

AusNet

Modern Slavery Statement Calendar Year 2022 (CY2022)

AusNet Group

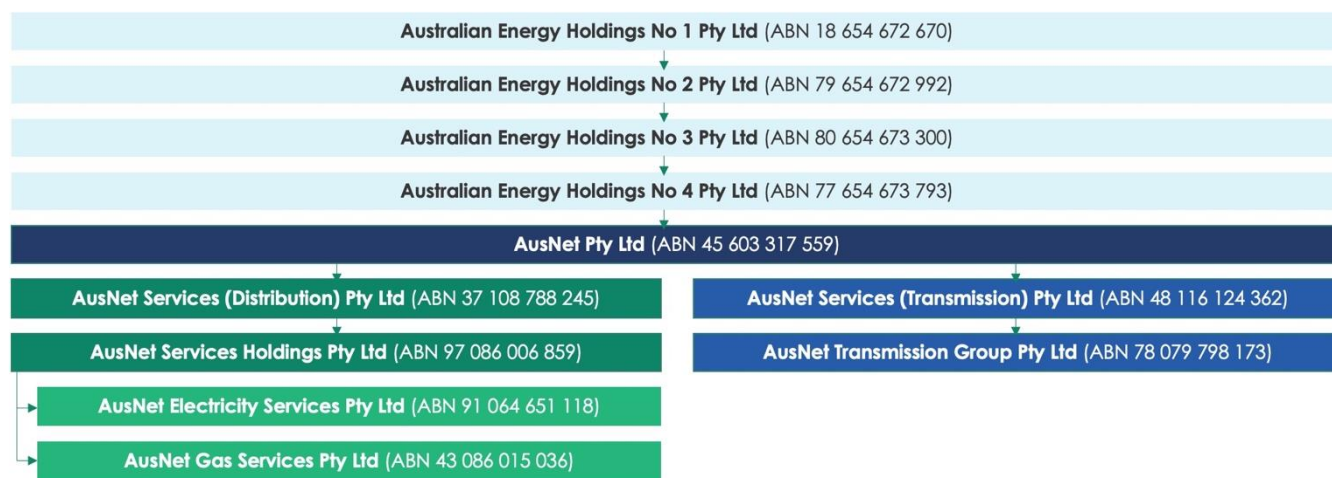


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About this Statement

AusNet Reporting Entities Diagram



This Modern Slavery Statement (Statement) outlines the actions taken by the AusNet Reporting Entities (AusNet, we, us, our or our Company) to assess and address the modern slavery risk in our operations and supply chains throughout the period 1 January 2022 to 31 December 2022 (CY2022).

The AusNet Group, which comprises AusNet Pty Ltd and each of the entities it owns or controls, is a diversified Australian energy infrastructure business with over \$11 billion of electricity and gas network and connection assets.

On 16 February 2022, AusNet Pty Ltd (formerly AusNet Services Ltd) was acquired by Australian Energy Holdings No 4 Pty Ltd (AEH4), a company ultimately owned by investors owned and/or managed by Brookfield entities, the Australian Retirement Trust (a superannuation fund) and a number of Canadian pension and other investment funds. From the date of the acquisition, AEH4 and its immediate Australian parent companies (AEH Entities) are also reporting entities.

This is a joint statement that covers the members of the AusNet Group depicted in the diagram above and, from 17 February 2022, the AEH

Entities (together, the AusNet Reporting Entities). No other member of the AusNet Group meets the reporting entity criteria under the *Modern Slavery Act 2018* (Cth)(Act).

Each of the AusNet Reporting Entities is an Australian company with a registered head office in Melbourne, Victoria.

The Statement has been prepared as at 31 December 2022, in compliance with the mandatory reporting requirements of the Act. Due to AusNet's migration from a financial year to calendar year reporting period, this Statement reports organisational and supply chain data for CY2022, and the modern slavery program assessments and achievements for the period 1 April 2022 to 31 December 2022 (9M2022¹).

The mandatory criteria in sections:

- 16(1)(a) and (b) of the Act are addressed in 'Important Information', 'About us';
- 16(1)(c) and (d) of the Act are addressed in '9M2022 highlights', 'Our approach';

- 16(1)(e) of the Act is addressed in 'Monitoring and evaluating performance';
- 16(1)(f) and (2)(b) of the Act are addressed in 'Consultation, engagement and approval'; and
- 16(1)(g) of the Act is addressed in 'Looking ahead',

sections of this Statement.

This report contains forward-looking statements, including statements of current intention, statements of opinion, or predictions or expectations as to possible future events. These statements are not statements of fact, and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within the control of AusNet. Statements about past performance are also not necessarily indicative of future performance.

¹ "9M2022" refers to the nine-month period between 1 April 2022 - 31 December 2022, during which AusNet carried out its Modern Slavery compliance program.

I am pleased to share AusNet's CY2022 Modern Slavery Statement



Tony Narvaez, Chief Executive Officer

AusNet is committed to reducing the prevalence of modern slavery in our operations and supply chains, and doing what's right by our suppliers, partners, customers and the communities in which we provide essential energy services.

We have strong Australian-based networks and predominantly use Australian companies and international companies with an Australian presence, and their affiliated international networks. However, we acknowledge that suppliers within tier two of our supply chain and beyond may be based in countries with a higher risk of modern slavery. Our suppliers are generally stable and are based on long-term relationships.

During this reporting period, we've had overall visibility to 411 supplier self-assessment questionnaires (SAQ). Of the 153 SAQ submitted to AusNet, we have identified two modern slavery incidents (see page 22) within our supply chain. Remediation was not required but we will continue to engage with these suppliers.

Our culture, underpinned by our policies and practices, is an essential mitigant against the risk that our operations contribute to modern slavery practices. For our people, we promote a culture of acting lawfully, ethically, and responsibly.

I am pleased to say that in our fourth report, we have maintained the momentum of our Modern Slavery program over the shortened financial year of this Statement. This includes increasing both the breadth and depth of our analysis to assess and address the risks of modern slavery in our operations and supply chains.

We have:

- reviewed additional suppliers in our initial supplier assessment process
- explored deeper into our supply chains through completion of four supplier extended due diligence reviews); and
- improved our digital tool output and reporting.

We continue to engage with our energy industry peers to share best practice and collaborate through monthly forums. We are also stepping up engagement with our suppliers through innovative 'experience sharing' sessions.

Looking ahead, we will continue to develop and refine our activities to mitigate the risks of modern slavery within our operations and supply chain. With a focus on the minimisation of harm to people, supported by a robust policy, process, and training framework, we will continue to build on the strong foundation we have created.



Tony Narvaez
Chief Executive Officer

Our journey

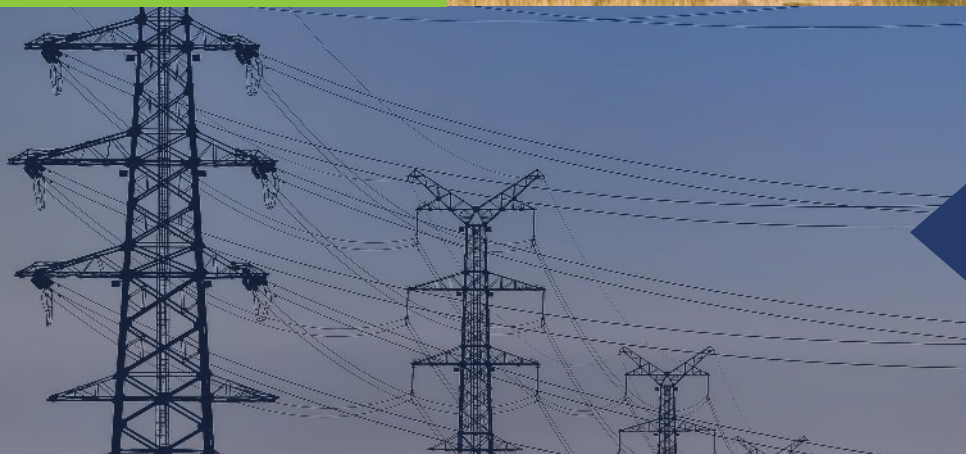
9M2022 program highlights



Monthly collaboration with 17 peer energy industry organisations

Overall visibility to 411 submitted supplier self-assessment questionnaires (SAQ)

Improved digital tool output and reporting



154 suppliers submitted Supplier Self-Assessment Questionnaires (SAQs)

Four extended due diligence supplier reviews conducted and closed



About us

Our Values

Our values guide the actions of all our people, every day

Our Purpose

Connect communities with energy and accelerate a sustainable future.

We're a team of 1,300 employees who service over 1.5 million Victorians. We own and operate three regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network. We also build, own and operate a range of other assets to support the energy transition.

