



Modern Slavery Statement 2022

Melbourne Water

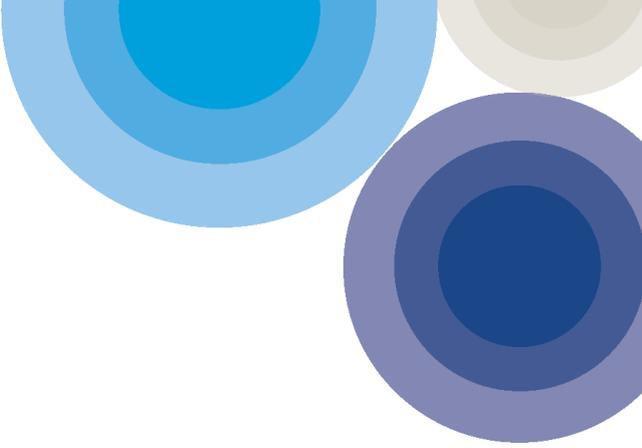


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Introduction

Melbourne Water Corporation (**Melbourne Water**) is responsible for managing our waterways, delivering affordable and clean water to the community and keeping our people healthy with effective sewerage services.

In order to achieve this, Melbourne Water's diverse and capable teams work with the community, developers and a wide range of partners, contractors and suppliers. Melbourne Water's values of care, integrity and courage are intrinsically linked to everything we do and how we engage the organisations that we work with. For this reason, Melbourne Water is committed to working to ensure our operations and supply chain are free of modern slavery.

In spite of the continuation of challenges as we emerge from the COVID-19 pandemic and subsequent supply chain disruptions, Melbourne Water has continued to progress initiatives to mitigate modern slavery risks.

This Modern Slavery Statement (the **Statement**) is Melbourne Water's response to the requirements of section 13 of the Australian Commonwealth *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**). It has been prepared for the reporting period 1 July 2021 to 30 June 2022 (**Reporting Period**). Melbourne Water does not own or control any other entities but has consulted with relevant internal teams (including Procurement, Major Program Delivery and Legal) and an external expert in preparing this Statement.

The Statement has been approved by the Board of Melbourne Water on 16 December 2022 and has been signed by John Thwaites (Chair) and Nerina Di Lorenzo (Managing Director), who are authorised to sign this statement on behalf of Melbourne Water.

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John Thwaites, Chairman

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Dr Nerina Di Lorenzo, Managing Director

About Melbourne Water

The reporting entity under the Modern Slavery Act is the Melbourne Water Corporation (**Melbourne Water**), a water corporation established under section 85 of the *Water Act 1989* (Vic).

For over 130 years, Melbourne Water has been serving the community by planning and building for our future. We manage water supply catchments, treat and supply drinking and recycled water, remove and treat most of Melbourne's sewage, and manage catchments, waterways and major drainage systems in the Port Phillip and Westernport regions.

Much of the infrastructure created over that time is still in use today – a testament to the ingenuity and foresight of those who came before us. We are continuing this legacy by building new and resilient infrastructure to meet the challenges of today and the future, while keeping costs as low as possible. Guided by our visionary three pillars of creating Healthy People, Healthy Places and a Healthy Environment, Melbourne Water's passionate team of experts helps make greater Melbourne a fantastic place to live.

We work hard to deliver sustainable public health, financial and environmental solutions (such as providing affordable, clean water for homes, gardens and businesses, keeping our city clean and people healthy with effective sewerage services) and creating opportunities for community recreation and enjoyment of the land and waterways that Melbourne Water manages. Melbourne Water does not work alone. We engage and collaborate with a wide range of partners that include Melbourne's retail water companies, councils, developers, contractors, Traditional Owners, the community and government agencies to deliver services our customers value. We build strong relationships with our customers, stakeholders and suppliers in the community, government and industry, and care for the health and wellbeing of our people.

Structure, operations and supply chains

Introduction

Melbourne Water plays an integral role in helping to build the modern liveable city we see today, and we are proud of our contribution to Melbourne's liveability which we achieve by focusing on our three pillars: Healthy People, Healthy Places, and Healthy Environment. We continually examine how we can evolve our business to ensure we are meeting the challenges we face by listening to our customers, empowering our people, utilising technology and continuing to deliver world-class services.

