

# Modern Slavery Statement 2021



This statement covers Essential Energy's ongoing commitment towards eradicating slavery from our supply chain and the communities we serve.

Reporting period: 2020-21



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## Modern Slavery Statement 2021

### Introduction

This is the second Modern Slavery Statement produced by Essential Energy in compliance with the *Modern Slavery Act 2018 (Cth)* (the Act). It sets out the continuous improvement actions taken by Essential Energy to address modern slavery and human trafficking risks in our organisation and supply chain for the financial year ending 30 June 2021.

Essential Energy is committed to maintaining and improving systems and processes to avoid complicity in modern slavery or human rights violations related to our own operations, our supply chain, and our services. We understand that modern slavery can occur in many forms, such as forced labour, child labour, domestic servitude, sex trafficking, workplace abuse and human trafficking. In this statement, the terms “modern slavery” and “slavery and human trafficking” encompass these various forms of coerced labour.

Essential Energy does not tolerate any forms of slavery and human trafficking in our business and supply chain.

*Each section of this statement includes relevant italicised extracts from Section 16 of the Act (Mandatory criteria for modern slavery statements) for the purpose of demonstrating mandatory reporting compliance.*



### Acknowledgement of Country

The lands on which Essential Energy operates is country for 29 First Nations. We acknowledge the Traditional Custodians of these lands and their continuing connection to land, water and community, and pay our respects to ancestors and Elders, past, present and emerging.

### About Essential Energy

In this section, the following requirements of Section 16 of the Act are addressed:

- (a) identify the reporting entity; and
- (b) describe the structure, operations and supply chains of the reporting entity; and
- (f) describe the process of consultation with:
  - (i) any entities that the reporting entity owns or controls; and
  - (ii) in the case of a reporting entity covered by a statement under section 14 – the entity giving the statement.

Essential Energy is a State Owned Corporation established under the *Energy Services Corporations Act 1995* (NSW) and the *State Owned Corporations Act 1989* (NSW) to provide services critical to the economy and infrastructure for New South Wales (NSW). We operate and maintain one of Australia's largest electricity networks, across 95 per cent of NSW and parts of southern Queensland.

Serving more than 870,000 customers – homes, hospitals, schools, businesses and community services – Essential Energy is an economic enabler for regional, rural and remote communities. We aim to continuously improve safety performance for employees, contractors and the community, along with the reliability, security and cost efficiency of the network, and to reduce our environmental impact where efficient to do so. We also strive to maintain downward pressure on customers' network charges and deliver an acceptable return on capital employed.

Essential Energy is one of the largest employers in regional NSW, with approximately 3,000 employees based at depots and offices in 100 communities across the state.

In the Far West of NSW, Essential Energy (trading as Essential Water) delivers secure water supply to 10,500 customers in Broken Hill, Menindee, Silverton and Sunset Strip, as well as rural customers. Reliable sewerage services are provided to 9,700 customers in Broken Hill.

Essential Water is not a separate legal entity and Essential Energy does not own or control any other entities with which a joint statement or process of consultation would be conducted under Section 16 of the Act. For this statement Essential Energy identifies as being the principal governing body and reporting entity as per definitions in the Act.

Essential Energy spends approximately \$500 million annually across more than 2,000 direct suppliers. We procure a diverse range of goods and services to support our core business of operating and maintaining the network. Our key areas of expenditure are shown in Table 1.

**3,000** employees



**95%** NSW and parts of southern Qld



**2,000** direct suppliers



Depots and offices in **100** communities

**Table 1: Key spend categories**

Expenditure category	Typical goods and services
Network services	<ul style="list-style-type: none"> <li>•Vegetation management services</li> <li>•Construction and civil works</li> <li>•Network inspection and maintenance</li> <li>•Meter reading</li> <li>•Plant and equipment hire</li> </ul>
Network equipment	<ul style="list-style-type: none"> <li>•Transformers and switchgear</li> <li>•Poles, cables and fittings</li> <li>•Streetlighting equipment</li> </ul>
Fleet and property	<ul style="list-style-type: none"> <li>•Commercial vehicles, parts and accessories</li> <li>•Fuel</li> <li>•Property maintenance services and equipment</li> <li>•Waste management services</li> <li>•Cleaning services</li> </ul>
Information communications and technology	<ul style="list-style-type: none"> <li>•IT software and services</li> <li>•IT hardware</li> <li>•Telecommunications services</li> </ul>
Corporate services and equipment	<ul style="list-style-type: none"> <li>•Labour services</li> <li>•Safety equipment and work wear</li> <li>•Stationery and corporate equipment</li> </ul>

### Risk assessment

*In this section, the following requirements of Section 16 of the Act are addressed:*

*(c) describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls.*

A baseline risk assessment of Essential Energy's operations was conducted in 2020 and reconfirmed in 2021. Essential Energy's operations are consistent with prior years, and remain in Australia, mostly in NSW, and no areas of high risk have been identified in Essential Energy's direct operations.

