

# **Modern Slavery Statement**

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Financial Year Ended 30 June 2022 (FY22)

This is the second Modern Slavery Statement prepared by ZEN Energy and reports on the progress made on the commitments set out in the first statement. The Board wholeheartedly endorses the values and aims encompassed by the *Modern Slavery Act (Cwlth 2018)*.

## Introduction to ZEN Energy

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ZEN Energy is an integrated energy retailing and wholesale trading business.

Its retail business sells electricity to Government and business customers:

- long term electricity contracts with the SA Government (10-year term), CSIRO (10-years 100% green), South Sydney Regional Organisation of Councils (5-year 83% green with 25 Sydney councils), SA Chamber of Minerals and Energy (5-years)
- sources matching hedges from the wholesale business to secure long-term margins
- a business plan to expand to other Governments, semi-governments and RE100 customers throughout the National Electricity Market

The wholesale business interacts with the market:

- to source power and Large-Scale Generation Certificates (LGCs) to supply the retail business' customer load via derivative contracts and Purchased Power Agreements with renewable energy generators
- to execute trading strategies, particularly in relation to LGCs and green renewable products
- to write tolling agreements in relation to energy storage assets

The business had an Energy Services division that supplied rooftop solar and battery equipment to corporate and residential customers. This capability was maintained as a value-add for the retail contracts, but in a strategic review during FY22 it was determined that ZEN Energy was not the natural owner of this business. A new owner of that business was identified in the first half of 2022 and an agreement to demerge the Energy Services division was executed in Q3 2022. ZEN Energy will focus on electricity retailing and sourcing energy and developing grid-scale generation and storage capability to support its retailing operations.

## Reporting Entities, Structure and Operations

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The ultimate parent company of ZEN Energy is ZPH Investments Pty Ltd. This report covers the operations of all subsidiaries of the parent company, carried out by the following entities:

- ZEN Energy Retail Pty Ltd (“ZER”, the entity obliged to report under the Modern Slavery Act) and its parent, ZEN Power Holdings Pty Ltd; and
- Sunshot Energy Pty Ltd, and its operating subsidiaries:
  - Sunshot Energy Trading Pty Ltd
  - Sunshot Derivatives Pty Ltd
  - Sunshot Developments Pty Ltd, and
  - Sunshot Environmental Pty Ltd
- Sunshot Industries Pty Ltd

This report covers all of the operating entities listed above, all jointly operated under common management, systems, processes, and Board oversight.

ZEN Energy operations covered the following activities in FY22:

- Sale of retail energy to customers located in South Australia, New South Wales and Victoria
- Purchase of wholesale energy from AEMO and via Power Purchase Agreements (PPAs) with 2 Victorian-based solar farms. 4 new long-term PPAs with renewable energy suppliers were contracted in FY22, with supply to commence in FY23.
- Purchase of financial electricity risk management products including electricity swaps, Caps, and Settlements Residue Auction products (SRA’s) from various wholesale market participants located in Australia
- Purchase and sale of Certificates related to renewable electricity, including Large Scale Generation Certificates (LGC’s), Small Scale Certificates (STC’s) and related products. These products may be purchased on market or sourced directly from solar or wind farms.
- Sale of systems for rooftop solar and battery systems for commercial and residential applications (“Energy Services”). These activities include design of systems, the acquisition of small-scale renewable energy components, and the engagement of contractors to install those products. This activity was wound down from Q3 2022 due to the demerger of the energy services division of ZEN Energy.

## Modern Slavery Risks in ZEN Energy

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ZEN's activities rely on the supply chains that supply electricity into the National Electricity Market (NEM), renewable energy generators, and the supply chains behind the production of solar panels and other small-scale renewable energy components.

In the NEM, because all generated electricity must be purchased from a pool, technically all generation and transmission supply chains across the network are involved in ZEN's supply chains, including mining, resource extraction, manufacturing, transportation and construction. The Australian Human Rights Commission and KPMG identified most Modern Slavery risk in the energy sector relate to the direct procurement of goods used in the construction of power infrastructure<sup>1</sup>, which ZEN is party to by purchasing electricity in the NEM. However, ZEN cannot make choices or change in this space. ZEN is able to exercise some choice through choosing which generators or company's offtake contracts are made and LGCs are purchased. However, even then, the choice is limited due to the relatively low supply of renewable energy in Australia currently.

On the small-scale renewable energy components side, the supply chains for each component involve the procurement and transport of raw materials, the manufacture of the products, and the transport of these products. Globally, the majority of polysilicon, solar cells and solar modules are produced by Chinese companies. There are concerns around the supply of monocrystalline silicon and polysilicon for solar panels coming from Xinjiang, China, where there has been discussion by Government and the media in regard to the potential use of forced labour. Additionally, extraction of rare earth minerals for battery storage and the logistics and transport industries has all been identified as areas of high modern slavery risk.

In corporate operations, the building services employed by the buildings being leased by ZEN, and the electrical computing equipment utilized by ZEN all present modern slavery risks.

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<sup>1</sup> KPMG Australia, Australian Human Rights Commission, 2021, Resources, energy and modern slavery: Practical responses to managing risks to people, [https://humanrights.gov.au/sites/default/files/document/publication/ahrc\\_kpmg\\_modern\\_slavery\\_energy\\_2021\\_.pdf](https://humanrights.gov.au/sites/default/files/document/publication/ahrc_kpmg_modern_slavery_energy_2021_.pdf), accessed 24/10/2022.

