

Modern Slavery Act Statement

2020



Progress for life

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CEO message

I am proud to present AGL's Modern Slavery Statement for the financial year ended 30 June 2020 (FY20).

At AGL we have a passionate belief in progress, and a relentless determination to make things better for our people, our customers and our communities. We are committed to operating in a manner consistent with the laws and jurisdictions in which our businesses operate, and the highest standards of integrity, fairness and ethical conduct. These commitments are fundamental to AGL's purpose and core values.

Australian businesses have a role to play in combatting modern slavery and, as one of Australia's leading integrated essential service providers, AGL takes this responsibility seriously. This statement – AGL's first under the *Modern Slavery Act 2018* (Cth) - describes the steps we have taken during FY20 to identify and address modern slavery risks in our operations and supply chain.

I am proud of the progress we have made, but there is more work to be done. We are committed to continuing to review and improve our approaches to combatting modern slavery within our operations and supply chain on an ongoing basis.

This statement was approved by the AGL Board on November 18 2020.



Brett Redman

Managing Director & CEO

Key achievements in FY20

Developed and published a Human Rights Policy.

Updated AGL's Supplier Code of Conduct.

Undertook an organisational wide and business unit level modern slavery risk assessment.

Updated AGL's Know Your Customer screening framework to include consideration of modern slavery risk.

Established a Modern Slavery Working Group, which consists of internal stakeholders from key business units.

1. Introduction

This statement, made pursuant to s16(1) of the *Modern Slavery Act 2018*(Cth), sets out the risks of modern slavery in AGL's operations and supply chains, the actions we have taken to assess and address those risks during the financial year, and the effectiveness of these actions.

This statement was prepared by AGL Energy Limited with inputs from key personnel within the AGL Group and assistance from consultants experienced in modern slavery risk mitigation. The statement has been approved by the Board of Directors of AGL Energy Limited, which is the holding company of the AGL Energy Group of Companies.

This statement covers the financial year ending 30 June 2020 and applies to AGL Energy Limited, the AGL entities considered reporting entities under the Modern Slavery Act (which are detailed in Appendix A) and the controlled subsidiaries of AGL Energy Limited. A full list of AGL subsidiaries is included in our FY20 Annual Report.

The statement also covers all brands which are part of the AGL Group, including:

- AGL
- Southern Phone Company
- Perth Energy
- Powerdirect
- Connect Now

1.1 Our Approach to Human Rights

AGL strives to make a positive social, economic, and environmental contribution to the communities in which we operate. We recognise that in order to meet this goal, AGL must respect and uphold the dignity and human rights of all our employees, customers, and the communities that are affected by our operations. We are a signatory to the United Nations Global Compact (UNGC) and are guided by the Universal Declaration of Human Rights (UDHR), the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

Our Purpose: Progress for life

At AGL, we recognise that we have an important role to play in supporting progress – both human and technological – to make life better for our customers, our people, our communities, the Australian economy and the environment.

Ethical behaviour is central to AGL's approach to business. Our success as a company depends greatly on how each of us individually, and all of us collectively, demonstrate exemplary ethical behaviour. Together our purpose and values guide our why and our how – what we stand for, and how we go about doing things. Our purpose is front of mind guiding our thinking and our decisions, while our values define our norms and behaviours. They guide us in delivering our strategies, programs and projects so that we continue to perform and deliver for our customers, suppliers, communities and stakeholders in a challenging environment.

Our Values

- **Care in every action:** Physical and psychological safety first; Responsible and sustainable in all our actions; Always considering our environment; Putting yourself in other people's shoes.
- **Integrity always:** Doing the right thing; Being open and accountable; Having courageous conversations; Keeping our promises.
- **Better together:** Breaking down silos; Being respectful and inclusive of all; Seeking out diverse perspectives; Building collaborative partnerships.
- **Deliver your best:** Going the extra mile for our customers; Constantly looking to improve; Staying resilient when setbacks happen; Making excellence part of every day.
- **Shape tomorrow:** Having courage to explore new possibilities; Embracing opportunities to grow; Approaching challenges with a can-do attitude; Keeping the future in focus.

1. Introduction (continued)

1.2 Covid-19

While we have made significant progress in addressing modern slavery risks in the reporting period, COVID-19 has disrupted some key business activities and consequently some planned activities designed to enhance our modern slavery risk mitigation practices. For example, key personnel were required to assist the business in responding to the immediate challenges posed by COVID-19, which resulted in some of the proposed work on modern slavery being delayed until FY21. We remain committed to delivering this work in the future.

AGL understands that COVID-19 has the potential to negatively impact workers in our supply chain and increase their exposure to modern slavery and other forms of exploitation. As a result of COVID-19, in FY20 AGL provided short term support for **small business suppliers** by putting in place arrangements to pay them within 14 days. The majority of the 6,222 invoices received from the 977 identified small business suppliers were paid within this timeframe.

We have also actively worked through the evolving impacts of COVID-19 on our operations – including the impacts on our employees and customers. In FY20, **employees** were able to access special leave for the purposes of caring for others, self-isolation or self-care. All employees and their immediate family members also continue to have access to confidential, impartial and professional counselling and coaching services through AGL's Employee Assistance Program.

