

Jemena Electricity Networks (Vic) Ltd

IT Investment Brief – Contract Lifecycle Management

Non-recurrent – Compliance



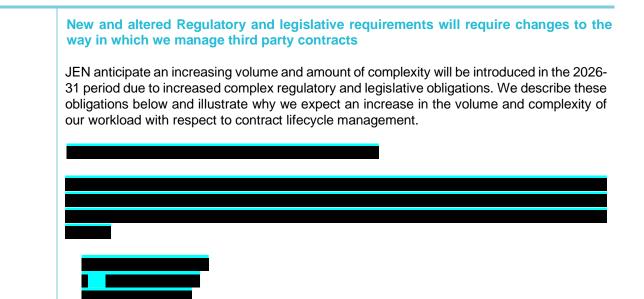
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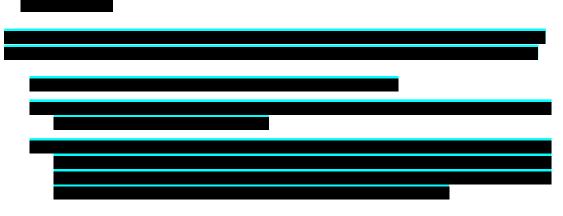
Glossary

Capex	Capital Expenditure
CLM	Contract Lifecycle Management
Current regulatory period	The period covering 1 July 2021 to 30 June 2026
CYxx	Calendar Year xx – the period covering January to December
ICT	Information and Communications Technology
Jemena	Refers to the parent company of Jemena Electricity Network
JEN	Jemena Electricity Network (Vic) Ltd.
Next regulatory period	The period covering 1 July 2026 to 30 June 2031
NPV	Net Present Value
Opex	Operating Expenditure
RYxx	Regulatory year covering the 12 months to 30 June of year 20xx for years in the Next Regulatory Period. For example, RY25 covers 1 July 2024 to 30 June 2025
SOCI	Security of Critical Infrastructure
Totex	Total Expenditure

Contract Lifecycle Management

Objective	effectively manage third-party modern slavery, mandatory cli	s to implement a Contract Lifecy contractors and ensure regulator nate-related financial disclosure nefficiencies, errors, compliance	ry compliance (e.g eneration s). This will also help
Non-recurrent ICT sub- categorisation	Maintaining existing services, functionalities, capability, and/or market benefits	Complying with new/altered regulatory obligations/requirements	New or expanded ICT capability, functions, and services
Background	 benefits Jemena's manual processes risk Jemena Electricity Network (manually, which is causing in process, people, and technolo Process – there are many party contracts and supplie practice approaches. Key Increased likelihood Risk of data breacd Increasingly challed the manual proce regulations we need People – roles and respondent of unclear across JEN, with lit that there is heavy reliand contracts and meet regula Technology - manual princlude: There are multiple the need to manual Manual reporting i There is a heavy reliand the mean of a second second	for managing third party contri JEN) currently manages third p mpacts across the business. T gy: y fragmented processes across ers, driving inefficiencies as many impacts include: od of human errors. thes or unauthorised access to s enging to put robust governance sses, which increases the risk ed to adhere to. misbilities for managing third par mited governance in place (as de tory requirements. occess with no automation acro sources of truth due to the mar al data entry. s done to varying degrees of rob reliance on scattered data source	party contracts and suppliers This is outlined below across the business to manage third are not modelled against best ensitive information. e mechanisms in place across of breaching compliance and arty contracts and suppliers is etailed above). This has meant expertise to govern Jemena's uss the process. Key impacts hual nature of the process and pustness and accuracy. res which increases the risk of ract execution and increases





Modern Slavery Act 2018 (MSA)

JEN must implement effective procurement practices to assess and address modern slavery risks across its operations and supply chains. The Act requires entities to prepare and publish an annual modern slavery statement that describes the steps taken to assess and address modern slavery risks. To comply JEN must include:

- 1. a description of structure, operations, and supply chains, including information about the goods and services it provides and the countries in which it operates
- 2. a description of the associated modern slavery risks, including information about the specific types of slavery or trafficking that may occur in its operations or supply chains
- 3. a description of the actions the entity has taken to assess and address modern slavery risks in its operations and supply chains, including information about the due diligence processes it has undertaken, the policies and procedures it has implemented, and the training it has provided to its employees and business partners
- 4. a description of any actions taken to support the identification and protection of victims of modern slavery and to prevent modern slavery from occurring in its operations and supply chains
- 5. a description of the performance indicators and targets used to measure the effectiveness of the actions to address risks
- 6. the name of the person responsible for ensuring that JEN complies with the reporting requirements under the Act

	a statement that the information provided in the MSS is accurate and complete to the best of the person's knowledge and belief.
	Scope 3 Emissions Reporting
	Climate-related financial disclosures will soon include scope 3 emissions reporting (in addition to scope 1 and 2). By disclosing scope 3 emissions, the aim is to enhance transparency and accountability and ultimately drive emissions reductions across the economy. This regulatory measure recognises the interconnectedness of emissions across supply chains and acknowledges the need for collective action to combat climate change effectively. JEN's mandatory reporting empowers stakeholders, including government agencies, investors customers, and the public, with valuable information to make informed decisions and hold companies accountable for their environmental performance.
Customer Importance	An extensive customer engagement program was implemented with JEN residential customers, small and medium businesses, large commercial and industrial customers, stakeholders, and energy experts to shape the 2026-31 Draft Plan. Key customer priorities on how we should prepare for a more sustainable energy future while meeting customer and community needs today from customers include: • Affordability - Affordability is a key priority for customers who face impacts from the
	rising cost of living and inflation. Customers want us to consider affordability over the short and long-term when making decisions.
	• Resilience and reliability - Customers want a reliable and resilient network that can withstand and recover from the impacts of more extreme weather events.
	• A sustainable future - Customers want us to help drive sustainability within JEN and support renewable energy solutions where possible. Customers want us to have sustainable operations and lead the way in meeting emissions reduction targets.
	• Digitisation and automation - C ustomers want JEN to digitise and automate the grid to make it a smarter and more efficient network.
	Accessible communication - Customers value efficient and accessible communication and want to easily access information on our service and the customer service team easily.
	• Fairness - Customers want us to consider fairness in context of the energy transition, and its impacts on both existing and future generations, and on our more price-sensitive customers
	• Education – Customers want us to improve and enhance our education to customers on what we do, energy saving tips, the energy transition and Consumer Energy Resources (CER).
	Furthermore, implementing a Contract Lifecycle Management system is vital for improving our relationships with vendors and suppliers, ensuring a secure, reliable, and sustainable energy supply for our customers.
Key	
Considerations	

How costs were derived This approach enables us to base our budget projections on realistic, market-aligned figures directly from suppliers with relevant expertise. By reaching out to vendors, we can obtain itemised breakdowns for critical aspects of each project, including labour and licensing fees. This process also allows us to clarify any assumptions around project scope and specific requirements, reducing uncertainty in our estimates. Furthermore, when assessing the 3 options detailed in this Investment Brief, an initial impact assessment has been taken into consideration. A summary is provided below: **Change parameter** Impact assessment Suppliers will receive a new way to collaborate, significantly Suppliers improved from the current back and forward emailing of document attachments for execution Policy, Process & Processes and procedures will require creation to ensure a clear Procedure and consistent path forward for all stakeholders involved in the creation, negotiation and finalisation of contracts across Jemena. Technology There is no current CLM solution existing within Jemena, therefore ongoing support and maintenance costs will be included as part of licencing agreement created with the solution vendor. This project will mostly affect those that are part of the buy and sell Organisational contract creation and management processes and will provide training for those with responsibilities to manage contracts and provide awareness for all employees. Roles & Existing roles and responsibilities will be reviewed, and training will Responsibilities be provided to formalise responsibilities of those accountable for managing contracts. **Existing System savings** We do not expect any existing system savings. JEN's current approach to managing third party contracts is fragmented and lacks automation due to the breadth of systems involved (including SAP, DocuSign, Bid Contender and E

> At this early stage, it is still being determined whether they will be required or reviewed as part of the solution assessment process. However, with these relatively small amounts, they are within the project's risk tolerance at this early stage of consideration.

procure) and off-system processes established to deal with rapidly changing requirements.

