



# Modern Slavery Statement 2019 – 20

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## Message from our Managing Director

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Our vision is to help create a better world for our customers with forward-thinking water solutions, for all and always, that won't cost the earth. We also strive to deliver a service that's fair and affordable for all.

Our teams work around the clock to make sure fresh, clean water flows from the tap and wastewater is taken away safely every day for our customers and we work with a number of suppliers and partners to be able to do this.

We know that the way we provide our services, the people and organisations we choose to work with and where we choose to source our supplies from can have far reaching impacts, well beyond the borders of our service region.

We acknowledge the risk of modern slavery in global supply chains and we're committed to doing all we can to address that risk and defend human rights within our operations and those of our suppliers.

As both a customer and service provider, we're committed to improving our internal procurement and governance processes, raising awareness within our organisation and improving transparency across local and global supply chains.

We consider any form of modern slavery to be unacceptable and acknowledge that we have a responsibility to support and promote ethical practices within our business and beyond.

I'm pleased to introduce our first annual Modern Slavery Statement in response to *the Modern Slavery Act 2018 (Cth)*, which outlines the actions we've taken to identify, monitor and mitigate potential modern slavery risks within our operations and supply chains.

This Modern Slavery Statement applies to both South East Water and our wholly owned subsidiary, Iota and was approved by the South East Water Board of Directors on 22 February 2021.

A handwritten signature in black ink, appearing to read 'Lara Olsen'.

Lara Olsen  
Managing Director, South East Water

## FY2020 Highlights

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### Developing our understanding of modern slavery risks

- Improved South East Water and Iota employees' understanding of modern slavery risks through training and awareness.

### Victorian Water Industry collaboration

- Formed a cross functional Social Procurement Working Group to ensure a united Victorian water industry approach.
- Completed our supply chain risk and opportunity assessment through a collaborative water industry initiative, including identifying high risks and prioritised initiatives to manage them.

### Improving our policies and processes

- Updated our Procurement Policy and Tendering Guidelines to capture modern slavery risks to ensure these are properly identified, assessed and addressed prior to engaging suppliers.
- Started developing a Procurement Planning Risk Assessment Tool and Supplier Due Diligence Questionnaire to help contract managers assess relevant risks.
- Included new clauses to cover modern slavery risks in our standard contract templates.

## About us – our operations, structure and supply chain

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At South East Water (ABN 89 066 902 547), we support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.87 million people who rely on us every day and every night.

Our service area borders more than 270 kilometres of coastline and covers a land area of 3,640 square kilometres from Port Melbourne to Portsea and approximately 30 kilometres east of Pakenham, Victoria.

Each year we deliver more than 134 billion litres of drinking water and collect more than 117 billion litres of wastewater (waste from the toilet, shower, laundry and kitchen in the home and from businesses) at our local water recycling plants and at Melbourne Water's Eastern and Western Treatment Plants.

To deliver for our customers, we manage more than 26,300 kilometres of pipeline. We own, operate and maintain \$4.7 billion of assets including water, recycled water and sewerage networks.

We're a water corporation under *the Water Act 1989*. The activities of our organisation are governed by *the Water Act 1989* and the Statement of Obligations issued by the Minister for Water under Section 41 of *the Water Industry Act 1994*.

### Our Service Region (as at 30 June 2020)

#### People

- 1.87 million people supplied with drinking water and sewerage services
- 92 per cent of our customers rely on us for their home's water and wastewater services
- 8 per cent of our customers rely on us for non-household purposes
- Our customers speak more than 200 languages

#### Assets

- 14,142 kilometres of water mains
- 1,139+ kilometres of recycled water main
- 8 water recycling plants
- One stormwater treatment plant
- 11,093+ kilometres of sewer mains
- 275 sewage pump stations
- Nine recycled water pump stations
- 82 water pump stations
- 270 kilometres of coastline



