



Modern Slavery Statement 2024

Reporting period: July 2023 - June 2024



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About this Statement

This Statement covers Essential Energy's ongoing commitment towards eradicating modern slavery from our operations and supply chains.

The submitting entity is Essential Energy which qualifies as a reporting entity under the *Modern Slavery Act 2018* (Cth). This Statement covers all entities within Essential Energy and reports on the state of operations, structure, management framework and activities undertaken during the reporting period 2023-24, 1 July 2023 to 30 June 2024.

For this Statement Essential Energy identifies as being the principle governing body and reporting entity in accordance with the *Modern Slavery Act 2018* (Cth). Essential Energy does not own or control any entities with reporting obligations, with which a joint statement or process of consultation would be conducted under Section 16 of the Act.

This Statement also covers reporting obligations under the *Modern Slavery Act 2018* (NSW) and actions taken in-line with the NSW Anti-slavery Commissioner's Guidance on Reasonable Steps. For this reporting period, the Commissioner has not yet raised any significant operational issues on which Essential Energy is required to report.

In this Modern Slavery Statement ("Statement"), unless otherwise stated, the use of "us", "our" and "we" refers to Essential Energy ("the reporting entity"). Any reference to "year" or "reporting period" relates to the financial year 2023-24, 1 July 2023 to 30 June 2024, unless stated otherwise. All dollar figures presented in this Statement are in Australian dollars unless otherwise indicated.

Message from the Chair and Chief Executive Officer

We are pleased to present the fifth instalment of Essential Energy's Modern Slavery Statement in line with our reporting obligations under the *Modern Slavery Act 2018* (Cth) and *Modern Slavery Act 2018* (NSW).

The effective management of modern slavery risks within our operations and supply chains is an important element of Essential Energy's broader commitment to sustainability, regional development and building resilient communities. This year's Statement reflects on the actions undertaken and continuous improvement efforts for the reporting period of 1 July 2023 to 30 June 2024.

Our network is vast, spanning 95 per cent of NSW and parts of southern Queensland. This means we have a unique position as we serve regional, rural and remote communities, including supporting these communities with the ongoing energy transition. Our connection with regional, rural and remote communities means championing a safe, fair and inclusive culture is a critical aspect of our organisational values.

At Essential Energy we continually review and improve our systems, processes and policies to effectively manage modern slavery risks. We are fully committed to standing against modern slavery in all forms, including forced labour, child labour, debt bondage, human trafficking, domestic servitude, sex trafficking and workplace abuses.

This includes identifying the various risks and opportunities within our operations and supply chains, as well as taking ownership of the roles we play. We are also committed to strengthening our understanding and capabilities related to how we manage modern slavery, including education and awareness training, industry collaboration and working with our suppliers to gain better insights into our supply chains.

Collaborating with our industry peers and suppliers enables us to continually improve and refine our approach. With supply chains in both Australia and offshore, our approach must be strategic, practical and impactful if we are to effectively manage modern slavery. We also have reporting and grievance mechanisms in place for confidential reporting of issues or breaches relating to modern slavery or human rights.

This Statement outlines our approach to modern slavery management and details the actions we have undertaken during this reporting period. The Board of Essential Energy approved this Statement on 27 November 2024, signifying our collective agreement and commitment to managing modern slavery and human rights risks.




Doug Halley
Chair


John Cleland
Chief Executive Officer

"We are fully committed to standing against modern slavery in all forms, including forced labour, child labour, debt bondage, human trafficking, domestic servitude, sex trafficking and workplace abuses."

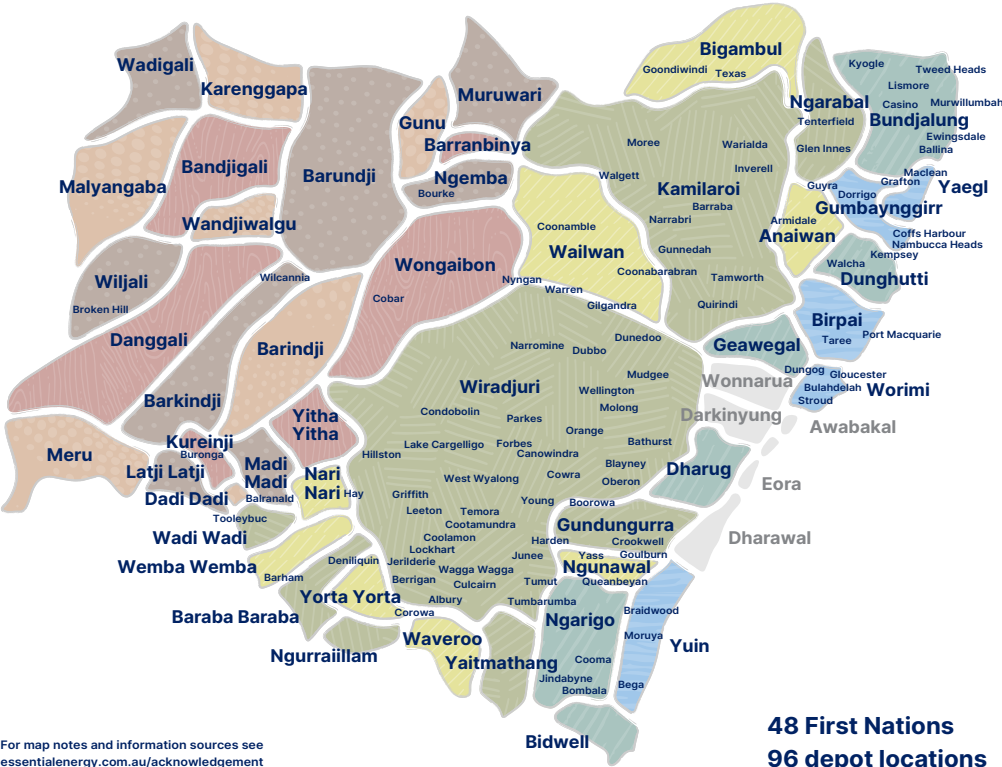
"We are also committed to strengthening our understanding and capabilities related to how we manage modern slavery, including education and awareness training, industry collaboration and working with our suppliers to gain better insights into our supply chains."

Acknowledgement of Country

The lands on which we work and live is Country for 48 First Nations – from Wiljali Country on the plains of Far Western New South Wales (NSW), to Ngarigo Country in the high Snowy Mountains and Bundjalung Country on the sub-tropical North Coast, as well as more First Nations across the diverse landscape that is regional, rural and remote NSW and parts of southern Queensland.

