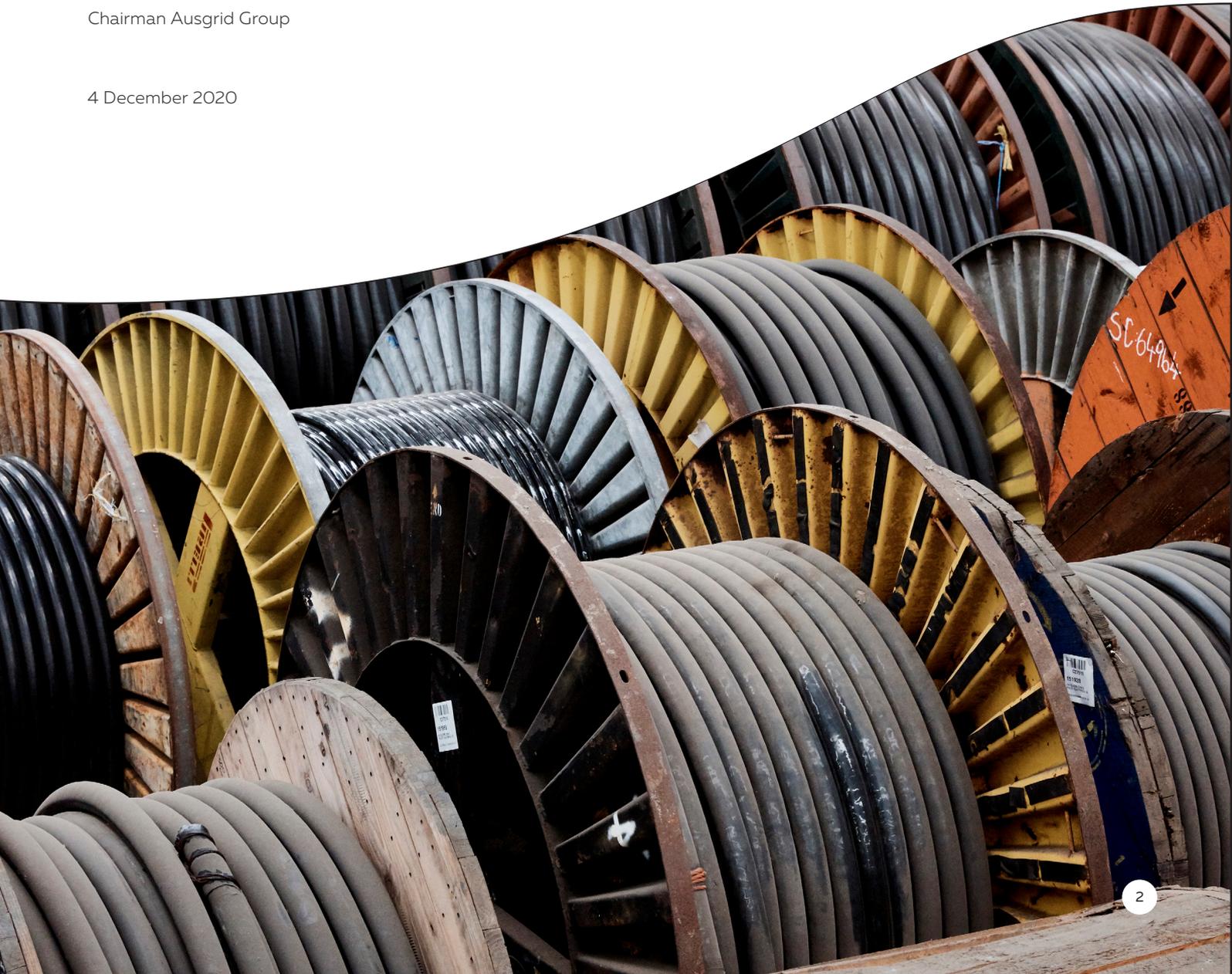
(together, the **Ausgrid Group** and each an **Ausgrid Group Member**),

pursuant to the Federal Government enacting the Modern Slavery Act 2018 (Cth) (the **Act**) on 1 January 2019. This Statement is for the financial year 1 July 2019 to 30 June 2020 (the **reporting period**), and is approved and endorsed by the Boards of each Ausgrid Group Member which are their principal governing bodies.



Dr Helen Nugent AO
Chairman Ausgrid Group

4 December 2020



Chairman of the Board Message



The Board of each Ausgrid Group Member has approved and endorsed this Statement as required by the Act. This Statement outlines how the Ausgrid Group is managing its modern slavery risks.

We strongly support efforts to help eliminate modern slavery in all areas of business.

We consider the measures highlighted in this document, combined with the Ausgrid Group's strong values, ethics and proactive engagement with our business partners, are helping to reduce the risks of modern slavery across the Ausgrid Group and in its supply chains.

A handwritten signature in black ink, appearing to read 'Helen M. Nugent'.

Dr Helen Nugent AO

Chairman Ausgrid Group

CEO Message



In this modern and interconnected world, our business impacts reach far beyond our operational areas – a result of sourcing goods and services from broad geographical locations. As a responsible and sustainable organisation, I believe that the Ausgrid Group has a social responsibility to ensure that modern slavery is not a by-product of the goods and services that we procure.