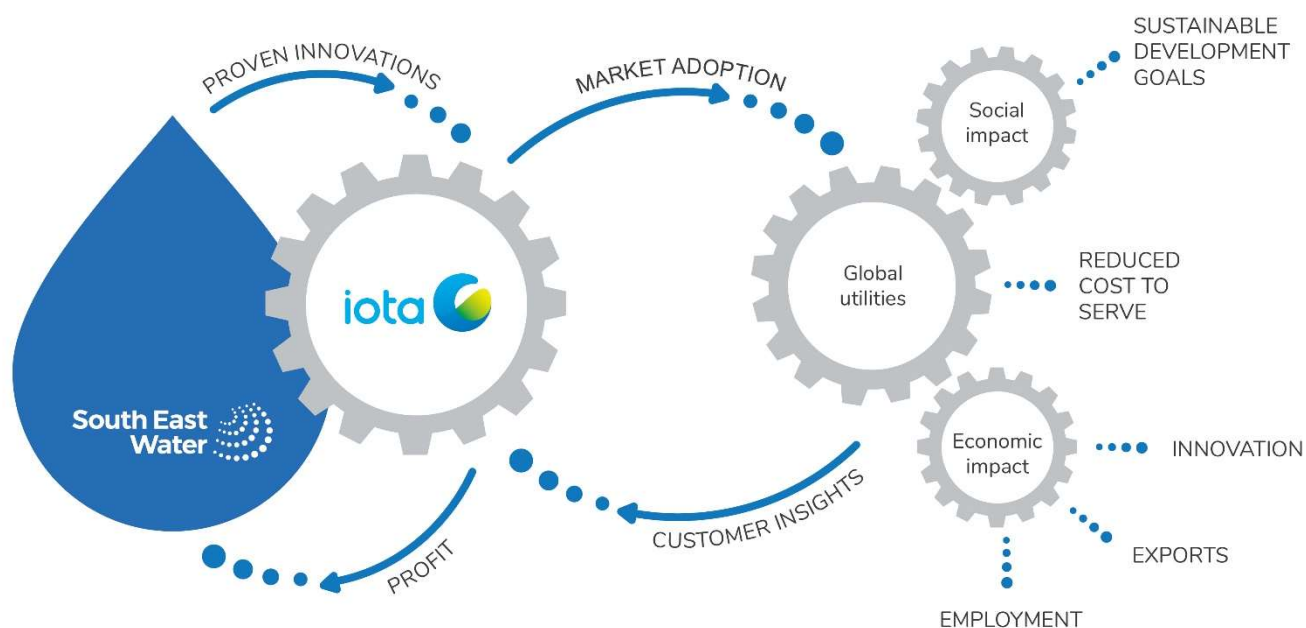
*Our service area spans from Port Melbourne to Portsea, to Portsea, to Pakenham – spanning bays, beaches, green space and high-rise apartments*

## Iota - our commercial capability

Iota (ABN 73 602 562 765) is a wholly owned subsidiary of South East Water and plays an integral role in achieving our vision – taking new innovations born at South East Water and commercialising them for use beyond our borders. This not only helps other water organisations around the world become more efficient but delivers economic and social benefit for South East Water, our customers, and Victoria.

Following several successful deployments of its OneBox® technology (monitors and controls pressure sewer systems) with utilities in Australia, New Zealand and as far as Ireland, Iota has continued to expand through the commercialisation of additional technology solutions. There are now a dozen utilities trialling its Advanced BlokAid® technology to monitor levels in sewer and stormwater drains in near-real time, and Iota is sharing South East Water's digital meter and IoT Platform technology with the industry following successful trials and preliminary installations in our network.

Iota also manages South East Water's Priority Plumbing business, offering integrated water management solutions and industrial and residential plumbing services in Melbourne's south east and beyond.



*Iota's impact through commercialisation of smarter, simpler solutions to manage water and wastewater*