We acknowledge the Traditional Custodian of the lands on which our company is located and where we conduct our business, and we acknowledge all Aboriginal and Torres Strait Islander peoples across Australia. We pay our respects to ancestors and Elders, past and present. We are committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

First Nations and our Network Area



For map notes and information sources see essentialenergy.com.au/acknowledgement



About Essential Energy

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 NSW. We build, operate and maintain the electricity distribution network across 95 per cent of NSW and parts of southern Queensland – one of Australia’s largest electricity networks.

Employees

Essential Energy is one of the largest employers in regional NSW, with approximately 3,650 employees based at depots and offices in 96 communities. Essential Energy is committed to the safety, health and psychological wellbeing of its employees, and creating a workplace that is safe, respectful and inclusive for everyone – consistent with the values of our organisation.

Our Inclusion and Diversity (I&D) Strategy has been developed within the context of Essential Energy’s Corporate Strategy, and the People and Safety division’s strategy. The vision of the I&D Strategy is “An inclusive and diverse workforce, reflective of the communities we serve, where people can bring their whole selves to work every day”.

Customers

With more than 890,000 customers – including homes, hospitals, schools, businesses and community services – and more than 183,000 km of overhead powerlines, traversing 737,000 square kilometres of landmass, Essential Energy is an economic enabler for regional, rural and remote communities. Our electricity distribution network is funded through a five-yearly distribution network revenue determination made by the Australian Energy Regulator (AER) in accordance with the National Electricity Law and National Electricity Rules Economic Regulatory Framework. 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 keep our customers’ network charges as low as possible while delivering an acceptable Return on Capital Employed to our shareholders.

Our Vision, Purpose & Values

Our Vision

What we want to be

Empowering communities to share and use energy for a better tomorrow.

Our Purpose

What we stand for

To enable energy solutions that improve life.

Our Values

What we care about



Make safety your own



Be easy to do business with



Make every dollar count



Be courageous, shape the future



Be inclusive, supportive and honest

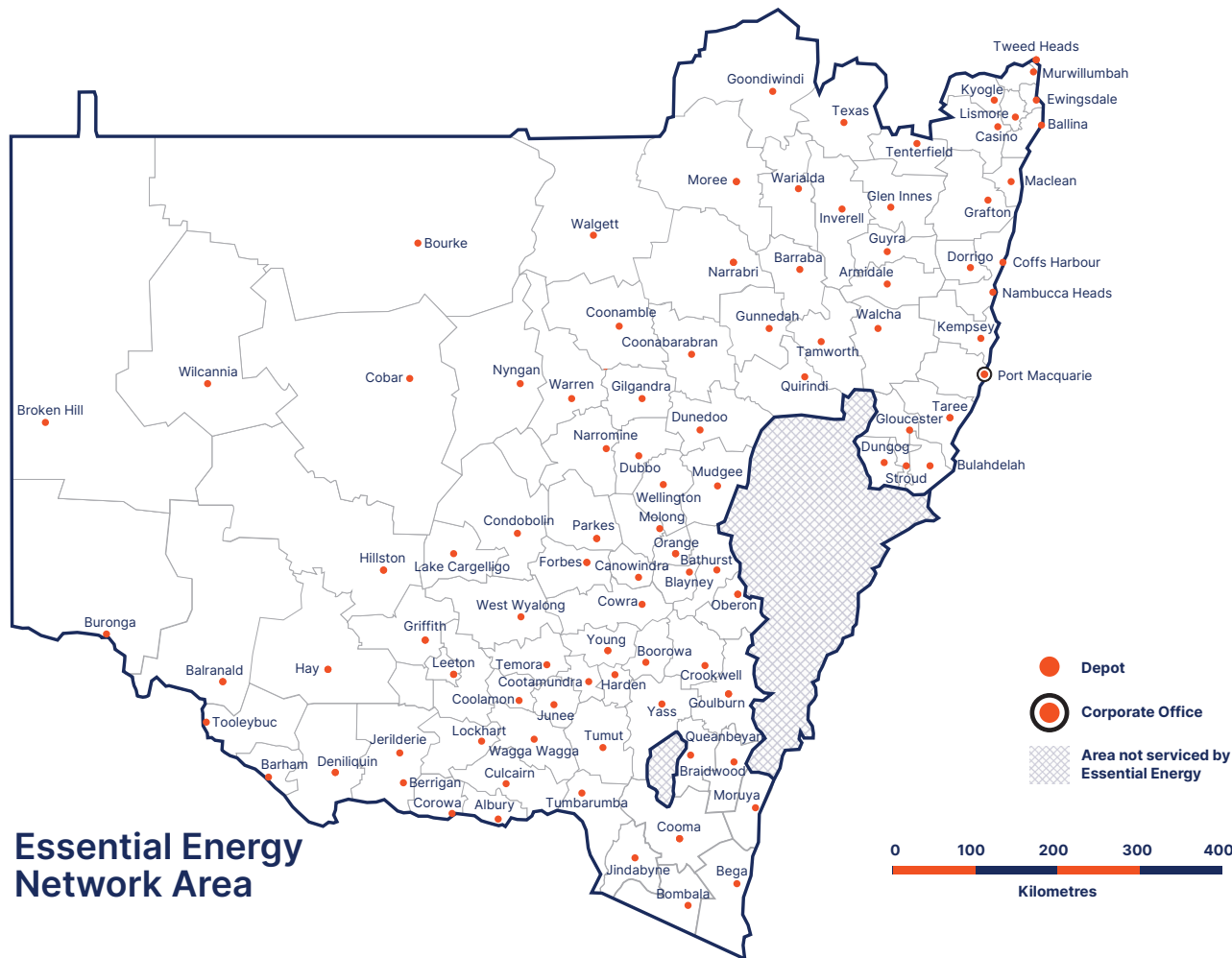


Essential Water

In the Far West of NSW, Essential Water, an operating division of Essential Energy, 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.

Intium

In 2023, Essential Energy established a wholly owned commercial subsidiary entity, Intium Pty Ltd (Intium). Intium's mission is to transform Australia for a clean energy future, by pioneering transformative change in complex and emerging energy services, that create a sustainable impact. It will do this by focusing on business-to-business customers across Australia, providing complex and emerging energy services including network connections, electric vehicle charging infrastructure, electrification and advisory services. Intium does not meet the definition of a reporting entity under section 5 of the *Modern Slavery Act 2018* (Cth).



Essential Energy supply chain

Overview

Essential Energy spends more than \$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 figure 1.