The leadership team of the Ausgrid Group have been briefed on the Act and strongly oppose the use of modern slavery in business. I believe that the spirit and requirements of this Act align with the Ausgrid Group's values. The measures detailed in this document, combined with the Ausgrid Group's vision, purpose and values, provide a strong framework for reducing the risk of modern slavery practices in our supply chains and operations.

A handwritten signature in black ink, appearing to read 'Richard Gross'.

Richard Gross

CEO Ausgrid

About this Modern Slavery Statement

The Ausgrid Group is committed to human and labour rights and opposed to modern slavery.

Ausgrid and Ausgrid Assets (and their respective subsidiaries) each had a consolidated revenue of at least \$100 million during the reporting period and as such, are classified as reporting entities pursuant to the Act.

This Statement has been prepared by addressing the mandatory criteria for content set out in the Act.

In general terms, modern slavery captures situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom and includes the following categories of serious exploitation: trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.

We welcome the measures implemented by the Act and are pleased to communicate our response to tackling this serious and important issue in this Statement.

This Statement records our areas of risk, the actions we have taken and are taking, and how we measure the effectiveness of these actions in eliminating the risk of modern slavery in connection with our business and supply chain.

We will continue to work with our business partners to raise awareness of this issue, communicate our expectations and take actions to eliminate modern slavery risks in our business.

Our Purpose

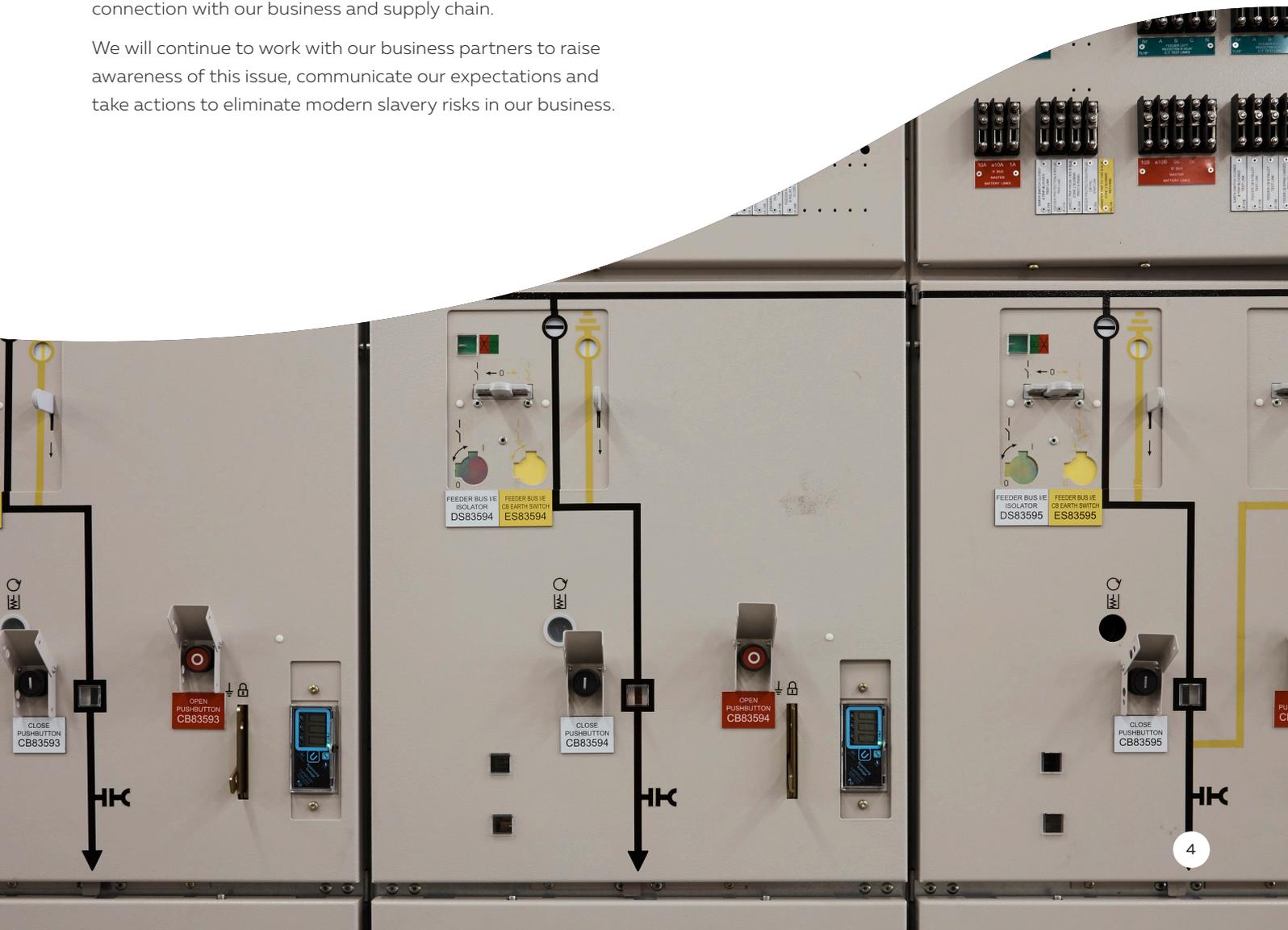
connecting communities, empowering lives