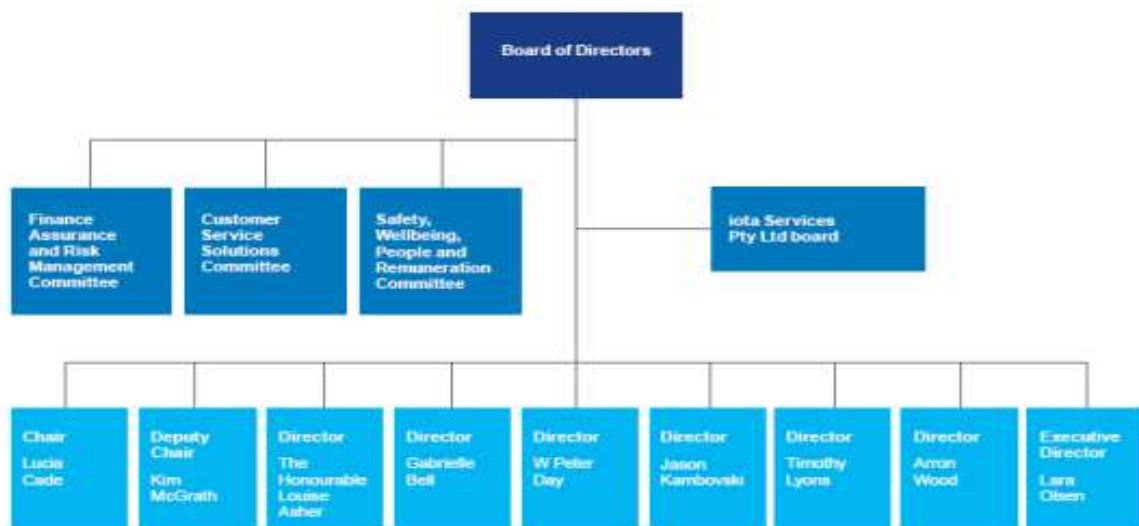
## Our structure and governance (as at 30 June 2020)

South East Water's and Iota's offices are in Melbourne, Victoria and our workforce consists of over 600 employees. We also have contracts with a number of plumbing companies who provide services as part of South East Water's Priority Plumbing business that is managed by Iota.

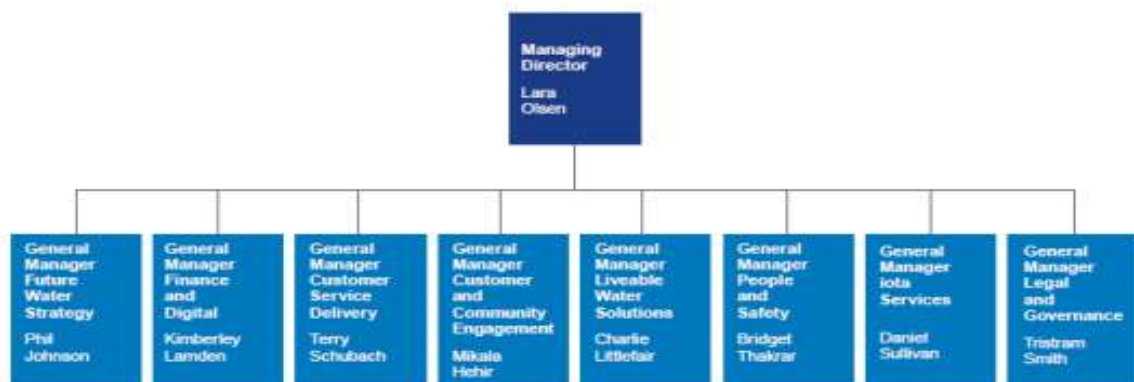
We have eight non-executive directors (including the chair), and a managing director on our board. They represent a diverse mix of skills, experience and backgrounds. The Minister for Water appoints the Board of Directors in consultation with the Treasurer. The board's main role is to preside over all significant strategic, commercial, regulatory, financial and risk-focused business decisions as well as safety, people and customer matters.