Where goods and services are provided by other organisations rather than directly through Essential Energy's operations, these continue to be assessed and managed to minimise modern slavery risks. A risk assessment against spend categories as shown in table 1 identified categories of goods and services at potential high risk of exposure to modern slavery practices where:

- > Raw materials may have been sourced overseas
- > Goods (or parts) may be manufactured overseas
- > Services provided may use low-skilled labour or have opaque worker contracting arrangements.



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As part of Essential Energy's continuous improvement approach to better understand risk, two significant activities have also been undertaken during 2020-21:

### Industry collaboration

In 2020-21, Essential Energy joined the Energy Procurement Supply Association (EPSA) consortium for the additional benefit of synergistic industry-based risk assessment and assurance. EPSA use the software as a solution (SaaS) product provided by a vendor, Informed 365, through which the consortium's survey initiatives are launched. The survey developed by EPSA is designed to capture key information from suppliers which feeds into dashboard style risk metrics. Each consortium member is then able to use this information to trigger continuous improvement initiatives.

### Data driven business intelligence

Essential Energy is starting to collate reportable and repeatable data that is attained through supplier assurance surveys by our independent third-party vendor, Informed 365. The platform classifies suppliers in terms of relevant risk, enables baselining and informs our focus areas for improvement. The focus has been to release surveys to suppliers representing 90 per cent of our addressable spend. To date, surveys have been completed by 220 suppliers, representing 48 per cent of spend, and we have an ambition target of survey completion representing more than 85 per cent of addressable spend by June 2022.



**Actions taken to assess and address risks of modern slavery practices**

*In this section, the following requirements of Section 16 of the Act are addressed:  
(d) describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.*

Essential Energy is now on its second rotation of our continuous improvement framework of actions for compliance with the Act (see figure 2).



Figure 2: Continuous improvement framework

**Governance**

Essential Energy is committed to high standards of corporate governance. Our board, executive and relevant committees provide the direction and leadership to implement appropriate levels of governance across our organisation consistent with Essential Energy's objectives. This includes ensuring that in dealing with suppliers, our decisions and actions are based on transparency, integrity, responsibility and performance, which promotes the long-term sustainability and ongoing success of our business.

In relation to our suppliers, all are required to comply with our Statement of Business Ethics and the policies and standards on ethical business practices, safety and the environment. Suppliers are expected to ensure that all employees and contractors engaged within their business are legally entitled to work and that no forms of slavery or human trafficking are evident in the manufacturing and/or provision of products and services to Essential Energy.

Modern Slavery updates are provided to the board, board committees and executives on an ongoing basis.

### **Policies and procedures**

All relevant policies and procedures account for identifying and managing the risks associated with slavery and human trafficking. These documents include:

- > [Code of Conduct](#)
- > [Statement of Business Ethics](#)
- > Procurement Policy
- > Building a Respectful Workplace Procedure.

Our Code of Conduct outlines our corporate values and ethical principles and sets out the behaviours expected of all employees, contractors and suppliers. Our Statement of Business Ethics reflects our position on slavery and human trafficking.

Essential Energy's Code of Conduct and Statement of Business Ethics set out channels through which individuals can report wrongdoing in regard to Modern Slavery or any other compliance concerns. Processes for investigating reported wrongdoing are also formalised and in place.

Essential Energy's Procurement Policy addresses commercial considerations, the mitigation of risk, compliance with regulatory requirements and guidelines and the requirement to act and be seen to act fairly, ethically, and responsibly. It clarifies our businesses objectives, values and goals for market engagement.

All procurement procedures, forms and tools including market engagement templates clearly articulate our position.

### **Assurance and due diligence**

Essential Energy's Standard Terms and Conditions of Purchase are clear regarding compliance requirements and governed for adherence accordingly.

The supplier assurance survey created by EPSA and deployed through Informed 365 improves the visibility of risk in our supply chain. Survey completion rates are monitored and follow-up communications are promoting an increase in survey activity. Ongoing due diligence will be facilitated by annual refresh of surveys as well as periodic supplier listing alignment to account for changes to our supply base. Existing supplier relationship channels will be engaged where appropriate for continuous improvement activities and effort shall be prioritised based on areas of risk identified in section 3 of this statement.

In the event that a case of slavery or human trafficking is found to be occurring within our direct supply chain, we will engage directly with the supplier to remedy the issue. We are committed to working with our suppliers to resolve issues, however if the issue is deemed severe and/or remediation will not bring the suppliers operation into alignment with Essential Energy's values and ethics, the supplier relationship may be terminated.

Mechanisms are in place for employees and third parties to report suspected or detected illegal activities or breaches of policy, including for non-conformance to our Code of Conduct and Statement of Business Ethics. This includes anonymous reporting options for employees and third parties to communicate any concerns of slavery or human trafficking. Reports received will be assessed for investigation and managed in a systematic, fair, timely and transparent manner. Reports received may also be referred by Essential Energy to law enforcement agencies such as the Australian Federal Police, or another relevant agency where appropriate based on the nature of the report.



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### Awareness and education

As part of our framework of actions to comply with the Act, modern slavery awareness and education modules have been developed for both our employees and suppliers. The items covered by the modules include, but are not limited to:

- Background to the Act
- Information about what constitutes modern slavery and the forms it can take
- How modern slavery practices can impact our supply chain
- Examples of modern slavery
- What to do if slavery or human trafficking is suspected or detected.