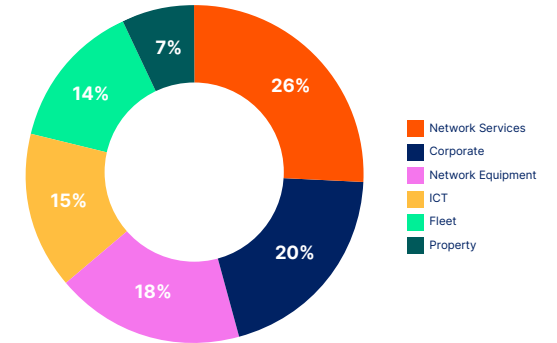


Figure 1: Addressable spend key procurement categories

While the majority of our spend comes from suppliers based in Australia (98.9 per cent as shown in figure 2), we continue to work on understanding our Tier 2 and Tier 3 supply chain partners, particularly when located outside of Australia. Knowledge of the geographical distribution of our suppliers enables us to assess and mitigate any potential risks to human rights and modern slavery, while continually improving our ethical and responsible sourcing practices throughout our supply chain.

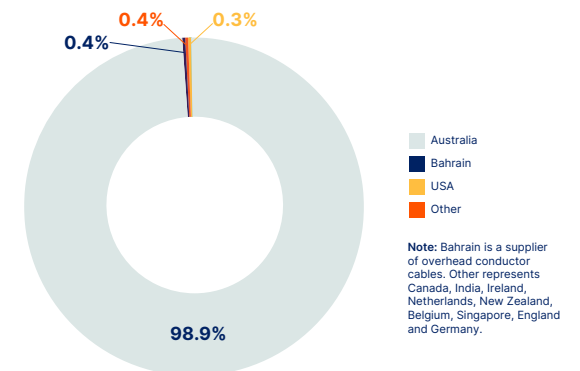


Figure 2: Addressable spend by geographic location

Emerging business

The energy industry is rapidly evolving, driven by the transition to net zero emissions, emerging technologies and changing customer expectations. We are committed to building a shared energy future with our customers, empowering communities to use energy for a better tomorrow, while staying focussed on the environmental, economic and social sustainability of our operations.

In addition to assessing high value purchasing categories and suppliers' operating locations, we are also concerned with emerging areas of the business. As we continue to support the energy transition and electrification within our network, we are undertaking projects and initiatives that require the purchase of new products and services. As these services and associated supply chains develop, we acknowledge the need to proactively manage any associated risks as they are identified and assessed.

At a practical level this means when we look to procure new types of goods or services, we also need to ensure we are proactively asking the right questions to understand modern slavery risks. The following two case studies serve as recent examples of 'seeking to understand' risks early in the procurement life cycle.



Case study 1: Batteries

The use of batteries across our network provides an innovative way to make new energy solutions available, harness rooftop solar and support regional NSW through the energy transition. Essential Energy is working with industry stakeholders to trial different types of network and community batteries, also known as battery energy storage systems (BESSs), at multiple sites across our network.

Batteries support renewable energy and play a key role in allowing our network to support the transition to a clean energy future. They store excess energy when renewable generation is high and demand is lower, making this energy available when renewable generation decreases and demand increases. Network and community batteries enable customers and communities to access and share the benefits of energy storage without having to install their own batteries. They also enable increased energy exports to the network from customers' rooftop solar and help to mitigate network reliability issues that stem from the variable nature of renewable energy generation.

Alongside these benefits, we must also acknowledge the risks associated with battery manufacturing and associated supply chains and the need for a pragmatic approach. Risk areas include:

- ▶ **Raw material extraction:** cobalt is a key component of lithium-ion batteries used in most electricity network and community batteries. The Democratic Republic of Congo is responsible for 70 per cent of cobalt mining output, some of which has been found to come from artisanal mining associated with human rights violations.
- ▶ **Manufacturing:** China remains the dominant BESS supplier. Certain manufacturing hubs, such as the Xinjiang Uyghur Autonomous Region, have faced allegations of forced labour, coercion, and re-education programs affecting millions of Uyghur and Kazakh citizens.

“Network and community batteries enable customers and communities to access and share the benefits of energy storage without having to install their own batteries.”

- ▶ **Increasing global demand:** the BESS sector is experiencing strong growth driven by rising adoption of renewable energy and increasing global energy demands. The USA and China are leading the way, with further expansion expected to ensure uninterrupted power supply as renewable generation continues to grow. In the Asia-Pacific (APAC) region, government policies supporting renewable energy investments position it as the fastest-growing market. Meanwhile, geopolitical tensions, like the ongoing Russia-Ukraine conflict, continues to impact Europe's energy landscape, driving demand for renewable energy and, consequently, BESS industry growth.

In response to these risks, Essential Energy has added sustainability requirements to battery sourcing activities, with these considered in the overall assessment of supplier responses and award of tenders. Questions cover multiple areas, including human rights and modern slavery, diversity and inclusion, waste management and circular economy. Our challenge is to continue to support and advance energy solutions for our customers across the network to support the energy transition and limit adverse effects of climate change, while protecting the human rights of all involved.



Case study 2: Electric vehicles

Essential Energy is committed to playing an active role in supporting the transition to electric vehicles (EVs) across our network area, in line with Pillar 3 of our Corporate Strategy. As an organisation with a large fleet, we understand the transition to EVs requires strategic and planned investment.

Transitioning our fleet vehicles to EVs and enabling the connection of charging infrastructure across our network offers numerous benefits, including:

- ▶ **Safety:** with our people and vehicles travelling more than 35 million kilometres per year, road safety is a high priority for Essential Energy. Benefits of EVs include reduced risk of rollovers due to lower centre of gravity and weight distribution, as well as advanced safety features such as driver assistance, adaptive cruise control, lane guidance and emergency braking.
- ▶ **Lower emissions:** EVs have lower greenhouse gas emissions over the total life of a vehicle compared to petrol/diesel vehicles. Transitioning our fleet to EVs is one of the ways in which we can reduce our overall emissions.
- ▶ **Accessibility:** installation of reliable EV charging stations will allow broader adoption of EVs within regional, rural and remote communities. During 2023-24 we commenced trials of electricity pole-mounted and streetlight pole-mounted EV chargers. These chargers combine innovative technology with existing public infrastructure, potentially allowing the roll out of public EV chargers in convenient locations at a cost-effective scale, providing wider accessibility and convenience for the community.

