

Modern Slavery Statement 2021



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1. Introduction

This Statement is made by TransAlta Energy (Australia) (ACN 602 135 844) (**TEA, we, us, our**) for the financial year ending 31 December 2021 (**Reporting Period**) and sets out the actions we have taken to assess and address modern slavery risks within our operations and supply chain.

TransAlta Corporation (our Canadian parent company) and its subsidiaries are committed to honouring domestic and internationally accepted labour standards and supports the protection of human rights of all its employees, contractors, suppliers, partners, Indigenous partners, and other stakeholders. We abide by human rights and modern slavery legislation in Canada, the US and Australia. We have a zero-tolerance approach to discrimination based on age, disability, gender, race, religion, colour, national origin, political affiliation or veteran's status or any other prohibited ground as defined by human rights legislation in the jurisdictions in which we operate. We afford equal opportunities for men and women, support the right to freedom of association and the right to organize unions and bargain collectively.

2. Our structure, operations and supply chains

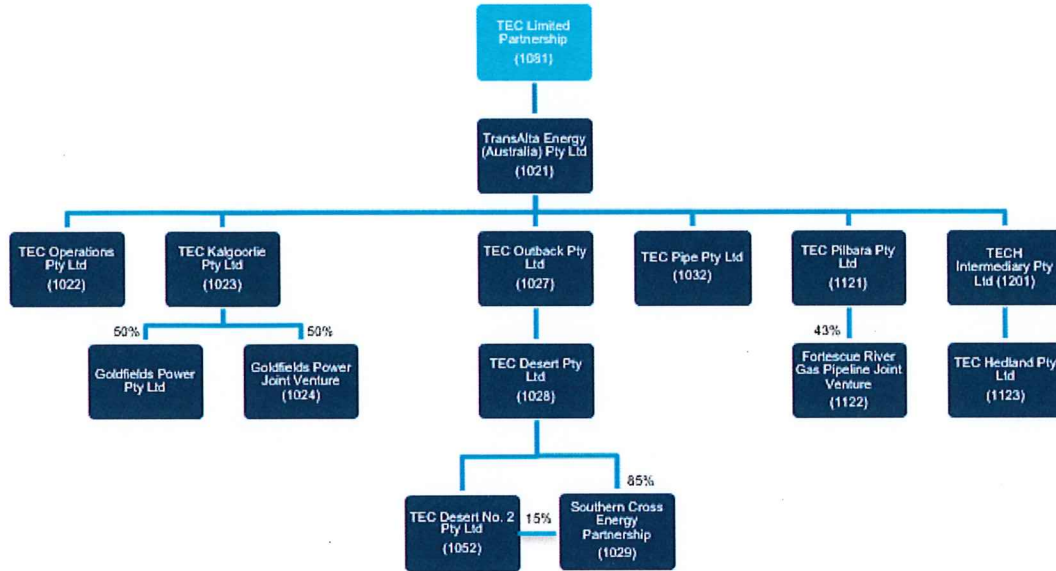
2.1 Our structure

TEA's parent company is TEC Limited Partnership, which is a Canadian entity whose ultimate parent company is TransAlta Corporation (TAC). TAC was found and incorporated in Canada and owns, operates, and develops a diverse fleet of electrical power generation assets in Canada, USA and Australia powered by solar, wind, hydro, coal, gas, and energy storage. TAC's headquarters are based in Alberta, Canada.

TEA has been operating for over 25 years in Australia, and its head office is based in Perth, Western Australia. An overview of each of our assets is provided in section 2.2 of this Statement.

Our corporate structure and joint ventures are depicted in the following diagram¹

¹TEC Pipe Pty Ltd and TEC Outback Pty Ltd are dormant entities and hold no operating assets.



2.2 Operations

TEA operates primarily in the electrical power generation industry, with smaller operations in the electrical power transmission and gas transport industries. TEA provides generation to customers across Western Australia, from facilities connected to the South West Interconnected System (SWIS), the North West Interconnected System and off-grid load customers.

We have a total of 90 employees in Western Australia across Finance, Business Development, Commercial, Engineering, EH&S, Head Office, Procurement, Operations, and IT Service lines. Of these employees, 88 are employed on a full-time basis, and 2 employees are part-time. Labour hire for skilled electrical workers is used on a temporary basis as and when required and is not part of our normal business operation. All staff are employed by TEC Operations Pty Ltd, a subsidiary of TEA.

Projects and Joint Ventures

TEA operates the following assets in Australia via the entities shown in brackets below:

- South Hedland Power Station (TEC Hedland Pty Ltd) – 150MW power station located in the Pilbara region of Western Australia. The combined-cycle natural gas generation facility is one of the most efficient plants in the region and is contracted to supply Horizon Power, the state energy utility serving residential and commercial customers in the region and Fortescue.