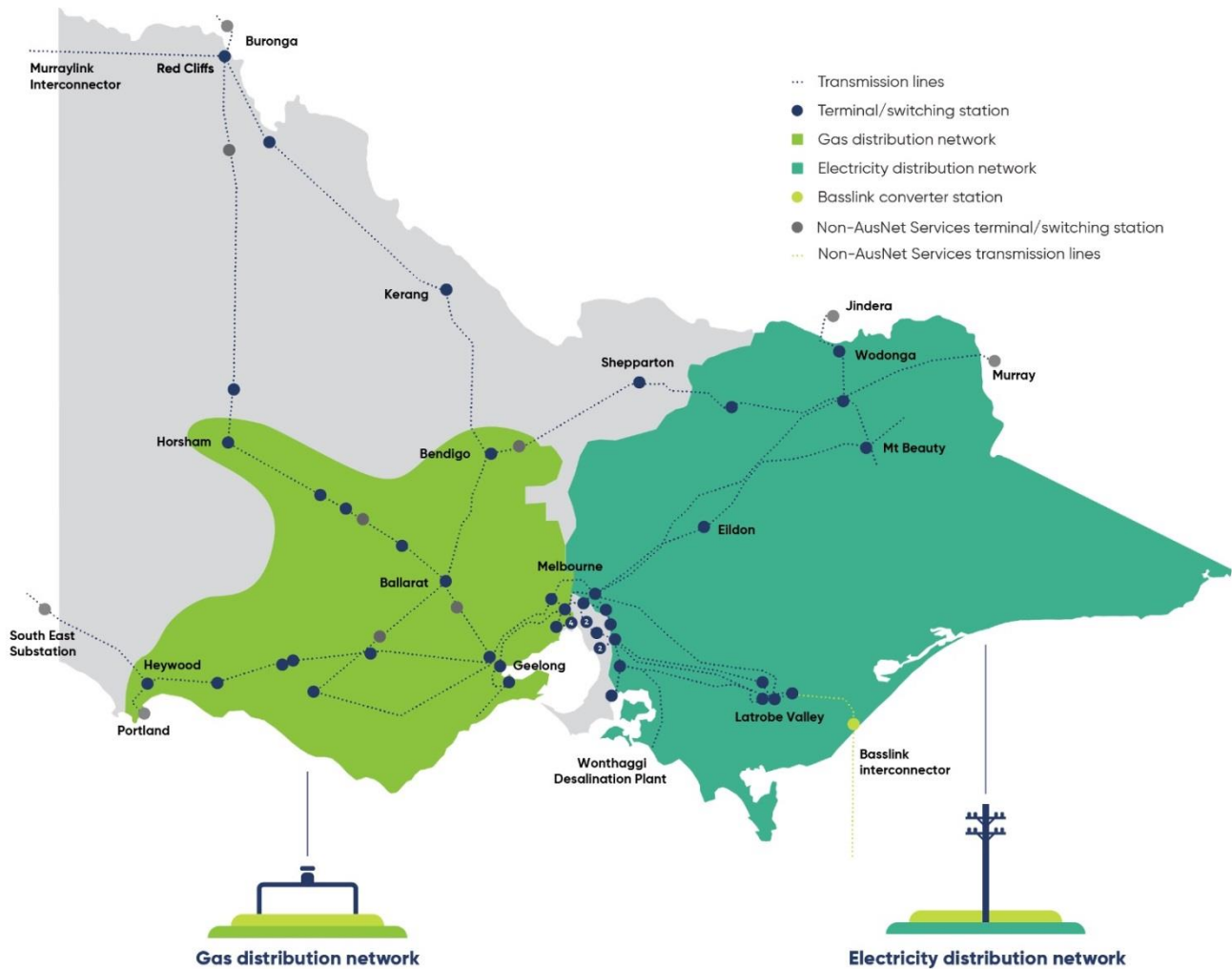
We work safely

We're one team

We do what's right

We deliver

Our networks



Our transmission network

Our transmission network transports power from where it's generated to Victoria's five distribution networks, and connects and supplies power to 6.6 million Victorians. We also help connect power to New South Wales, South Australia and Tasmania.

Our distribution network

Our electricity distribution network feeds electricity to 802,000 customers across eastern and north-eastern Victoria, and in Melbourne's north and east.

Our gas distribution network

We distribute gas to 792,000 residential, industrial, and commercial customers in western Melbourne, Geelong and parts of western Victoria.

Development and Future Networks (including Mondo)

Development and Future Networks provide contracted infrastructure assets that fall outside the regulated asset base, with a total of 2GW of renewable energy and storage projects connected through these assets. They also supply a range of utility services to support the management of electricity, gas and water networks.

Our supply chains

As a provider of essential services to our customers and communities, we interact with a broad range of suppliers.

With a total operational spend² for CY2022³ of \$947.8M, AusNet supply chains include the following:



Technology – \$123.4M

- Technology services
- Software
- Technology hardware
- Communications



Asset materials and related services – \$99.3M

- Transformers and spares
- Switchgear and electrical protection
- Plumbing equipment and services
- Cables



Gas network and connections – \$111.4M

- Gas maintenance
- Pipe services – water and gas
- Contractor – gas
- Gas – new estate



Metering services – \$35.7M

- Metering equipment
- Metering services



Electricity networks and connections – \$464.8M

- Line maintenance and distribution
- Electrical installation – maintenance
- Civil construction
- Vegetation management
- Design services
- Station construction and maintenance



Corporate services – \$96.2M

- Non-IT consultancy services
- Professional services
- Facility maintenance and repair services
- Security equipment and services
- Recruitment services



Fleet and vehicles – \$5.9M

- Fleet
- Mobile plant and equipment

Our tier one* level of the supply chain has strong **Australian-based networks**. We predominantly use Australian companies and international companies with an Australian presence, and their affiliated international networks. We acknowledge that suppliers within tier two** of our supply chain and beyond may be based in countries with a higher risk of modern slavery. Our supplier base is generally stable and based on **longer-term relationships**.

* "Tier one suppliers" are direct suppliers to AusNet.

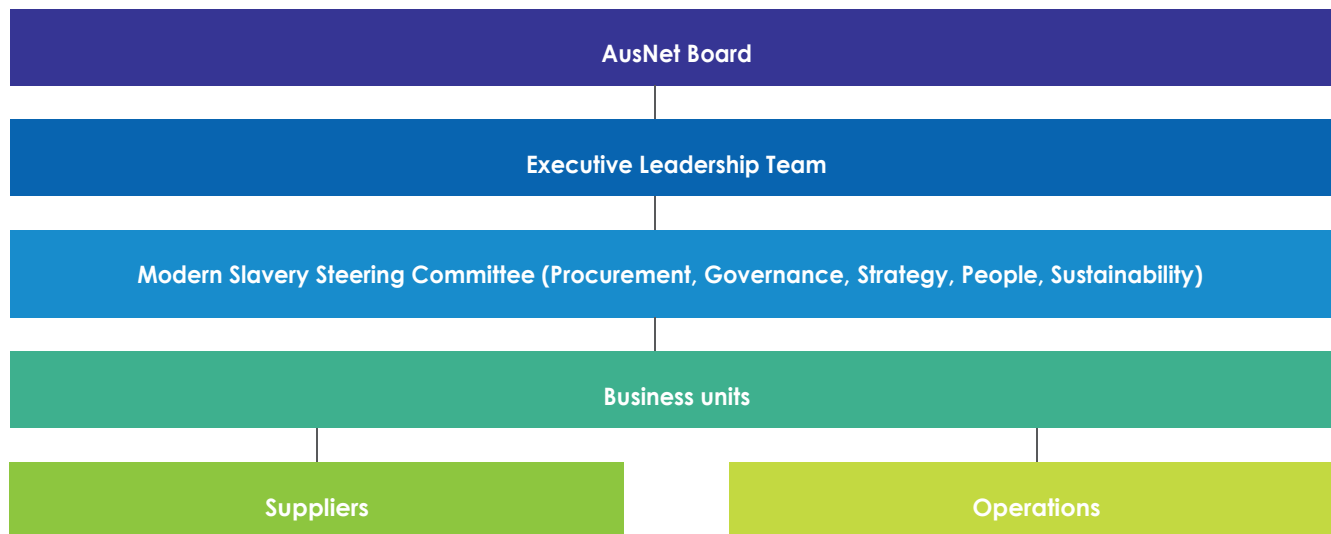
** "Tier two suppliers" are suppliers or subcontractors of AusNet tier one suppliers.

² 'Operational' spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

³ Total operational spend for calendar year 1 January 2022 to 31 December 2022.

Governance framework

Our governance framework enables us to set and monitor performance against our business objectives, articulate our risk appetite, and mitigate our risks, including those relating to modern slavery.



This year, we continued to enhance our capacity to manage risks of modern slavery across our operations and supply chain by including our controls within the organisation-wide risk and compliance tools and processes. This improves the visibility and importance of mitigating modern slavery risks across our organisation.

Business-wide approach to addressing modern slavery

AusNet’s Modern Slavery Steering Committee brings together people from the Procurement, Governance (including the Legal, Risk and Compliance functions), Strategy, Sustainability and People teams to determine the best way to identify and address the risks of modern slavery within the AusNet operations and supply chain. In addition, key business leaders (typically executives leading large areas of supplier engagement and spend) participate directly in targeted supplier deep-dive assessment processes. The inclusion of a wide range of participants in our modern slavery program provides a better opportunity to identify, assess, address and mitigate risks. The involvement of key business leaders in our framework demonstrates to our suppliers AusNet’s commitment to the program.

Robust policies are designed to underpin our company values. They guide our operations and how we engage with our employees and suppliers, as well as the values and behaviours we expect of them. The following policies (as amended from time to time) apply to our operations and supply chain, and include provisions to set expectations relating to modern slavery.

Table 1. Our policies

Operations	Supply chains
Code of Conduct	Supplier Code of Conduct
Whistleblower Policy	Sustainable Procurement Policy
Diversity and Inclusion Policy	Strategic Procurement Policy and Procedure Manual
Bribery, Fraud and Corruption Control Policy	Sourcing Procedure Manual
Employee Lifecycle Procedure (released February 2023), incorporating elements of previous Recruitment and Selection Policy, Training and Compliance policies, Equal Treatment Policy and Discipline Policy	Supplier Onboarding Processes
	Social Procurement Policy

Operations

We consider culture, which is underpinned by our policies and practices, to be an essential mitigant against the risk that our operations 'contribute' to modern slavery practices. For our employees, we promote a culture of acting lawfully, ethically and responsibly. This means we encourage our employees to act responsibly and to report unethical practices. There are various methods available to report a suspected or known breach, including our Whistleblower Policy. Our policies are reviewed periodically to ensure they are relevant to, and applicable in, the current environment.

We mitigate the risk that our operations are 'directly linked' to modern slavery practices through our approach to identifying, addressing and assessing risks within our operations. We explain our approach in the 'Risk identification' and 'Assessing and addressing modern slavery risk' sections of this Statement, including our approach to recruitment, and contingent and fixed-term labour hire arrangements, as well as to some of the most labour-intensive components of the supply chains that we utilise.

Supply chains

To make informed purchasing decisions that are aligned to our values and help us mitigate risk, we have developed and published a Supplier Code of Conduct, which outlines our requirements to suppliers.

In addition, we've published a Sustainable Procurement Policy that guides our internal procurement decisions and defines the business requirements and accountabilities for the sustainable procurement of externally-sourced goods and services. The policy aims to achieve positive environmental, social and economic impact over the entire life cycle, while simultaneously meeting legislative requirements. This policy mirrors the Supplier Code of Conduct's requirements in relation to labour practices and human rights practices. It also reflects the United Nations Global Compact Principles as they relate to Human Rights and Labour.

Both the Supplier Code of Conduct and the Sustainable Procurement Policy are distributed to potential suppliers and are posted on our website to ensure supplier visibility of AusNet's values and supplier expectations. In addition, these documents are referenced in internal education processes with our employees and through 'Sharing Our Experience' sessions with suppliers.

