Australian Government
Commonwealth Superannuation Corporation

Commonwealth Superannuation Corporation Modern Slavery Statement 2020-2021

Commonwealth Superannuation Corporation

Acknowledgement of Country

Commonwealth Superannuation Corporation (CSC) respectfully acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to land, waters, and community.

We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Overview

Slavery is not just a thing of the past. Modern slavery can happen today within Australian businesses and organisations, their supply chains and the investments they hold.

Our organisation – the Commonwealth Superannuation Corporation (CSC) – is committed to doing the right thing. We're working with our suppliers collaboratively to reduce the risks of modern slavery in our operations, investments and entire supply chain.

It's part of our drive to be a responsible corporate citizen and to uphold and defend human rights.

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About this statement

This statement was prepared by the reporting entity Commonwealth Superannuation Corporation ('CSC', 'the Company') (ABN 48 882 817 243). Commonwealth Superannuation Corporation makes this single joint statement on behalf of all reporting entities in the Group, and all other owned and controlled entities, as outlined in the Appendix. The Company's principal place of business and registered office is 7 London Circuit, Canberra, ACT 2601. This statement has been prepared in accordance with the *Modern Slavery Act (Cth) 2018* ('the Act') and outlines the actions taken by CSC to identify, assess and address modern slavery risks across our operations, investments and supply chains for the year ending 30 June 2021.

This statement was approved by a resolution of the CSC Board on 18 November 2021.

Mr Garry Hounsell, Chair of the Board

Introduction

What is modern slavery?

Modern slavery is when a person, business or organisation exploits another person and/or deprives them of their freedom and human rights for personal or financial gain. It includes situations such as trafficking in persons, forced labour, debt bondage, deceptive recruitment and the worst forms of child labour.[1]

One example is when business owners take away foreign workers' passports, so they can't leave; they effectively enslave them.

Stories such as this sound as if they are from years ago but this kind of slavery is happening today. According to the United Nations' International Labour Organization an estimated 40.3 million people were victims of modern slavery in 2016.[2]

You might also think modern slavery only happens overseas and is not an Australian problem. The truth is that modern slavery can happen anywhere. Australia is not immune to it – exposure to modern slavery risks can occur within the operations of a business and through its global supply chains and its investments in other businesses.

It's a global challenge and we all need to play our part to know more about it, identify instances of it and help to prevent it.

What are we doing to combat modern slavery?

We are doing the right thing by working with our suppliers collaboratively to reduce the incidence of modern slavery in our operations, investments and entire supply chain. It's part of our drive to be a responsible corporate citizen and to uphold and defend human rights.

We are tackling modern slavery – including preparing this statement – in accordance with the *Modern Slavery Act 2018 (Cth)* (the Act). This is a joint approach and a joint statement, developed by the entities listed in the Appendix: CSC, its wholly-owned subsidiary ARIA Co Pty Ltd and the superannuation schemes and investment trusts that CSC and ARIA Co are trustees of.

Jointly we are committed to developing a consistent group-wide response to the Act, so all the actions we have taken apply to all entities listed in the Appendix. During the 2020–21 reporting period we focused on the following activities:

- We identified and reviewed the potential for modern slavery risks within our supply chain and investments. This helps us to identify modern slavery risks across all our suppliers and investments more clearly and assess how we can make a genuine impact.
- We reviewed our policies and governance framework to ensure they remain relevant and address modern slavery risks.
- We undertook an annual benchmark survey of employee roles and salaries to see how we pay compared to similar organisations.

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[1] Refer section 4 of the *Modern Slavery Act 2018 (Cth)* for a full definition.

[2] https://www.ilo.org/global/topics/forced-labour/lang--en/index.htm

- We developed and delivered a modern slavery eLearning tool – based on a Department of Home Affairs model – to raise awareness of human rights, modern slavery and how these risks may arise for our business. This course is to be completed annually by all staff. It aims to raise awareness of the risk of modern slavery in our activities and of key aspects of our Modern Slavery Policy and other relevant governance documents, such as our Whistleblower Policy and Code of Conduct.

Our Modern Slavery Statement

This is the second year we have produced our Modern Slavery Statement. We prepared it in accordance with the Act – including addressing all the Mandatory Criteria for Modern Slavery Statements – and addressed the activities of CSC and ARIA Co and their schemes and trusts through our overarching management system.