Our Vision

be a leading energy solutions provider, recognised both locally and globally

Our Values

- Work safe, live safe
- Customer-focused
- Commercially minded
- Collaborative
- Honest and accountable
- Respect



About the Ausgrid Group

Our structure

Ausgrid is a partnership carried on under that name by:

- a. Blue Op Partner Pty Ltd (ACN 615 217 500) as trustee for Blue Op Partner Trust;
- b. ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) as trustee for ERIC Alpha Operator Trust 1;
- c. ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) as trustee for ERIC Alpha Operator Trust 2;
- d. ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185) as trustee for ERIC Alpha Operator Trust 3; and
- e. ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) as trustee for ERIC Alpha Operator Trust 4.

Ausgrid Assets is a partnership carried on under that name by:

- a. Blue Asset Partner Pty Ltd (ACN 615 217 493) as trustee for Blue Asset Partner Trust;
- b. ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044) as trustee for ERIC Alpha Asset Trust 1;
- c. ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023) as trustee for ERIC Alpha Asset Trust 2;
- d. ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032) as trustee for ERIC Alpha Asset Trust 3; and
- e. ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078) as trustee for ERIC Alpha Asset Trust 4.

Ausgrid and Ausgrid Assets have been majority owned by AustralianSuper and IFM Investors since December 2016 through these trusts. The New South Wales Government also holds a 49.6% interest through these trusts and its special purpose vehicle, which is independent from the Government.

Ausgrid Management is a subsidiary of Ausgrid, and Ausgrid Finance is a subsidiary of Ausgrid Assets. Ausgrid and Ausgrid Assets have effective control over their respective subsidiaries.

Within the Ausgrid Group, the Ausgrid Group Members hold the following general responsibilities:

- Ausgrid is the Ausgrid Group's primary operating entity and is responsible for maintaining the network and engaging with customers and suppliers for goods and services;
- Ausgrid Assets holds the electricity network assets on behalf of the Ausgrid Group's electricity network;
- Ausgrid Management is responsible for employing individuals who perform work on behalf of Ausgrid; and
- Ausgrid Finance is responsible for obtaining finance from external lenders on behalf of the Ausgrid Group.

The Ausgrid Group collectively has 3,980 employees and contractors based across our 26 depots in New South Wales and our head office in Sydney.

95% of our employees (excluding labour hire and contractors) are covered by an enterprise agreement and our employees are free to associate with the unions that represent their sector.

Our operations

The Ausgrid Group's core business is to provide electricity distribution network services and we do this by building and operating assets and delivering non-network solutions to ensure our customers have safe and reliable access to electricity at an efficient and reasonable price.

The Ausgrid Group's network of substations, powerlines, underground cables and power poles spans across Sydney, the Central Coast and the Hunter Valley in New South Wales connecting our customers and their communities. Our network has powered the lives of our customers for over a century.

To operate our network, we maintain 500,000 power poles, 50,000km of power lines and underground cables, 200 large electricity sub-stations and 30,000 small distribution substations.