To assist employees in understanding our policies that relate to modern slavery, we have the following manuals and processes to provide guidance on expectations and requirements:

- Strategic Procurement Policy and Procedure Manual
- Sourcing Procedure Manual
- Supplier Onboarding Processes.

The UN Global Compact Principles on Human Rights and Labour*

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

* <https://www.unglobalcompact.org/what-is-gc/mission/principles>

UN Global Compact 'The Ten Principles of the UN Global Compact'

Our approach

New in 9M2022

In our shortened financial year, AusNet’s modern slavery compliance program included focus on the following:

- review of additional suppliers in our initial supplier assessment process
- completion of four supplier extended due diligence reviews, exploring deeper into their supply chains in more depth than in earlier years
- expanded utilisation of a digitised tool to facilitate supplier modern slavery risk assessments.

Building on our foundation years

In **FY2022**, we reviewed an increasing number of suppliers in the initial assessment process, conducted eight supplier extended due diligence deep dive reviews, and expanded program digitisation.

In **FY2021**, we built on FY2020 initiatives, further integrating how we mitigate modern slavery risk across our operations and supply chain, as well as extending our engagement and assessment activities with suppliers.

In **FY2020**, our first reporting year, we focused on deepening our understanding of the risks of modern slavery and legislative requirements. We developed internal governance, formulated a methodology to assess our operational and supply chain risks, and started to assess our operations and supply chains.

Operations

Most of our employees are employed directly on permanent contracts and based in Australia. See the table below for our permanent and contractor workforce breakdown.

Table 2. AusNet employees, by employment type, as of 31 December 2022

PERMANENT	FIXED TERM	CONTRACTOR	TOTAL
1,256 (91.5%)	57 (4.2%)	60 (4.4%)	1,373

As a result, the risk that our operations ‘cause’ instances of modern slavery is low. We continue to focus on the risks that our operations may:

- ‘contribute’ to modern slavery through, for example, unethical or unsustainable procurement or contracting processes or targets that may encourage or require exploited labour to be used by our suppliers; and
- ‘be directly linked’ to modern slavery through the use of supply chains that are engaging in modern slavery practices.

In addition, our recruitment and employment practices are managed by our experienced and qualified team of People professionals, with support from our Procurement and Governance functions, including Legal, Risk and Compliance. We also have external support where appropriate.

Qualified and reputable immigration advisors are engaged to assist with the recruitment of any overseas candidates for employment opportunities in Australia. We do not charge candidates recruitment fees, or retain passports, visas, bonds or engage in other practices, with respect to our employees or recruitment, which are inconsistent with the UN Global Compact Principles on Human Rights and Labour.

Our approach

Supply chain – implementation framework overview

We continue to use and refine our implementation framework and methodology. This includes:

- assessment of a greater number of suppliers as the reporting period progresses
- review of our existing program elements in 9M2022.

In addition, we are continuously looking for ways to embed tier two consideration into our framework.

Our focus areas and high-level activities are summarised in the implementation framework diagram.



AusNet methodology

- Step 1** Utilise existing governance structure and identify our risks
- Step 2** Assess and action (address and mitigate)
- Step 3** Review effectiveness of our actions
- Step 4** Post-review, implement program improvements

Risk identification

Operations

The risk of modern slavery in our operations is low. All our employees are qualified or skilled in their respective work functions. Most of our team members are employed directly, with their employment terms and conditions set out in employment contracts governed by Australian employment laws and relevant industrial instruments. Eighty-six percent of our team members are covered by one of three different enterprise agreements. These agreements outline minimum pay and entitlements and provide for consultation regarding significant operational and business changes. We recognise the rights of team members to negotiate collectively, with or without the involvement of third parties (including industrial associations/unions). We monitor and address human rights issues in our workforce under various policies and procedures, including our Code of Conduct, Diversity and Inclusion policies.

AusNet had 1,313 payroll employees as of 31 December 2022. The vast majority of AusNet's employees are located in Victoria, Australia. The total employee group comprises 1,171 employees on individual employment contracts and 142 employees on enterprise bargaining agreements, noting that an Enterprise Agreement or Modern Award underpins those on individual employment contracts. The Modern Awards underpinning our employees are the Electrical Power Industry Award, Miscellaneous Award, Gas Industry Award and the Clerks Award.

Supply chain

Over the previous three reporting periods, AusNet utilised inherent risk analysis to inform our assessment priorities each year.

In FY2020 and FY2021, AusNet established the foundations of the modern slavery compliance program. Risk assessment of the first tier of our supply chain was conducted, using the criteria of category of spend and country of origin. High to very high-risk suppliers and strategic and/or high-spend suppliers were identified for further investigation. We used the Walk Free Foundation Global Slavery Index 2018, which measures and ranks each country according to estimated prevalence of modern slavery. Risk assessment of supplier category of spend was conducted using the 'Extract of EPSA Heat Map: Categories with high and significant human rights risks' located in the *Respecting Human Rights in our Supply Chains* publication. This methodology for preliminary risk assessment and identification resulted in a list of 40 suppliers for further assessment, including external third-party review. In addition, we commenced review of our moderate-risk suppliers.

In FY2022, moving into the third year of the program, we used the same methodology for preliminary risk identification to select suppliers for assessment, specifically geographic and category risk. Suppliers with high to moderate risk continued to be highlighted as candidates for inclusion in the assessment phase, in addition to our top-spend suppliers.

We acknowledge that sector, industry and entity risks may also impact an organisation's prevalence of modern slavery. Suppliers not meeting the country of origin and category of spend scope guidelines may have been added to the assessment program at any time.

In 9M2022, now in our fourth year, we sought to assess suppliers aligning to our previous inherent risk criteria. In addition, we actively sought to assess higher spend suppliers who had not yet been included in the program over the preceding three years.

Refer to the 'Assessing and addressing modern slavery risk' section (page 14) for how suppliers are selected for inclusion in the assessment phase of AusNet's modern slavery compliance programs.

Tier one: supplier operational spend by high-risk country

The outline of spend categories with high and significant human rights risks published by the Energy Procurement Supply Association (EPSA) in 2019 has assisted AusNet in focusing our program on areas of greatest potential impact since the commencement of the modern slavery compliance program. These risk categories are outlined below.

Risk categories in the AusNet supply chain⁴

High to Very High Risk		
Safety equipment and workwear	Cleaning services	
Moderate Risk		
Human resources, contractors and temporary field labour	Security services and equipment	Line hardware
Logistics	IT managed services	Cables
Traffic management	Meters and parts	Switchgear

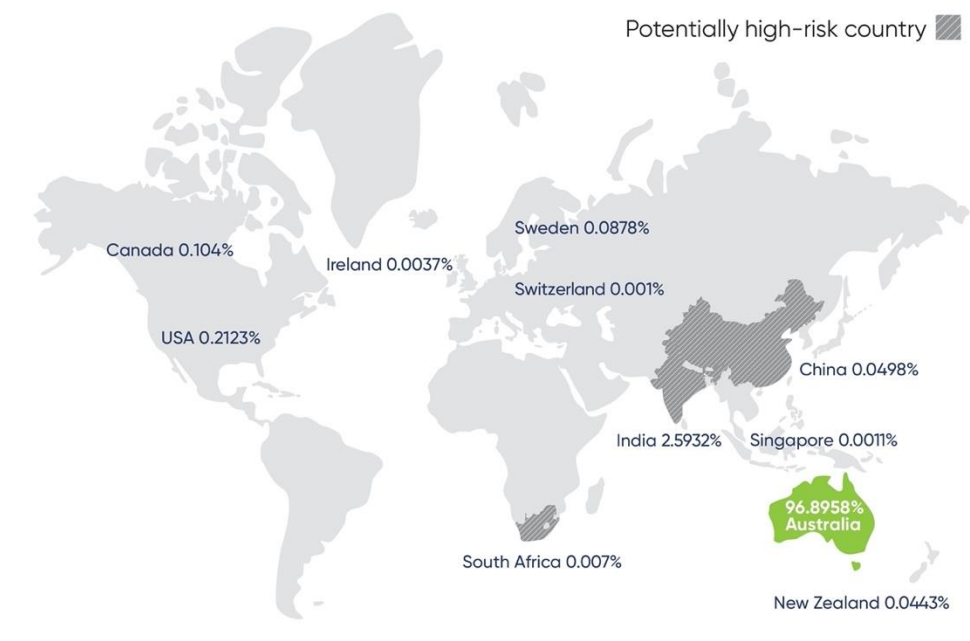
Tier one: supplier operational spend⁵ by country

Analysis of our tier one spend in 9M2022 confirms a continued predominance of Australian entities and, therefore, country risk for AusNet is generally low. Country risk is more likely in deeper levels of our supply chains, with tier one potential risk highest in our Indian, Chinese and South African supply chains.

All overseas suppliers with 9M2022 spend have a closed or submitted SAQ, with the following exceptions:

- five suppliers which ceased trade with AusNet
- one supplier which declined to complete the assessment.

Note: the KPIs for the 9M2022 program were based on FY2022 spend (year ending March 2022, not CY2022).



⁴ <https://epsaonline.net/resource-hub/#whitepapers-Respecting-Human-Rights-in-Our-Supply-Chain>

⁵ 'Operational' spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

Assessing and addressing modern slavery risk

AusNet has embedded two programs to assess and address supplier modern slavery risk in our procurement framework. In combination, these two programs provide a breadth of review across a large number of suppliers and an in-depth assessment for a subset of suppliers assessed as being of higher risk or strategic suppliers.

Overview

Program One – Supplier Self-Assessment Questionnaires (SAQ)

Program Two – Supplier extended due diligence reviews

Both programs allow us to engage with suppliers and review the risks of modern slavery across our supplier base.

Program One 9M2022: Supplier self-assessment questionnaires (SAQ):

The modern slavery risk assessment using supplier SAQ is a foundation element of the AusNet modern slavery compliance program. It is embedded into AusNet's established processes, including a proactive program of targeted supplier focus, and assessments aligned to the onboarding of new suppliers. See '9M2022 Scope - Scale of risk assessments' (page 15) for greater detail in relation to the focus suppliers for 9M2022 review.

