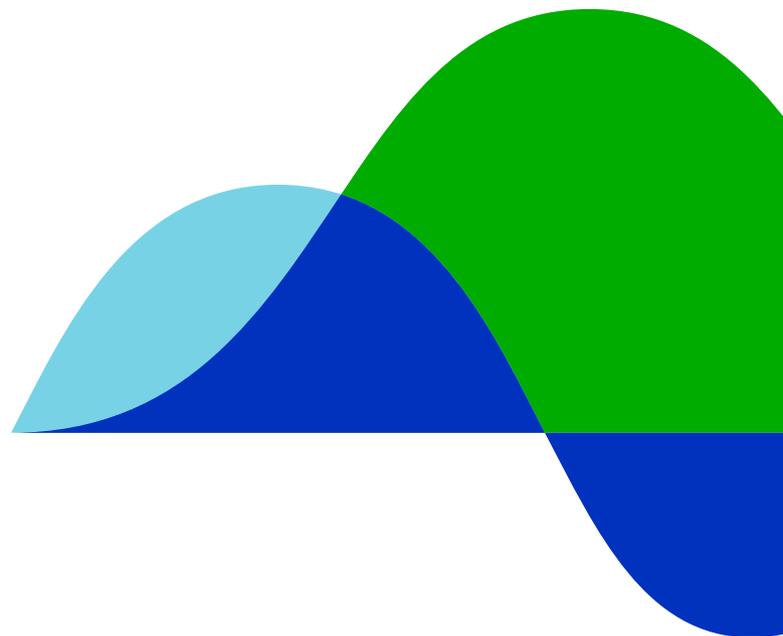


Modern Slavery Statement

**FOR THE REPORTING PERIOD 1 JULY
2020 – 30 JUNE 2021**
DECEMBER 2021



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Context

The Modern Slavery Act 2018 (Commonwealth) came into force on 1 January 2019. It requires Australian entities with a minimum consolidated revenue of \$100 million to report on the risk of modern slavery in its operations and supply chain and the steps it is taking to respond to the risks identified.

This is the second annual statement by Yarra Valley Water (YVW) as required under the Modern Slavery Act. It details the actions we've taken to understand and address modern slavery risks in our business, operations and supply chain in the 2020-21 reporting year.

YVW's modern slavery statement has been reviewed and approved by the Board and signed by the Chair prior to publication.

Our Stand

Modern slavery covers situations where threats, coercion or deception are used to exploit victims and undermine or deprive them of their freedom through practices including human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, serious exploitation of children and child labour.

YVW recognises that modern slavery practices are a serious violation of human rights and we do not tolerate any form of modern slavery in our business or supply chain. We believe all workers should be treated with dignity and respect and recognise each person's rights to freedom, justice and fair work conditions.

About Us

YVW is a statutory corporation, incorporated under the *Water Act 1989*, and our activities are overseen by an independent Board of Directors appointed by the Minister for Water in consultation with the Treasurer. Our obligations regarding the performance of our functions and the exercise of our statutory powers are defined in the Statement of Obligations, issued by the Minister for Water in accordance with Section 41(2) of the *Water Industry Act 1994*. We are subject to economic regulation by the Essential Services Commission and make dividend and equivalent income tax payments to the Victorian Government.

We are the largest of Melbourne's three water corporations, covering most of Melbourne's northern and eastern suburbs from Wallan in the north to Warburton in the east. Our service area covers 4000 square kilometres and our network consists of around 20,300 kilometres of water and sewer mains. We manage over \$5.4 billion of infrastructure and assets.

We provide clean water to the people and businesses of Melbourne and take their sewage away. We service two million people, or approximately 30 per cent of the state's population, and more than 59,000 businesses rely on our water and sanitation services. We remove and treat sewage, most of which is transferred to Melbourne Water's treatment plants. The rest is treated at our 10 regional plants, where we also recycle water for use in homes, sports fields and public spaces.

We serve a culturally diverse population that is expected to grow in excess of 500,000 people in the next 20 years. 28% of people in our region speak a language other than English. Greek is the most widely spoken language among our customers followed by Italian, Mandarin, Cantonese and Arabic.

802 people were employed at YVW as at June 2021, most at our head office in Mitcham (with remote working implemented since March 2020) and a small number working in the field or at our sewage treatment plants.

YVW's ABN is 93 066 902 501 and the head office is located at Lucknow Street, Mitcham, Victoria, 3132. YVW does not control any other businesses.

Structure, Operations and Supply Chain

YVW's Board of Directors is responsible for setting the strategic direction, establishing goals for management and monitoring their achievement and the performance of the business.