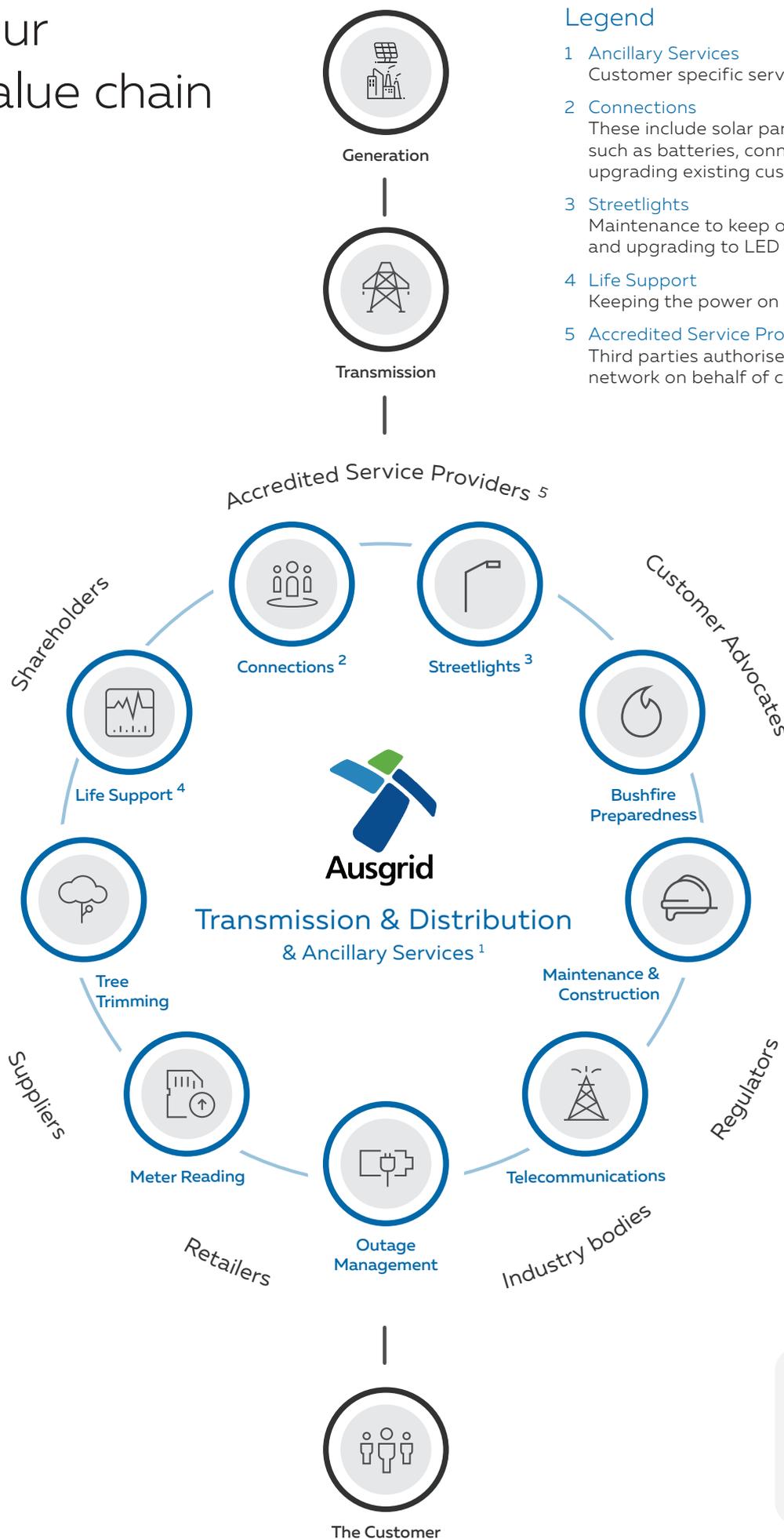
We provide more than 260,000 streetlights for 33 council areas across Sydney, the Central Coast and the Hunter region, and maintain these so they keep our communities safe.

We provide a safe and reliable network that involves us undertaking maintenance works and construction, trimming vegetation, and conducting helicopter and ground patrols. This helps to protect our customers (in particular our life support customers), communities and network from bushfires, power outages and storm impacts.

We have our own telecommunications fibre network on our infrastructure, which is also used by third parties and this assists in our communities staying connected.

Residential customers make up 90% of our customer base, but business accounts for 65% of energy consumption. Today we support over 20% of the national gross domestic product and serve over 4 million customers in 1.8 million homes and businesses.

Our value chain



Legend

- 1 **Ancillary Services**
Customer specific services
- 2 **Connections**
These include solar panels, emerging technologies such as batteries, connecting new customers and upgrading existing customers
- 3 **Streetlights**
Maintenance to keep our communities safe and upgrading to LED for more energy efficiency
- 4 **Life Support**
Keeping the power on for our vulnerable customers
- 5 **Accredited Service Providers**
Third parties authorised to work on or near our network on behalf of customers

Key

- Ausgrid
- Third party

Our supply chain

Ausgrid's network tariffs and annual expenditure are overseen by the Australian Energy Regulator (AER). Our network tariffs are approved by the AER on an annual basis, while our revenues are set by the AER once every five years. For our regulatory period from 1 July 2019 to 30 June 2024, the AER approved network revenue of almost \$8 billion. This revenue allows Ausgrid to invest in its network so we can continue providing safe and reliable network services for our customers.

To support this significant investment, we utilise a global supply chain to provide the range of components and services we need from domestic and international suppliers. Our international supply chain covers: Europe; North and South America; Asia; and the Middle East.

Many of the goods and services that we procure have complex supply chains containing multiple suppliers and manufacturers (including from overseas) providing the raw commodities, components and services to produce the end-product or service.

The Ausgrid Group has 23 categories of goods and services that our external partners supplied to the Ausgrid Group in FY20. These categories cover the following:

- Industrial and electrical consumables
- Information technology (IT) hardware
- Operational technology (OT) hardware
- Cables
- Streetlighting equipment
- Other manufactured components
- Switchgear
- Property
- Construction
- Network services and maintenance
- IT services
- Overhead line supports
- Fleet
- Engineering and technical services
- Secondary systems
- Equipment hire
- Transformers and equipment
- Corporate services
- IT software
- Telecommunications
- Human resources services
- Professional services
- Training and development