The EV transition comes with its own unique set of challenges, from the social and environmental implications of mining of rare earth elements to the safe collection and management of batteries at end-of-life. Recognising the potential risks relevant to EVs, during this reporting period we conducted desktop research into the manufacturing process and associated supply chains. Key risk areas researched include:

- ▶ **Manufacturing:** EV markets are seeing an exponential growth in sales globally, with the share of total car sales increasing from 4 per cent in 2020 to 18 per cent in 2023. This dramatic uplift in sales also means increased pressure on manufacturing to keep pace. China accounts for approximately 50 per cent of all EV manufacturing and sales.

- ▶ **Complex supply chains:** in addition to concerns surrounding the raw material extraction of lithium and cobalt (also referenced in the batteries case study), EV supply chains are very complex. They involve the use of traditional automotive manufacturing and additional high-tech manufacturing. Supply chain transparency and traceability are key to understanding and mitigating risks relating to modern slavery.

- ▶ **Battery recycling:** most batteries used in EVs have a life span of 8 to 20 years (depending on use), with capacity degrading over time. Metal components in the batteries are recyclable, however according to the CSIRO only 10 per cent of Australia's lithium-ion battery waste was recycled in 2021. Responsible end-of-life management and recycling play a crucial role in reducing the pressure on raw material extraction as global demand increases.

We recognise the safety and environmental benefits of transitioning our fleet to EVs and supporting adoption of EVs within the community. We also acknowledge the need for responsible sourcing and supply chain management to address manufacturing challenges and end-of-life management.

“As an organisation with a large fleet, we understand the transition to EVs requires strategic and planned investment.”

“The EV transition comes with its own unique set of challenges, from the social and environmental implications of mining of rare earth elements to the safe collection and management of batteries at end-of-life.”



Risk management

Essential Energy has entered its fifth year of applying a continuous improvement framework for modern slavery management. The framework ensures compliance with reporting requirements and supports our intent to deliver a positive impact through our commitments. At Essential Energy, modern slavery management is encompassed under the businesses' broader approach to sustainability and corporate risk management. This approach enables multiple areas of the business to be involved in helping to manage continuity of supply and mitigates modern slavery risks.

Figure 3 outlines our refined approach to modern slavery management. Each of the steps is described, along with actions taken this reporting period to mitigate the risks of modern slavery in our supply chain goods and services procured as a result of modern slavery.

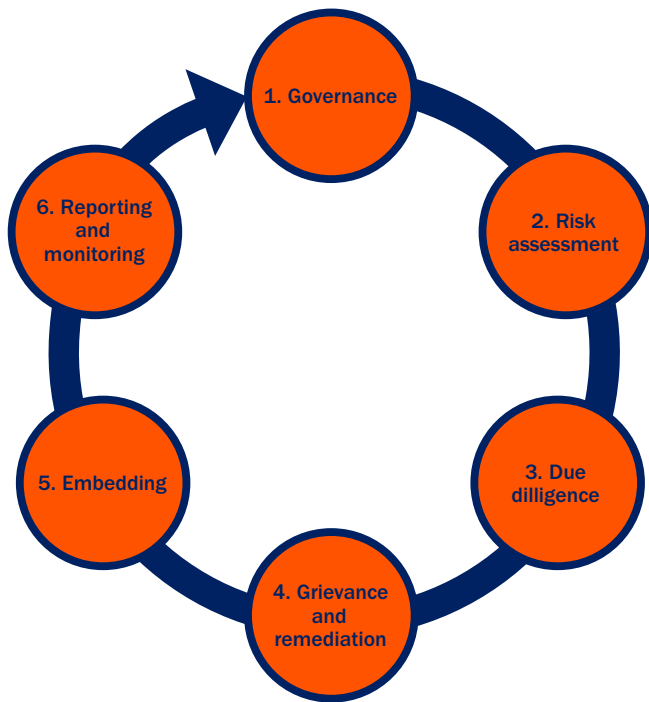


Figure 3. Continuous improvement framework for modern slavery management



Step 1. Governance

Essential Energy upholds the highest standards of corporate governance. Our Board, Executive Leadership Team (ELT) and relevant committees play a crucial role in providing guidance and leadership to ensure alignment with organisational objectives. This encompasses fostering transparency, integrity, responsibility and performance in our dealings with suppliers. These principles are fundamental to the long-term sustainability and continuous success of our business. To address a wider scope of sustainability related risks, including modern slavery, that may affect our supply chain, we have brought subject matter experts into our business. Regular updates regarding modern slavery are provided to the Board, Board committees and the ELT.

Regarding our suppliers, we have comprehensive requirements implemented into agreements. All suppliers are expected to adhere to our Statement of Business Ethics, as well as our policies and standards regarding ethical business practices, safety and environmental considerations. A modern slavery clause, which accompanies all purchase orders issued to suppliers, requires suppliers to ensure their employees and contractors working within their organisation have legal authorisation to work, and that there is no presence of modern slavery or human rights violations in the manufacturing or provision of products and services to Essential Energy.

Policies and Procedures

Our commitment 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 is documented within our policy framework. Below is a list of policy documents that set our expectations, guiding principles and disclosure mechanisms for employees and suppliers, relevant to identifying and managing the risks associated with modern slavery and human rights:

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

Our Procurement framework 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 business objectives, values and goals for market engagement.

Step 2. Risk assessment

Essential Energy's operations

As a major regional employer, we are committed to upholding and demonstrating the highest standards for workplace ethics and responsibilities. We have policies, processes and procedures in place to ensure fair and respectful treatment of all people in our employment, as well as documented grievance and remediation mechanisms for anonymous reporting.

The following examples have the potential to occur without proper oversight and controls in place: forced labour, forced overtime, wage theft and deceptive recruiting. We recognise the following as examples of relevant populations that are at greater risk of falling victim to modern slavery: workers in lower skilled work or hazardous work, workers with intersectional social vulnerabilities, people living with disabilities and temporary migrant workers.

In addition to the policies and procedures noted in the Governance section, internal policies seeking to mitigate and eliminate modern slavery from our operations relate to a range of Human Resource areas:

- ▶ employment conditions
- ▶ performance management
- ▶ learning and development
- ▶ recruitment
- ▶ pay and entitlements
- ▶ workplace culture.

Supply chain

In 2022-23 we focused on modern slavery risks related to high and moderate risk procurement categories, including information technology hardware, tools and consumables, office cleaning and network general services. While continuing to examine high risk procurement categories, during 2023-24 we broadened our focus to include other key focus areas for the business, including batteries and EVs outlined in the case studies earlier in this document.