## Organisation and governance chart

Governance structure as at 30 June 2020



Organisation structure as at 30 June 2020

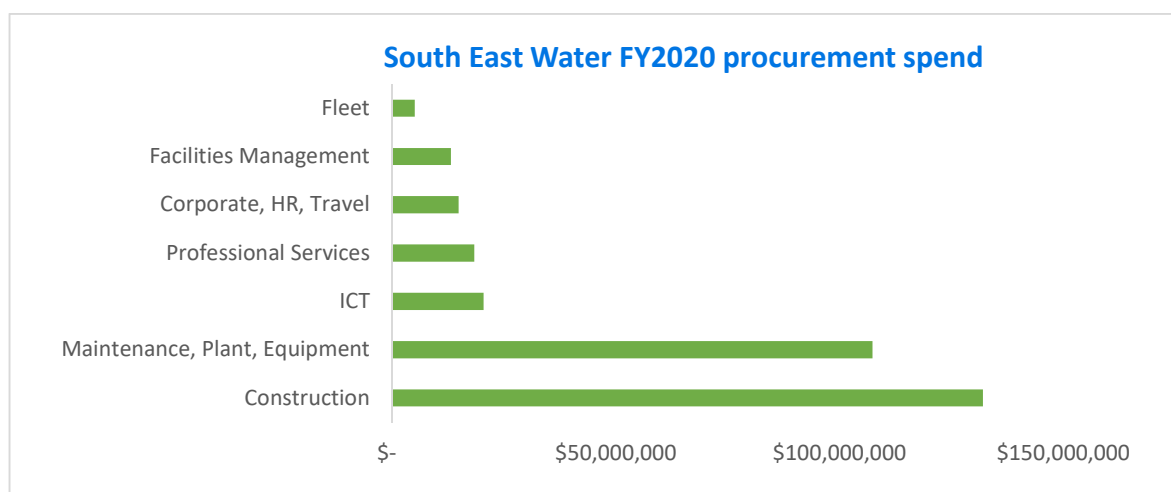




## Our supply chains

### South East Water

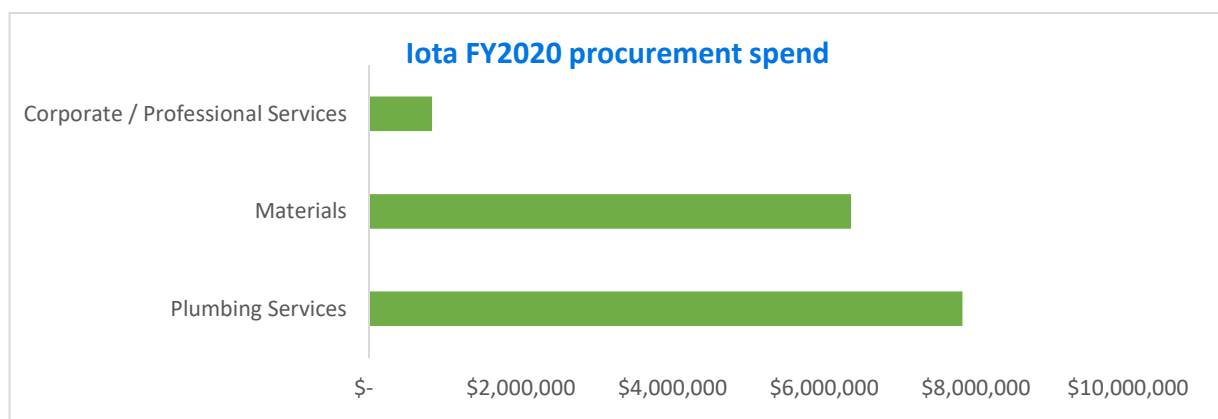
South East Water's procurement activities focus on the delivery and maintenance of our water assets, which includes pipelines, pumps stations and recycled water treatment plants. Along with IT and general operational contracts, we also procure services to maintain our facilities such as cleaning and security. We procure a wide range of goods / services / construction primarily from local suppliers to support our day-to-day operations. Our supply chain is made up of almost 1,600 direct suppliers with an annual spend of approximately \$311 mil <sup>1</sup>.



<sup>1</sup> Supply chain spend is approximate annualised third party spend excluding taxes, government charges, intercompany transfers and customer compensation payments.

### Iota Services

Iota's spend covers the procurement of plumbing services, materials related to plumbing supplies / commercial products, and corporate and professional services. Iota's supply chain is made up of almost 130 direct suppliers with an annual spend of approximately \$15 mil <sup>1</sup>. Iota's customers manage water and water waste services in Australia, New Zealand, Singapore, Ireland, Fiji and Malaysia.



<sup>1</sup> Supply chain spend is approximate annualised third party spend excluding taxes, government charges, intercompany transfers and customer compensation payments.

## United Nations Global Compact

We're a member of the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. The initiative has established a path to help end extreme poverty, fight inequality and injustice and protect our planet by 2030.

As a member of the Compact, we've committed to working to achieve the ten principles that align to responsible business practice and also support the broader 17 United Nations Sustainable Development Goals. Each of the ten principles falls under one of four key banners of human rights (where modern slavery sits), labour, environment and anti-corruption.

We are working towards integrating the principles of the UNGC into our strategy, culture and daily operations and will submit our third Communication of Progress report for the United Nations that is included in our Annual Report. We've embedded the 17 Sustainable Development Goals (SDGs) into our corporate strategy to help achieve the world we aspire for under the UNGC.