Key statistics for FY20

\$383m

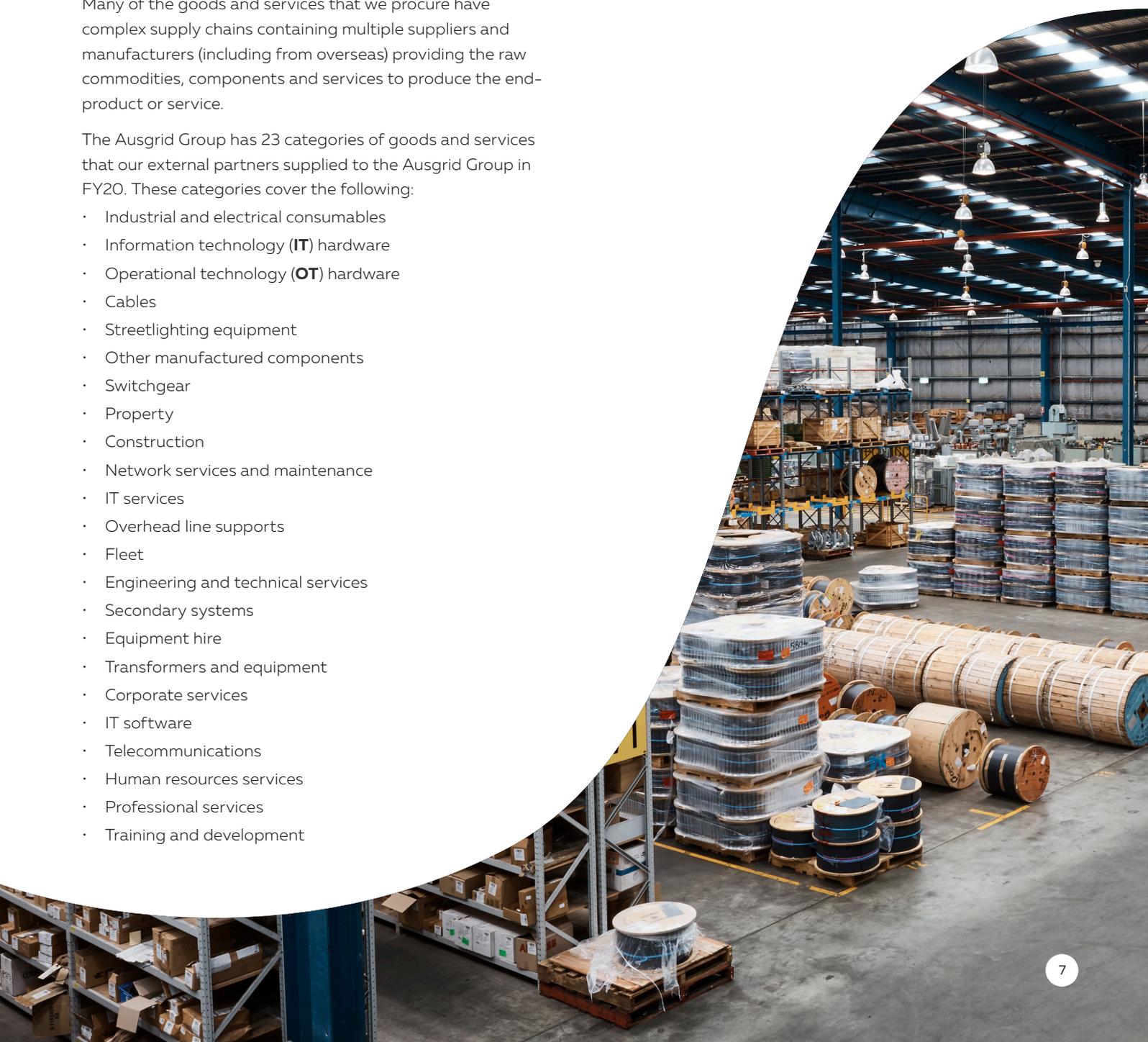
The Ausgrid Group spent \$383 million on the purchase of goods and services

78%

of purchases related to services and 22% related to goods

1,674

The Ausgrid Group procured goods and services from 1,674 suppliers



Our supply chain risks

The complex nature of our supply chain means there are risks that the Ausgrid Group may be linked to modern slavery practices. As outlined in "Our Supply Chain", the Ausgrid Group has 23 key categories of goods and services that it procures. We assessed each of these categories to determine their level of risk for modern slavery practices.

From our risk-based assessment we identified four of these 23 categories as higher risk. These are higher risk due either to their country of origin and/or as a result of the internationally recognised modern slavery risks associated with the relevant

category of goods or services either domestically or overseas. Sources used to inform our assessment include the: Global Slavery Index; Responsible Investment Association Australasia; and Minderoo Foundation.

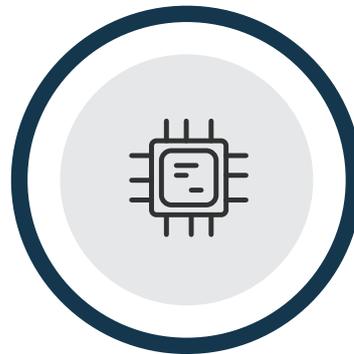
Identifying our higher risk areas allows us to prioritise and focus on these areas of material risk.

Our higher risk categories are identified as: industrial and electrical consumables, IT hardware, OT hardware, and cables.