Operational efficiency savings

We expect any operating efficiency savings will be offset by the increased volume and complexity of contract lifecycle management work.

We anticipate an increasing volume and amount of complexity will be introduced in the 2026-31 period due to increased complex regulatory and legislative obligations. With increased complex obligations, coupled with a more diverse supplier landscape, JEN will need to manage a growing and more complex workload to address these increasing risks and evolving priorities. If we did not implement a CLM we estimate that we would need an additional 2 FTE to accommodate for this increased workload.

In summary, any operating efficiencies or cost savings that may be realised with a CLM will be offset by this increased and more complex workload.

Options

JEN has considered three Options as listed below:

- (1) Do nothing maintain status quo Not recommended.
- (2) Adopt a standalone Contract Lifecycle Management System (off the shelf/cloud based) recommended.
- (3) Adopt a fully integrated Contract Lifecycle Management System (integration to existing SAP financial systems) Not recommended.

Option 1: Do nothing

Description

JEN would continue to rely on the existing manual processes with limited reporting and monitoring capability to manage third-party contractors and suppliers and current and emerging compliance requirements.

Benefits

By doing nothing, JEN would avoid incurring the costs and many of the risks outlined at Options 2 and 3 below in relation to the proposed initiative.

Risks

In the absence of necessary investment to support JEN's contract lifecycle management, there are the following key risks (refer 'Background' for more detailed description):

- JEN will have greater exposure to compliance risks by not adequately meeting the current and emerging compliance requirements (e.g. MSA and emission 3 reporting).
- As detailed above in the Background section, there are significant operational challenges and risks which will continue to impact JEN. These are likely to continue to grow due to increased volume and compliance requirements, resulting in higher operating expenditure and the potential of greater contract value leakage.
- Diminishing relationships with vendors and suppliers, ultimately leading to a decrease in customer satisfaction.

Summary

This option is not recommended. Doing nothing will result in increased likelihood of noncompliance with new and emerging legislative requirements. JEN also considers that it does not reflect good industry practice. Furthermore, it does not provide the most efficient cost.

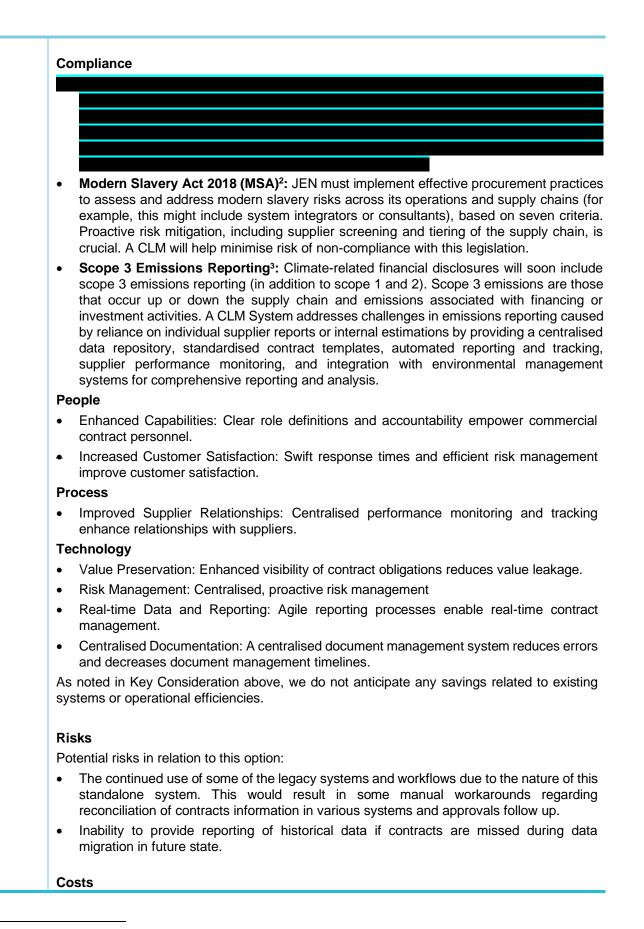
Option 2: Adopt a standalone Contract Lifecycle Management solution (off the shelf/cloud based)

Description

This option explores the implementation of a cloud based CLM system to provide lifecycle management, monitoring and reporting of third-party contracts.