The module is incorporated into our induction program and is being deployed in a staged manner for all existing employees. Key employees in procurement, human resources, stakeholder engagement, legal, risk and compliance and operational contract management areas completed the module in the initial release stages, and the final roll-out to all other employees is planned to commence in late 2021.

Our suppliers receive awareness and educational materials as part of the Supplier Assurance Program.



### Assessing the effectiveness of our actions

*In this section, the following requirements of Section 16 of the Act are addressed:  
(e) describe how the reporting entity assesses the effectiveness of such actions.*

The effectiveness of our actions is assessed by ongoing monitoring and analysis of:

- Supplier survey completion rates
- Supplier survey responses
- Risk profile results from the Informed 365 platform
- Supplier interactions and feedback
- Completion rates for employee awareness and education modules
- Reports registered through our internal corruption hotline or ethics inbox (if any)
- Post-implementation review at the completion of every annual rotation of our framework of actions.

Assessment of the above metrics and activities will inform and help prioritise continuous improvement initiatives.

Supplier surveys completed (up to the date this document was drafted) have reported 100 per cent compliance with United Nations International Labour Organisation (ILO) Conventions, and nil human rights breaches (including modern slavery).

### Case studies

*In this section, the following requirements of Section 16 of the Act are addressed:  
(g) include any other information that the reporting entity, or the entity giving the statement, considers relevant.*



#### Computer hardware

In the fourth quarter of 2020, the risk of forced labour in supply chains was highlighted in an Australian Strategic Policy Institute (ASPI) report. Essential Energy subsequently performed assessment for potential human rights implications on finished goods or componentry in our supply chain. Supplier assurance surveys were then sent from Essential Energy directly to the suppliers identified as being high risk in accordance with the ASPI report. Most suppliers responded to our survey providing assurance that their supply chains were managed effectively and that there were no human rights issues in their supply chains.

However, one supplier of computer hardware did not respond despite follow-up. This triggered consultation with the purchasing department in Essential Energy on the best approach to mitigate the potential for human rights risks in our supply chain in this case. It was discovered that minimal supply of the high-risk computer hardware was being procured by Essential Energy at the time, as our needs were migrating to a product purchased through an alternative supplier who had completed their modern slavery assurance survey to our satisfaction.

To mitigate risk in our supply chain, it was decided to cease supply of the high-risk computer hardware and complete the transition to an alternative product in November 2020. In future, if the high-risk supplier offers a tender for supply of goods to Essential Energy (either directly or indirectly), our intent will be to request assurance by survey completion as part of the tendering process.

Collaborative interdepartmental investigation and decisive action taken by Essential Energy in this case mitigated a high-risk situation centred around procurement of computer hardware.



### Small to medium enterprises

Through the process of performing supplier surveys, Essential Energy discovered a generally minimal understanding of modern slavery in small to medium enterprises (SMEs), which are not mandatory reporting entities in accordance with the Act. Common issues included a lack of understanding of the term 'modern slavery', non-completion of the survey due to a belief that it does not apply to their organisation or supply chain, or confusion of modern slavery compliance with work, health and safety or equal employment opportunity compliance.

In addition to providing awareness and support to suppliers when they engage with us, Essential Energy partnered with Business Australia to raise awareness of modern slavery for SMEs by publishing an article on the Business Australia website, '[Does Modern Slavery Exist in Australia?](#)', featuring Essential Energy as a case study.

The published article delivered targeted modern slavery awareness to the SME business community. This will help SMEs gain an understanding of modern slavery compliance in relation to their operation and supply chains and therefore enable SMEs to complete modern slavery surveys from a more informed perspective.



### Global impacts

The COVID-19 pandemic has had significant impact on our ability to procure goods and services during 2020-21.

Globally, reports have indicated COVID-19 has contributed to an increase in modern slavery brought about by higher levels of desperation, particularly in poorer regions, leading to increased exploitation by human rights abusers. Supply chains have also been impacted by price increases, due to rising importation and transportation difficulties and delays from pandemic related border restrictions.

COVID-19 has therefore caused price fluctuations, supply chain continuity risk and modern slavery concerns for Essential Energy. Hence, we shall consider onshoring the supply of goods and services where possible to reduce risk and to support national economic stability.



### Future commitments

During 2021-22 we will focus on the following key activities:

- Expanding our Assurance Program through Informed 365 to reach more than 85 per cent of total supplier spend
- Monitoring employee awareness and education session completion rates
- Monitoring Informed 365 supplier survey completion rates
- Prioritising risk mitigation activities
- Continuing EPSA consortium engagement on future survey and platform improvements, including potential options for including additional supply chain tiers in assurance surveys
- Building Informed 365 modern slavery supplier assurance intelligence results into supplier relationship management processes for risk reduction.

**This statement has been approved by Essential Energy's Board and is to be updated on an annual basis.**



**John Cleland**  
Chief Executive Officer

15/12/2021

Date