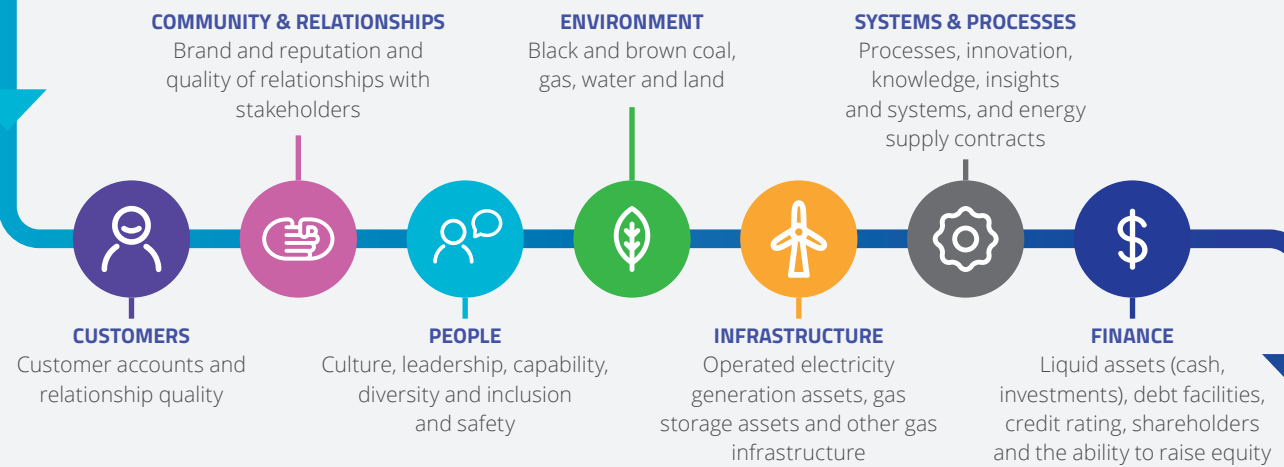
Similarly, we acknowledge the effect COVID-19 has had on many of our **customers**. AGL's COVID-19 Customer Support Program was launched in March 2020, providing direct relief to AGL residential and small to medium business customers who are unable to pay their energy bills because they have lost their jobs or businesses, or their health has been impacted. A range of measures were also introduced to support our Southern Phone Company customers. Further information is available in our FY20 Annual Report.

2. Our Structure, Operations and Supply Chain

Our value creation model depicts how we create value through seven Business Value Drivers, by identifying our key inputs, the activities we perform, and the resulting outputs and outcomes in terms of value creation.

Inputs

We use a range of resources and relationships (or 'capitals') to create value and deliver on our strategy and business purpose. These are grouped under seven Business Value Drivers, and the inputs are summarised as follows:



Activities



Outputs

We generate 43.7 TWh of energy annually, and in turn supply around 39.4 TWh of electricity and around 153.8 PJ of natural gas as well as telecommunication and energy-related products and services to residential, small and large business and wholesale customers.

Value creation outcomes

We maximise the value created for shareholders and other stakeholders by operating our business and assets efficiently and effectively; managing risks; investing in people, systems and processes; securing efficient financing; minimising our environmental footprint; developing and delivering the right products and services; engaging with stakeholders and ensuring we maintain our licence to operate. These outcomes are disclosed on each Business Value Driver scorecard.



2. Our Structure, Operations and Supply Chain (continued)

2.1 Our Structure and Operations

AGL is a leading integrated essential service provider that has been operating for more than 180 years and has a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity and telecommunications services to our residential, small and large business, and wholesale customers across Australia.

We operate Australia's largest electricity generation portfolio and are the largest ASX-listed investor in renewable energy. AGL is headquartered in Sydney, NSW, and operates in Australia. The principal activities of AGL during FY20 consisted of the operation of energy businesses and investments, including electricity generation, gas storage and the sale of electricity and gas to residential, business and wholesale customers. The acquisition of Southern Phone Company in December 2019 expanded AGL's activities to include the retailing of broadband and phone services.

We operate across the energy value chain, delivering energy to the market and our customers. Our operated electricity generation portfolio spans thermal generation (black and brown coal and gas) as well as renewables and storage, comprising approximately 20% of the total generation capacity within the National Electricity Market. We also operate gas storage infrastructure and gas production facilities. We provide customer service and billing capabilities through billing platforms and contact centres. Our AGL-run contact centres are located in Adelaide and Melbourne, but we also use the services of two third-party contact centres which are located in the Philippines. We manage wholesale market risk through considered hedging strategies coupled with careful analysis and forecasting of generation and customer demand volumes.

In FY20, AGL managed its business in four key operating segments: Wholesale Markets, Customer Markets, Group Operations and Investments.

- **Wholesale Markets** comprises Wholesale Electricity, Wholesale Gas and Eco Markets and is responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. Wholesale Markets also controls the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.
- **Customer Markets** comprises the Consumer and Large Business customer portfolios and is responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets also includes product innovation, sales, marketing, brand, and operations.
- **Group Operations** comprises AGL's power generation portfolio and other key sites and operating facilities across Thermal, Renewables, Natural Gas, and other business units. Group Operations is responsible for managing the operation of AGL's assets.
- **Investments¹** comprise AGL's interests in the ActewAGL Retail Partnership, the Powering Australian Renewables Fund, Advanced Microgrid Solutions Inc, Energy Impact Partners' Fund, Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc and Ecobee Inc.

Effective 1 July 2020, AGL combined Group Operations and Wholesale Markets to form the Integrated Energy operating segment, however during the reporting period they were separate business units.

AGL manages and reports a number of expense items including information technology under Centrally Managed Expenses. These costs are not formally attributable to operating segments, and as such the management of these functions are the responsibility of various corporate leaders.