Benefits

This approach would allow JEN to reduce the likelihood of risks outlined above in 'Background' and improve contract lifecycle management as outlined below:



¹ Security of Critical Infrastructure Act 2018 | (legislation.gov.au)

² Modern Slavery Act 2018 | (legislation.gov.au)

³ <u>Mandatory climate-related financial disclosures | Commonwealth Government (treasury.gov.au)</u>

The estimated costs for this option are outlined in the table below,

Non-recurrent opex costs reflect a blended team of internal and external labour. Recurrentstep opex relates to Cloud solution subscription model and the ongoing requirement for external and internal labour for ongoing technical support moving forward.

Since all components of the project are cloud-based, the associated costs are classified as opex.

\$2024	RY27	RY28	RY29	RY30	RY31
Total Capex					
Non-recurrent Opex					
Recurrent-step Opex					
Total Opex					
Totex					

This is an Enterprise-wide initiative, which means the costs of this solution are shared across a broader set of Jemena enterprises; costs have been allocated in accordance with Jemena Group Cost Allocation Methodology. A consequence of this approach is that JEN's customers benefit from (i) lower costs and (ii) greater purchasing power when negotiating vendor contracts.

Summary

This option is recommended as it is the most cost efficient and meets our current and emerging business and compliance requirements. JEN considers that it best reflects good industry practice.

Option 3: Implement a fully integrated CLM solution

Description

This option considers implementing a fully integrated CLM solution to provide management of the lifecycle processes, as an alternative to adopting a standalone Contract Lifecycle Management System.

Benefits

In addition to the benefits listed in option 2 above, an integrated CLM with other systems has the added benefit of seamless data flows with little to no manual workarounds or hand-offs required.

Risks

The key risk associated with this option is that the upgrade of our core Enterprise Resource Planning (ERP) system to SAP S/4HANA is a priority and is a dependency that must be achieved before the CLM can be integrated.

Costs

The estimated costs for this option are outlined in the table below:

	\$2	2024	RY27	RY28	RY29 RY	<mark>30 RY31</mark>	
	Total Cape	х					
	Non-re	current Opex					
	Recurr	ent-step Opex					
	Total Opex						
	Totex						
	a broader s Group Cos	set of Jemena er t Allocation Meth	nterprises; costs odology. A cons	have been alloc equence of this a	of this solution ar ated in accordan approach is that J power when neg	ice with Jemena IEN's customers	
	Summary						
	the risks ou expensive	tlined above. Fu than option 2 ar	rthermore, it doe d the upgrade o	es not provide the of our core Ente	ects good industi e most efficient co rprise Resource achieved before	osts as it is more Planning (ERP)	
Options Summary	The table below summarises the quantitative and qualitative differences between the analysed options.						
	\$2024	Capex	Opex	Totex	NPV	Residual Risk	
	Option 1	Not applicable	Not applicable	Not applicable	Not applicable	High	
	Option 2			1	1	1	
	Option 3						
What We Are Recommending	Jemena recommends option 2 as it considers that it best reflects good industry practice and provides the most efficient cost.						
	This option comprises implementation of a cloud based CLM system to streamline and manage the entire lifecycle of contracts by automating various tasks and providing centralised, secure storage and detailed tracking and reporting capabilities.						
	A CLM system will help Jemena mitigate risks associated with new legislative requirements and enhance compliance throughout the contract lifecycle.						
Dependencies on other nvestment	This Investment Brief is also related and aligned to the following Investment Briefs for the 2026 – 2031 period:						
Briefs	 Enterprise Content Management - streamlined efforts through version control, access control, user authentication, and encryption will enable compliance with contractual requirements. Cybersecurity Program - The Shift Left Model will ensure cybersecurity measures are incorporated into the CLM implementation from inception. 						
		-	or this investme				