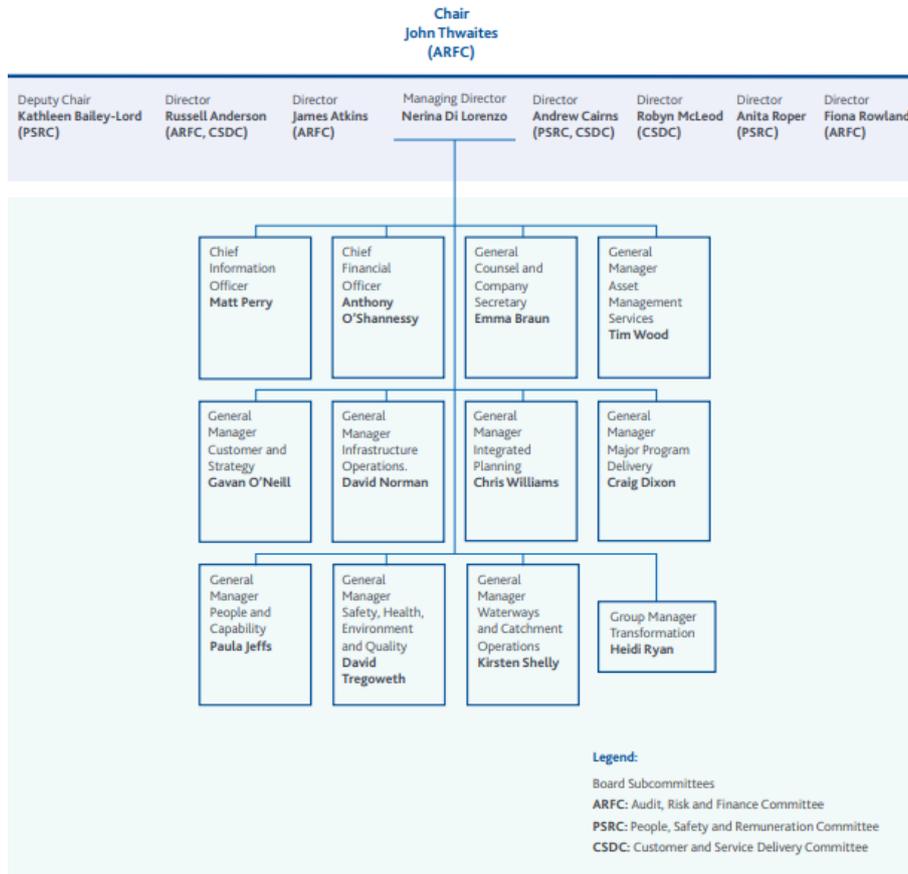
Melbourne Water's operations and supply chain have not materially changed from the previous Reporting Period to this current Reporting Period. For this reason, this year's Statement presents similarities to and builds on Melbourne Water's FY21 Modern Slavery Statement . Notwithstanding, Melbourne Water remains on a continuous improvement path towards high-level governance structures and improved data-driven performance that supports our actions to address modern slavery risk in our operations and supply chains.

Organisational Structure

Melbourne Water's organisational structure enables the delivery of clean water, sewerage services and management of catchments, waterways and major drainage systems across the greater Melbourne area.

Melbourne Water is a statutory water corporation established under section 85 of the Water Act and in FY22 was organised around 12 business units as per the following page. The management of Melbourne Water is overseen by a Board of Directors with responsibilities in different committees. A new structure has been implemented in FY23, which will be reflected in the next Statement.

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Operations

As a statutory authority owned by the Victorian Government, Melbourne Water works on behalf of the community to deliver a range of valuable services across the Greater Melbourne region. To help make Melbourne a fantastic place to live, we supply affordable high-quality water, provide reliable sewerage treatment and resource recovery, manage healthy waterways, provide integrated drainage management and flood resiliency, and maintain outstanding natural community spaces.

Every day we:

- manage water supply catchments;
- treat and supply both drinking and recycled water products;
- transfer, treat and recover resources from most of Melbourne's sewage; and
- manage waterways and major drainage systems in the Port Phillip and Westernport region.

To ensure Melbourne's water supply remains secure, Melbourne Water manages catchments, water storages and the water transfer network to meet the needs of a growing city. We prepare for droughts, floods, bushfires and other natural events.

Our people

As at June 2022, Melbourne Water employed 1,232 employees (938 full time employees, 206 part time employees and 88 fixed term and casual employees). 65% of our staff work from our head office located at Docklands in Melbourne and 35% work on operational sites including treatment plants, pumping stations, regional offices and reservoirs across Victoria.

Melbourne Water has two Enterprise Agreements which provide terms and conditions, including hours of work and pay, to the vast majority of its employees. Melbourne Water has separate Management Agreements that provide terms and conditions for senior and executive level employees.

The Enterprise Agreements – Melbourne Water Enterprise Agreement 2020 (**EA**) and Melbourne Water (Waterways and Land Delivery) Enterprise Agreement 2021 (**WLD EA**) – are negotiated every three or four years with the respective unions, are governed by the State Government’s Industrial Relations policies and require approval from the Fair Work Commission. Both Agreements are made available to all employees upon commencement of employment and remain available to employees through the Melbourne Water intranet. 47% of Melbourne Water’s employees are covered by the EA and 12% are covered by the WLD EA.

39% of Melbourne Water employees are Senior Managers and are covered by either Senior Management Contracts or Executive Management Agreements, and 2% are casual staff employed under casual contracts.

Water Supply

We supply, treat and transfer drinking water to Melbourne’s three retail water companies and other non-metropolitan water businesses which in turn provide water to households and businesses across the Melbourne region.