Industrial and electrical consumables

high volume, low value goods manufactured in Asia, including clothing and gloves



IT hardware

components manufactured in Asia



OT hardware

components manufactured in Asia



Cables

manufactured in Asia and the Middle East

Actions to actively manage our risks

We understand that modern slavery can be an invisible risk with its presence either not fully understood by all stakeholders or it occurs at arm's length in our business transactions.

We believe that to tackle modern slavery risks we need to actively manage these in multiple ways to increase awareness and have meaningful protections.

Our approach is to target actions across the following areas:

Policies and procedures

Having frameworks, policies and procedures across the Ausgrid Group that communicate our intent, expectations and assist in managing our modern slavery risks.

These frameworks, policies and procedures will continue to evolve to capture our progression and developing maturity.

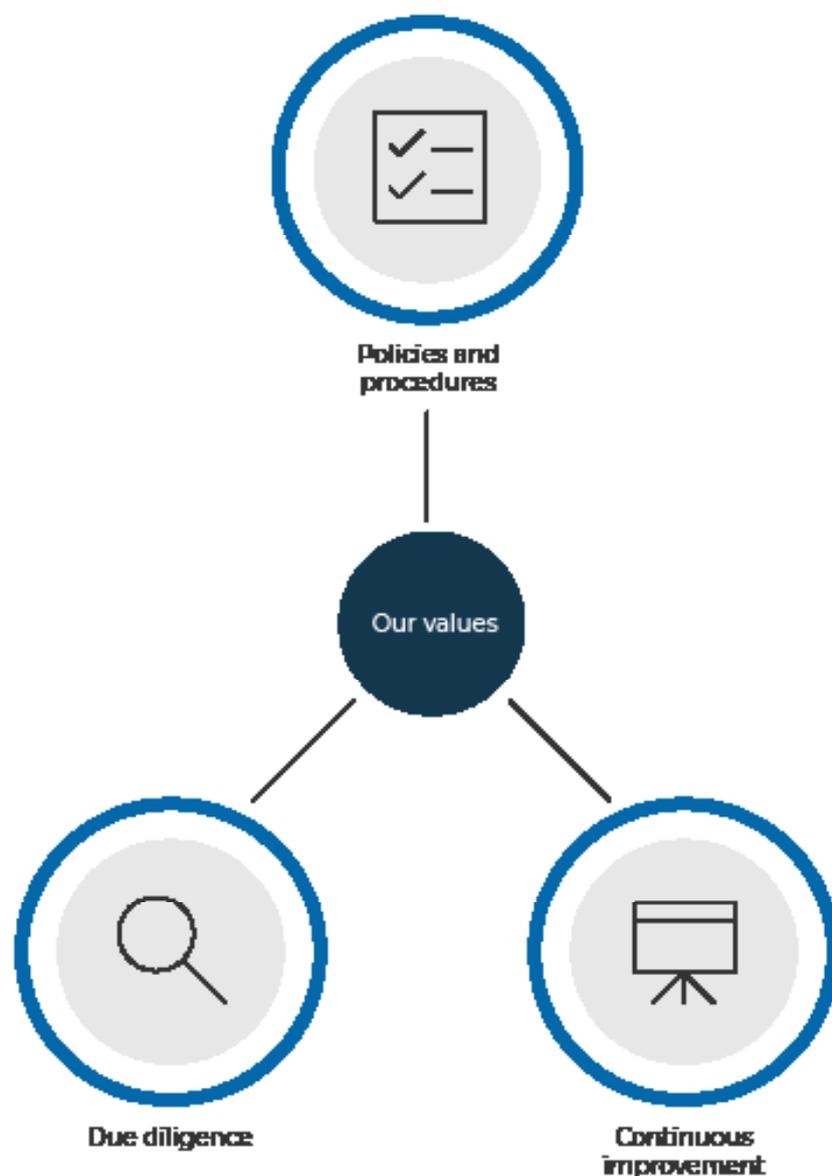
Due diligence

Conducting regular risk-based assessments to identify our risk areas to inform our mitigation approach and next steps for improvement.

Proactively engaging with our suppliers and business partners, collaborating with our industry peers, and actively investigating areas of concern.

Continuous improvement

Identifying ways we can improve our performance, implementing these into our business practices, and providing relevant information and awareness to our employees and external partners.



Policies and procedures

We believe we have solid foundations for managing modern slavery. Our policies and procedures provide us with a platform for continual improvement and engagement with our supply chain.

Procurement procedures

Our process for assessing tenders is mature and follows a rigorous process. We provide clear information on our requirements and expectations for our external partners. Our assessments are made on the cost and quality of suppliers' goods and services and on other important metrics such as health and safety, environmental and social performance, and how they address and manage modern slavery risks.

To demonstrate that our suppliers have awareness of modern slavery risks, and are taking action to address these risks, we require suppliers to:

- agree to be bound by our *External Partner Code of Conduct* which explicitly requires them to identify and mitigate risks, and eliminate any forms of modern slavery;
- comply with our policies and procedures which address modern slavery; and
- respond to surveys regarding modern slavery as part of our tender processes.