We also continued to refine our data management for modern slavery risks in the supply chain, to enhance data quality and reporting accuracy. A review and alignment exercise was conducted as part of the case study on supplier self-assessment survey data analysis described later in this Statement (see page 10). As a result, the risk ratings against our internal procurement categories were updated in line with the modern slavery risk ratings assigned to the Global Industry Classification Standard (GICS) taxonomy. Table 1 shows a summary of the key risk factors for relevant procurement categories, following the update.

Table 1: Procurement categories and modern slavery risk factors

PROCUREMENT CATEGORIES	PRODUCTS	MODERN SLAVERY RISK FACTORS
Corporate	<ul style="list-style-type: none"> ▶ Labour hire and services ▶ Cleaning services ▶ Personal protective equipment (PPE) and garments ▶ Travel and entertainment 	<ul style="list-style-type: none"> ▶ Temporary and contract labour force ▶ Vulnerable populations ▶ High-risk offshore textile industries
Fleet	<ul style="list-style-type: none"> ▶ Fleet products and services ▶ EVs ▶ EV batteries 	<ul style="list-style-type: none"> ▶ Manufacturing in high-risk geographic regions ▶ Vulnerable populations ▶ Raw material extraction of cobalt and lithium ▶ Complex supply chains
Information and Communications Technology (ICT)	<ul style="list-style-type: none"> ▶ ICT hardware ▶ Telecommunications services 	<ul style="list-style-type: none"> ▶ Manufacturing in high-risk geographic regions ▶ Complex supply chains ▶ Offshore service providers
Network equipment	<ul style="list-style-type: none"> ▶ General equipment ▶ Cables ▶ Solar panels ▶ Batteries 	<ul style="list-style-type: none"> ▶ Manufacturing in high-risk geographic regions ▶ Raw material extraction ▶ Complex supply chains ▶ Solar panel manufacturing in Xinjiang Uyghur Autonomous Region (China)
Network services	<ul style="list-style-type: none"> ▶ Vegetation management ▶ Construction and civil works 	<ul style="list-style-type: none"> ▶ Temporary and contract labour force ▶ Raw material extraction ▶ High-risk components for construction materials and machinery

Category risk heatmap tool

Due to modern slavery being part of a broader commitment to sustainability at Essential Energy, any activities involved in identifying and reviewing sustainability risks and opportunities would involve the consideration of modern slavery risks. In line with our continuous improvement approach, a category risk assessment was undertaken in early 2024 to assess sustainability risks and opportunities across our supply chain to drive better outcomes. This included the development of a category risk heatmap tool, to identify sustainability 'hotspots' relating to purchasing categories.

The development of the tool and identification of risks and opportunities was completed using a collaborative approach with internal subject matter experts and will be open for continual review. The insights and findings from the heatmap will be used to conduct a refresh of the procurement sustainability strategy, develop targeted actions for mitigating risks relevant to procurement categories, target areas of opportunity and inform future actions.

Case Study 3: Selection of an improved third-party supplier risk monitoring tool

Access to reliable and relevant data and tools is crucial for effective supplier risk monitoring and decision-making. A review of our supplier risk monitoring capabilities was conducted during this reporting period, leading to the adoption of a new third-party supplier risk monitoring tool.

Several globally-available and industry-leading tools were evaluated against our requirements for real-time data, configurable notifications and reporting on suppliers with respect to risks for sustainability, finances, cyber security, supply chains and adverse events. The selected tool will enhance our monitoring capabilities by providing customisable reporting of relevant data. Implementation and training for the new third-party supplier risk monitoring tool will occur in 2024-25.

The new tool complements our existing third-party modern slavery supplier assurance, using Informed365, and so enhances our capabilities by providing access to a broader range of information and insights about our suppliers and supply chain risks.

Step 3. Due diligence

Supplier assurance qualification

In 2023-24, we successfully met our internal target to have 95 per cent of addressable spend with suppliers that have completed modern slavery assurance. During the year, we extended assurance qualifications to more than 600 suppliers, resulting in our assurance rate increasing from 87 per cent in 2022-23 to 95 per cent. All our of top 150 suppliers, by addressable spend, have completed a modern slavery assurance qualification.

Our internal modern slavery assurance qualifications have been captured in our Enterprise Resource Planning (ERP) system, with our external modern slavery assurance captured by the software product provided by Informed365. Combining these resources provides the data for ongoing tracking and reporting as our supplier base changes.

A process enhancement was introduced in March 2024. All new suppliers are now required to complete the modern slavery qualification during the registration process. This enables us to communicate our expectations to potential and new suppliers before they commence business with Essential Energy and provide further awareness of modern slavery and the forms it can take. Completion of the qualification is required before a business can become a registered supplier.

Internal review for compliance and improvement opportunities

During the year, an internal gap analysis and Modern Slavery Statement review was undertaken to evaluate compliance against the latest requirements under the Commonwealth and NSW Acts, and to assess the maturity of our modern slavery risk management approach. The review considered:

- ▶ current requirements under the Commonwealth Act
- ▶ recommendations from the independent review of the Commonwealth Act
- ▶ reporting obligations and guidance of reasonable steps under the NSW Act
- ▶ Monash University's latest modern slavery disclosure quality report
- ▶ peers' Modern Slavery Statements.

As a result of this internal review, several opportunities for improvement were identified for modern slavery management and reporting. Table 2 summarises these improvements, how they have been incorporated into this reporting period, and their location within this Statement.

Table 2: Summary of opportunities for improvement and actions undertaken

OPPORTUNITIES	STATEMENT SECTION AND ACTIONS
Clearly identifying modern slavery risks and risk factors relevant to our operations and supply chains	<ul style="list-style-type: none"> ▶ Step 2: Risk assessment: actions relating to the refresh of the internal modern slavery risks ratings, identification of risk factors against procurement categories, a review of our supplier risk monitoring tool and development of a category risk heatmap tool ▶ Step 6: Reporting and monitoring additional actions undertaken and future actions
Identifying and prioritising areas of focus	<ul style="list-style-type: none"> ▶ Essential Energy: Supply chains: emerging focus areas of the business and associated risks ▶ Step 2: Risk assessment: a Category Risk Heatmap Tool was developed to identify sustainability risk hotspots ▶ Step 6: Reporting and monitoring: future actions related the category risk Heatmap insights
Leveraging data driven insights	<ul style="list-style-type: none"> ▶ Case Study 3: Selection of an improved third-party supplier risk monitoring tool ▶ Case Study 4: Supplier self-assessment survey data analysis
Developing a clear action plan for 2023-24 and beyond	<ul style="list-style-type: none"> ▶ Step 6: Reporting and monitoring: actions that have been undertaken this reporting period as well as identifying future actions that will be taken
Strengthening due-diligence processes	<ul style="list-style-type: none"> ▶ Step 3: Due diligence: outlines our modern slavery assurance programs. This includes details of process improvements, the data analysis case study and incorporation of the recommendations from the internal review of legislation listed here
Testing remediation processes and reporting mechanisms	<ul style="list-style-type: none"> ▶ Step 6: Reporting and monitoring: added as a specific action item for 2024-25

Assessing and improving our reporting effectiveness and maturity will continually be undertaken to ensure we are not only meeting our reporting obligations (including any future updates) but will also ensure we meet the expectations of our stakeholders and the communities we serve.