The five core goals that align most closely with our operations are shown with a black outline:



## Management of our Modern Slavery Risks

Managing risk is central to our ability to remain a reliable and successful essential services provider for our customers, today and for future generations. Risk management will always be a key focus and is embedded across all of our management systems and processes. We maintain an enterprise risk management framework consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 31000) and the requirements of the Victorian Government Risk Management Framework.

Our risk framework incorporates risk appetite, aligned with our strategy, to ensure appropriate decision making. It's built on implementing a consistent, forward-looking approach to identifying and assessing uncertainty that may positively or negatively impact our ability to achieve our purpose and ambition.

Management of modern slavery risks, is supported by our Risk Management Framework, Procurement Policy and Social Procurement Framework. We also have formal policies in place that assist with promotion of ethical and legally compliant activities such as our Code of Conduct and Protected Disclosures policies, along with oversight from our Board and relevant sub-committees.

We have applied the following approach to manage modern slavery risks in our operations and supply chains:

Our Modern Slavery Management Approach	
1.	Educating and informing our people and stakeholders
2.	Assessing modern slavery risks in our operations and supply chains
3.	Identifying higher risk focus areas for further assessment
4.	Implementing actions to address the risks of modern slavery practices
5.	Reviewing the effectiveness of our actions

### 1. Educating and informing our people and stakeholders

#### Staff awareness and education

In December 2019, to further support internal awareness within South East Water and Iota, an external third-party provider was engaged to facilitate a targeted 'Modern Slavery awareness session'. This session assisted employees from all areas of the business to increase their understanding of what modern slavery is and how we can take appropriate actions to mitigate the risks in their business activities and supplier engagements.

In addition, the South East Water and Iota boards, relevant sub-committees and our executive team have been provided updates on modern slavery risks and compliance activities.

#### External stakeholder engagement

The activities, insights and progress of the Social Procurement Working Group (SPWG) have been shared at various events and forums (including the OzWater Conference in 2018) to encourage other organisations and industry associations to engage in similar programs of work. The SPWG

also regularly presented and reported back at the VicWater Executive Forum. These engagements of external stakeholders are important for enabling mutual sharing of experience and addressing systemic modern slavery issues across industry.

## 2. Assessing modern slavery risks in our operations and supply chains

### Formation of the Social Procurement Working Group

In FY2017, the Victorian Water Corporations formed the Social Procurement Working Group (SPWG), consisting of representatives from the various Victorian water corporations, with the objective of working collaboratively to be an industry leader in managing sustainability issues and opportunities (environmental, social and economic) within our supply chains, as well as to deliver positive social outcomes from our collective purchasing power.

Modern slavery risks sit firmly amongst the social sustainability issues the SPWG sought to understand and manage effectively as an industry. VicWater, the peak industry association for water corporations in Victoria, provided the water corporations the platform to build shared information and understanding, develop standard practices, and promote consistency in policy, processes, and application across the industry towards addressing modern slavery risks.

### Developing the Supplier Code of Practice

An initiative of the SPWG was the development of the Supplier Code of Practice (SCoP) in 2018. The SCoP reflects the water corporations' commitment towards working with our suppliers to educate, identify and mitigate negative social and environmental impacts, and enhance positive outcomes from our activities and operations. It contains a consolidated set of minimum and aspirational expectations and standards expected from our suppliers regarding workforce and well-being practices, environment, business integrity, family violence, gender diversity, reconciliation, disability support and customer service. The SCoP is an important tool in creating clear alignment and understanding between the water corporations and our suppliers / supply chains.

### Supply Chain Risk and Opportunity Assessment

With the introduction of the *Modern Slavery Act 2018 (Cth) (MSA)*, the SPWG engaged a third-party specialist in FY2019 to design a supply chain risk assessment heat map tool, with the purpose of assessing the water corporations' categories of procurement spend for sustainability risks and opportunities, including human rights. All categories were reviewed and structured into six portfolios: Asset Maintenance, Construction, Information Technology Consulting (ITC), Equipment and Material, Corporate and Customer.