ZEN Energy has decided to focus on assessing and addressing key Modern Slavery risks on which the company can have an impact in the supply of renewable energy hardware and in direct offtake contracts with renewable energy generators. In FY22, with the Energy Services division still under ZEN Energy operations, the following were key sources of Modern Slavery risk for ZEN Energy:

- Twelve (12) suppliers of hardware components who supported the Energy Services segment of the business.
- Two providers of electrical power and LGC's from solar generation facilities located in Victoria.
- Eight (8) providers of LGC's from solar, wind and wood-waste generation facilities across the eastern states of Australia.
- One provider of an electricity swap and LGC's tied directly to a solar generation facility in NSW

## Actions Taken

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With the move away from Energy Services to focus more on grid-scale asset development, ZEN Energy expects to more directly mitigate Modern Slavery risks when developing their own assets. The focus has shifted from the immediate Modern Slavery risks in Energy Services hardware procurement to understanding and preparing for the prospective risks that arise from asset development. ZEN will formalise Modern Slavery risk assessments and asset procurement processes to ensure they are embedded in standard operating procedures, contract templates and risk assessment tools. No projects have completed financial close at the date of this report.

Importantly, ZEN Energy understands that the same Modern Slavery risks apply to the ongoing relationship with the new owner of the Energy Services division, and will apply the Supplier Code of Conduct and assessment processes to that relationship.

ZEN Energy has also published their inaugural ESG Report, detailing the approach to asset development and Modern Slavery risks as well as a range of other sustainability areas.

ESG Report: [https://www.zenenergy.com.au/wp-content/uploads/2022/10/ZEN\\_ESG\\_report\\_2022.pdf](https://www.zenenergy.com.au/wp-content/uploads/2022/10/ZEN_ESG_report_2022.pdf)

In FY22, ZEN Energy took the following actions to fulfill the commitments made in the FY21 Statement to address immediate and prospective key Modern Slavery risk areas:

- We sent out an improved Supplier Code of Conduct to 12 suppliers. Of these suppliers, seven confirmed their acceptance of our Supplier Code of Conduct, which included requirements to adhere to the Modern Slavery Act (2018).
- As part of the process of bringing the Solar River asset development project to financial close, we have:
  - Developed a specific international Supplier Code of Conduct to enable assessment of potential suppliers for goods sourced from China
  - Performed a preliminary review of supply chains for selecting a top selection of suppliers, with a further deep dive for final selection
  - Excluded suppliers identified by the US as entities utilising poly-silicate product produced using forced labour
  - Specified deep dive third-party audits of supply chain as a requirement for the successful bidders.
- For Australian Power Purchase Agreements (PPA's), we have included Modern Slavery and Human Rights Protocols, and agreement to ZEN's Corporate Policies such as Code of Conduct and Modern Slavery in due diligence checklists and contractual requirements.

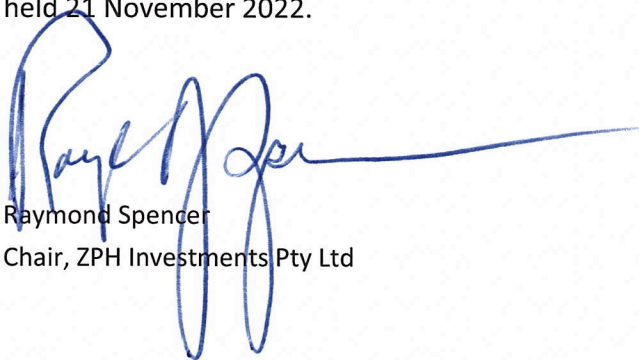
In terms of effectiveness, ZEN Energy viewed the Supplier Code of Conduct as a good first step in understanding and vetting our supply chain. Going forward, with focus moving to asset development, the initial due diligence steps taken are appropriate risk mitigation actions at this stage of the asset development journey. Formal processes and policies will be adopted as projects progress to ensure Modern Slavery and other risk assessment tools and mitigating controls are embedded within each project.

ZEN views due diligence on Power Purchase Agreements as an area which is difficult to address. Some developers of energy generation facilities took adequate Modern Slavery risk mitigation actions during procurement and construction, but there remains a limited supply of renewable generation in Australia. The potential for components sourced in part from areas subject to Modern Slavery practices remains across most existing Australian energy generation facilities, renewable or otherwise.

For FY23, our core focus for mitigating risks related to Modern Slavery are as follows:

1. Fully engage with our Energy Services partner to transition all modern slavery assessment of suppliers to them as well as to conduct ZEN's supplier code of conduct assessment on this partner
2. Develop Modern Slavery risk assessment tools to facilitate assessment of new energy and LGC procurement contracts
3. Consolidate all our efforts in mitigating modern slavery risks that are associated with renewable asset development, develop formal policies and procedures, and identify potential gaps for future mitigation.

The Board of ZPH Investments Pty Ltd approved the release of this Statement at its meeting held 21 November 2022.



Raymond Spencer  
Chair, ZPH Investments Pty Ltd