Case Study 4: Supplier self-assessment survey data analysis

In line with our framework for managing modern slavery risks, we continue to refine our approach and improve our processes and practices. During this reporting period, members of the Procurement Governance team, conducted an analysis of the data and information provided by a select group of suppliers who were asked to complete a modern slavery self-assessment survey (SAS).

Two key tasks were undertaken:

1. SAS data analysis:
 - a. Relevant data sets were securely pulled from a third-party platform.
 - b. The information was first separated to identify suppliers who had fully completed the assessment from those suppliers who had been invited to but had not yet completed the survey.
 - c. Survey results, subsequent risk scores and commentaries were analysed.
2. An industry risk rating mapping exercise was undertaken for our internal procurement categories against the Global Industry Classification Standards (GICS) risk ratings for modern slavery.
 - a. Internal modern slavery risk ratings were updated where necessary to reflect the GICS modern slavery risk ratings.

Data analysis:

Findings for suppliers that successfully completed the SAS were:

- ▶ 51 of our top 150 suppliers had successfully completed the SAS. These 51 suppliers represent 36 per cent of total addressable spend in 2023-2024. It should be noted that the remaining balance of suppliers were surveyed through Essential Energy processes.

- ▶ Fewer than one per cent of suppliers were categorised as high-risk based on survey results.
- ▶ We also reviewed sourcing information provided by our direct suppliers to gain a better understanding of the supply network.

The review of individual supplier surveys also provided valuable insights into the effectiveness of the self-assessment survey (SAS). Some areas of opportunity include the survey length, which may limit some suppliers' ability to complete it successfully, and the need for additional guidance on some questions. These observations highlight the importance of clearly and concisely communicating our expectations to support our suppliers in completing surveys like this to the best of their ability.

Outcomes: The data analysis identified no new material modern slavery risks. Risk classifications against internal procurement categories exercise are reflective of current industry risk ratings.

Case Study 5: Cable manufacturing facility visits

Cable products are a key component for the electricity distribution network and as such represents a critical procurement portfolio for Essential Energy.

The Asian Pacific (APAC) region holds 35 per cent of global cable market share. Many of the large manufacturing facilities and suppliers Essential Energy procures cables from are located in this region. The process of cable manufacturing requires significant amounts of electricity, and the use of coal for the supply of that electricity results in an emissions intensive product. The APAC region also has the highest prevalence of modern slavery worldwide, with three in five (62 per cent) of victims reported from this region. Additionally, the APAC region has the highest prevalence of forced labour with a rate of four in every 1,000 people.

In September 2023, Essential Energy completed an expression of interest for the supply of cables, resulting in a deeper understanding of the process of cable manufacturing and the addition of several new suppliers. As part of this activity, representatives from our Engineering and Procurement teams conducted seven on-site facility visits and supplier audits across four countries, with these objectives:

▶ **Production objectives:** ensure factories were compliant with Essential Energy's production and product standards relating to product quality, production capabilities, management and product development.

▶ **Sustainability objectives:** assess factories for compliance with Essential Energy's non-product standards, including people management, worker health and safety, modern slavery and human rights, environmental stewardship, energy efficiency, and waste management and circular economy.

Facility visits: In advance of the on-site visits, each supplier was asked to complete an audit checklist. Many areas of the cable manufacturing process and supply chain management were covered, including specific questions on: health and safety, environmental stewardship, modern slavery and human rights, energy efficiency, waste management and circular economy.

Each facility was scored through a desktop audit of the completed checklists, supported by additional information gathered and observation made during the visits. The team did not have any concerns from what they saw during the site visits that would meet the definition of modern slavery. The observations made by the team during on-site facility visits were varied and included:

- ▶ Working conditions were observed as good with no visible signs of forced labour.
- ▶ There was very strong safety culture across the facilities, with appropriate signage, briefings and documented procedures for near misses, accidents and management review.

▶ Some facilities had dedicated green land which they used for cultivating vegetables that could be harvested by the staff and the community.

▶ None of the products used in cable manufacturing at the sites visited were found to originate from sanctioned countries (such as Russia, Syria and North Korea).

▶ Strong interest in solar investment. Although maturity differed across the sites, it was clear that the environmental and economic benefits of solar energy generation were understood.

▶ A particular company's approach to monitoring and managing modern slavery risks was "not centralised across the organisation. Each factory implements their own standards and procedures".

▶ A particular supplier, who provided copies of their Code of Conduct and Equal Opportunity Policies, was observed to be "Male dominant, with no specific action plan to increase female workforce".

At the end of each on-site visit, immediate feedback was given to management and staff regarding areas of concern, observations made and any opportunities for improvement. The team was very respectful of the different cultures and working environments they visited.

This is a good example of how Essential Energy is evolving and placing a greater importance on sustainability and modern slavery in our procurement activities and supplier assessments.



"Cable products are a key component for the electricity distribution network and as such represents a critical procurement portfolio for Essential Energy."

"Representatives from our Engineering and Procurement teams conducted seven on-site facility visits and supplier audits across four countries."

Step 4. Grievance and remediation

The Essential Energy Code of Conduct outlines our corporate values and ethical principles and sets out the behaviours expected of all employees and contractors. The Statement of Business Ethics reflects our position on modern slavery and human rights for suppliers. Both documents establish clear channels for reporting instances of non-conformance related to modern slavery as well as any other compliance concerns.

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 modern slavery or human rights violations.

Grievance mechanism and reporting

Formalised and documented procedures are in place to ensure all reported wrongdoing is investigated. To facilitate this, we use the industry-leading product Whispli, which is a secure and confidential whistleblowing platform. Whispli enables employees, contractors, suppliers and the public to report misconduct or concerns they may have regarding Essential Energy's operations. We also have a corruption hotline number, a dedicated ethics email and dedicated personnel. More information and resources are publicly available on the [Report corruption, maladministration or serious substantial waste](#) page on the Essential Energy website.