The Executive Team manage the day-to-day operations of the business in seven groups covering a range of areas including:

Retail Services – meter reading, billing management, debt collection, Customer Contact Centre operations, commercial and development services and support programs for customers in financial difficulty.

Distribution Services – water, recycled water and sewerage infrastructure, optimisation of existing infrastructure networks, maintenance and renewal of infrastructure and long-term asset planning.

Growth Futures - provision of water and sewerage services to new customers, partnering with the community to develop urban water futures, new infrastructure to service growth and delivery of major upgrade projects for existing infrastructure.

Strategy and Community – long-term strategy development, water industry strategy, business planning, pricing and economic regulation, corporate sustainability, strategic research, marketing and customer programs, community inclusion and engagement, communication and stakeholder engagement.

Service Futures – enabling the transformation of our core services for retail and distribution services to improve productivity and customer experience, implementation of new technologies and innovations and management of information technology systems.

People Performance and Culture – human resources strategy for the business, including workplace planning, organisational culture, capability development, safety, diversity, recruitment, succession planning and performance management.

Finance and Corporate Services - business management reporting, statutory accounting, financial planning, treasury, taxation, statutory compliance, governance, insurance, risk management, auditing, payroll, procurement, property management, legal and corporate secretarial services.

Partner companies deliver many of our services through outsourcing arrangements for activities including construction, maintenance, meter installation, meter reading, laboratory services and legal services. We have a mixture of long term and short-term contracts with all arrangements supported by signed contracts managed through a procure to pay system which ensures strong governance and compliance for all procurement activities.

Our procurement system helps identify, manage and mitigate risk within our supply chains through the establishment of effective end to end processes which are structured and ensure compliance with government regulations, strong document management for all contracts which support audits and other important procurement information (e.g. insurances).

Our procurement objective is to purchase goods, works and services at competitive prices which provide the best value for money for YVW and our customers. We have purchasing and contracting principles which cover key areas protecting against modern slavery including integrity, ethical standards, good governance, high standards of probity, delivery of social and sustainable value and YVW policies including fraud and corruption, risk management, safety and wellbeing, conflict of interest, gifts, benefits and hospitality and privacy.

All staff and contractors undertaking procurement and contract management must comply with our policies and requirements and Victorian Government directions including:

- Occupational Health and Safety Act (2004) and Regulation (2017)
- Quality Standards
- Supplier Code of Practice and Conduct
- Social Procurement Strategy
- Reconciliation Action Plan
- Financial Inclusion Action Plan
- Ministerial Directions for Public Construction Procurement
- Local Jobs First
- Victorian Government Purchasing Board policies

Identified Risks of Modern Slavery Practices in YVW's Operations and Supply Chain

Background

The VicWater Social Procurement Working Group (SPWG) was developed with the objective of achieving social outcomes through collaboration and collective purchasing power. YVW has been an active member of the SPWG since its inception in 2016-17. The SPWG is comprised of representatives from Victoria's 18 water corporations, with a focus on sharing information, promoting consistency in policy and processes, and supporting strategic approaches in supply chain analysis. The SPWG established and published Terms of Reference to ensure consistency in understanding and set a strong foundation for the development and progression of their program of work. Through the SPWG, VicWater members have been able to jointly fund third party support to this program with specialist guidance and advice.

The ambition behind the creation of the SPWG was for Victorian water corporations to take an industry-leading position in managing environmental, social and economic issues and opportunities within their supply chains. Modern slavery risk is among the social sustainability issues the SPWG have sought to understand and manage effectively. With sustainability issues recognised as particularly important, and common across Victorian water corporations, a collaborative approach to their management was adopted. As members of VicWater, YVW leveraged this platform with the objective of building shared understanding of sustainability issues and opportunities, practices to address the issues that were fit for purpose and consistency in their application across the industry. The introduction of the Commonwealth's Modern Slavery Act 2018 and of Victorian Social Procurement Framework confirmed the appropriateness of this approach to expedite and inform effective actions.

The SPWG has held regular meetings since its inception and in 2018-19 commenced an ongoing program of work to identify and address human rights with a focus on labour rights risks and opportunities in the supply chains of Victorian water corporations. YVW has actively participated in all activities undertaken by the SPWG.

Supply Chain Risk and Opportunity Assessment

The main activity of the SPWG was to conduct a supply chain risk and opportunity assessment which was completed in 2018-19. It was designed to assess the categories of procurement spend of Victorian water corporations for sustainability risks and opportunities, including human rights. Forty-one categories of product and services covering the typical procurement spend of water corporations were assessed and structured into six portfolios:

1. Asset Maintenance portfolio: Operations and maintenance of facilities including cleaning and gardening

2. Construction portfolio: Construction labour (minor and major projects) and offshore engineering services
3. Corporate portfolio: Temporary staff, labour hire and traineeship programs and security
4. Customer portfolio: Debt collection services and customer research services
5. Equipment and Material portfolio: Mechanical and electrical equipment and chemical products
6. Information Technology Consulting portfolio: Offshore IT Services

To ensure consistency with existing management systems, a heat map tool was developed to align with a typical risk assessment framework in the Victorian Water Industry. The tool also aligned with AS ISO20400: 2018 (Sustainable Procurement – Guidance) primarily in relation to the guidelines on how to assess and prioritise risks to people in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP).