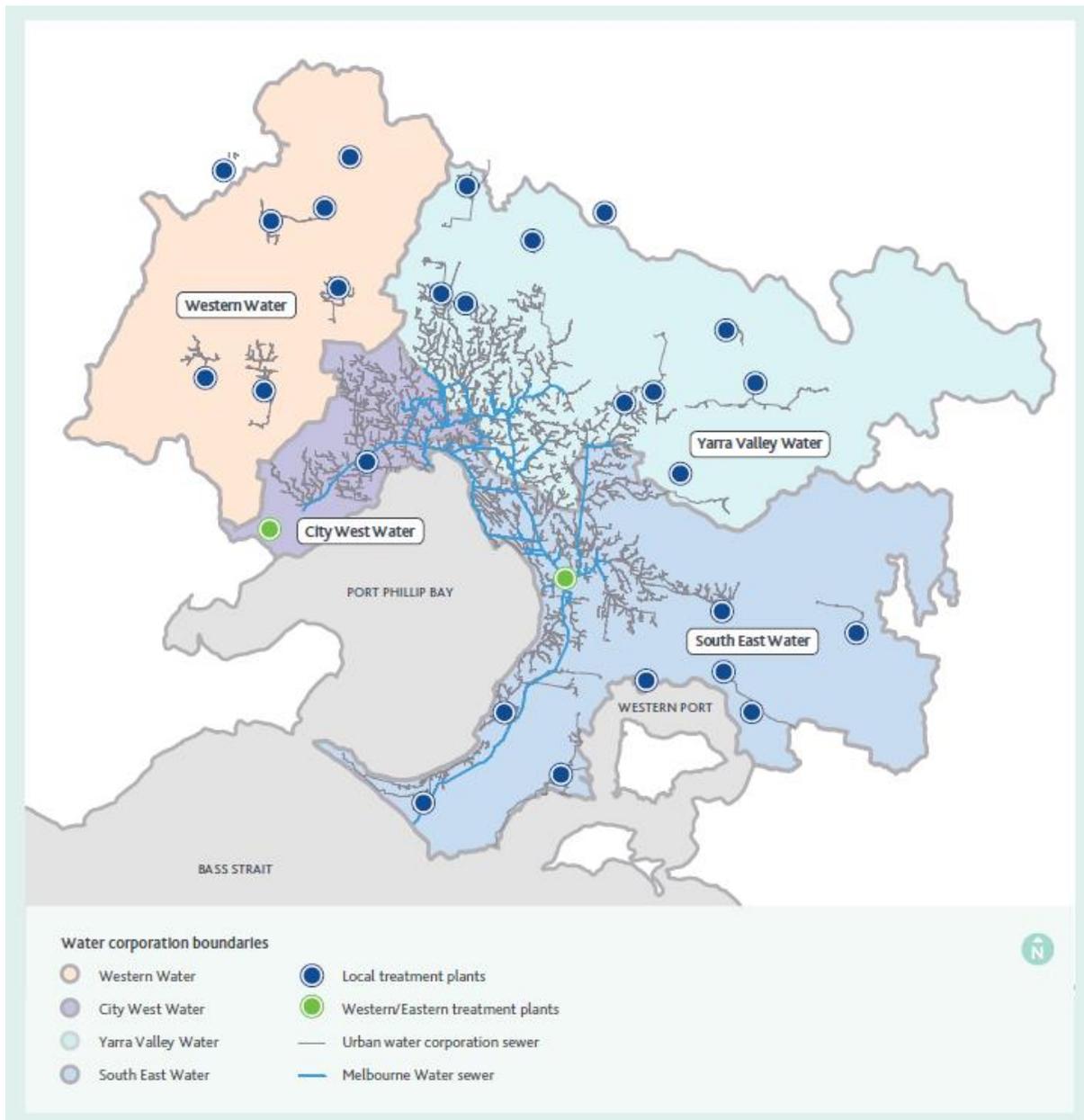
Sewerage and recycled water

Melbourne’s sewage treatment system consists of two main treatment plants, the Western Treatment Plant at Werribee and the Eastern Treatment Plant at Bangholme. These two treatment plants process approximately 90% of the total sewage generated in Melbourne. The remaining 10% is treated at one of twenty six smaller treatment plants. From these twenty six smaller treatment plants, Melbourne Water operates the Winneke and Tarago water treatment plants. The remaining twenty-four water treatment plants are operated by urban water corporations.

Together with councils we play a role in managing most of Melbourne's drainage system, supplying recycled water to wholesale customers. Wholesale customers include local government, direct service customers and developers. For more detail on operation sites and customers, please refer to our website.

Where We Operate

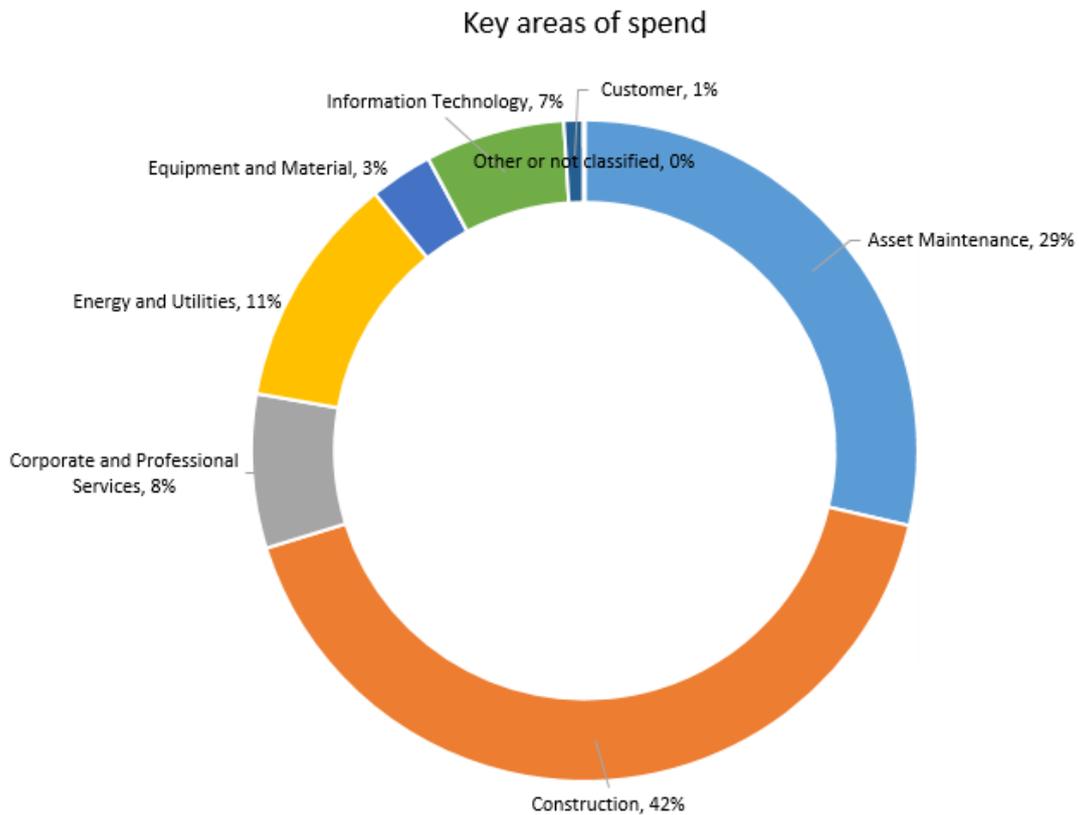
The following map provides an overview of Melbourne Water's sewerage systems denoting the boundaries of other water corporations as well as our sewer footprint and treatment plants.