Reports received are 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 other relevant agencies where appropriate, based on the nature of the report.

If a non-conformance to modern slavery or human rights violation is identified within our supply chain, our approach is to engage directly with the suppliers and seek to remedy the issue. We are committed to working in collaboration with our suppliers to understand and resolve issues, ensuring a balanced and pragmatic approach is adopted and decisions made are consistent with Essential Energy's values and ethics.

For this reporting period, no grievances or non-conformance events relating to modern slavery or human rights violations were reported through the self-reporting mechanisms, or via the internal corruption hotline or ethics inbox.

Step 5. Embedding

Continued industry collaboration

During this reporting period, Essential Energy continued its membership of the Energy Procurement Supply Association (EPSA) consortium, which provides a collaborative environment for supply chain and procurement professionals. The survey developed by EPSA, and facilitated through Informed365, is designed to capture modern slavery risk information from suppliers. Each consortium member is then able to use this information to trigger continuous improvement initiatives.

Essential Energy is also actively engaged in other collaboration efforts, such as the Modern Slavery Practitioner community, focusing on modern slavery, human rights and sustainability more broadly. We continue to seek opportunities to collaborate and share learnings with industry peers, as well as those outside of our industry, as we work towards a collective goal of eradicating modern slavery.

Awareness and education

To raise awareness, educate and empower our workforce and suppliers, we have created modules on modern slavery awareness and education for our employees and suppliers. Topics covered by these modules include:

- ▶ background information on the *Modern Slavery Act 2018* (Cth)
- ▶ definition of modern slavery and its different manifestations
- ▶ potential impacts of modern slavery practices on our supply chain
- ▶ real-life examples of modern slavery occurrences
- ▶ steps to take if there is a suspicion or detection of modern slavery or human rights violation.

The employee awareness training module is mandatory for all new employees joining Essential Energy. Approximately 2,700 employees have completed the training module, as of 30 June 2024. During May 2024, selected existing employees were invited to complete training on our Code of Conduct, aimed at helping employees to better understand our values and supporting behaviours, guide their actions and decision making in daily work life, and voice their concerns or ask questions if something is unclear.

The supplier awareness training module is easily accessible on the Essential Energy website for all suppliers. Information about modern slavery and access links to the supplier awareness training module were sent to more than 500 existing suppliers during this reporting period.

Embedding sustainability requirements into procurement activities

As part of our procurement sustainability strategy, we have applied sustainability requirements for all sourcing activities worth more than \$500,000. The sustainability requirements cover a range of topics, including modern slavery and human rights, environmental protection, mitigating climate risks, community support and engagement, and waste management. These requirements seek to understand a supplier's maturity in these areas. As with other sourcing requirements, a weighted score is attributed to these factors during the review of a supplier's response, contributing to the overall supplier assessment.

During this reporting period the sustainability requirements have been applied to more than \$400 million in spend. The procurement team is committed to applying the sustainability requirements to all major sourcing activities. After conducting a review of effectiveness and collecting feedback from users, the scope and use of the sustainability requirements for major sourcing activities, is in the process of being refined, including adopting additional requirements in 2024-25. We are also looking to expand the use of sustainability requirements into lower value sourcing activities.

Coupled with this initiative, sustainability specific clauses have been written into procurement contract templates. These actions ensure that sustainability, including modern slavery, considerations are embedded throughout our procurement lifecycle.



Step 6. Reporting and monitoring

Progress against current commitments

Table 3 summarises the actions undertaken during this reporting period which demonstrate how current commitments have been addressed.

Table 3: Summary of actions undertaken in 2023-24

COMMITMENTS	2023-24 COMPLETED ACTIONS
Progress our broader approach to procurement sustainability strategy, including modern slavery	<ul style="list-style-type: none"> ✓ Expanded our approach to conducting case studies, such as those documented in this Modern Slavery Statement ✓ Embedded modern slavery into our overall approach to procurement sustainability in line with the corporate sustainability strategy
Further integration of modern slavery and sustainability into our tender documentation	<ul style="list-style-type: none"> ✓ Sustainability clauses successfully incorporated into major sourcing contract templates ✓ Modern slavery specific sustainability requirements incorporated into all major sourcing activities
Continue awareness and training for modern slavery and sustainability, including monitoring of employee session completion rates	<ul style="list-style-type: none"> ✓ 2,700 employees have successfully completed the modern slavery training module ✓ More than 500 suppliers were directly sent the modern slavery awareness pack during this reporting period ✓ Successfully met our goal of 95 percent of addressable spend with suppliers who have completed modern slavery assurance – up from 87 per cent in 2022-23
Continue industry and external stakeholder engagement	<ul style="list-style-type: none"> ✓ Ongoing regular engagement with EPSA members specific to modern slavery ✓ Active participation in Modern Slavery Practitioners Community meetings and roundtables ✓ Participation and engagement with the Procurement Leaders network and other companies facilitating education, awareness and sharing of best practice regarding modern slavery and sustainability in general
Continue engagement with suppliers to share understanding, expectations and actions	<ul style="list-style-type: none"> ✓ Implementation of process change to embed modern slavery qualification into the registration process for all new suppliers
Ongoing modern slavery compliance and reporting	<ul style="list-style-type: none"> ✓ Internal and third-party resources did not detect any modern slavery or human rights non conformance events linked with Essential Energy and our supply chains during 2023-24 ✓ Completed a comprehensive gap analysis and review exercise, of Federal and NSW Government reporting requirements and other relevant documentation, to ensure compliance and to increase maturity and further refine our Modern Slavery Management Framework

Additional actions undertaken in 2023-24

During this reporting period, we also undertook additional actions and activities beyond the scope of the commitments listed above. These activities supported our broader approach to sustainability and our continuous improvement towards managing risks, including modern slavery risks, within procurement functions. A commitment to continually improving risk management and supplier monitoring has now been added to the list of commitments for 2024-25.

Relevant activities undertaken in this reporting period included:

- ▶ reviewing and refreshing our modern slavery risk ratings, which involved mapping industry-level modern slavery risk ratings against our internal procurement categories
- ▶ Selecting a third-party supplier risk monitoring tool, after re-evaluating and defining our supplier risk monitoring requirements, to increase the maturity and effectiveness of our approach



- ▶ developing a Category Risk Heatmap Tool, to identify sustainability risk hotspots, including for modern slavery, across all procurement categories
- ▶ using the heatmap tool to evaluate the risk level for each procurement category – the tool will continue to guide the development of future actions, mitigation activities and exploration of opportunities within high-risk areas.