Other relevant functions include:

- **Procurement:** Responsible for procurement strategy, policy and processes. Procurement has overall responsibility for setting AGL's approach to procurement and developing related policies and procedures.
- **People & Culture:** Responsible for employee policies and processes, including those relating to recruitment. Third-party recruiters - who have been confirmed to have processes for managing labour rights issues including modern slavery - are also used.
- **Group Risk:** Responsible for overseeing the enterprise obligation for managing modern slavery risks, including the setting of AGL's group wide commitment, chairing AGL's Modern Slavery Working Group, and attending industry forums. Group Risk provides oversight of the risk identification, assessment and management process with the business undertaking the day to day management of their risks.

Our People

AGL upholds the right to freedom of association and the right to collective bargaining, as set out in AGL's **Human Rights Policy**. As at end of FY20, more than 44% of AGL's workforce was covered by collective bargaining agreements. Employees are encouraged to raise concerns in line with AGL's **Whistleblower Protection Policy**.

AGL operates in accordance with the labour laws of Australia and AGL's **Code of Conduct** which is underpinned by the company values.

4,167

Number of employees
(headcount) in FY20

3,988

Number of employees
(FTE) in FY20

1. Note: As non-managed, non-operated investments and joint ventures, AGL does not individually monitor or report on modern slavery risks within the operations or supply chains of each of these investments / joint ventures in accordance with the Modern Slavery Act.

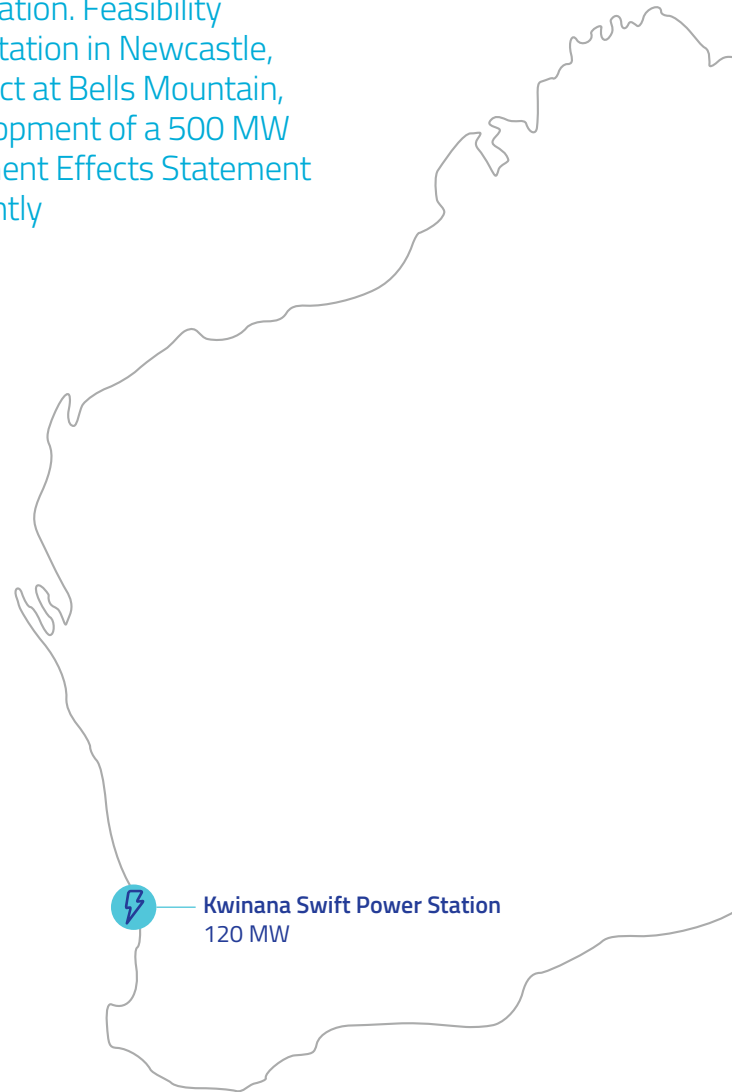
2. Our Structure, Operations and Supply Chain (continued)

AGL operates the largest electricity portfolio in the NEM and contracts for the output from other renewable and energy storage assets, as well as operating gas storage and production assets.

Several development opportunities are under consideration. Feasibility studies are underway for a 250 MW gas-fired power station in Newcastle, New South Wales, and a 250 MW pumped hydro project at Bells Mountain, near Muswellbrook. We are also considering the development of a 500 MW battery at the Liddell Power Station site. The Environment Effects Statement prepared for the Crib Point LNG import project is currently on exhibition.

Legend

- Operated by AGL
- Under development
- Controlled dispatch of electricity/contracted use or interest
- ⚡ Gas-fired
- ⚡ Coal-fired
- 🌀 Wind
- ☀️ Solar
- 💧 Hydro
- 💧 Pumped hydro
- 🔋 Grid-scale battery
- 🔥 Gas production/import
- 📄 Gas Storage



More information

Historical data on AGL's generation capacity is available at 2020datacentre.agl.com.au.

The additional pool generation volumes can be found on page 50 in the Financial Review section of the Annual Report.

Detailed information about each of AGL's assets (including community engagement and environmental monitoring data, where relevant) is available at agl.com.au/about-agl/how-we-source-energy.

* Projects funded by third parties.

† Currently under construction.