Supply Chains

Our annual procurement spend is governed by the provisions of the Victorian Government Procurement Board (**VGPB**), and our own Procurement Policy and Framework, which guide our activities to ensure that our buying power advances social, economic and environmental objectives. As a Victorian Government-owned organisation, we aim to ensure that our purchases represent value for money and are sourced fairly and ethically.

In FY22, Melbourne Water worked with over 2,500 suppliers and spent a total of \$834m. Our top 10 suppliers represented 53% of the total spend with the majority going to asset maintenance, construction, energy and IT Services. As at 30 June 2022, 3% of Melbourne Water's supplier base also produced a Modern Slavery Statement (~\$45m annual spend).



Risks of modern slavery practices in Melbourne Water's operations and supply chains

Operations

As stated in 'Our people' above, during the reporting period the majority of our workforce comprised of permanent employees. Around 2% of our workforce is casually employed, primarily working backfilling long term leave or on time-constrained projects. This workforce composition, our union coverage and the fact that our employees are Australia-based, a country with a low risk rating from a modern slavery perspective,¹ led to the conclusion that our workforce which is a large part of our operations, generally posed a low risk from a modern slavery perspective.

Supply chain

Geographical Risk Assessment

From a geographical perspective 99.68% of our suppliers are registered Australian businesses. The remaining 0.32% are registered in seven different countries. The following table represents the countries' rank as per the Global Slavery Index 2018².

Country	% spend	Rank
Australia	99.68%	163
United States of America	0.14%	158
India	0.11%	53
United Kingdom	0.05%	132
Canada	0.01%	166
New Zealand	0.01%	164
Ireland	0.00%	147
Finland	0.00%	149

As per the above table, from the seven countries outside Australia, only India has a medium prevalence index rank according to the Global Slavery Index 2018. The other six countries have a low prevalence index rank. Employees (highly skilled) of the supplier, headquartered in India engaged by Melbourne Water provide remote IT

¹ Global Slavery Index, [Maps | Global Slavery Index](#)

² Global Slavery Index, [Maps | Global Slavery Index](#)

administrative and support services. This organisation has presented its own Modern Slavery Statement to the Australia Border Force.

While an entity may be registered or incorporated in Australia or a country with a low prevalence of modern slavery, Melbourne Water acknowledges that risks may differ where a supplier provides a service or manufactures goods in a third country. Refer to 'The Year Ahead' for actions that Melbourne Water has identified in order to further monitor this risk.

Subcontractors

Melbourne Water currently works with a handful of Tier 1 service providers for construction, infrastructure maintenance and Information Technology managed services. Refer to 'Actions taken by Melbourne Water to assess and address modern slavery risks' for additional information.

Equipment and Materials

While the overall modern slavery risk profile of Melbourne Water is low, there are a substantial number of materials or equipment that are manufactured overseas given the nature of the water and sewage infrastructure network and systems. Many of these products are supplied through Tier 1 recognised manufacturers following design and specification processes managed by Melbourne Water. Notwithstanding, at present, Melbourne Water has limited visibility of where a particular product may be imported from, especially if: a) the product is purchased from an Australian registered vendor who organises the import, b) the product is purchased to provide a service through a Tier 1 or Tier 2 provider. Refer to 'The year ahead' section for further information on how Melbourne Water intends to improve this visibility.

Actions taken by Melbourne Water to assess and address modern slavery risks

Operations

As stated above, Melbourne Water has classified its operations as presenting a low risk to modern slavery. In addition to complying with applicable laws, Melbourne Water has a *Respectful Workplace Policy* and a *Human Resources Complaint Resolution Procedure* that outlines the process that an employee or a contractor needs to follow to raise grievances and concerns.

Through the *Respectful Workplace Policy*, Melbourne Water seeks to be a respectful workplace that is inclusive and free of bullying, discrimination and harassment. It involves more than compliance with the law, and ensures our work environment is free from all forms of behaviours such as discrimination, harassment, sexual harassment, workplace aggression in the form of occupational violence or bullying and victimisation, which are not only unacceptable, but are also unlawful. Policy breaches are followed up in line with Melbourne Water's *Human Resource Complaint Resolution Procedure*.

Employees can also contact the Melbourne Water STOPline, an independent and confidential hotline to report information relating to improper conduct and breaches to the Code of Conduct. STOPline is available by phone or by email. Melbourne Water also has an Employee Assistance Programme (**EAP**) available for all employees and their immediate families.

While these policies, procedures and resources are not purposely built to solely manage our modern slavery risks, these indirectly assist Melbourne Water employees as mechanisms to register, track and respond to labour rights related complaints and grievances.

Procurement Risk Assessment

As part of the Vic Water Social Procurement Working Group (**SPWG**),³ Melbourne Water collectively developed and piloted a Procurement Toolkit (**Toolkit**) during the initial two reporting periods, to assist with the identification of labour rights risks, including modern slavery. The Toolkit contains a *Labour Rights and Modern Slavery Risk Identification Tool (Risk Identification Tool)*, a *Supplier questionnaires and guidance file*, educational material, as well as a *Supplier compliance checklist* and a *Grievance and remediation guidance*.