Future actions for 2024-25

Table 4 summarises future actions that will be undertaken in 2024-25 to continue to support our commitments. We continue to seek ways to improve our approach and maturity regarding sustainability and modern slavery management.

Table 4: Summary of future actions to be undertaken in 2024-25

COMMITMENTS	2024-25 FUTURE ACTIONS
Progress our broader approach to procurement sustainability strategy, including modern slavery	<ul style="list-style-type: none"> ▶ Refresh the Procurement Sustainability Strategy ▶ Develop case studies that support our outcomes-based approach to procurement sustainability
Integration of modern slavery and sustainability into our tender documentation	<ul style="list-style-type: none"> ▶ Review current sustainability sourcing requirements and opportunities for improvement ▶ Investigate opportunities to include sustainability requirements and contract clauses into minor sourcing activities
Awareness and training for modern slavery and sustainability, including monitoring of employee session completion rates	<ul style="list-style-type: none"> ▶ Ongoing monitoring and training of employees within Essential Energy ▶ Continuous tracking of the percentage of spend with suppliers who have completed modern slavery assurance, to maintain 95 per cent compliance rate
Continued industry and external stakeholder engagement	<ul style="list-style-type: none"> ▶ Ongoing engagement through the EPSA consortium and Modern Slavery Practitioners Community ▶ Continued engagement with the Office of the NSW Anti-Slavery Commissioner
Continued engagement with suppliers to share understanding, expectations and actions	<ul style="list-style-type: none"> ▶ Identification and direct engagement with suppliers in procurement categories with a high-risk rating for modern slavery
Ongoing modern slavery compliance and reporting	<ul style="list-style-type: none"> ▶ Review the grievance and remediation process for the reporting of non-conformance events linked to modern slavery or human rights violations ▶ Review the Supplementary Guidance material provided by the Australia Government Attorney-General's Department
Improve monitoring and management of modern slavery risks	<ul style="list-style-type: none"> ▶ Implement the third-party supplier risk monitoring tool that was selected in 2023-24 ▶ Integrate Category Risk Heatmap Tool insights into everyday procurement activities



Assessing the effectiveness of our actions

Our modern slavery management framework and due diligence processes continue to be reviewed regularly as part of sustainability and risk management at Essential Energy. Assessing the effectiveness of our modern slavery risk management approach helps to understand the impact of our actions and foster continuous improvement. We do this through ongoing monitoring and analysis of our performance against our four action areas, shown in table 5.

Table 5. Effectiveness indicators of our actions

ACTION AREAS	CONTROLS	MEASURES OF EFFECTIVENESS
Governance	<ul style="list-style-type: none"> ▶ Communication of supplier self-assurance status to Sustainability Steering Committee and the Board ▶ Whistle-blower communication lines availability ▶ Code of Conduct (employees) ▶ Statement of Business Ethics (suppliers) ▶ Modern Slavery Statement ▶ Annual review of improvement plan and key milestones 	<ul style="list-style-type: none"> ▶ Target of 95 per cent of addressable spend with suppliers who have completed a modern slavery qualification ▶ Number of Board engagements and awareness training sessions conducted ▶ Modern Slavery Statement compliance obligations completed annually ▶ Review of internal policies
Training and awareness	<ul style="list-style-type: none"> ▶ Modern slavery awareness training as an online learning module for Essential Energy employees ▶ Sustainable procurement employee workshops, including modern slavery ▶ Modern slavery information/expectations pack available to suppliers on the Essential Energy website 	<ul style="list-style-type: none"> ▶ All new employees trained on modern slavery and Code of Conduct as a part of the onboarding process ▶ Number of employees attended sustainable procurement workshops ▶ All new suppliers required to complete a modern slavery qualification at registration ▶ Number of suppliers engaged annually to increase awareness
Risk assessment and due diligence	<ul style="list-style-type: none"> ▶ Spend analysis, risk scoring and prioritisation by key products and services ▶ Assessment of suppliers ▶ Source to Contract Procedure including sustainable procurement criteria ▶ Sustainability criteria in our procurement process for sourcing negotiations above \$500k in value ▶ Sustainability clauses in contact templates ▶ Suppliers risk monitoring via third-party platform 	<ul style="list-style-type: none"> ▶ Assessment of modern slavery risks amongst key suppliers and spend categories ▶ Number of procurement activities with sustainability requirements ▶ Number of potential violations and non-conformance events reported ▶ Number of potential human rights incidents or violations investigated ▶ Number of corrective actions taken to address potential violations of modern slavery
Stakeholder engagement and collaboration	<ul style="list-style-type: none"> ▶ Regular engagement with internal stakeholders ▶ Engage with suppliers through collaborative workshops and case studies ▶ Engage with external stakeholders and industry peers to share knowledge and best practice 	<ul style="list-style-type: none"> ▶ Monthly engagement meetings between Procurement Risk and Sustainability Specialist and Head of Sustainability ▶ Monthly EPSA meetings ▶ Attendance at consultation forums, roundtables, webinars, conferences, and other knowledge sharing platforms



Appendix: Alignment of Statement to Section 16

The below table identifies the relevant headings in this Statement and how they align to Section 16 of the *Modern Slavery Act 2018* (Cth) (the Act), mandatory criteria for modern slavery statements.

Table A1: Alignment to Section 16 of the *Modern Slavery Act 2018* (Cth)

MANDATORY REQUIREMENT	SECTION OF STATEMENT	PAGE NO.
a. Identify the reporting entity	About Essential Energy	4
	About this Statement	2
b. Describe the reporting entity's structure, operations and supply chains	About Essential Energy	4
	Risk management – Step 2: Risk assessment	9
c. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	About Essential Energy	4
	Risk management – Step 2: Risk assessment	9
	Case study 1: Batteries	6
	Case study 2: Electric vehicles	7
d. Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes	Risk management - Steps 1,2,3,4 and 5	8-14
	Risk management – Step 6: Reporting and monitoring	13
	Case study 3: Selection of third-party supplier risk monitoring tool	9
	Case study 4: Supplier self-assessment survey data analysis	10
	Case study 5: Cable manufacturing facility visits	11
e. Describe how the reporting entity assesses the effectiveness of these actions	Assessing the effectiveness of our actions	15
	Risk management – Step 6: Reporting and monitoring	13-14
f. Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls	About this Statement	2
	About Essential Energy	4
g. Any other information that the reporting entity, or the entity giving the statement, considers relevant	Acknowledgement of Country	3
	Message from the Chair and Chief Executive Officer	2
	Appendix: Alignment of Statement to Section 16	16