Assessment process

The process for supplier assessment is as follows:

1. Selection of supplier for program inclusion, as per Risk Identification phase above, at supplier onboarding or external customer request
2. Supplier contact data loaded into third party tool and supplier issued an online SAQ
3. Initial supplier response received and reviewed by AusNet
4. Clarification questions sent to supplier, if required
5. Clarification questions answered by supplier
6. Supplier updates responses within the SAQ (if required)
7. Final supplier risk rating obtained automatically through the risk-rating tool. The third-party tool contains an embedded risk profile assessing suppliers against key questions, with each supplier receiving a modern slavery risk-rating of low, moderate, medium, high or very high
8. Suppliers with a risk rating of high or very high to be brought to the attention of the Steering Committee to determine if formal remediation is required. See 'Risk mitigation and remediation' section for additional detail
9. Suppliers may be invited to attend an AusNet 'Sharing Our Experience' session to enhance awareness and capabilities in relation to Modern Slavery compliance
10. Suppliers may be invited to participate in Program Two – Supplier extended due diligence program

Process enhancements

Two major process enhancements were launched in 9M2022:

- The review process flow was automated, enabling the clarification process to occur completely within the tool. Upon review of the supplier response, AusNet may accept or reject the initial supplier SAQ and issue clarification questions to suppliers via the tool. This, in turn, triggers the re-opening of the SAQ, enabling the supplier to complete the necessary update prior to automated recalculation of the associated supplier modern slavery risk-rating.
- As part of the process of flow automation, AusNet can now issue to our suppliers a list of recommendations upon review and acceptance of a supplier form, aimed at improving their capabilities in understanding, addressing and assessing the risks of harm to people throughout their own organisation and supply chains based on their initial SAQ responses.

NOTE:

- The SAQ tool provides links to data sources which provide the supplier with education related to modern slavery compliance.
- Future process enhancement - suppliers will automatically be requested to update SAQ responses annually, to provide visibility to improvements in supplier risk-ratings over time. See the 'Risk mitigation and remediation' section for more detail.

As we are utilising a shared digital tool with other energy industry organisations, efforts to secure questionnaire completion provide risk-rating visibility to multiple organisations (when an individual supplier provides approval for the data submitted to be shared). This reduces duplication of effort by the supplier and the issuing organisation.

Despite a reduction in length of this year’s SAQ program (nine months instead of 12 months due to the changed reporting period⁶), a large number of SAQs were submitted via the Informed 365 modern slavery compliance tool, providing insight into supplier alignment with the *Modern Slavery Act 2018* (Cth).

Program One 9M2022: Scale of risk assessments

The 9M2022 Modern Slavery Program One scope consisted of suppliers grouped into three categories:

Proactive program of assessments, consisting of:

Top 100 spend suppliers who have not been previously assessed.

New suppliers, with focus on:

- spend above an agreed annual clip level
- suppliers based outside of Australia
- very high/high or moderate-risk, based on category heat map.

Other suppliers:

- based outside of Australia (where not included in the above categories)
- raised for focus through external customer bids.

The 9M2022 KPIs stipulated that additional review through a clarification process was required for all SAQs returning an initial medium, high and very high risk assessment by mid-October 2022. The review and clarification process was not required for SAQs returning an initial low and moderate risk.

SAQ completion statistics

The SAQ submitted provided the following SAQ completion statistics in 9M2022:

- 30 suppliers required additional clarification prior to establishment of a modern slavery risk-rating.
- 44 suppliers from our proactive program submitted an SAQ that did not require additional clarification to establish their initial modern slavery risk-rating. Note: one SAQ applied to two suppliers, so 43 individual SAQs accounted for 44 suppliers.
- 80 additional supplier SAQ were available to AusNet through the shared digital tool Informed 365.

Summary

- 153 submitted SAQs were available to AusNet over 9M2022 as part of our overall program.
- By the end of 9M2022, suppliers assessed for modern slavery risk accounted for over 90 percent of expenditure on goods and services for operational spend⁷ for the 12 months up until 31 December 2022 (90.55 percent).
- Over time, AusNet seeks to increase the percentage of suppliers completing initial assessments via the SAQ process. By the end of 9M2022, over 97 percent of the top100 suppliers (by operational spend) had completed an SAQ assessment.

⁶ 9M2022 refers to the period 1 April 2022 to 31 December 2022. Employee performance management was aligned to this period, hence the modern slavery program goals and analysis also align to this period. SAQ completion statistics are also reported on a 9M2022 basis. CY2022 is the period 1 January 2022 to 31 December 2022, which is the reporting period for this Statement and the basis on which AusNet’s operational spend is reported.

⁷ Operational spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

The section below outlines the impact of the overall SAQ program since commencement in late FY2020.

Table 3. Annual closed and submitted SAQ assessments

SAQ assessments submitted* and closed**		SAQ submitted*		Total submitted SAQ (since introduction of the modern slavery legislation)
FY2021	FY2022	submitted & closed	submitted only***	
115	143	30	123	411

* 'Submitted' refers to SAQ received by AusNet.
 ** 'Closed' refers to SAQ that have been submitted and additional AusNet clarification is required prior to establishment of a supplier modern slavery risk rating.
 *** '9M2022 submitted only' comprises 43 SAQ included in the 9M2022 proactive program and 80 SAQs submitted by other AusNet suppliers (including new suppliers and suppliers reviewed by other EPSA organisations). If risk rating of 'low' or 'moderate' was assessed after SAQ submission, no further action was required.
 **** In the 9M2022 program, one submitted SAQ applied to two suppliers, hence 123 SAQ submissions accounted for 124 suppliers (or 153 SAQ for 154 suppliers overall).

In previous reporting periods, manual intervention was required by AusNet to progress a supplier SAQ review to 'closed' status in the Informed 365 tool. These SAQ are reflected in the blue columns above. In the current reporting period, manual intervention was also required for 30 SAQ as we sought to further explore the supplier SAQ submission.

Advancement in the functionality of the Informed 365 tool in 9M2022 resulted in a change in baseline for SAQ submission status, with 'submitted' now an acceptable SAQ status. From 9M2022, an SAQ showing a status of 'closed' relates to an SAQ undergoing additional clarifications after initial submissions but prior to establishment of the latest modern slavery risk rating.

Figure 1. Cumulative supplier assessments since introduction of the Modern Slavery Act

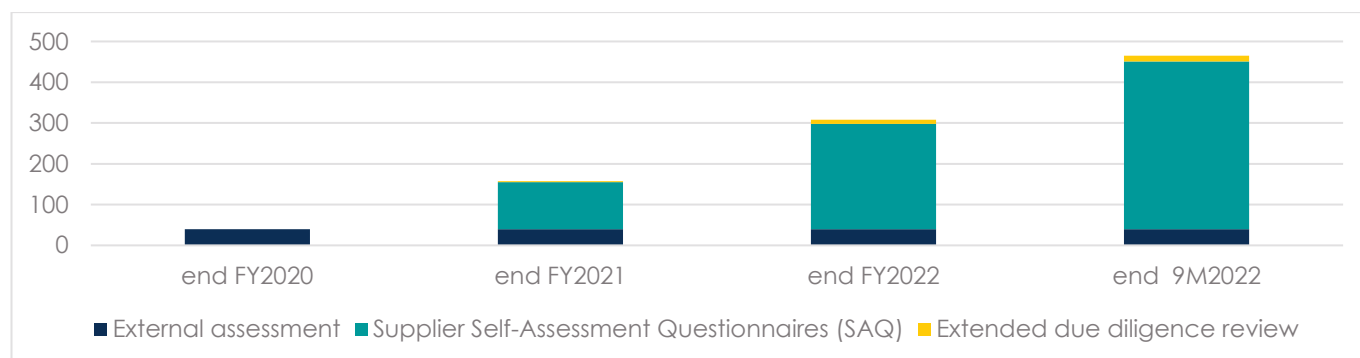


Table 4. SAQ coverage of top 100 operational* spend suppliers

SAQ assessments for top 100 spend suppliers (as at 31/12/2022)				
Number of suppliers completing the SAQ FY2022	Number of suppliers completing the SAQ 9M2022	Percentage of top 100 supplier spend FY2022	Percentage of top 100 supplier spend 9M2022	Consideration
78*	89*	92% [^]	97.33%*	* Based on 9M2022 operational spend [^] Based on FY2022 operational spend

* 'Operational' spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

An outline of the country of origin of suppliers that were reviewed in the 9M2022 SAQ program (all closed or submitted) is provided in Table 5. Australia is the most frequent country of origin, reflecting that over 96 percent of total operational spend is with suppliers based in Australia. We acknowledge that suppliers within tier two of our supply chain, and in deeper tiers, may have a country of origin that is outside of Australia. Increased inherent risk may be present in these supply chains and our challenge is to achieve visibility of these supply chains to enable assessment in future reporting periods.

Looking more closely at the 9M2022 program, the following tables outline the country of origin, category of spend, and industry alignment of the 154 SAQ respondents.

Of the assessed suppliers, country risk is generally very low to low, with two classified as high risk. Category risk is variable between low and medium for our top spend categories, while inherent industry risk for our top industries is rated as medium to high.

Table 5. Tier one country of origin of suppliers reviewed in 9M2022

Country	Number of suppliers	% of suppliers reviewed	Inherent country risk*
Australia	131	85%	Very Low
United States of America	13	8%	Low
Canada	3	2%	Low
Ireland	2	1%	Low
Switzerland	1	1%	Very Low
South Africa	1	1%	High
China	1	1%	High
New Zealand	1	1%	Very Low
Netherlands	1	1%	Very Low
TOTAL	154	100.0	

* see <http://www.globallslaveryindex.org/resources/downloads/>

Table 6. Tier one top eight spend categories of suppliers reviewed in 9M2022

Spend category	Number of suppliers	% of suppliers reviewed	Inherent category risk**
Consultancy Services - Other	25	16%	Low
Software Support & Maintenance	7	5%	Moderate
Technology Services - Professional Services	7	5%	Moderate
Metering Services Electricity	6	4%	Low
Transmission and Distribution Spares	6	4%	Low
Software as a Service (SaaS)	6	4%	Moderate
Membership & Subscription	5	3%	Low
Legal Services	4	3%	Low

** see <https://epsaonline.net/resource-hub/#whitepapers-Respecting-Human-Rights-in-Our-Supply-Chain>

Table 7. Tier one top eight reported industry subsector of suppliers reviewed in 9M2022

Industry	Number of suppliers	% of suppliers reviewed	Inherent industry risk***
Energy	32	21%	Medium
Professional Services	26	17%	Medium
Construction & Engineering	24	16%	High
Commercial & Professional Services	23	15%	High
Utilities	21	14%	Medium
Energy Equipment & Services	16	10%	Medium
Electrical Equipment	15	10%	Medium
Information Technology	15	10%	High

*** Inherent industry risk derived from 'GICS taxonomy for Modern Slavery Risk', commissioned by Informed 365, from Edge (edgeenvironment.com.au)

The 154 suppliers reviewed report alignment to 99 different industries, with the most frequently reported listed above. Of note, each supplier can report multiple industry alignments within the SAQ response.