By using the heat map tool to assess these portfolios for sustainability risks and opportunities, we sought to understand the hotspots (greater likelihood of sustainability issues) within their supply chains. Whilst the SPWG completed the assessment of these six portfolios collectively, the tool was designed to be reused by individual water corporations as required.

Heat maps, risk scores and commentary were completed which identified human rights risks across the six portfolios. Of these categories, offshore engineering and cleaning services presented high human rights risk, including modern slavery, and were prioritised for the development of a mitigation strategy.

Actions Taken to Address Modern Slavery Risks

Supplier Code of Practice

In 2017-18 YVW was instrumental in leading the SPWG with developing a Supplier Code of Practice (SCoP). This activity involved close collaboration with internal stakeholders across the participating water corporations to ensure it reflected their expectations. The SCoP reflects a commitment to working with suppliers to educate, identify and mitigate negative impacts and enhance positive social and environmental impacts of our activities. It contains a consolidated set of minimum and aspirational expectations and standards for suppliers regarding their workforce and wellbeing and other areas including environment, business integrity, family violence, gender diversity, reconciliation, disability support and customer.

The SCoP is an important tool in creating clear alignment and understanding between our business and our supply chain. It is incorporated into the YVW procurement process for all contracts over \$500,000. In tenders for contracts over \$500,000 per annum, we also request bidders to self-assess against the code by responding to a detailed questionnaire, which makes up a mandatory 5% of the tender evaluation.

Anti-Modern Slavery Capability Building

In order to effectively address modern slavery risks we must build capability of the individuals involved in making procurement decisions and managing relationships with suppliers. To understand the Modern Slavery Act and its intent, the SPWG facilitated with a third-party specialist - KPMG Banarra, a webinar to provide fundamental awareness of human rights, the Modern Slavery Act, business drivers to manage modern slavery risks and typical practices in relevant industries.

In 2019-20, 23 representatives from 12 Victorian water corporations attended the webinar, including three from YVW. Following this webinar, a full day interactive action planning workshop was facilitated by the third-party specialist to support Victorian water corporations to develop a draft action plan responding to the intent of the Modern Slavery Act.

Human Rights Category Strategy Workshops

In 2020-21, following the sustainability risk assessment of the typical categories of procurement spend, the categories prioritised to develop a human rights risk management strategy were cleaning services and offshore engineering services. A dedicated workshop was co-facilitated with KPMG Banarra for each category. These workshops involved an analysis of each category, in line with ISO 20400 - human rights risks, supply market dynamics, internal stakeholder and cost considerations to enable a fit-for-purpose strategy to be developed to collectively address human rights issues with these areas. YVW representatives attended the cleaning services and offshore engineering workshops.

VicWater Anti-Modern Slavery Procurement Toolkit

Early in 2021, the SPWG commenced Phase Three of its Sustainable Procurement Initiative. Along with thirteen VicWater members supported by KPMG Banarra, YVW participated in this Phase, focusing on the development and piloting of the Victorian Water industry's Procurement Toolkit containing resources such as; training materials, supplier education materials, questionnaires, improvement guidance and compliance checklist which are adaptable to each water corporation's context to support them with:

- identifying labour rights risk, including modern slavery;
- engaging with suppliers to understand their residual labour rights risk; and
- managing the supplier relationship to ensure that labour rights are respected.

YVW Tender for Engineering Services Partnership

In September 2020, we issued a selective Request for Tenders to a shortlist of Engineering firms selected as a result of an open Expression of Interest for the provision of engineering services over a five-year program of assets construction for YVW. After our 2019 RFT for the provision of cleaning services, this was the second YVW tender where the question of modern slavery was specifically addressed. Tenderers were required to complete a dedicated Modern Slavery Schedule – derived from the Vic Water Procurement Toolkit - with 26 questions covering the bidding company in Australia, as well as any parent/sister/subsidiary company in Australia or overseas that may provide all or part of the design services covered in the RFT. These questions addressed workforce management (employment conditions, employee

relations) as well as supplier management and grievance and remediation. YVW assessment of the modern slavery risk mitigation strategies and actions described in the responses to these questions enabled an overall residual risk rating to be set at “Low” for all bidders.