Sustainable Procurement Policy

In recent years we have been working to make our organisation more sustainable. With procurement having such a large environmental, social and governance impact, we have developed our own *Sustainable Procurement Policy* that includes our commitments and considerations on social issues such as responsible labour practices of our suppliers.

External Partner Code of Conduct

Our *External Partner Code of Conduct* communicates our expectations to our suppliers and their supply chain. It outlines our expectations, encourages positive behaviours and mitigates negative practices that impact on environmental, economic, social and governance performance. Our contracts with suppliers typically compel them to comply with our *External Partner Code of Conduct*.

Labour rights are also important to our organisation. It is our expectation that external partners will comply with all applicable laws related to wages, employment conditions, working hours and legally mandated benefits. This includes allowing employees the freedom to associate, to collectively bargain and to be represented by a union.

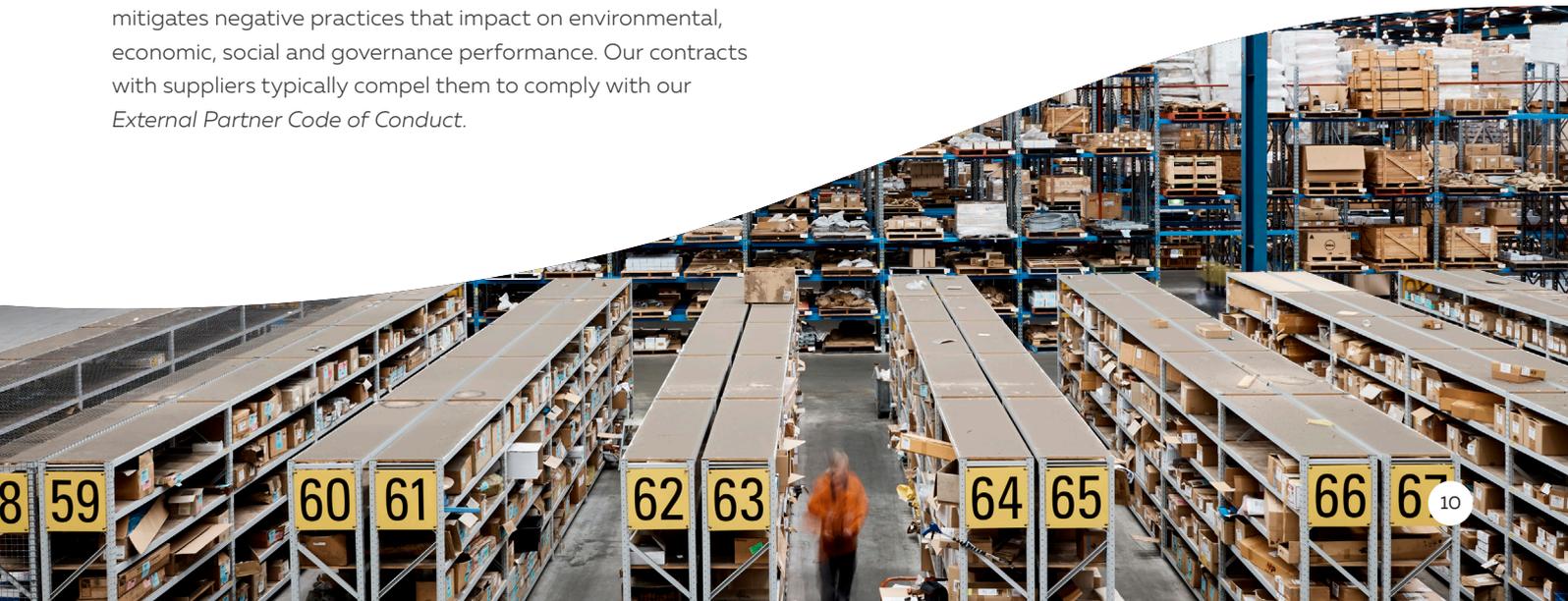
As part of our engagement with our suppliers, we require them to be familiar with our *External Partner Code of Conduct* so they can undertake actions that are consistent with the outlined expectations.

UN SDG 8 Decent work and economic growth

We have aligned our organisation with five of the 17 UN Sustainable Development Goals (**SDGs**). One of these is UN SDG 8 – Decent work and economic growth. It addresses the health and safety of our workforce and communities, and the need to eradicate forced labour and end modern slavery. By aligning with these SDGs, we are striving to do our part to promote and contribute to the achievement of these global goals and make the world a better place. It is our intent to further link our business activities and goals to these SDGs so we can better communicate our performance and alignment with these in future years.

Legal Agreement Templates

Each of our standard legally approved template agreements that form the basis of our contractual relationships with our suppliers, contain a requirement that the counterparty comply with any domestic or foreign statutes, regulations, rules or instruments which relate to modern slavery.



Due diligence

Risk-based assessment

The Ausgrid Group has conducted a risk-based assessment of our modern slavery risks to identify our higher risk, high risk and lower risk categories of goods and services we procure internationally and domestically. Our risk-based assessment reviewed the risks associated with the industries and countries from which those goods or services are procured.