Analysis of the completed SAQ has provided greater visibility of supplier risk, which will inform the program's next steps in relation to individual supplier assessments, and the wider AusNet modern slavery compliance program.

Case study #1: Eight types of modern slavery within the AusNet program

AusNet has taken steps to ensure that the eight types of modern slavery, as defined by the Commonwealth Guidance for Reporting Entities⁸, are individually represented in aspects of our modern slavery compliance program, including the following steps:

SAQ questions

Questions including the following are embedded into the SAQ template:

- Can employees freely resign without restriction?
- Does your organisation have contractual obligations to ensure workers are there of their own free will and the agency is prohibited from withholding recruitment fees or identification documents from your labour hire employees?
- Does your organisation retain original identification documentation (i.e. passport, licence, birth certificates)?
- Does your organisation require employees to lodge security deposits to secure work?
- Can employees freely leave accommodation lawfully without restriction or penalty?

Extended due diligence program scope

Our extended review program includes specific obligations on our suppliers to provide feedback in relation to inclusion of the eight types of modern slavery within their own policies and processes, specifically asking respondents to provide:

'identification of reference to the eight types of modern slavery outlined in the Guidance for Reporting Entities'.

Case study #2: 9M2022 scope – supplier SAQ assessments

This year, AusNet sought to broaden the scope of suppliers included in the risk assessment program, as we work through assessments of our tier one supply chain members.

Our modern slavery program scope included preliminary assessment criteria resulting in three categories for Program One.

Proactive program of assessments, consisting of:

- Very high, high or medium SAQ ratings submitted by 14 October to be clarified and CIP established by 18 December.
- All FY2022 top 100 spend suppliers to be issued SAQ and submitted by 14 October. Any clarifications/continuous improvement plans to be established by 18 December
- All overseas supplier SAQs issued by 14 October to be submitted by 18 December.

New suppliers, with focus on:

- All SAQ requested by 30 October to be submitted by 18 December
- All FY2022 new supplier SAQ backlog to be submitted by 18 December.

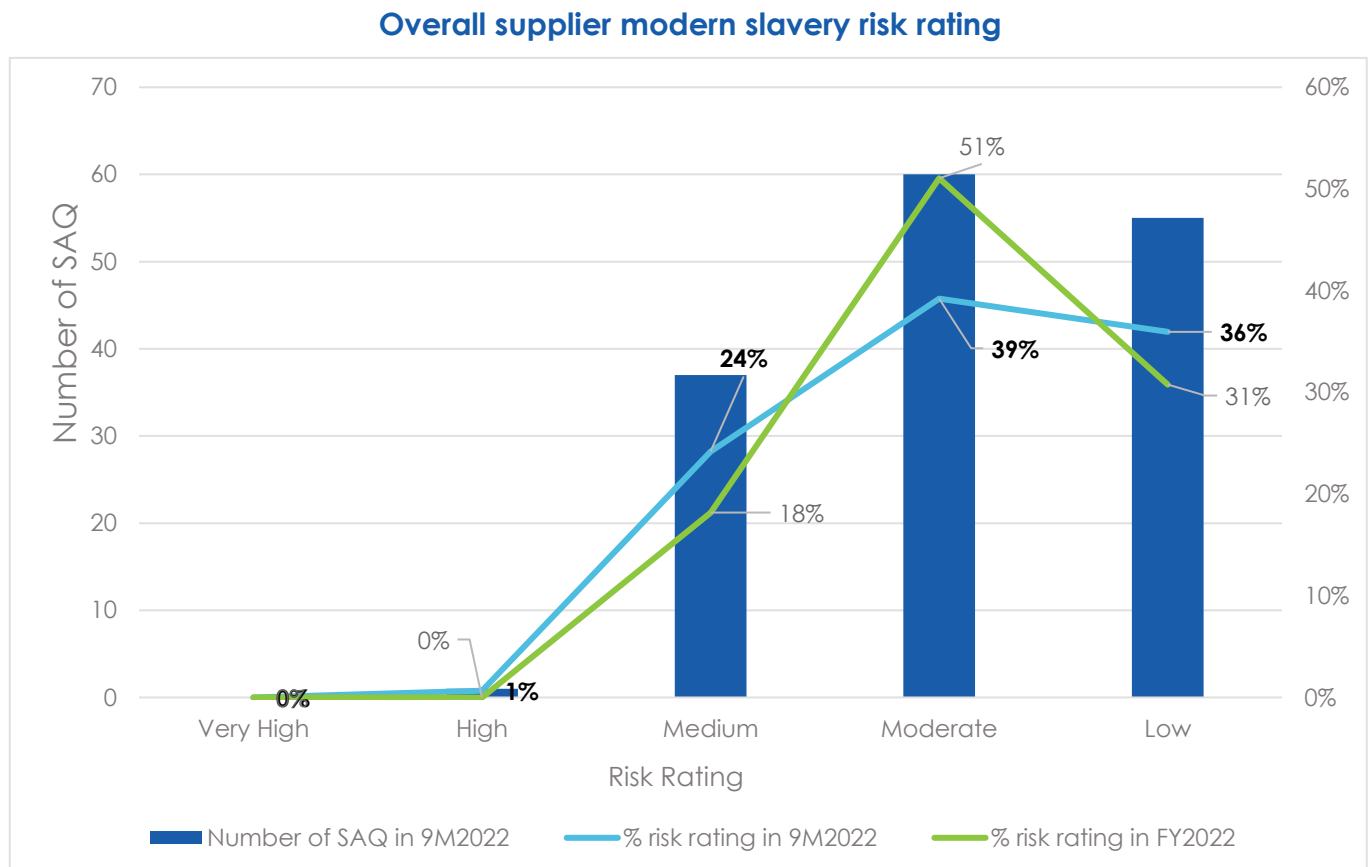
⁸ Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities [Resources/Guidance Material/Official Modern Slavery Act Guidance \(updated May 2023\)](#)

Analysis of the completed SAQ has provided greater visibility of supplier risk, which will inform the program's next steps in relation to individual supplier assessments, and the wider AusNet modern slavery compliance program.

Program One 9M2022: Overview of SAQ risk assessment results

After completion of SAQ assessments, the overall risk of modern slavery was assessed to be low to medium for the majority of suppliers, with one high and no very high ratings. See Figure 2 for FY2022 and 9M2022 assessed modern slavery risk ratings.

Figure 2. Assessed supplier modern slavery risk rating FY2022 and 9M2022



Source: FY2022 and 9M2022 supplier responses to SAQ issued through Informed 365 digital tool on behalf of AusNet.

As seen in Figure 2, this year's program returned one high-risk SAQ assessment, a higher proportion of medium and low-risk assessments, and a lower rate of moderate-risk assessments.

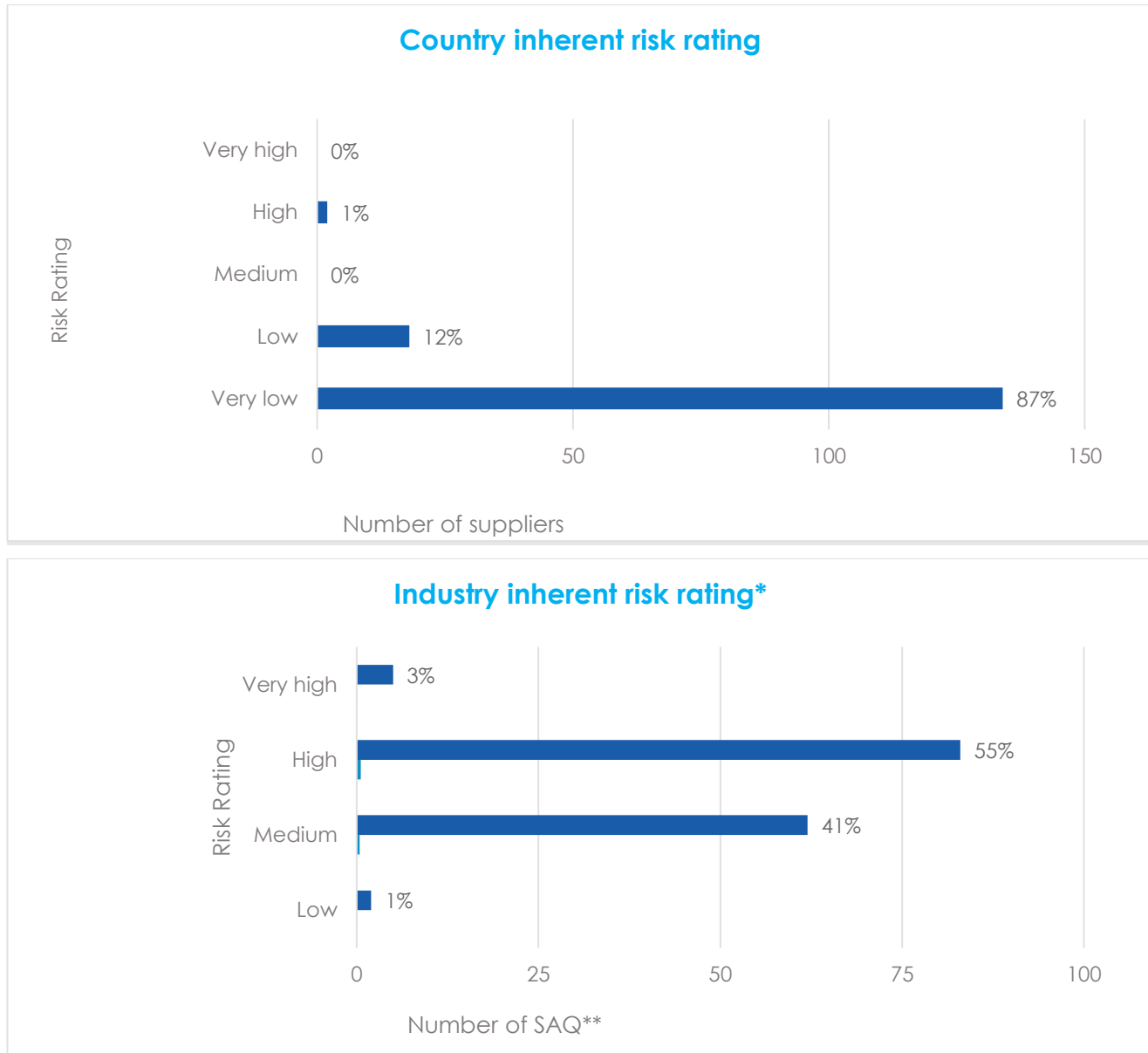
AusNet 9M2022 compliance program guidelines stipulated that suppliers with an initial modern slavery risk rating of medium, high or very high on a submitted SAQ (not reviewed) must undertake the clarification process in the current financial year, or the following year if submitted after the agreed cut-off date. Subsequently:

- **11** SAQs with an initial medium-risk rating went through the clarification process, resulting in a confirmed final medium risk rating.
- **Five** SAQs returned an initial medium-risk rating upon submission after our 9M2022 cut-off date and were subsequently added to our CY2023 clarification program.
- **One** high-risk rated SAQ and a further **21** medium-risk SAQs were submitted within the general Informed 365 tool at the request of other EPSA organisations and will be added to our CY2023 program for review.

Suppliers with any rating may be recommended for inclusion in future extended supplier due diligence reviews (Program Two), as we seek deeper supply chain visibility to modern slavery risk.

SAQ assessed in 9M2022 provided country risk and industry risk outcomes as outlined in Figure 3. AusNet's tier one suppliers operate predominantly in low-risk countries and medium to high-risk industries, with some representation by suppliers from very high-risk countries.

Figure 3. Supplier country risk⁹ for suppliers assessed in 9M2022, supplier industry risk¹⁰ for suppliers assessed in 9M2022



* Inherent risk rating is an average industry risk per supplier, given suppliers may indicate multiple industries in their submitted SAQ.

** One SAQ provided modern slavery risk rating for two suppliers.

Source: Supplier response to SAQ issued through Informed 365 digital tool on behalf of AusNet.

⁹ * <http://www.globallslaveryindex.org/resources/downloads/>

¹⁰ ** GICS taxonomy for Modern Slavery Risk commissioned by Informed 365 from Edge (edgeenvironment.com.au)

Engaging more closely with selected members of our supply chain is a key element of the AusNet modern slavery program.

Program One 9M2022 – Learnings from the SAQ risk assessment process

Assessment of supplier SAQ and subsequent engagement with our suppliers provides many insights, which inform our understanding of the potential modern slavery risk in the supply chain. The **154** supplier reviews (**153** SAQs) highlight the categories, industries and countries of origin with greatest risk, in addition to more specific risk identified through individual questions in the SAQ. Tier one assessments also provide visibility to the scale of tier two engagement by our suppliers, adding to the overall scale of supply chain visibility.

Material risk

The CY2022 SAQ assessment process identified the following potential risk:

- four suppliers out of 153 SAQs answered 'Yes' to the question 'Are you aware of any modern slavery practices in your workplace or in the workplaces of any of your suppliers, either now or in the recent past?'

Further investigation revealed:

- one supplier with a reviewed and 'closed' status SAQ detailed forced labour findings in one of their own tier three suppliers (AusNet's tier four supplier)
- a critical finding was identified in a single supplier's tier one supply chain
- two suppliers with 'submitted' status SAQ had misunderstood the question. Further investigation did not reveal evidence of modern slavery.

As with previous years' programs, there were many learnings, each of which will assist AusNet to identify areas of risk for future focus when engaging with our suppliers. A selection of these learnings are set out below.

SAQ outputs (selection)

- **94%** of suppliers (a decrease of 2% - FY2022 96%) reported that their organisation understands the basic facts around the issue of modern slavery, with a general awareness of where modern slavery may exist in their Australian and/or international supply chains.
- **62%** of suppliers (an increase of 3% - FY2022 59%) reported that their organisation has in place policies or statements which cover the topics of human rights and modern slavery.
- **48%** of suppliers (a decrease of 5% - FY2022 53%) report that they are conducting due diligence for modern slavery risks throughout their supply chain.
- **28%** of suppliers (a decrease of 8% - FY2022 36%) are currently providing education and/or awareness training on modern slavery, and a further 18% are developing modern slavery education training.
- **25%** of suppliers (identical to FY2022 25%) indicated that they had undertaken modern slavery risk assessment on their own organisation and supply chains.
- **50%** of organisations (a decrease of 2% - FY2022 52%) reported that they have a whistleblower and reporting policy and/or process.

Summary

Via the SAQ assessment process, two instances of modern slavery were identified this year in our supply chain.

While additional action was not required by AusNet, we will continue to engage with each supplier to monitor future compliance performance.

The case studies on the next page 'Debt bondage – recruitment fees' and 'Forced labour' provide additional detail.

Case Study #3:

Debt bondage – recruitment fees

The shared digital tool Informed 365 allows AusNet to view the SAQ responses received by our peer energy industry organisations, and vice versa. An SAQ response received by one of AusNet's peers, of a supplier common to both organisations, revealed an historical case of modern slavery.

In response to the question, 'Are you aware of any modern slavery practices in your workplace or in the workplaces of any of your suppliers, either now or in the recent past' the supplier advised:

“We identified one critical finding related to risks of forced labour in our supply chain in FY2020, which was a case of workers paying recruitment fees to recruitment agencies in their home countries. We worked intensively with their own supplier, as we do in each instance of a critical finding, to ensure all workers were fully reimbursed within three months of the critical finding, and the supplier improved its policies, agreements, and systems for identifying and preventing such recruitment fees.

We also worked with the supplier to improve worker awareness of the policy against recruitment fees and worker trust in the effectiveness of available grievance channels.”

This case of modern slavery in AusNet's supply chain is now visible to AusNet due to the modern slavery compliance program now in place.

Case Study #4:

Forced labour

A second supplier, with which we have a small annual spend, reported finding forced labour practices following an audit of its device hardware and packaging and shared devices factories in its supply chain. AusNet gained visibility due to the supplier SAQ response to the following questions:

- 'Please outline the instances of modern slavery that were identified.'
- 'Please elaborate on remediation efforts your company undertook.'

These non-conformances have been remediated, or are in the process of being remediated. In addition, this supplier has strengthened its onboarding process for new suppliers, as well as putting measures in place to build understanding and capability among its suppliers and employees to prevent forced labour issues. They advised AusNet that they intend to:

- further develop the risk assessment process and expand the review of suppliers to include medium-risk suppliers irrespective of spend
- review and update, as necessary, standard templates to include standard modern slavery compliance provisions and include express termination rights for breach of the Act;
- continue to roll-out standard modern slavery compliance provisions in new agreements as contracts with existing suppliers are renewed;
- set-up a mechanism for continued monitoring of any changes and developments in a supplier's business through an annual engagement.;
- undertake supplier risk assessment to (1) gain an understanding of a suppliers compliance with the Act; and (2) include an evaluation of the risk of modern slavery; and
- continue delivery of training, as needed, to appropriate staff to assist with identification of additional modern slavery risks.

In CY2023 we will follow up with the supplier to understand their progress in respect of each of these initiatives.

Program Two 9M2022 – Supplier extended due diligence reviews

As we aim to increase the level of understanding and accountability for modern slavery compliance within AusNet, we expanded the AusNet team responsible for leading our supplier extended due diligence reviews.

Four new suppliers were selected to participate in the 9M2022 program.

Categories of spend with the selected suppliers include, but are not limited to:

- electrical installation and maintenance;
- power transformers; and
- technology services.

Acting on our learnings from previous years, the scope of questioning within the 9M2022 program was expanded to include questions related to Uyghur region labour exploitation, conflict minerals, modern slavery KPIs and peer engagement. See Case study #5 for the full review scope.

At the conclusion of each review, feedback from the participating suppliers was extremely positive. There is acknowledgement of our collective obligations as members of the same supply chain to continue to improve our modern slavery programs. The due diligence reviews also support our suppliers, by providing feedback and improvement opportunities more broadly, while enhancing understanding of modern slavery risk across our industry.

By the end of the year, we had gained insights to evaluate if these suppliers were adequately identifying, assessing and addressing modern slavery risks in their operations and supply chain. This deeper understanding enhances our ability to manage potential risks via our tier one suppliers, as well as providing a forum for valuable discussion into the potential for modern slavery within our shared deeper supply chains.

With a shorter financial year for AusNet in 9M2022, four targeted suppliers were selected to participate in the due diligence reviews, providing AusNet with an opportunity to engage directly with suppliers to explore their approach to modern slavery risk, in an environment of mutual respect and collaboration.

Program Two 9M2022 – Scale of supplier extended due diligence reviews

The number of suppliers engaging with AusNet through the extended review program increased from 10 by the end of FY2022 to 14 in 9M2022 and was an integral part of our modern slavery compliance program.

Table 8. Coverage of supplier extended due diligence reviews (to 31 December 2022)

Extended due diligence reviews completed to date (as a percentage of operational spend ¹¹)		
Number of supplier reviews	Coverage based on FY2022 spend	Consideration
14 ¹²	55%	Suppliers selected for the extended program were selected in April 2022.

¹¹ Operational' spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

¹² Eight reviews completed in FY2022; two reviews completed in FY2021.

Program Two 9M2022 – Learnings from the supplier extended due diligence reviews

Program Two was a deep dive into the approach of suppliers to modern slavery risk. At the core of the *Modern Slavery Act 2018 (Cth)* is a desire to reduce harm to people, rather than undertaking a pure compliance activity. With this mindset, a further **four** reviews were completed this year with three Australian and one international supplier, each providing AusNet with insights including the following:

Material risk

- No instances of modern slavery were identified in the 9M2022 extended due diligence program, although the suppliers acknowledged the likelihood of indirect modern slavery risks.
- Our international supplier identified a number of supplier risks in their supply chain, which were subsequently assessed and addressed through a robust external audit process.