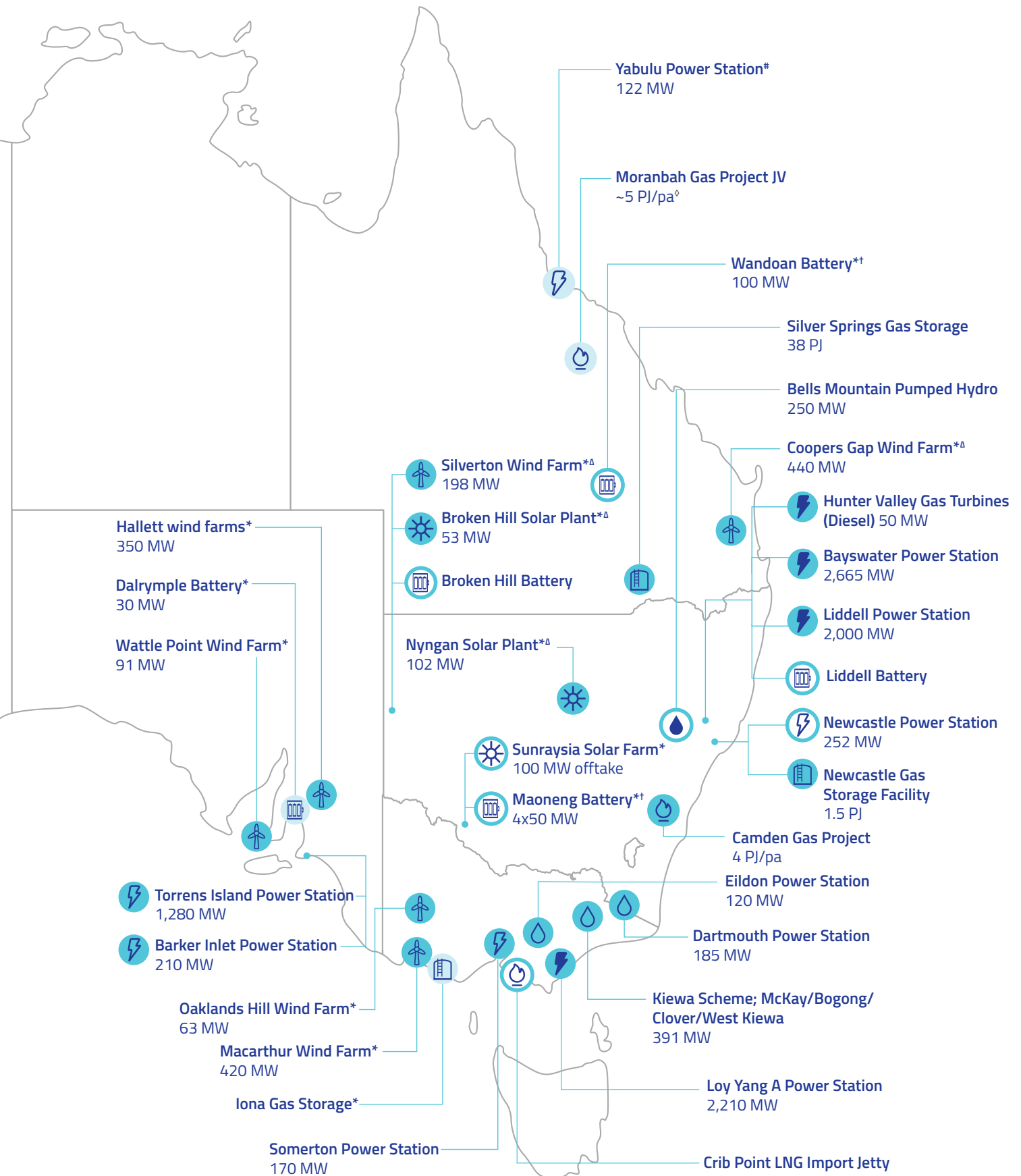
Δ Asset owned by the Powering Australian Renewables Fund.

122 MW is AGL's 50% controlled portion.

◇ The approximate annual output represents AGL's 50% share.

Generation assets operated or controlled by AGL which have an installed capacity of less than 50 MW are not shown on this map. The installed capacity shown for AGL's operated generation assets is the lower of the Australian Energy Market Operator (AEMO) registered capacity and the AEMO maximum capacity, and also includes the recently completed 25 MW upgrade to the Bayswater Power Station.

2. Our Structure, Operations and Supply Chain (continued)



2. Our Structure, Operations and Supply Chain (continued)

2.2 Consultation with Subsidiaries and Acquisitions in FY20

As noted in Section 1, this statement applies to all brands and legal entities which form part of the AGL Group. It is important to note that whilst there are many distinct legal entities within the AGL Group, from an operational perspective we are a single entity with uniform systems and processes. Therefore, references to 'AGL' throughout this document are references to all AGL subsidiaries covered by this statement, and as a result no additional consultation with subsidiaries was required to complete this statement unless otherwise specified. For example, Powerdirect Pty Ltd, though a separate energy brand, does not have any of its own employees. Anyone undertaking work on behalf of Powerdirect is an AGL employee and is thus bound by AGL's policies and procedures. Similarly, Connect Now - a home moving assist service - is part of AGL's Customer Markets division, and as such its employees are AGL employees and follow AGL's policies.

The exceptions to this are the acquisitions made by AGL in FY20:

- In September 2019 AGL acquired Perth Energy, formerly Western Australia's leading independent energy retailer; marketing electricity and gas to small and medium size enterprises and commercial and industrial users. The business also owns and operates the 120 MW Kwinana Swift dual fuel peaking power station.
- In December 2019, AGL acquired Southern Phone Company, a provider of fixed line, mobile and internet communications services in regional Australia with 167,000 broadband and mobile accounts nationwide. Southern Phone Company operates contact centres in regional Victoria and NSW.

Following each acquisition, a consultation process was undertaken to understand each entity's structure, operations, and supply chain. AGL worked with the integration teams to obtain this information and ensure brand-specific modern slavery related risk assessments were also conducted. Both Southern Phone Company and Perth Energy have transitioned to the majority of AGL's policies and procedures – including AGL's procurement processes and policies – although some areas continue to be managed by the individual businesses.