- Parkeston Power Station (Goldfields Power Joint Venture, TEC Kalgoorlie Pty Ltd) – 110MW power station located in the Goldfields region of Western Australia. This asset is also connected to the South West Interconnected grid and can export to the market. This asset is owned by the Goldfields Power joint venture of which TEA owns a 50% share via its subsidiary TEC Kalgoorlie Pty Ltd. The Parkeston plant has annual production of more than 433,000 megawatt hours. The plant is fueled by natural gas from the North West shelf area of Western Australia, which is delivered via the Goldfields Gas Pipeline.
- Southern Cross Energy assets (TEC Desert Pty Ltd and TEC Desert No 2 Pty Ltd trading as Southern Cross Energy Partnership) – this comprises 4 power stations totalling a capacity of 300MW located in the Goldfields region of Western Australia. The stations are located in Kambalda, Kalgoorlie, Mt Keith and Leinster. Southern Cross Energy Partnership also owns and operates transmission lines in the same region. Our Southern Cross power stations are fueled by natural gas through the Goldfields Gas Transmission Pipeline, and when gas is not available, diesel through a variety of sources.

During 2021, we announced a Northern Goldfields Solar and Battery Storage project with BHP Nickel West. This will provide BHP Nickel West with 38MW of renewable electricity with battery storage to support its mining operations in Leinster and Mt Keith. The project will lower BHP Nickel West's emissions by approximately 12%.

TEA has an interest in two joint venture entities:

- Goldfields Power JV: TEA's share is 50% and we have an agreement to operate and maintain the power station. Information in relation to the activities of this joint venture can be found on our website <https://www.transaltarenewables.com/plants-operation/parkeston/>
- Fortescue River Gas Pipeline JV: TEA's share is 43% which is owned via TEC Pilbara Pty Ltd, and our JV partner operates and maintains the pipeline. Information in relation to the activities of this joint venture can be found on our website <https://www.transaltarenewables.com/plants-operation/fortescue-river-gas-pipeline/>

2.3 Supply Chain

During the Reporting Period, TEA and its subsidiaries engaged 295 suppliers, with a total spend or commitments of \$105 million. Of this, \$40 million was for operational spend on day-to-day activities and routine maintenance and included \$8 million for major maintenance work on our turbines. This work is completed under a long-term service agreement with one vendor, and most work is completed offshore in Houston, Texas.



The balance of spend of \$66 million was for work or commitments for work on construction projects for new assets or growth and development type spend. This spend includes commitments under a number of Engineering, Procurement and Construction (EPC) contracts that were executed during the Reporting Period. The largest of this was related to the construction of the Northern Goldfields Solar and Battery Storage project. Total construction capital for this project is estimated to be between \$69 to \$73 million. Work was undertaken during the tender process to assess the modern slavery risks in our EC's contractors supply chain. TEA is in a growth phase, and we have now amended all our future tender documentation to ensure we are incorporating modern slavery expectations in our agreements and contracts with suppliers.

Case Study: Managing the risks in construction projects

TEA has engaged the use of Engineering, Procurement and Construction contracts to manage large construction projects. In our recent project to build a solar farm there were specific parts required for solar panels and battery components where the manufacture of these items may take place in areas of increased risk for modern slavery practices.

In recognition of the risk profile, we conducted due diligence reviews with our EPC Contractor and identified mitigation areas for improvement. This work has informed future guidelines for our tender process for this type of works.

Additionally, the work on modern slavery in our Australian operations has fostered early conversations and considerations to occur internally relative to the balance of our business units globally thereby affording TransAlta increased awareness of modern slavery reporting obligations due to be brought in for North America.

All other work is generally completed on an adhoc basis. We have preferred suppliers for certain types of goods and services, who are engaged as required according to business needs. During the Reporting Period we engaged suppliers from the following categories;

- Accommodation
- Cleaning services
- Cleaning supplies
- Communications



- Computer hardware/software
- Consumables
- Contractors (which includes specialised trades such as High Voltage technicians and electrical qualified contractors as well as engineering and other professional contractors such as lawyers and tax/accounting advisors)
- Engineering
- Engineering, Procurement and Construction
- Air freight
- Fuel/Oil/Gas
- Insurance
- Labour hire (which includes specialised trades such as High voltage technicians or electrical qualified workers)
- Office supplies
- Parts and equipment
- Professional services
- Recruitment
- Security
- Training
- Waster services

Our suppliers are based in Australia, Canada, England, Germany, Netherlands and the United States of America. We appreciate, however, that some of these suppliers may be supplying goods that originated from other jurisdictions. On this, our Supply Chain team does endeavour to understand our vendor partner's upstream providers where possible.