YVW Tender for cleaning services

In November 2019 we issued a Tender to procure cleaning services in which we included 5% weighted criteria in the evaluation scoring, for the tenderers to demonstrate how modern slavery is prevented and human rights are assured within the organisation and through its supply chain. Although this was before the workshops and development of the VicWater Procurement Toolkit we believe we have adequately mitigated the risk.

Effectiveness of Actions

Community of Practice – Continuous Improvement

The establishment of the SPWG as a community of practice has enabled increased transparency and knowledge-sharing between Victorian water corporations. By collectively identifying and addressing common sustainability issues, including human rights, and working together to capture opportunities, we are more rapidly able to determine actions to achieve desired outcomes, and share the lessons learned. Bringing Victorian water corporations together introduces a level of accountability to contribute to the progress of initiatives, which sets us up for a culture of continuous improvement. The SPWG has worked since its inception to develop and implement a collaborative, ongoing program of work with the ambition to take an industry-leading position in how it responsibly manages its operations and supply chains.

The SPWG has used third party specialists to support the development of its work program, develop risk assessment tools, co-design and facilitate category strategy development workshops and modern slavery capability building workshops. By seeking external guidance and insight, we’ve been challenged and better understand how we can address modern slavery and identify improvement opportunities.

Having achieved the delivery of its Modern slavery Procurement toolkit, the SPWG will continue under a different name: the Water Industry Social Value in Procurement Steering Group (WISVPWG). This VicWater group will meet quarterly and aim at overseeing the implementation of the procurement tool that addresses modern slavery, advocating for the industry’s supply code of conduct, extending its scope to include construction procurement, and creating an industry repository with standard specifications and other tools for member access on the VicWater website.

Coronavirus (COVID-19)

Payment Terms

We recognise that, following 2019-20, the financial year 2020-21 has been another challenging year for many businesses and suppliers due to the economic impacts of the Victorian Government response to the coronavirus (COVID-19). They have consistently reported cash-flow as the most important issue they are facing. Certainty of cash flow is critically important for businesses to recover from the effects of COVID-19 and to help ensure payments to their employees continue in a timely manner.

YVW has adopted the Victorian Government's Fair Payment Policy, implemented from 1 January 2021, with a commitment to pay all small business supplier invoices within 10 business days, for all new contracts under \$3 million. YVW has extended this policy to all contracts irrespective of their value.

Next Steps

Over the next year, our focus will be on fully embedding the VicWater Procurement Toolkit within our Procurement System in order to systematise our modern slavery risk management approaches and strategies.

We will continue to focus on ensuring suppliers comply with modern slavery requirements, building our own knowledge through active engagement with the Water Industry Social Value in Procurement Working Group and our suppliers and providing training for YVW employees.

Work in this area will also be considered in the context of our 2030 Strategy with a focus on the community. Through engagement and inclusive design, we strive for community inclusion, health, wellness and prosperity. At YVW we intend to continually assess and respond to modern slavery risks, and ensure we have appropriate risk identification, assessment and mitigation. Areas for consideration will include:

- Ensuring our risk registers appropriately cover the risk of YVW breaching modern slavery legislation, including potential triggers and resulting consequence and mitigating controls.
- Updating relevant strategies, policies, codes of conduct and business rules as required.
- Implementing within our Procurement and Contract Governance system and workflows the tools provided in the VicWater toolkit, to allow people within the business and in our supply chain to effectively mitigate and manage modern slavery risks.
- Training staff on our modern slavery obligations.

We recognise that the implementation of a modern slavery focus across the supply chain is complex and requires considerable time and effort. We understand the importance of transparency of our approach and that this is a journey, and we expect to learn and improve over time. We need to continually set our requirements clearly to our supply chain and ensure connection with our procurement policy and practices.

Finally, we are committed to making changes to address any risk areas identified and will be actively working with industry and external experts to learn from and share our experiences and approach.

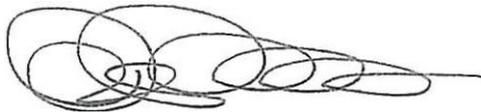
Approval

As the representative of Yarra Valley Water, I confirm that the Yarra Valley Water Board has reviewed the Yarra Valley Water Modern Slavery Statement for the reporting period of 1 July 2020 to 30 June 2021.

As set out in the Statement, Yarra Valley Water has responded to and met the mandatory reporting criteria and commits to continual improvement in keeping with the Modern Slavery Act 2018.

Approved by Yarra Valley Water Board of Directors on 9 December 2021.

Signed

A handwritten signature in black ink, appearing to read 'Sue O'Connor', with a long horizontal flourish extending to the right.

Sue O'Connor

Chair

Yarra Valley Water