2.3 Our Supply Chains

AGL's supply chains include over 3,000 direct suppliers who provide a variety of goods and services from 25 countries with a procurement addressable spend of ~\$1.5 billion (AUD) in FY20. Key categories of spend include contingent labour, engineering and consulting, manufacturing, construction, and IT services and software. The majority of our procurement addressable spend (>97%) was to Australian-based suppliers (although some of these are subsidiaries of a foreign owned entity).

Material Supplier Partners

In FY20 a significant portion of procurement addressable spend was attributable to AGL's 'material supplier partners'. A material supplier is defined as a supplier who supplies goods and services that are considered material in nature to AGL, for which heightened contractual monitoring processes are in place. As at the end of FY20, AGL had 16 suppliers categorised as material supplier partners. These suppliers provide technology services, plant and equipment, printing and mail lodgement, professional services, machine installation and maintenance, telecommunications and construction and maintenance services. The majority of these suppliers are based in Australia.

Wholesale Markets

AGL's supply chains also include the procurement of energy-related products for its customers and operations. Through these activities, AGL has over 200 counterparties. The supply chain includes the following type of main supply arrangements:

- Electricity that is supplied to the customer is predominantly purchased from the Australian Energy Market Operator, which is a legislated body that manages the electricity and gas systems and markets across Australia.
- Gas and other fuel for generation, including coal, is purchased from upstream producers or other wholesalers, with additional contracting of required transportation and transmission services to deliver the molecules to AGL's sites or customers.
- Renewable certificates are purchased from producers through standalone contracts or power purchase agreements.
- In addition, Wholesale Markets maintains contractual relationships with counterparties to manage price risks.

3. Our Modern Slavery Governance Framework

3.1 Governance

Our AGL values act as an ethical compass for our workplace culture and guide the conduct of all people who work for us – directors, employees, contractors and suppliers. We recognise that a safe, sustainable, inclusive and focused workplace culture, supported by strong ethics and governance, sets AGL up to successfully deliver against our strategy.

The Enterprise Leadership Team is responsible for overseeing human rights and modern slavery risks within AGL's operations and supply chains. The day-to-day responsibility for managing these risks sits within each business unit. The business units themselves are responsible for implementing processes and controls to ensure compliance with AGL's policies and standards – including AGL's Human Rights Policy.

Modern slavery related risks are managed in accordance with AGL's standard risk assessment and management process. Business unit embedded risk teams work within their relevant areas to identify, assess and monitor modern slavery risks and their treatments on an ongoing basis. Further, specific teams are responsible for monitoring compliance with organisational wide policies, such as those relating to supplier sourcing.

The Group Risk team has coordinated AGL's response to modern slavery, and is responsible for supporting business units to incorporate human rights and modern slavery considerations into policies, standards, frameworks and action plans and associated training programs, as relevant; and has coordinated many of AGL's modern slavery activities.

AGL's Group Audit function provides independent and objective assurance to AGL on the effectiveness of governance, risk management and internal controls, including those relevant to AGL's modern slavery risks.

In FY20, AGL established a Modern Slavery Working Group, which consists of internal stakeholders from key business units, and is responsible for overseeing AGL's approach to modern slavery. This group meets regularly to discuss and address the risks of modern slavery, and to monitor the completion of identified actions designed to improve modern slavery risk management.

In addition, AGL has appointed a Modern Slavery Subject Matter Expert (SME) within the Group Risk team. The primary role of the SME is to support the Modern Slavery Working Group and provide expert advice where required, for example in the conduct of risk assessments and the evaluation of new suppliers.

In FY20, AGL developed and delivered a number of modern slavery training sessions and workshops to key personnel within the business – such as the AGL Risk, Legal and Procurement Teams. In addition, we created a modern slavery microsite on our intranet and updated a Procurement compliance module to incorporate a newly designed mandatory modern slavery sourcing risk assessment process. This training is compulsory upon commencement of employment at AGL and annually thereafter. Going forward, we plan to roll out further targeted training to relevant roles.

Externally, AGL participates in forums such as the United Nations Global Compact Modern Slavery Community of Practice and the Clean Energy Council Risks of Modern Slavery Working Group in order to identify and implement enhancements to modern slavery risk management practices on an ongoing basis.

AGL's Modern Slavery Governance Framework is also underpinned by a number of Group-wide Policies (refer Section 3.2).

3. Our Modern Slavery Governance Framework (continued)

3.2 Policies

AGL made a number of amendments to its established policy framework in FY20 to assist in addressing human rights and modern slavery risk:

- 1. Our Code of Conduct:** Our **Code of Conduct** embodies our purpose and values. The Code of Conduct defines the behaviours, standards and actions required of every director, employee and contractor while working at AGL. It sets out our commitment to conducting business in accordance with the laws, regulations and obligations that apply to us, as well as our internal policies and processes, which often exceed standards expected by law, as they take into account our voluntary commitments and the values that guide our approach to responsible business. In April 2020 we updated our Code of Conduct to specifically require our people to act in a way that preserves human rights – including taking steps to prevent modern slavery in our operations and supply chains. All AGL people are required to adhere to the Code of Conduct and are required to undertake annual Code of Conduct compliance training.
- 2. Our Human Rights Policy:** AGL's first **Human Rights Policy** was published in June 2020. Although our commitment to human rights was referenced in a number of existing policies and procedures, we reaffirmed this commitment in a single document. Our Human Rights Policy sets out the expectations of our people, business partners and other relevant parties to respect human rights. The purpose of the Policy is to ensure that our employees and business partners operate in a way that supports these human rights principles, understand that it is our responsibility to respect, uphold and contribute to the realisation of human rights through our operations, business relationships and supply chains, and endeavour to avoid complicity in human rights abuses.
- 3. Our Whistleblower Protection Policy:** Creating a supportive environment where our people feel safe to speak up is one of AGL's core values and underpins our workplace culture. There are various ways in which our employees can raise concerns that they may have regarding conduct occurring at AGL or in relation to AGL. In addition to these mechanisms, AGL's current and past employees; officers; contractors; suppliers (including employees of suppliers); and their associates are able to report and express any concerns relating to our activities and suspected violations of our policies, values and/or legal requirements via our **Whistleblower Protection Policy**. We have two channels through which grievances or concerns about unethical conduct can be raised. Individuals are able to report the matter internally to any of our eligible recipients (which include AGL's Executive Team), or make a report anonymously via our whistleblowing hotline. No grievances relating to human rights were raised via any of these mechanisms during FY20. Should such a grievance be raised in the future then, in accordance with the AGL Whistleblower Protection Policy, AGL will assess the information reported, request further information if required, and determine an appropriate course of action. If an investigation is required, it will be conducted in a timely manner and will be fair and independent of any persons to whom the disclosure relates.