3. Modern slavery risks in our operations and supply chains

3.1 In our operations

We consider modern slavery risk occurring within our operations to be low for the following reasons:

- All site operational staff are hired in accordance with an enterprise agreement
- All other staff are hired on common law contracts
- Our parent company in Canada manages the remuneration process for the global company. In doing so, all roles are benchmarked against a number of different remuneration surveys. For the operational staff their remuneration is required to satisfy the BOOT test.
- Remuneration for contract-based staff in Australia is above minimum wage and is based on market-based rates
- During the onboarding process checks are undertaken in relation to the rights to work and whether they are choosing to work of their own free will
- All staff are free to join a trade union or other association

3.2 In our joint ventures

We are satisfied with the processes and practices in relation to modern slavery that the Manager of the Fortescue River Gas Pipeline Joint Venture has put in place. Specific risks in relation to modern slavery within our joint venture have not been flagged with us during the consultation process and we are satisfied that our joint venture manager has implemented adequate processes to assess and address modern slavery risks within the operations and supply chain of the Fortescue River Gas Pipeline.

As Manager of the Goldfields Power Joint Venture this has been included in our assessment of risk in this Statement

3.3 In our supply chain

Like many entities in operating within the energy sector, the salient modern slavery risks are likely to exist in our supply chain. In applying the United Nations Guiding Principles on Business and Human Rights (UNGP), we consider our main exposure to modern slavery to exist beyond the second tier of our third-party relationships, rather than any direct causal impacts or contributory actions of our business.

We recognise that modern slavery risks are likely to exist in our supply chain and those of our owned or controlled entities, particularly in relation to the following higher risk sectors and products:

- Labour hire for base-skilled roles
- Cleaning services
- Computer and telecommunications hardware
- Safety equipment and work wear
- Fuel, oil and gas
- Industrial / electrical consumables
- Electronics
- Network equipment

Certain manufacturing regions and materials carry higher risk of modern slavery by virtue of the prevalence of modern slavery in particular countries. We recognise that a large number of our direct suppliers are likely to rely on global supply chains for the provision of goods and/or services provided to us which makes it challenging for us to have visibility across our supply chain beyond the first tier.

We also recognise that modern slavery risks become acute, irrespective of country risk, where:

- There is widespread utilisation of vulnerable worker groups such as itinerant workers, migrant workers, prison workers, workers from minority ethnic groups and displaced workers;
- There are opaque contracting arrangements for the provision of sub-contracted workers

- Migrant workers are charged recruitment fees by agencies and/or have their original passports or other forms of personal identification retained, subjecting them to situations of debt bondage; and
- There are short time leads and pricing pressures on contractors and subcontractors

Insight: Modern Slavery Questionnaire

TEA now includes a Modern Slavery Questionnaire as part of vendor onboarding. One insight from the review of the responses was that a large number of new suppliers already had policies in place and/or had Modern Slavery Statements in other global jurisdictions. This has enabled us to assess the maturity of our suppliers in their abilities to assess and address modern slavery risks in their operations and supply chains and identify the suppliers that require further due diligence.

4. Actions taken to assess and address modern slavery risks

4.1 In our operations

During 2021, we continued to implement our Human Rights and Discrimination Policy, a global policy that communicates our commitment to human rights in our operations and supply chain. The policy states that TransAlta will ensure that its personnel policies and practices in its operations around the world will respect the following fundamental rights:

- the right to a healthy and safe work place;
- the right to non-discrimination in the work place;
- the right to be free from cruel and unusual disciplinary practices;
- the prohibition of exploitative child labour; and
- the prohibition of forced labour and the avoidance of products produced by such labour.

During the Reporting Period we rolled out Modern Slavery training to all our staff to educate and ensure they are aware of potential risks of modern slavery within our supply chain. This training was mandatory for all staff.



Our Corporate Code of Conduct sets out the expected behaviour of all our employees. We are committed to creating a work environment where all employees feel safe and are valued for the diversity they bring to our business. We do not tolerate discrimination or harassment and are committed to honouring domestic and internationally accepted labour standards and support the protection of human rights. In 2021, we launched mandatory Code of Conduct training for employees to complete before signing the Code of Conduct. The training completion rate was 100 per cent.

4.2 In our supply chain

During this Reporting Period, TEA implemented a Supplier Code of Conduct that defines the principles and standards expected of suppliers, their employees and contractors in connection with the provision of good and/or services to TransAlta.