³ As described in our FY21 modern slavery statement, the SPWG is comprised of representatives from various Victorian water corporations, with these representatives responsible for sharing information, driving efficiencies, promoting consistency in policy and processes and supporting strategic approaches in supply chain analysis in relation to modern slavery.

Risk Identification Tool

The Risk Identification Tool assists Melbourne Water Buyers⁴ to identify the level of risk for each procurement Portfolio⁵ and Category⁶. This Excel-based Risk Identification Tool was developed during the initial two reporting periods, piloted in FY21 and subsequently included in the Melbourne Water tender templates for procurement activity with assessed medium to high risk of prevalence of modern slavery. The Risk Identification Tool continues to be used by the Procurement function when approaching the market.



Labour Rights and Modern Slavery Risk Identification Tool

VicWater Sustainable Procurement Heat Map (FY2018-2019) - Human rights risk scoring extracts

The matrix below is an extract of a broader tool that was collectively completed by VicWater members in FY2018-2019. For more detailed information on this tool, including in terms of scoring methodology and guidance, please refer to the full tool which is available on the VicWater website.

Step 1: Filter the Portfolio and Category of your procurement to determine the Labour rights risk scoring. Copy the table and paste in the Modern Slavery section of the Tender Evaluation Plan.

Portfolio	Category	Labour Rights risk scoring
Construction	Engineering, Construction & Major Projects	14
ITC	IT Services	14
Asset maintenance	Ongoing operations and maintenance of facilities	13
Asset maintenance	Grass cutting, herbicide application/edge treatment, water	9
Construction	Engineering consulting/technical services	9
Construction	Engineering, Construction & Minor Projects	9
Construction	Developer Constructed Assets	9
Corporate	Temporary staff/labour hire/traineeship programs	9
Corporate	Guards, alarms, RFID, CCTV	9
Customer	Debt collection services	9

The **Risk Identification Tool** was developed during the FY20 and implemented during the FY21 reporting periods, and has been subsequently available for utilisation in procurement activity through FY22 to assist Melbourne Water in understanding the Labour Rights risk scoring prior to a market approach. The risk scoring is calculated taking into consideration the likelihood and the consequences of modern slavery in a local water industry context.

While the Risk Identification Tool has been very useful in identifying risk in Melbourne Water's procurement activity, Melbourne Water has noted in FY22 that specific procurement sub-categories need to be called out separately due to the prevalence of modern slavery in those particular industries based on global data. These are: Personal Protective Equipment (PPE), electronics, horticulture, and construction materials. Some of these goods are indirectly procured as part of a service. A 'Modern Slavery scoring

⁴ For the purposes of this Statement, a **Melbourne Water Buyer** refers to a Melbourne Water employee who needs to engage a supplier to purchase goods and/or services that enable the organisation to deliver potable water, drainage and sewage services to our customers.

⁵ As at the time of development of the Procurement Toolkit FY18/19, Procurement provided services to each 'Portfolio' (Business Unit) without formally categorising expenditure as this was the structure at the time.

⁶ A Procurement Category is the grouping of similar goods or services with common supply and demand drivers and suppliers. Procurement Categories can vary depending on the nature of each organisation. Melbourne Water's categories are built on the United Nations Standard Products and Services Code (UNSPSC), which is a hierarchical convention that is used to classify products and services.

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tool' will be developed to assist evaluators to score modern slavery as an evaluation criteria in procurement activities. Refer to 'The Year ahead' (item 2) section for further information.

As per the Risk Identification Tool, most Melbourne Water procurement categories are low to medium risk, with the exception of Construction which is classified as medium risk.

Portfolio	Category	Percentage of annual spend	Level of Risk
Construction	Construction labour (minor and major projects) and offshore engineering services	42%	Medium
Asset maintenance	Above and underground asset maintenance, grass cutting, waterways maintenance	29%	Low to medium
Corporate	Temporary staff, labour hire and traineeship programs, security, electricity supply	19%	Low to medium
ICT	Onshore and offshore IT services, cybersecurity consulting, IT equipment	7%	Low to medium
Equipment and Material	Mechanical and electrical equipment, chemical products	3%	Low to medium
Customer	Debt collection services, customer research services	<1%	Low to medium
Other	Other or not classified	<1%	To be further investigated

Supplier questionnaire and guidance file

The *Supplier questionnaire and guidance file* (**Supplier Questionnaires**) contains inherent risk questions as well as closed, open and conversational questions to help Melbourne Water Buyers determine suppliers' labour rights practices. These questions are asked of all prospective suppliers that are in a medium to high risk category during a tender process. In most cases, the closed questionnaire was the most suitable to use in approaches to market over FY22.

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Risk area	No.	Questions
Geography	1	Does the delivery of your products / services involve operations or procurement outside of Australia? If yes, in which countries?
	2	Do you have employees based in regional / rural Australia? If yes, where?
Vulnerable Populations	3	Please provide an overview of your organisation's workforce - key details to include are: - Size of workforce; - Proportion of workforce that is employed on a seasonal / contract / casual basis; and - Roles that do not require a certification / qualification / degree
Buyer Business Practices	4	Are there any requests or practices from [insert water corporation name] that will reduce your ability to fully mitigate labour rights risks?
Supplier(s) / Industry Business Practices	5	Does the delivery of your products / services involve any labour sub-contracting or outsourcing arrangements? If yes, what is the nature of the labour provided?
	6	If yes' to question 4 - are any sub-contractors based outside of Australia? If yes, where?

The inherent risk questions are designed to obtain information to assess risks due to: Geography, Population vulnerability and Business practices affecting the industry.

The **Supplier Questionnaires** contain closed, open and conversational questions.