Our commitment to human rights is also supported by a range of additional policies, which are available on [our website](#).

4. Identifying and Assessing Modern Slavery Risks









As required by the Modern Slavery Act, AGL has embarked on a modern slavery risk identification and assessment exercise across the organisation. AGL has performed both an organisational-wide assessment of modern slavery risk within our business operations and supply chains and, due to the decentralised nature of our business, a business-unit specific assessment of risk.

4.1 Organisation-wide risk identification

During FY20, AGL conducted an exercise to identify key modern slavery related risks inherent in its operations and supply chains with the support of an independent consultancy firm. The following key risk indicators were identified and considered in this assessment:

 <p>Vulnerable populations: Groups of people more likely to be exposed to harm, or unable to advocate for themselves in exploitative situations. The level of worker vulnerability, and risk of poor labour practices and exploitation are recognised to be higher in contexts where base skill labour is relied upon.</p>	 <p>High risk business models: Business models that rely on third parties for the provision of services - often labour hire. Outsourcing reduces company visibility over third-party recruitment practices and provision of worker entitlements.</p>
 <p>High risk sectors or categories: Products and services regarded as having more significant inherent modern slavery risk - including industries that rely heavily on low-skilled labour and/or involve dirty, dangerous and difficult work.</p>	 <p>High risk geographies: Countries or regions which are known to have higher human rights (and modern slavery) risks. High risk geographies include countries and regions vulnerable to bribery and corruption, or without strong labour laws and governance.</p>

Through this exercise, AGL identified a number of key modern slavery risks inherent within our operations and supply chains:

Operations		Key Risk Indicators
Offshore Labour	AGL engages offshore labour through third parties to provide services in high-risk geographies (including labour hire services, data processing and call centre personnel) which may be more likely to have modern slavery-related risks. AGL has comparatively less visibility over practices employed through these arrangements.	 
Engagement of labour via third parties (including sub-contracting)	AGL utilises third party recruitment firms to engage contingent labour. AGL also engages with third parties for the provision of services, who may sub-contract out aspects of the service delivery to other organisations. In these cases, AGL has comparatively less visibility over practices employed through these contracting arrangements.	
Investments and Joint Ventures	Depending on the sector, investing in or partnering with other organisations can represent a high-risk business model, and may involve a high risk for vulnerable populations or high risk geographies.	  
Potential LNG importation	AGL is proposing to develop a project that would supply imported natural gas into the south-eastern Australian states for industrial, commercial and residential gas customers from 2024 or earlier. Due to a number of contributing factors, including the nature of the construction work and the fact that LNG importation involves crossing through multiple higher risk geographies, shipping poses an inherent modern slavery risk. Should this project go ahead, this risk will be managed and appropriate controls put in place.	 

Supply Chain		Key Risk Indicators
Battery and Solar Installation (and related materials)	The procurement of renewable technology is considered a high risk industry for modern slavery due to risks present throughout the supply chain, from sourcing raw materials such as cobalt, to the manufacturing of batteries and solar panels.	
Sourcing of Electronic Goods (e.g. Laptops and mobiles)	The electronics manufacturing industry is a high risk industry for modern slavery due to the low profit margins and tiered production system typically associated with the industry. Manufacturing often takes place in less developed countries with minimal legal and regulatory protections, hence there is less oversight over labour rights. In addition, modern slavery risks are present within the supply chains of these products, particularly in the sourcing of raw materials that are typically sourced from higher risk geographies.	  
Cleaning, Maintenance and Security Services	These categories of work are considered relatively high risk due to factors including remote work location, manual labour, on demand work and diminished visibility over sub-contracting arrangements.	   
Power Purchasing of Renewable Certificates	The renewable energy industry is considered relatively higher risk for modern slavery, specifically in the form of forced labour and debt bondage - due to risks present throughout the supply chain, from sourcing raw materials to the manufacturing of solar panels.	 

4. Identifying and Assessing Modern Slavery Risks (continued)

4.2 Business unit level risk identification and assessment

Based on the outcomes of the risk identification exercise, relevant business units were asked to undertake detailed assessments on each identified risk and to document existing controls and propose additional controls if required. Through this assessment, AGL has developed and established a set of actions and controls to mitigate and remediate any identified risks which are summarised in Section 5.