Tier two reviews

- Our suppliers generally had limited visibility of their tier two suppliers. One in four had tier two mapping activities in progress, while three in four demonstrated a lack of tier two supplier consideration. All suppliers acknowledged the challenges related to obtaining tier two visibility, and in conducting investigations into their deeper supply chain, however, recognised opportunities to undertake supply chain mapping activities in the future.

Known global modern slavery incidents

- Two of four reviewed suppliers stated they were aware of Uyghur labour activities in Chinese provinces, with one advising they were taking precautionary steps to understand any link to their organisation. They declined to provide specific details.
- Another two suppliers did not view the risk as relevant to their organisation and were subsequently advised by AusNet of the potential risk of exposure in their deeper supply chains.
- One of the four suppliers had a thorough conflict mineral report in place mentioning strong verification processes and periodic supply chain due diligence activities. Overall, increased understanding and awareness was recommended for the other three suppliers.

Contract terms related to modern slavery audits

- While direct audit of supplier compliance with the Act is not frequently reported, two of the four suppliers included audit provisions, which can be enacted at the supplier discretion, while a third supplier was considering implementation.

Supplier audits

- Existence of supplier audits is variable across organisations. External supplier audits were evidenced by our global supplier; another stated that supplier audits were conducted by their own global team, while the remaining two were developing or envisaged having their own supplier audit program.

Improving processes to identify modern slavery risk

- Through the extended due diligence reviews, two in four suppliers were taking reasonable steps to identify modern slavery risks in their supply chain, while another two identified opportunities to improve their modern slavery risk identification processes.

Human rights vs modern slavery vs existing policies

- All suppliers included wider human rights concerns within their modern slavery programs, developing stand-alone or embedded human rights policies, which include reference to modern slavery policy, and modern slavery statements, clearly outlining the expectations of their own employees and suppliers.

Engagement with industry peers

- Two out of four suppliers demonstrated active membership in global Corporate Social Responsibility coalitions, while another two were not observed to be frequently engaging with industry peers. This was highlighted as an opportunity by AusNet to these suppliers.

Tools and automation

- One supplier stated they were using a number of third-party tools, while another two were investigating process automation opportunities.

KPIs

- One supplier had their modern slavery KPIs directly tied to external audit results, while the other three were considering future implementation to provide clear goals and improvement over time.

Whistleblower processes

- Whistleblower/speak-up capabilities were observed in two out of four suppliers, while another was investigating implementation of an anonymous whistleblower hotline.

Case study #5 – Enhanced scope for supplier extended due diligence reviews

As identified in our 'Improvement Opportunities' section of last year's Statement, we sought a more targeted response from suppliers involved in the deep dive process. The question-set for this year's program sought additional depth and breadth of response from our suppliers.

See below for the ways in which greater breadth and depth were explored.

Increased review depth (increased scope in red):

1. Confirmation of current policies utilised within (A) your organisation; (B) your supply chain (tier one); **(C) your deeper supply chain (tier 2+)**; in support of your current modern slavery policies and general approach to compliance with the Act.
2. Confirmation of current processes utilised within (A) your organisation; (B) your supply chain (tier one); **(C) your deeper supply chain (tier 2+)**; in support of your current modern slavery policies and general approach to compliance with the Act.
3. Reference to the following in response to #1 & #2:
 - a. current documents and/or links to externally visible documents
 - b. identification of reference to the eight types of modern slavery outlined in the Guidance for Reporting Entities¹³
 - c. how adherence to policy/process is validated
 - d. how your policies/processes are continuously improved
4. Confirmation of education conducted within (A) your organisation; (B) your supply chain (tier 1); **(C) your deeper supply chain (tier 2+)**; in support of your modern slavery program.
 - a. Education content
 - b. Education audience
 - c. Frequency of education

Increased review breadth (questions five to eight are new scope in 9M2022):

5. Outline of modern slavery risk within: (A) your organisation; (B) your supply chain (tier one); (C) your deeper supply chain (tier 2+).
 - a. Do you seek to understand if any Uyghur region labour exploitation exists within your supply chain and, if identified, what actions are taken to remediate?
 - b. Do you seek to identify instances of unethically mined minerals (conflict minerals) within your supply chain and, if identified, what actions are taken to remediate?
 - c. Risk identified (other than those outlined in 5a and 5b)
 - d. Risk assessed (other than those outlined in 5a and 5b)
 - e. Risk addressed (other than those outlined in 5a and 5b)
 - f. Risk mitigated/remediated (other than those outlined in 5a and 5b)
6. Does your organisation set Key Performance Indicators (KPIs) in relation to modern slavery? If so, please outline and advise results in the last two years.
 - a. Outline of KPIs introduced
 - b. KPI results in the last two years
7. Do you engage with your industry peers in your approach to modern slavery compliance and human rights issues? If so, please provide an overview.
8. Any other artefacts which may assist with understanding of the general modern slavery program within your organisation and supply chain.

¹³ Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities [Resources/Guidance Material/Official Modern Slavery Act Guidance \(updated May 2023\)](#)

Improvement opportunities

An important insight from each year's modern slavery compliance program is identification of opportunities to improve in future reporting periods

Opportunities realised in 9M2022

After the 9M2022 review processes, identified improvement opportunities were actioned to increase the effectiveness of our modern slavery program, including identifying where the risk of harm to people may be in our operations and supply chains. Highlights include:

- enhancements made to the extended due diligence question-set for 9M2022 to include questions specifically related to the following:
 - awareness of Uyghur labour exploitation within their supply chain – actions taken to identify potential risk and remediate the risk, if identified
 - awareness of unethically mined minerals (conflict minerals) – actions taken to identify potential risk and remediate the risk, if identified
 - statement of any KPIs aligned to your modern slavery compliance program.

This update resulted in the discovery of two modern slavery incidents in our supply chain.

- restructure of the extended deep dive template to encourage standardised response from suppliers, to minimise back-end administration
- process efficiency due to increased use of the Informed 365 tool by our energy industry peer organisations. Utilisation of the joint digital tool ensured that a greater number of SAQ assessments were made available to AusNet which were not completed at AusNet's request and work effort
- Update of the definitions for 'submission' and 'completion' of SAQs submitted through Informed 365. With a greater understanding of the data requested from our suppliers, data submitted by our suppliers, and alignment with our EPSA peers, we could place a greater focus on SAQs returning initial moderate, high and very high-risk assessments. This allows for focus on assessment of suppliers with highest potential risk of modern slavery incidence in their organisation or supply chains
- Uplifted reporting capability achieved by developing a Power BI dashboard that is accessible by the Procurement team, and sits alongside our external digital tool, Informed 365. The dashboard integrates our SAP spend data and Ariba contract data, with the completed SAQ data from Informed 365. The tool enables automated visibility to SAQ completion rates across our supply chain from a spend and supplier perspective, informing our future strategy and priorities.

Opportunities identified in 9M2022, to be explored in CY2023:

- enhancements made to the extended due diligence question-set for CY2023 to include questions specifically related to the following:
 - Has the supplier made any updates to their policies since completion of the AusNet SAQ? If so, please indicate if your organisation incorporates modern slavery within any of the following:
 - Modern Slavery Policy
 - Human Rights Policy
 - other policy (please name).
- further exploration of expanded human rights and modern slavery considerations within AusNet policies and processes and/or consideration of development of a stand-alone Human Rights Policy or Modern Slavery Policy
- restructure of the extended deep dive template to encourage standardised response from suppliers, to minimise back-end administration
- addition of questions to the supplier extended due diligence program, seeking response on topics related to elements outlined in the 'Learnings' sections above
- direct/on-site audit of suppliers, their facilities, and their lower-tier supply chain, to gain specific insight into modern slavery risk and compliance.

Risk mitigation and remediation

This year, we continued to increase engagement with our suppliers and employees to build a greater understanding of the risks of modern slavery and related legislative requirements, in both our operations and supply chains.

Operations

Within the organisation, our continued efforts have focused on taking our employees with us on the journey of better understanding and mitigating modern slavery risks, outlining the steps we are taking to address risks and explaining the role our employees play.

Modern slavery compliance program education was delivered to three internal audiences:

- Procurement team – all new starters
- Procurement team – existing team members
- specific lines of business.

All our recruitment decisions are informed by our values and policies, including our Diversity and Inclusion Policy.

Supply chain

In recognition that the affected person (the victim) in an instance of modern slavery must be considered a stakeholder in any remediation approach, in FY2022, AusNet reviewed and updated our formal remediation process. The main updates were:

- In step 1 of the process, where possible, agree the steps to be taken to confirm that potential victims are not actively in a situation of harm.
- Within the second supplier meeting, outline the steps in a root cause analysis.
- At the conclusion of the second supplier meeting, if appropriate, ensure that the affected person(s) provide written advice that the modern slavery issue was found, and that actions were taken to resolve the issue without negative impact to the affected person(s).
- Introduction of a post-remediation review, including evaluation of KPIs aligned to the dispute resolution.

Continued emphasis of our modern slavery compliance program in 9M2022 was on supplier engagement. This was to further build our understanding of our higher risk and strategic supply chains, and to help our suppliers uplift their capabilities and programs in respect of identifying, addressing and remediating modern slavery risk.

We developed and delivered two 'Sharing our experiences' information sessions, aimed at assisting suppliers with implementation of modern slavery programs within their own organisations. This included new and existing suppliers whose SAQs were assessed as medium, high or very high-risk after submission of an SAQ.

In cases where potential risk is identified after an initial review of a completed SAQ, we engage directly with the supplier. The majority of potential risks have related to gaps in policies, immature processes, or lack of employee and deeper supply chain training.

Since AusNet began reporting, greater numbers of suppliers have identified potential modern slavery within their supply chains. In reviews conducted in the reporting period, potential risks or clarifications have been addressed and/or follow-up processes implemented.

This year, the SAQ process revealed two suppliers with modern slavery incidents, as outlined in the case studies on page (22). Remediation was not required in these instances, but AusNet will continue to engage with the suppliers in future reporting periods.

In the event that satisfactory resolution cannot be achieved via informal or formal means, alternative measures will be considered and implemented. This may result in the cessation of the supplier's relationship with AusNet.