For example, the **Labour Rights and Modern Slavery closed questionnaire** allows potential vendors to respond using Yes or No answers. This also facilitates initial analysis for Modern Slavery when evaluating tenders.



Labour Rights and Modern Slavery - Closed Supplier Questionnaire

Category	Subsection	No.	Questions	Supplier response
Commitment and accountability		1	Does your company have a code of conduct for employees (or similar policy or standard)?	Yes / No
		2	Does your company have a labour rights commitment (which commits to manage issues such as forced labour and modern slavery, freedom of association and collective bargaining, child labour and young workers, remuneration, discrimination and harassment) outlined in a policy, statement or equivalent document?	Yes / No
		3	Does your company have reporting obligations under the Commonwealth modern slavery Act or related legislation in other jurisdictions? If yes, have you reported in line with those obligations?	Yes / No
Recruitment practices		4	Does your company retain any workers' original personal identification documentation, including passports or work papers?	Yes / No
		5	Does your company verify employee legal eligibility and entitlement to work in the country of employment?	Yes / No
		6	Are all workers provided with a written contract covering conditions of employment which is provided in a language understood by the workers?	Yes / No
		7	Does your company keep an accurate record of all employees and workers directly employed by you, including permanent, casual, temporary and seasonal and those on contracts?	Yes / No
		8	Does your company have employees who work to pay off a debt owed to the company or recruiting agencies?	Yes / No
		9	Does your company ensure that the wages paid to all employees comply with either the local law and are sufficient to meet workers' basic needs including some discretionary expenses?	Yes / No
		10	Does your company pay all applicable statutory benefits (e.g. superannuation, holiday pay) fully, regularly and timely to all employees?	Yes / No
Workforce management	Employment conditions		Does your company ensure labour hire and/or subcontracted workers receive the same pay	

Governance and procurement practices

Procurement function restructure

The coordination and management of modern slavery risks at Melbourne Water sits with the Procurement function. A significant restructure of the team commenced at the beginning of FY21, which directly impacted a number of roles that supported the implementation of modern slavery, social and sustainable procurement initiatives in the team. As a consequence of these changes, certain roles were vacant for around 6 months which presented challenges in developing progressive governance tools to manage modern slavery risk at Melbourne Water.

In January 2022, with the appointment of a new lead for the Procurement function, Melbourne Water commenced a Procurement Transformation review that will better assist the organisation in managing our overall procurement risks, including modern slavery. It is well known that short procurement lead times pressure both the market and procurement teams to deliver quickly. Reducing the number of short notice

procurement requests will allow the Melbourne Water Procurement Team to negotiate overall better terms and reduce time pressures for our suppliers. For this reason, in early 2022 the Procurement Team developed a roadmap that allows better planning of the procurement pipeline. This will enable greater focus on social factors such as Modern Slavery risk as part of standard procurement processes.

Decentralised procurement model

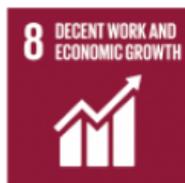
Melbourne Water has a decentralised procurement model responsible for the end to end purchase (sourcing) to payment lifecycle process, meaning that each business unit follows existing processes and procedures to arrange their own contracts with suppliers for low risk engagements. In order to assist compliance, the Procurement function that leads the end to end purchase to payment lifecycle has created a **Buying Tool** (a web based questionnaire that allows Melbourne Water Buyers to understand the broad range of risks associated with the purchase).

Melbourne Water also has guidelines, frameworks, policies and procedures to allow the different business units to identify the level of involvement required from Procurement. For example, a procurement activity flagged as high risk would require direct involvement from the Procurement Team. In line with the continuous improvement expectations under the *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*, Melbourne Water is in the process of enhancing the Buying Tool to address specific questions related to modern slavery in the early stages of a procurement activity. Refer to 'The Year ahead' (item 1).

A review of the Procurement function and the procurement model across Melbourne Water was undertaken during FY22 (**Procurement Transformation review**) to identify improvement initiatives and opportunities. As an outcome of the Procurement Transformation review, a level of contract management, governance, process and systems improvement, and category enhancements have been identified, including a greater focus on contract management and performance reporting. This reporting now enables more frequent checking and monitoring of changes to the supplier environment that may result in modern slavery risk that needs to be addressed.

United Nations Sustainable Development Goals (SDGs)

Melbourne Water continues to be a signatory of the United Nations Global Compact. As such, our operations and our procurement practices are guided by the SDGs. In line with the nature of our organisation, the following SDGs are a priority for Melbourne Water and relate to modern slavery:



Taking into consideration that social, economic and gender inequalities increase modern slavery risks, Melbourne Water prioritises these SDGs in our operations and supply chain.

Supplier selection and engagement

Supplier Code of Conduct

In line with the Victorian Government Procurement Policies, all Melbourne Water tendering activity requires vendors to adhere to the Victorian Government Supplier Code of Conduct (**the Code**). Among other aspects, the Code requires vendors to comply with human rights obligations and ensure that involuntary or underage labour does not take place. The Code also requires vendors to ensure that workers are paid in line with all applicable laws and regulations and that workers are able to associate freely.

Contract terms

In late 2020, Melbourne Water updated its standard terms templates for goods and services to add clauses in relation to compliance with the Modern Slavery Act. The Melbourne Water standard terms specify that suppliers are not to engage in modern slavery activities, and that suppliers may be subject to audits. Melbourne Water employees are directed to use the Melbourne standard terms in procurement engagements initiated outside of the Procurement function. Where there are deviations from the standard terms, the Procurement function are engaged to ensure oversight. Melbourne Water has used the standard templates with Modern Slavery clauses since its implementation and throughout the Reporting Period.

Melbourne Water will continue to assess the effectiveness of these clauses as part of our overall periodical contract clauses review which occurs every 2 years unless an update is required due to changes in legislation.