Case Study

Assessing risks in our contingent workforce

One of the risks identified in our initial risk identification process was the hiring of contingent workers via a third-party labour provider. We undertook a detailed risk assessment on outsourced labour hire, including reviewing the design and operating effectiveness of controls in place to mitigate this risk. Our assessment included working with our third party labour provider to understand the controls they had in place to ensure that workers were recruited fairly, received all their entitlements, and were not victims of forced labour, bonded labour, or any other forms of modern slavery. As part of this assessment, we examined our provider's recruitment onboarding process as well as specific documents such as their Code of Conduct, Supplier Engagement Policy, and Whistleblower Policy. We also reviewed our own third-party recruitment policy to ensure that it was fit for purpose.

5. Mitigation and Remediation

5.1 Mitigation in Our Supply Chain

As noted in Section 3.1, business unit specific risks are managed following AGL’s standard risk assessment and management process. However, many of the risks we identified shared the common theme of being related to the procurement of goods and services. Therefore, this is where we focused many of our initial actions. In FY20, we implemented several new mechanisms within our central procurement and supplier management processes, and improved some of our existing controls:

Supplier "back book" review

AGL engaged a supplier specialising in environmental, social and governance (ESG) risk to conduct a “back book” review of AGL’s existing suppliers to identify risks and focus areas to prioritise future work. Risk factors and data considered in this review included politically exposed persons, sanctions lists, country risk, and adverse media. We have already started to engage with suppliers potentially exposed to some of the higher risk findings noted from this assessment to confirm their compliance with AGL policies and modern slavery laws.

Supplier due diligence

In 2019, we incorporated a sourcing risk checklist into our procurement process. The aim of this checklist is to identify potential risks relating to the procurement of goods or services, and therefore to ensure these risks are appropriately managed. One of the risk areas considered as part of this checklist relates to modern slavery risk.

The checklist generates an indicative risk rating for each risk area, which determines the required procurement pathway, stakeholder engagement and approval requirements, and due diligence requirements as part of engaging a supplier.

For prospective suppliers identified as potentially high risk for modern slavery, AGL may perform additional due diligence – such as requiring the supplier to complete a questionnaire / confirmation relating to the specific modern slavery risks associated with their products or services. Where this occurs, AGL evaluates the responses to the questionnaire and, based on the outcome, may request additional information or contractual protections relating to modern slavery. Should a prospective supplier continue to be considered high risk through this process, AGL may choose to select an alternative supplier that meets AGL’s supplier requirements and has aligned values and commitments.

The below diagram summarises our approach to managing modern slavery risks across the procurement lifecycle and how we anticipate the different elements and tools we use will support this:



Case Study

Assessing risks in our battery supply chains

Having identified electronic products as a high-risk procurement area, we included a section in our sourcing risk checklist requiring any electronic product tender to be referred to the Group Risk team for review. The Group Risk team then works with the business unit procuring the electronic products to determine appropriate due diligence questions for the suppliers. For example, potential battery suppliers completed questionnaires focusing on due diligence procedures for cobalt and other high-risk minerals.

As part of this due diligence process, potential suppliers who had modern slavery risks or issues flagged in our ESG risk database tool received follow up questions specifically focusing on how these risks and issues had been managed/remediated. The responses from these suppliers were factored into the tender assessment criteria.

5. Mitigation and Remediation (continued)

Supplier Code of Conduct

AGL maintains relationships with our suppliers to ensure that we can fulfil our responsibility as an essential service provider. We are committed to mitigating and minimising the ESG impacts of our supply chain by:

- engaging with suppliers aligned to our values and commitments;
- influencing our suppliers and their supply chains to reduce the ESG impact of the goods and services they provide to AGL; and
- contributing to the development of local communities within which AGL operates by engaging local and indigenous suppliers where possible and practicable.

In early 2020, AGL's Supplier Code of Conduct was refreshed to reflect an increased focus on modern slavery and human rights. The Code outlines the minimum ESG standards of behaviour that AGL expects from our suppliers, and establishes AGL's 10 sustainable supply chain principles – which include human rights, labour rights and modern slavery prevention. AGL expects all suppliers to inform AGL immediately if they identify, are informed of, or become aware of instances or allegations of slavery or human rights abuses in their operations and supply chains and work to provide just remediation. We also require suppliers to ensure, as far as is reasonably practicable, that their suppliers, agents, labour providers and subcontractors who are directly or indirectly involved in the provision of goods comply with these requirements. In addition, the Code sets out the requirement for all suppliers to comply with modern slavery obligations in their contracts with AGL, and with the AGL Human Rights Policy.

Supplier contractual clauses

Since 2019, AGL's precedent contracts for most goods and services¹ have contained a clause requiring suppliers to comply with modern slavery laws and to refrain from doing anything that would cause AGL to breach modern slavery laws. In addition, our standard supplier contracts for most goods and services contain contractual obligations to comply with AGL's Supplier Code of Conduct, which imposes obligations on suppliers with regards to human rights, labour rights and modern slavery. AGL has the right to audit our material supplier partners for compliance with the AGL Supplier Code of Conduct should we become aware of any actual or suspected breach.

Wholesale Markets

Wholesale Markets transactions follow a separate process to centrally procured goods and services. For new Wholesale Markets counterparties (related to transactions such as physical energy supply and financial trading), we complete a specific risk assessment. Based on the assessed risk profile of a counterparty, the Wholesale Markets team review the "Know Your Customer" questionnaire completed by the counterparty during onboarding, and further screen the counterparty using our ESG risk identification platform in order to understand any modern slavery risks associated with that counterparty. Once onboarded, the Wholesale Markets team perform ongoing monitoring of these counterparties. In FY20, the Wholesale Markets team began performing modern slavery specific due diligence on new Wholesale Markets counterparties based on their risk profile. Over time this expanded to ongoing monitoring of modern slavery risks for these counterparties. We also updated our Wholesale Markets Risk Management Policy to include control activities to address the risk of modern slavery, which are monitored by the Wholesale Markets Risk Management team. In FY21, the Wholesale Markets team will also conduct a "back book" review of existing Wholesale Markets suppliers and perform due diligence where our risk assessment deems appropriate.