Contractual terms to address modern slavery risk

We have a suite of standard modern slavery-focused contractual terms (Modern Slavery Terms) that are designed to drive transparency and commitment from our suppliers to identify, assess and address modern slavery risks in their operations and supply chains. Baseline Modern Slavery Terms are incorporated in our standard procurement terms and, in material or significantly negotiated purchases or other transactions, we aim to incorporate Modern Slavery Terms that are commensurate with the modern slavery risks associated with the purchase or transaction.

Our Modern Slavery Terms include obligations to:

1. commit to respecting internationally recognised human rights, treating workers and candidates with respect and dignity, and to not: a) apply any form of threat, coercion, violence (including corporal punishment) or deception to any worker or candidate; or b) discriminate against any worker or candidate on the basis of any attribute protected by any anti-discrimination law, and take steps to ensure all entities in their supply chains do the same;
2. take steps to minimise adverse human rights outcomes caused by their activities, seek to prevent or mitigate adverse human rights impacts directly, or indirectly, connected with their operations or supply chains and address any such impacts if they occur;
3. not engage in modern slavery and have appropriate training programs and policies in place to identify and address modern slavery risks in their operations and supply chains;
4. provide us appropriate information about operations, supply chains, written support programs, policies and any training or due diligence outcomes;
5. allow potential victims of modern slavery to have grievances fairly heard and addressed and, if applicable, remediated;
6. allow us to audit their training, compliance and risk programs regarding the risk of modern slavery in their operations or supply chains; and
7. notify us of any risks or instances of modern slavery and to take reasonable and appropriate, documented, steps to mitigate or remediate the risk or instance.

In the event of a breach by a supplier, we have a range of mechanisms in place to work with the supplier to remediate. Remediation activities may include dispute resolution, suspension and, if necessary, termination.

Monitoring and evaluating performance

Throughout each year, the AusNet Modern Slavery Steering Committee assesses the effectiveness of our framework and programs, drawing on internal performance evaluation measures, as well as engagement with external bodies and stakeholders.

Internal evaluation

A key measure of the effectiveness of the Modern Slavery Program during the year was the progress made in increasing the number of suppliers assessed. This equated to over **90** percent of operational spend¹⁴ suppliers being assessed by 31 December 2022 (up from **83** percent at the conclusion of the FY2022 period).

Key Performance Indicators

KPIs were again incorporated into the annual goals for a number of key resources in CY2022. Targets varied depending on the individual resource and their role. As an indication, the KPIs in Table 9 were established for relevant resources.

Table 9. 9M2022 KPI performance

KPI	Target (%)	Result (%)	Number of suppliers
Proactive program – base targets			
- Very high, high and medium SAQ submitted by 14 October to be clarified and CIP established by 18 December	100	100	6 out of 6
- All overseas supplier SAQ issued by 14 October to be submitted by 18 December	100	94	17 out of 18^^
- All FY2022 top 100 spend suppliers to be issued SAQ and submitted by 14 October. Any clarifications/CIP to be established by 18 December	100	94	16 out of 17^^^
Overall proactive program ^			
New supplier program			
- New supplier SAQ: all requested by 30 October to be submitted by 18 December.	100	92	23 out of 25 ^^^^
- Backlog of FY2022 new suppliers' SAQ to be submitted by 18 December	100	100	17 out of 17
Supplier extended deep dive reviews			
- Completion of target of supplier reviews	100	100	4

^ Suppliers in the top 100 operational spend list without a completed and reviewed SAQ, as of 1 April 2022.

^^ One supplier declined to submit.

^^^ Error in supplier name identified – correct supplier to be added to CY2023 program.

^^^^ Two suppliers declined to submit.

¹⁴ 'Operational' spend excludes spend not processed via a purchase order. Main categories include tax, network charges, rent, government levies, insurance and internal labour costs.

Monitoring and evaluating performance

Other internal evaluations

The quality of information provided by suppliers to AusNet has further improved throughout this year, as the SAQ question-set is refined and reporting capabilities are enhanced. AusNet has been instrumental in leading the process to ensure these improvements are identified, agreed with the wider EPSA group, and actioned by the owner of the digital tool.

The AusNet Modern Slavery Steering Committee oversees the development, implementation and effectiveness of the Modern Slavery Program. It is supported by stakeholders in the Procurement, Governance (including the Legal, Risk and Compliance), Strategy, People, and Sustainability teams.

The Steering Committee is accountable for identifying areas of improvement in the Modern Slavery Program, ensuring action and completion of the identified improvement, and tracking of closure of the item, in a central database.

External engagement

Energy Procurement Supply Association

AusNet is a member of the Energy Procurement Supply Association (EPSA), which is an Asia-Pacific not-for-profit association composed of energy industry procurement and supply professionals. Commencing in FY2020, AusNet has been a leading force in development and improvement of a joint digital solution to facilitate each organisation's individual modern slavery compliance programs. Meeting fortnightly throughout most of 9M2022, the 17 organisations utilising the common digital tool (Informed 365) seek to continuously improve our capabilities to identify, assess, address and mitigate any modern slavery within our supply chains.

A review of the joint program was conducted in late 2022, with all organisations asked to submit responses to questions in relation to the business-as-usual tool, and process, reporting and engagement between the EPSA members, including:

- what is working well
- what needs improvement
- suggestions for enhancement/modification/removal
- frequency of engagement
- other considerations/comments.

Positive outcomes and suggestions for improvement from the review were collated. Some of the reported positive outcomes were:

- improvements made to the overall dashboard to improve user visibility and efficiency
- level of engagement between participants is high, with increased uptake of the tool by many organisations
- following on from FY2022's review outcome, improved tier two+ visibility through the SAQ process.

Some of the suggestions for improvement were:

- over time, to consider broadening of SAQ scope to wider human rights concerns, and wider environmental, social and corporate governance (ESG) considerations
- review SAQ content for smaller suppliers
- share chairing responsibilities for meetings between representative organisations to encourage greater opportunity for shared learning from all member organisations.

External evaluation

With a wider lens, the performance of our Modern Slavery Program is monitored against industry practice and feedback, and aimed at continuous improvement including:

- feedback from suppliers;
- engagement with investors and representative groups;
- learning from, and engaging with, peers;
- building capability, including attending external industry forums; and
- researching local and international practices.

The Steering Committee was again provided with visibility to feedback received from the Monash Centre for Financial Studies (MCFS), with the release of their research brief 'Modern Slavery Statement Disclosure Quality Ratings - ASX100 Companies Update 2022'¹⁵.

This paper highlighted areas for focus and potential improvement in the delivery of the AusNet Modern Slavery Program and the way in which the program is reflected in this Statement.

While improvements in the quality of our Statements over time is acknowledged, AusNet will continue to seek external evaluation and opportunities for improvement in future reporting periods.

¹⁵ Monash Centre for Financial Studies, [Modern Slavery Disclosure Quality Ratings 2022](#)

Consultation, engagement and approval

Engagement with parties external to our organisation is sought to enhance the AusNet modern slavery compliance program, informing the delivered actions which are reflected in this Statement and endorsed by our Board.

Industry collaboration

Our progress in 9M2022 has been supported by our continued involvement with EPSA, providing regular opportunities to share insights with other energy industry procurement and supply professionals.

The shared digital tool from Informed 365 is a valuable output from this ongoing collaboration. In addition, learnings from the shared insights of the other EPSA member organisations continues to drive the continuous improvement of our own modern slavery compliance program.

Ongoing networks have been formed with suppliers through our extended due diligence process, uncovering those who share AusNet's commitment to compliance with the Act and the eradication of modern slavery in our common supply chains.

Beyond our own industry, engagement with other organisations was sought. This broader engagement also enables insights into the groups or individuals that may be impacted by modern slavery, as well as investors. In 9M2022, this included engagement with Informed 365 and Australia Border Force:

Consultation and approval

The development of this Statement, and the steps outlined, involved engagement and feedback from a broad cross-section of staff, management, executives and governing bodies of AusNet.

The development of the Modern Slavery Program has been primarily led by the central AusNet procurement function (Procurement) and overseen by the Modern Slavery Steering Committee.

The Steering Committee includes general and senior managers from Procurement and the central Sustainability, Legal, People, Compliance and Risk functions.

Procurement and the Steering Committee have engaged and been supported by subject matter experts and other relevant staff from the central Strategy and Governance business units of AusNet, as well as other staff more likely to be exposed to risks of modern slavery practices.

A number of the central executive leadership team of AusNet have also been engaged in the development of this Statement.

This Statement has been approved by the Board of Directors of each of the AusNet Reporting Entities and is signed by the Chief Executive Officer of AusNet.

COVID-19 Impacts

The COVID-19 pandemic continued to present some challenges for our communities, our people, our organisation and the broader economy. Ensuring the safety and wellbeing of our people and customers was a crucial focus during the year.

We are committed to working with our suppliers to manage any risks associated with the pandemic. Throughout 9M2022, we maintained regular feedback with our suppliers as we rolled out our modern slavery risk assessments. This included increased online and digital capabilities to adapt to social distancing and other requirements where appropriate.

In earlier years, the pandemic had a moderate impact on our ability to implement our Modern Slavery Program, stemming from reduced staff availability and working from home arrangements internally, and at our supplier workplaces. However, in 9M2022 the impact was minimal.

Looking ahead

We will continue to develop and refine our activities to mitigate the risks of modern slavery within our operations and supply chain. With minimisation of harm to people in mind, supported by a robust policy, process and training framework, we identified our key areas of focus.

Table 10. Objectives for CY2023

Area of focus	Objective for CY2023
Supplier Assessments (SAQ)	Utilise our framework to further expand assessment of our supply base
Extended supplier due diligence	Conduct next phase of supplier due diligence deep dives, assessing our suppliers' policies, procedures and education programs
Tier Two (and beyond) assessment	Explore additional opportunities to investigate modern slavery within our deeper supply chains
Employee education	Continue to provide internal education programs, considering integration of wider ESG and human rights topics
Supplier engagement	Extend and continue our supplier engagement through 'Sharing our experience' sessions
Industry engagement	Continue to work with our energy industry peers, seeking opportunities to decrease the likelihood of modern slavery within our operations and supply chain
Continuous improvement	Assess considerations for modern slavery program improvements identified in 9M2022 and, where endorsed, implement them into the CY2023 program and beyond

Whistleblower hotline

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