As part of the Procurement Transformation review, opportunities to enhance reporting against contracts where it relates to modern slavery among other reporting criteria have been identified. Refer to 'The Year ahead' (items 7, 9 and 10) section for further information.

Subcontractor management

Construction Services

Melbourne Water currently works with a handful of Tier 1 service providers for construction and infrastructure maintenance. Due to the nature of the services and the requirement of Victorian Government policies and strategies such as Local Jobs First

(LJF)⁷, and Social Procurement⁸, both of which guide Melbourne Water's operations. Tier 1 contractors must report on type and number of employees and number of hours for specific roles, as well as expenditure with Tier 2 suppliers/service providers. In addition to the above, Melbourne Water contractually requires Tier 1 contractors to sign a statutory declaration to confirm that workers and subcontractors have been paid in accordance with the law. Even though the purpose of these policies are slightly different, supplier compliance with these policies indirectly mitigates modern slavery risks. For example, Social Procurement aims at giving opportunities to disadvantaged cohorts (SDG 10: Reducing inequalities) and LJF aims at maintaining jobs in the state of Victoria (SDG 8: decent work and economic growth).

IT Services

While our IT Managed Services Agreement was entered into before the implementation of the Modern Slavery Act, our agreement requests that the supplier manages industrial relations and ensures rates of pay and conditions of employment are according to the law. Melbourne Water notes that this contractor has provided their own Modern Slavery Statement to the ABF.

Improving identification of modern slavery risks

Data and reporting

Accurate data is a key element in managing risk. As part of the Procurement Transformation review, Melbourne Water identified the risk of not having accurate data, not only for identifying expenditure, but also to be able to categorise spend in a meaningful way. For this reason, Melbourne Water engaged Robobai, a Procurement environment spend analysis tool that uses Artificial Intelligence (**AI**) to categorise and analyse spend. Having data at a category level will allow Melbourne Water to identify procurement risks, including the risk of modern slavery at a category level. In addition to the categorisation benefits, Robobai will be used to identify spend that is out of contract. Decreasing the amount of out of contract spend, will decrease supply chain risks, including modern slavery, as the level of due diligence required to enter into a contract systematically reviews and actively seeks to mitigate the risks. The implementation of Robobai started in June 2022. During FY23, Melbourne Water will

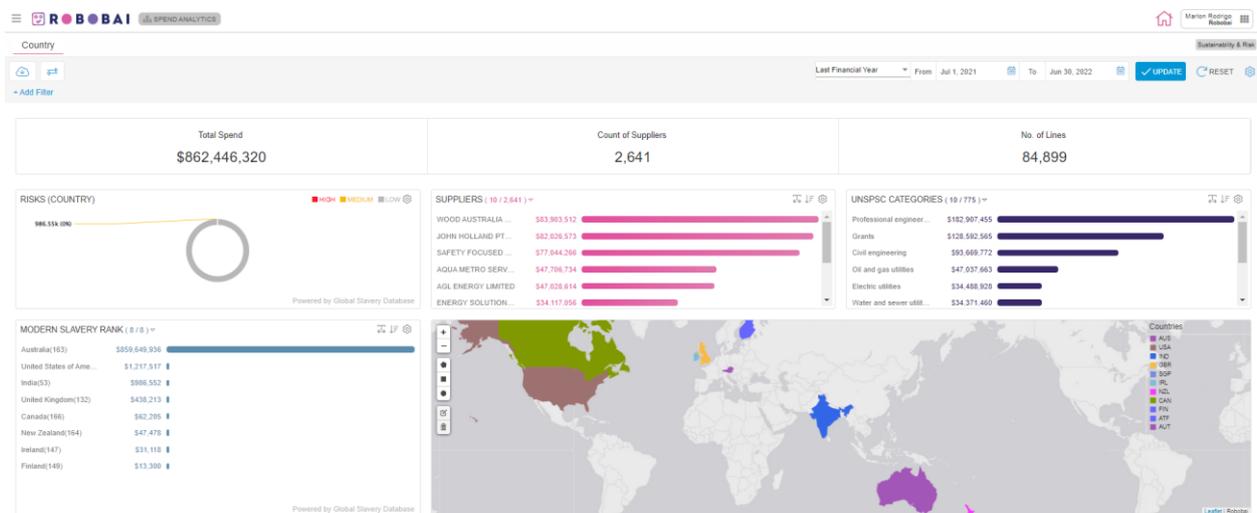
⁷ The Local Jobs First Policy requires Victorian Government Entities to procure goods, services and/or construction from businesses that create local jobs opportunities, including apprentices, trainees and cadets. Suppliers required to comply with this policy provide employment data to the Victorian Government through a specifically designed portal. The Local Jobs First Commissioner may request an audit on a specific project to any Victorian Government Entity.

⁸ Social Procurement is when organisations use their buying power to generate social value above and beyond the value of the goods, services or construction being procured. Entities that operate under the Victorian Government procurement context are required to conduct procurements taking into consideration the Victorian Government Social Procurement Framework (**SPF**). SPF outcomes are monitored through a specifically designed portal.

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continue to train the AI to refine spend classification. Refer to 'The Year ahead' for specific actions related to data and reporting (item 3).

Robobai also has capability to report on risk of modern slavery based on supplier information. This tool is helping Melbourne Water identify and manage supplier risk exposure. The tool does this by matching vendor information such as business name, address and ABN with publicly available indexes (e.g. Global Slavery Index) and flags high risk suppliers. This tool will help Melbourne Water identify and manage supplier risk exposure when it is operationalised in FY23. A sample page of Robobai's dashboard is featured in the following page.