5.2 Mitigation in Our Operations

While AGL's most significant modern slavery risks relate to the procurement of goods and services, we also recognise the risk of modern slavery within our operations. A number of processes and controls have been implemented within AGL's operations to identify and mitigate modern slavery related risks on an ongoing basis.

As noted in Section 3.1, AGL has developed and delivered a number of modern slavery training sessions and workshops to key personnel within the business. In addition, we created a modern slavery microsite on our intranet to increase awareness of modern slavery risks and provide tools and support to our people to help mitigate risks when identified. All our people are required to complete Code of Conduct training on commencement and annually thereafter, which includes guidance on how to raise a grievance via our Whistleblower mechanisms. AGL has also made a number of amendments to our policy framework which set expectations for our staff relating to their conduct, and which are designed to assist AGL in identifying and addressing modern slavery risk in our operations (refer also to Section 3.2).

5.3 Remediation

AGL seeks to avoid causing or contributing to human rights violations across our or our business partners' operations and supply chains. We encourage all our employees, business partners, communities and customers to report and express any concerns relating to our activities and suspected violations of our policies, including via the mechanisms described in our Whistleblower Protection Policy.

As outlined in the Policy, if a grievance is raised, AGL will assess the information reported and determine an appropriate course of action. AGL is committed to investigating, addressing and responding to any concerns and taking the appropriate corrective actions if required.

In FY21, we plan to consider the need for establishing a separate procedure for identifying and receiving grievances within our supply chain.

1. Where AGL negotiates non-standard wholesale energy contracts, AGL requires suppliers to comply with all relevant Australian laws and regulations in the course of performing that contract.

6. Monitoring and Evaluating our Performance

Our focus this reporting period has been on establishing a specific approach to modern slavery risk management in our operations and supply chains that is both robust and reflective of the industry we are in. We acknowledge that ensuring the effectiveness of the systems and processes we have in place, or have introduced to manage modern slavery risks, is critical to achieving our overarching objectives.

To establish a clear baseline, in FY20 we engaged an external expert to conduct a gap analysis of AGL's current approach to modern slavery risk management and to support us in developing a roadmap to addressing identified risks and system gaps. At a high level, the review noted good practices and increasing maturity in the development and implementation of modern slavery risk management across the organisation. However, the review also noted that progress in embedding effective modern slavery related risk management practices varied across business units - while acknowledging the enhancements made in particular to Procurement risk management and controls.

Going forward, AGL will continue to take actions to assess and improve the effectiveness of our modern slavery risk management framework by:

- Evaluating our own activities against best industry practice
- Analysing any complaints or grievances received through our whistleblower mechanism or other channels
- Continuing to participate in the UN Global Compact Network Australia's Modern Slavery Community of Practice forum
- Periodically reviewing relevant governance documents, processes and procedures
- Continuing to use our cross-functional Modern Slavery Working Group to drive improvements to our processes

7. Looking to the future

Whilst significant progress has been made in FY20, we acknowledge that there is more work to be done. Our focus areas for FY21 and FY22 include the following:

Focus area for future improvement	Example initiatives
Identifying and assessing risk	<ul style="list-style-type: none"> • Regularly reviewing and improving our approach to identifying modern slavery related risks across our business units. • Continuing to mature our modern slavery risk assessment processes, including our supplier due diligence processes. • Exploring opportunities to enhance the depth of our modern slavery risk identification and assessment of our supply chain, including beyond our direct suppliers where possible.
Addressing risks (mitigation and remediation)	<ul style="list-style-type: none"> • Increasing modern slavery related education and training across our business. • Embedding supplier modern slavery monitoring mechanisms for non-material supplier partners, and including explicit contractual provisions for existing supplier relationships. • Considering the use and appropriateness of independent third-party assurance or other monitoring mechanisms where appropriate. • Building on our existing grievance and remediation procedures to ensure that they are efficient and accessible. • Considering the benefit of establishing a separate procedure for identifying and responding to grievances within our supply chain.
Enhancing our processes	<ul style="list-style-type: none"> • Identifying opportunities to automate processes and control points relevant to modern slavery risk assessments and risk treatments. • Introducing modern slavery related key performance and commercial indicators for large outsourced service providers. • Strengthening and further embedding the existing governance structure for modern slavery risk management across the organisation. • Reviewing our modern slavery governance documents and periodically updating these as we mature.
Engaging with stakeholders	<ul style="list-style-type: none"> • Working closely with external stakeholders to develop best practice procedures, and embedding these processes within our existing business processes. • Identifying opportunities to collaborate across our industry to leverage similarities and enhance efficiencies.

Appendix A

The following AGL Energy Limited subsidiaries are reporting entities in their own right, having met the reporting threshold under the *Modern Slavery Act* in FY20. A full list of AGL subsidiaries is available in our FY20 Annual Report.

AGL Sales Pty Limited
AGL Electricity (VIC) Pty Ltd
Victorian Energy Pty Limited
AGL South Australia Pty Limited
AGL Loy Yang Partnership
AGL Loy Yang Pty Ltd
AGL Hydro Partnership
AGL HP1 Pty Limited
AGL Macquarie Pty Limited
AGL Retail Energy Limited
AGL Wholesale Gas Limited
AGL Generation Holdco Pty Ltd
AGL Generation Proprietary Limited
Powerdirect Pty Ltd
Perth Energy Holdings Pty Ltd
Perth Energy Pty Ltd