A link to the Supplier Code of Conduct is published on our website and is accessible here;

<https://testtransaltapublic.azureedge.net/wp-content/uploads/2022/06/Supplier-Code-of-Conduct-approved-2021-11-02.pdf>

Our Supplier Code of Conduct provides a declaration of expectations both internally and externally for our vendor community and those that manage such relationships with regard to modern slavery and human rights. Expectations in this Supplier Code of Conduct cover the following topics:

1. Health and Safety
2. Labour Issues and Human Rights
3. Environmental Leadership
4. Stakeholders and Society
5. Ethical Business Conduct
6. Conflicts of Interest
7. Engagement with External Parties
8. Raising a Concern

The Supplier Code of Conduct requires formal acknowledgement from our Suppliers prior to being engaged. Additionally, our Terms and Conditions have been strengthened to reference the Supplier Code of Conduct and strengthened the expectations around modern slavery and human rights in supply chains in our market sourcing events ('tendering process').

We have also improved our information gathering from new Suppliers. We require all new Suppliers to complete a Modern Slavery Questionnaire which assists us to gather additional information around their policies and practices to mitigate modern slavery risks in their workplace and supply chains. We recognise the need to continue to strengthen our procurement processes in order to incorporate modern slavery considerations and we will be looking for ways to engage further with our suppliers as a result of the data provided.

4.3 Approach to remediation

Our Whistleblower Policy provides a mechanism for our employees, officers, directors and contractors to report, amongst other things, any actual or suspected ethical or legal violations.

Our Supplier Code of Conduct also sets out the details for the Ethics Helpline which can be used by suppliers to raise concerns. The Helpline can be accessed by [calling 1-800-399-9276 \(Australia\)](tel:1-800-399-9276) or via internet: <http://transalta.ethicspoint.com>.

TEA had no reports of actual or suspected instances of modern slavery during the Reporting Period. However, if we considered that TransAlta had caused or contributed to modern slavery, we would seek to remedy the impact promptly, ensuring the safety and wellbeing of the victim(s) as priority and investigating the circumstances in order to establish a corrective action plan in collaboration with the relevant individuals and stakeholders.

If an issue relating to modern slavery is identified in the business of our supplier, our approach will be to use our leverage and work with the supplier to prepare a corrective action plan and resolve the matter appropriately.

5. Assessing the effectiveness of our actions

The Board of TEA has overall responsibility for the strategy around modern slavery. They are updated periodically on TEA's progress against our deliverables.

In our first modern slavery statement, we aimed to assess the effectiveness of our actions going forward by reference to the following goals to be achieved during 2021:

- roll out a Supplier Code of Conduct
- update our Australian terms and conditions and vendor onboarding process
- provide training to staff on modern slavery and changes to the procurement process

We achieved the above, with the exception of the implementation of the vendor onboarding process which remains in testing stage, but we plan to roll out the Integrated Procurement System (IPS) in the next reporting period.

During the course of our next reporting period, we will seek to further review the data provided as part of the modern slavery questionnaires and start to analyse this in further detail. We will:

- seek to increase the completion rate of our Modern Slavery Questionnaire. The information gathered is important to assist us with taking a risk-based approach to mitigating modern slavery risks in our supply chain



- utilize our newly created Integrated Procurement System (IPS), TAPS which is currently in testing, to Vendor Onboarding Process conformance and as an information storage repository where Questionnaire responses and Supplier Code of Conduct Acknowledgements will be retained, and responses evaluated
- actively seek to understand the upstream sourcing of materials, equipment and services of our key vendor partners for both growth and operations

6. Other relevant information

During 2021 we saw an increase in our suppliers requesting payment upfront or following up on outstanding invoices more frequently. We have accommodated these requests wherever possible and have increased the number of payments per month to suppliers to ensure our smaller suppliers are being paid in a timely manner. We understand that by doing so, we may have helped to protect vulnerable workers in the operations and global supply chains of our vendors from the impacts of COVID-19.

7. Consultation and Approval

TEA and its subsidiaries share a common, set of policies and procedures and are managed by the same Managing Director and Leadership Team in Australia. This Statement was prepared in consultation, with a team of key stakeholders from across the business to review and compile the Statement. Accordingly, this Statement was prepared in consultation with TEA's owned or controlled entities.

This Statement was approved by the Board of Directors of TransAlta Energy Australia on 24th June 2022.

Signed by

Name

Kelvin Koay

Title

Vice President, Australia

Annexure - Reporting criteria

Reporting criteria	Page
1 & 2. Identify the reporting entity and describe its structure, operations, and supply chains	2 - 6
3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls	7 - 9
4. Describe the actions taken by the reporting entity and any entities that the reporting entity owns or controls to assess and address these risks, including due diligence and remediation processes	9 - 11
5. Describe how the reporting entity assesses the effectiveness of actions being taken to assess and address modern slavery risks	11 - 12
6. Describe the process of consultation with any entities the reporting entity owns or controls	12
7. Any other relevant information	12