The heat map tool was developed to align with the typical risk assessment framework of the Victorian Water Industry as well as with AS ISO 20400:2018 - Sustainable Procurement – Guidance, in particular its guidelines around how to use the concept of due diligence as a primary vehicle to assessing and prioritising risks to people, as per the United Nations Guiding Principles on Business and Human Rights (UNGP).

The supply chain risk assessment was undertaken collectively and with comprehensive stakeholder inputs that involved representatives from functions such as procurement, sustainability, risk and operations. This resulted in heat maps of sustainability issues, including human rights, alongside risk scorings and commentary, and resulted in identifying 'hotspots' (greater likelihood of sustainability issues) and opportunities within our supply chains.

### 3. Identifying higher risk focus areas for further assessment

We have assessed the following procurement areas to be possibly higher risk where modern slavery practices might occur:

Procurement category	Higher risk supplier profile
Asset Maintenance	Ongoing operations and maintenance of facilities, including cleaning and security services in a category known to have a higher risk of modern slavery practices in Australia
Construction	Construction labour (minor and major projects) with many levels of sub-contracting and offshore of engineering services to a country with higher risks of modern slavery practices
Corporate	Temporary staff, labour hire and traineeship programs. Lack of visibility in the human rights practices of the labour hire suppliers
Customer	Debt collection services, customer research services, that may be offshored to a country with higher risks of modern slavery practices
Equipment and Material	Mechanical, electrical equipment, and chemical products purchased from suppliers that distribute goods likely to be manufactured in a country with higher risk of modern slavery practices
Information Technology Consulting	Offshore IT services based in a country with higher risks of modern slavery practices

Following the risk assessment of the typical categories of procurement spend, two target categories, cleaning services and offshore engineering services, were prioritised for development of a human rights risk management strategy. A third category, water treatment services, was also targeted for the development of a strategy to capture an opportunity to increase inclusion and diversity.

### 4. Implementing actions to address the risks of modern slavery practices

#### Human rights category risk management strategies

A dedicated workshop was co-facilitated with a third-party specialist in FY2020. The workshops involved in-depth analysis of each category, in line with ISO 20400, human rights risks, supply market dynamics, internal stakeholder issues and cost implications. The output was the drafting of a fit-for-purpose strategy to collectively address human rights issues with these industries. The decision was then made to pilot the draft collaborative strategy on cleaning services as a priority for FY2021, given this is a common procurement spend across all water corporations.

## Modern slavery capability building

In order to further build modern slavery capabilities for those involved in making procurement decisions and managing relationships with suppliers, the SPWG co-prepared and facilitated a one-hour webinar to provide fundamental awareness of human rights, modern slavery, the MSA, business drivers to manage modern slavery risks and typical practices in relevant industries to Victorian water corporations.

Following this webinar, a full day interactive action planning workshop was conducted to develop a draft action plan and associated tools needed to respond to the intent of the MSA within their own organisations.

## Improving our internal policies and procedures

We also updated our internal procurement policy and tendering guidelines to highlight the risks of modern slavery in our supply chains and provided tools and guidance to our contract managers on identifying, assessing, and addressing those risks.

In addition, we developed modern slavery model contract clauses which have been embedded into our standard suite of contracts and are being utilised for new supplier engagements. We also developed a supplier due diligence questionnaire that will assist our contract managers to identify and remediate potential modern slavery risks in our supply chains.

### **Case study – OneBox manufacturing tender**

*Our supplier due diligence questionnaire was incorporated into Iota's OneBox Manufacturing tenders, where the electronic components are sourced from overseas. A risk based approach was used in assessing the suppliers' response; how confident we were that they are not being purchased from unethical manufacturers, and what due diligence the suppliers have conducted on their own supply chain.*

## 5. Reviewing the effectiveness of our actions

### Water Industry Community of Practice

The establishment of the SPWG as a community of practice has enabled continuous improvement and increased transparency and knowledge-sharing between Victorian water corporations. By collectively identifying and addressing common sustainability issues, including human rights, and working together to capture opportunities, the SPWG is more rapidly able to determine which actions are consistently effective in achieving our desired outcomes, and allows the sharing of lessons learnt across all members. The SPWG has worked together since its inception to develop and implement a collaborative, ongoing program of work with the ambition to take an industry-leading position in how it responsibly manages its operations and supply chains.