This information allows us to prioritise our efforts to first address higher risk areas. Where appropriate, we will also take actions in respect of our high and lower risk areas, although it is our intent due to the size of our procurement activities to primarily focus on our higher risk areas in the coming year.

We will regularly review our risk-based assessment to maintain our awareness of any changes in our operations that may affect our risks.

Industry collaboration

Through our engagement with our industry peers our aim is to identify any risks early in the relationship with, our business partners and to set expectations.

Our industry peers are using many of the same suppliers that are unique to distribution network service providers (**DNSPs**) and engagement within our industry has allowed us to share learnings and build our capacity in managing modern slavery risks.

Ausgrid is a member of the Energy Procurement Supply Association (**EPSA**) for DNSPs where we have been collaborating to standardise our questions on modern slavery to our common suppliers. This common approach assists in improving our shared industry understanding and management of risk areas.

Supplier engagement

Working with our industry peers does not abrogate our own responsibilities in managing this important issue. Any of our goods or services that have a tender process, require the tendering organisation to complete a modern slavery survey to assist us in assessing their performance and risk.

Modern slavery is a complex issue and we wish to encourage honest reporting by our supply chain partners. If modern slavery is identified in our external partner's business or supply chain, our approach is to encourage efforts for them to have this addressed before any other action is taken by us. Where modern slavery is in their supply chain, we ask they work with their subcontractors and suppliers to rectify the issue and retain employment for those affected.

With modern slavery recognised as being endemic in the lower parts of supply chains, we wish to encourage open dialogue about its existence and efforts to change behaviour for the better, rather than create an environment where information may be withheld.

Through our surveys, *External Partner Code of Conduct*, *Sustainable Procurement Policy*, and our alignment with UN SDG 8 – Decent work and economic growth, we believe we are sending clear signals on our expectations on how we believe our external partners and employees should ethically conduct their business.

Every year we hold at least one supplier forum where key suppliers attend. These forums provide an excellent opportunity for us to communicate issues that are important to us and what we are planning to achieve in the future so they can work with us on that journey. This includes communicating our sustainability and modern slavery issues, our actions, and our developing expectations.

Suspected slavery in our supply chain

In 2020 Ausgrid became aware that a subcontractor to a supplier of one of our suppliers was sanctioned for modern slavery in their workforce. We proactively investigated this with our supplier to bring this to their attention and find out what action was being taken.

No products from this sub-contractor were provided to us at any time and we were satisfied that the other parties in this supply chain were aware of this matter and were taking appropriate actions to work with this subcontractor to improve the working conditions of their labour force.

In this case, the subcontractor was sanctioned for bonded labour where recruitment fees were paid, and for withholding passports to entrap migrant labour. The Ausgrid Group finds this method for recruitment abhorrent and we will be increasing the communication to our suppliers that its use is not satisfactory. This case also highlights the depth in our supply chains that modern slavery can occur and that only effort by all responsible parties in that chain will be effective in eliminating these practices.

Continuous improvement

We are committed to continuous improvement in all areas of our business including our modern slavery response.

Key areas for additional focus and for further development include:

- continued engagement with our employees, external partners and service providers on modern slavery risks and our expectations;
- further review of our higher and high risk categories;
- examining industry codes of conduct and how these might apply;
- continuing our industry collaboration to help deliver a wider industry response; and
- measuring our progress and performance.

Our procurement team has already received many briefings on modern slavery, and we have incorporated considerations into our supplier selection process. Our communication will be extended to all employees to improve awareness and alert them to what they should be aware of in their work and how to respond if they have concerns.

We believe it is important for everyone to recognise that slavery is still a modern and real issue and an important consideration domestically, as well as in overseas supply chains.



Measuring effectiveness and other information

Measuring effectiveness

We are committed to continuous improvement and measuring the effectiveness of our risk mitigation actions.

We measure the effectiveness of our modern slavery response based on the following:

- the quality of the responses we receive from our external partners on how they are managing modern slavery;
- the number of reported incidents;
- self-reporting from our external partners of an identified or suspect modern slavery issue; and
- the quality of responses from our external partners if and when a suspect or actual modern slavery incident is identified.

Actions that we plan to commence to measure effectiveness include:

- at least annually reviewing the actions we have taken to check their effectiveness; and
- reviewing our existing higher risk suppliers to ascertain if any circumstances have changed.

Consultation with Ausgrid Group entities

Our central procurement function provides services for all members of the Ausgrid Group. This shared procurement function was involved in the preparation of this Statement, and works with all areas of the Ausgrid Group to make sure that collective business needs are met.

Other consultation

We work continually with the EPSA to develop a consistent industry approach to modern slavery that promotes transparent and efficient engagement and communication.

Other information about this Statement

For the purposes of the Act and this Statement, modern slavery means conduct which would constitute:

- a. an offence under Division 270 or 271 of the Criminal Code; or
- b. an offence under either of those Divisions if the conduct took place in Australia; or
- c. trafficking in persons, as defined in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, done at New York on 15 November 2000 ([2005] ATS 27); or
- d. the worst forms of child labour, as defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999 ([2007] ATS 38).



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