Promoting transparency

In line with the VGPB, Melbourne Water periodically discloses key details, such as supplier name and goods or services procured, on contracts over \$100,000 (including GST) on the Tenders Vic website, which is publicly available.

Case studies

Infrastructure Maintenance

Melbourne Water entered into a high value agreement with Programmed Facilities Management (**Programmed**) for the delivery of Infrastructure Maintenance services. Programmed will deliver preventative maintenance services, corrective and repair services, controls and automation maintenance, minor capital works and facilities management.

As the delivery of the services will be performed by subcontractors, Melbourne Water has provisioned for specific actions within the contract and its management processes to identify, assess and address the risk of modern slavery in Programmed's operations

in the delivery of this contract. Some of these actions include: staff training, having grievance mechanisms available for Programmed's staff and subcontractors, and preparing and implementing a Modern Slavery Risk Management Plan.

Construction Projects

During FY22, Melbourne Water tendered and appointed contractors for large construction projects that involve subcontracting arrangements. These include the Yean to Bald Hill Pipeline, the design and construction of the Hobsons Bay Main Yarra Crossing Duplication Project and the early services for the 5 West Nutrient Removal Plant (WTP 5W NRP) at Western Treatment Plant. The contracts for these large construction projects included modern slavery clauses, supplier code of conduct clauses and required the main contractor to sign a statutory declaration to confirm that workers and subcontractors had been paid in accordance with the law.

How we assess effectiveness

Internal Review

Melbourne Water continues to evaluate and assess the effectiveness of our actions to address modern slavery risks and continues to improve based on feedback from key stakeholders. For example, our tendering documentation has been updated to allow the buyer to assess modern slavery risks through the use of the Procurement Toolkit. Where applicable, the Supplier Questionnaires are used at a tendering level and are part of the evaluation criteria to select a supplier through a competitive procurement process.

Community of practice

Melbourne Water continues to work with the SPWG to share insights and actions related to modern slavery in the water industry. During the reporting period, the SPWG members jointly identified the need for a digital platform that can improve on our existing processes to comply with the Modern Slavery Act through use of automation and collaboration tools specifically focussed on capturing modern slavery related data. A consultant was engaged to present a proposal to address this requirement. However, the proposal did not adequately meet the requirements of the SPWG and further options remain under consideration. Melbourne Water will work with the SPWG to formalise the selection of a digital platform in 2023.

Practical effectiveness

Melbourne Water has a large array of policies, frameworks and procedures in place to ensure our procurement processes follow best practice governance. These provide guidance to Melbourne Water Buyers and key stakeholders in considering modern slavery risks in both our operations and supply chains. Adherence to policies, frameworks and procedures is audited periodically both internally by the Melbourne Water Internal Audit team, and externally by third parties.

Due to the number of variables and layers in our supply chain, it is difficult to assess effectiveness in a quantifiable way without having specific tools that consider modern slavery risks practical implications.

Melbourne Water is yet to have overall Key Performance Indicators (**KPIs**) that allow us to measure the effectiveness of our actions taken to date to reduce the risk of modern slavery in our supply chain. KPIs of this nature could include: the percentage of contracts with modern slavery clauses, the number of suppliers and service providers

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completing risk questionnaires, and completion of modern slavery training and employee and supplier surveys to identify awareness of the Act and risks.

During this reporting period, Melbourne Water has identified specific opportunities to assess effectiveness and will work on implementation in FY23 Refer to 'The Year Ahead' for further detail.

The year ahead

Throughout this Statement, Melbourne Water has identified a number of initiatives that will be the focus for FY23. These are:

Description	Reference
Buying tool upgrade for early assessment of modern slavery risk to continue to support a decentralised procurement model.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 16)
Rolling out a 'Modern Slavery scoring tool'. This tool will complement the 'Risk Identification Tool' and will assist the tender assessment panels in scoring modern slavery risks as part of the evaluation criteria.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 13)
Establishing a dedicated Procurement team resource to support monitoring and governance over modern slavery risk along with other social procurement areas of focus.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 15 and 16)
Further review of existing clauses in Melbourne Water's Standard Terms and review of other contracts targeted to lower value and lower risk engagements.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 17)
Identifying spend out of contract (using data and reporting available), which would not be bound to any contracted Modern Slavery clauses.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 18)
Establishing category plans ⁹ , which will assess modern slavery risks at a category level.	Actions taken by Melbourne Water to assess and address modern slavery risks (pg 16 and 18)
Further refining of tendering documentation utilised to select the most suitable suppliers.	How we assess effectiveness (pg 21)
Selecting and commencing implementation of a suitable digital platform as stated in 'Community of Practice' above.	How we assess effectiveness (pg 21)
Establishing KPIs that measure the effectiveness of Melbourne Water's actions to address modern slavery risk.	How we assess effectiveness (pg 21)
Enhancing the Melbourne Water Contract Register to capture contracts, including services and categories of products and	How we assess effectiveness (pg 21)

⁹ A Category Plan is a high level and long term assessment of a particular category of spend. This assessment generally include risks, market research and other relevant drivers affecting the price and availability of goods and services within that category. Categories of spend have commonalities either by function or by type of good or service being sourced. For example: Construction, Information Technology, Professional Services, Equipment and Materials, etc.

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materials within those contracts that may pose risks including modern slavery.	
Incorporating modern slavery compliance requirements into our supplier audit program.	How we assess effectiveness (pg 21)
Updating modern slavery training for new and non-procurement staff.	How we assess effectiveness (pg 21)
Selecting and commencing implementation of a digital tool to track the risk of modern slavery to existing suppliers, staff training on modern slavery risk awareness, and an audit program for suppliers identified as high risk	How we assess effectiveness (pg 21)