### Third Party Specialist Advice

The SPWG invited third party specialists to support the development of their work program, develop risk assessment tools, co-design and facilitate category strategy development and modern slavery capability building workshops. By seeking external guidance and insight, the SPWG is challenged and aided to understand where they have been effective in collectively addressing modern slavery in their industry's supply chains, and to identify opportunities to improve their approach.

## Consultation and approval process

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We have consulted with various internal and external stakeholders in order to build our modern slavery capabilities and develop this statement, including:

- Representatives within South East Water and Iota via individuals' involvements within the SPWG.
- Ongoing communication with internal business areas and periodic updates provided to our board
- South East Water's and Iota's executive leadership team who have reviewed the outcomes of relevant assessments and endorsed the joint Victorian water corporation sustainability and modern slavery initiatives.

The South East Water Board of Directors and relevant sub-committees will retain oversight of our human rights and modern slavery risks through our Risk Management framework, progress of embedding the relevant Sustainable Development Goals (SDGs) of the United Nations Global Compact into our corporate strategy, procurement practices and operational compliance activities.

Our executive leadership team has been involved in the review and endorsement of this Statement for approval by the Board.

## Impacts of COVID-19 on our customers and supply chain

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COVID-19 has had a significant impact on our business, our people, our customers and our suppliers. It's challenged us to shift and adapt the way we work. We have continued to focus on safely maintaining our supply and services and providing financial support and reassurance to our customers who may have been financially impacted by COVID-19. We also ensured the safety of our contractors and key suppliers by supporting appropriate use of and access to PPE.

The majority of our workforce has transitioned to working from home during the pandemic and only roles critical to maintaining supply and services remain at site and in the field, with appropriate safety measures in place.

In recognition of suppliers' commercial and financial uncertainties, on 31 March 2020 we accelerated our standard payment terms from 30 days to 10 days from receipt of a valid tax invoice. This aligns with the Victorian Government's Fair Payment Policy which applies from 1 January 2021, a commitment to pay all small business supplier invoices within 10 business days for new contracts under \$3 million. This reform provides certainty as businesses begin to recover from the effects of the pandemic and is one of the fastest government payments timeline in Australia – and will continue beyond the coronavirus pandemic.



## The Year Ahead (FY2021)

### Victorian Water Corporations Collaborative Program

The SPWG continues to drive the progress and delivery of our modern slavery risk management agenda. This will drive efficiencies across the sector and deliver a consistent and coordinated approach to manage modern slavery risks.

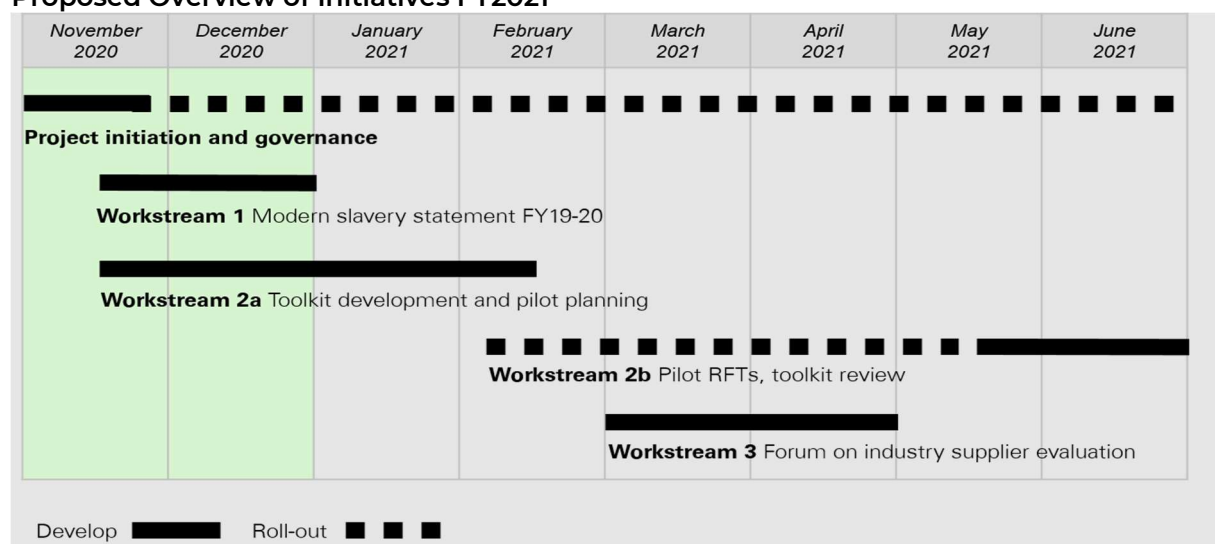
The year ahead entails the development and piloting of a Procurement Toolkit which will contain resources and materials that are adaptable to each water corporation's context to support them to:

- identify labour rights risk, including modern slavery;
- engage with suppliers to understand their residual labour rights risk; and
- manage those supplier relationships to ensure that labour rights are respected.

The Procurement Toolkit development and piloting is scheduled to take place during FY2021. We plan to pilot tenders for cleaning services (or other high risk categories) with external support and collaboration on how to assess risks, engage and evaluate suppliers, managing human rights in contracts and supplier performance, in order to build collective experience within the sector on how to better manage human rights issue in procurement activities, and improving the toolkit based on lessons learnt from these pilot tenders

Furthermore, we plan to conduct a forum in early 2021 to explore implementation of a Water Industry supplier evaluation initiative, involving participants from water corporations in Victoria and across Australia, and working in collaboration with other industry experts such as The Cleaning Accountability Framework (CAF) for cleaning services.

#### Proposed Overview of Initiatives FY2021



## South East Water and Iota

We plan to develop and deliver a broader training program for our people to increase their understanding and awareness of modern slavery risks in our operations and supply chain.

The Procurement Risk Assessment Tool incorporating modern slavery risks will be finalised and rolled out, to provide guidance to buyers for procurement below \$250K (tender threshold).

We will also look into incorporating further guidance on assessing modern slavery risks (where applicable) in our Tendering Guidelines for sourcing activities above the \$250k threshold.

Supplier due diligence will be undertaken on our high-risk contracts that cover cleaning and security services, IT and engineering/construction consultancy for the offshore services component (where applicable). We will continue effectively monitor and identify any potential modern slavery risks, and decide on the appropriate course of action needed, whilst also focussing on positively influencing and educating suppliers.

We recognise that modern slavery is a complex area and enhancing our due diligence will be a process of continuous improvement that includes; reviewing our internal processes, building our awareness and understanding of potential risks within our operations and improving transparency across local and global supply chains.

## Appendix 1 – Modern Slavery mandatory reporting criteria

The table below sets out the mandatory reporting criteria and where this is addressed in our statement.

Australian Modern Slavery mandatory reporting criteria	Reference in this statement
1. Identify the reporting entity.	<ul style="list-style-type: none"> <li>About us (pg 5)</li> </ul>
2. Describe the reporting entity's structure, operations and supply chains.	<ul style="list-style-type: none"> <li>Our service region (pg 5)</li> <li>Iota (pg 7)</li> <li>Governance and operational structure (pg 8)</li> <li>Our supply chains – procurement overview and spend for SEW and Iota (pg 9)</li> </ul>
3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entities and any entities it owns or controls.	<ul style="list-style-type: none"> <li>Assessing modern slavery risks in our operations and supply chains (pg 11)</li> <li>Identifying higher risk focus areas for further assessment (pg 13)</li> </ul>
4. Describe the actions taken by the reporting entity and any entity it owns or controls to assess and address these risks, including due diligence and remediation processes.	<ul style="list-style-type: none"> <li>United Nations Global Compact (UNGC) (pg 10)</li> <li>Management of our modern slavery risks (pg 11)</li> <li>Educating and informing our people and stakeholders (pg 11)</li> <li>Implementing actions to address the risks of modern slavery practices (pg 13)</li> </ul>
5. Describe how the reporting entity assesses the effectiveness of these actions.	<ul style="list-style-type: none"> <li>Reviewing the effectiveness of our actions (pg 14)</li> </ul>
6. Describe the process of consultation with any entities the reporting criteria own or controls (a joint statement must also describe consultation with the entity giving the statement).	<ul style="list-style-type: none"> <li>Consultation and approval process (pg 15)</li> </ul>
7. Provide any other relevant information	<ul style="list-style-type: none"> <li>Impacts of COVID-19 on our customers and supply chains (pg 15)</li> <li>The year ahead (FY2021) (pg16)</li> </ul>