We are adopting a continuous improvement approach to modern slavery risk management. So, we are making incremental genuine improvements to our risk management each year, based on our progress, knowledge and experience.

We feel we have made a positive start to combatting modern slavery but we know we need to do more to better identify, assess, minimise and remediate risks within our organisation. Our key priorities for this important area for 2021–22 are outlined in the **Our future priorities** section of the statement.

You can see each of the Mandatory Criteria for Modern Slavery Statements in action throughout this statement, via this table:

	Mandatory criteria for Modern Slavery Statements	Page
1	Identify the reporting entity	3
2	Describe the reporting entity's structure, operations and supply chains	6
3	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	11
4	Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes	20
5	Describe how the reporting entity assesses the effectiveness of these actions	24
6	Describe the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)	4
7	Provide any other relevant information	Various

Our business

CSC is a corporate Commonwealth entity established on 1 July 2011.

As a summary, our primary functions are to:

- administer government and military superannuation schemes
- manage and invest the funds in the best financial interests of all our members.

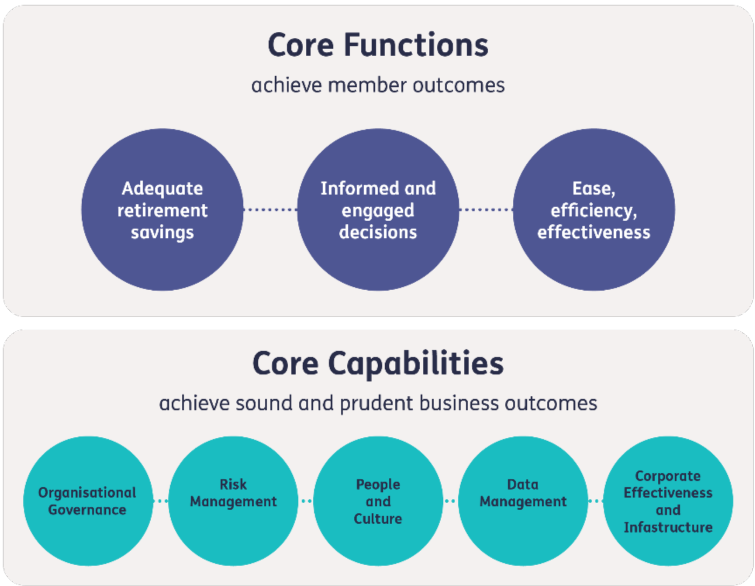
In more detail, our objectives and functions under the *Governance of Australia Government Superannuation Schemes Act 2011* are to:

- supervise the schemes and manage and invest the funds
- receive payments from employers and customers into the funds in accordance with the schemes' legislation or trust deeds
- pay superannuation benefits to customers
- provide information about scheme benefits or potential benefits
- provide advice to the Minister for Finance on proposed changes to schemes' legislation or trust deeds.

We manage 11 schemes, including five regulated by the Australian Prudential Regulation Authority (APRA), where we are also the trustee.

Our purpose is *to build, support and protect better retirement outcomes for all our customers and their families*, being current and former Australian Government employees and members of the Australian Defence Force (ADF). We do this through three core functions, supported by five core capabilities (see Figure 1). This approach directly helps our customers, and we assess and monitor how well it is working using our Member Outcomes framework.

Figure 1: Our operating model



Operations

We are part of the Australian superannuation industry, which is regulated by APRA and the Australian Securities and Investments Commission (ASIC).

We employ roughly 500 employees in three main functions: Investments, Customer Innovation and Services, and Corporate, and two additional units – Risk and General Counsel.

Most staff are based in Canberra and Sydney, with others located around Australia, and one in Singapore. Staff are employed under either an individual contract or an enterprise agreement. Our remuneration policy meets the requirements of APRA's Prudential Standard SPS 510 Governance.

Supply chain

Corporate suppliers (suppliers other than investment managers and investment suppliers)

We use third party corporate suppliers to help us deliver high-quality, effective and efficient services to customers. We expect those suppliers to operate in responsible, ethical, open and transparent ways, and to comply with all the laws and regulations that are laid out in our supplier contracts. To do that, we have introduced a Supplier Code of Conduct, which we expect every supplier to follow.

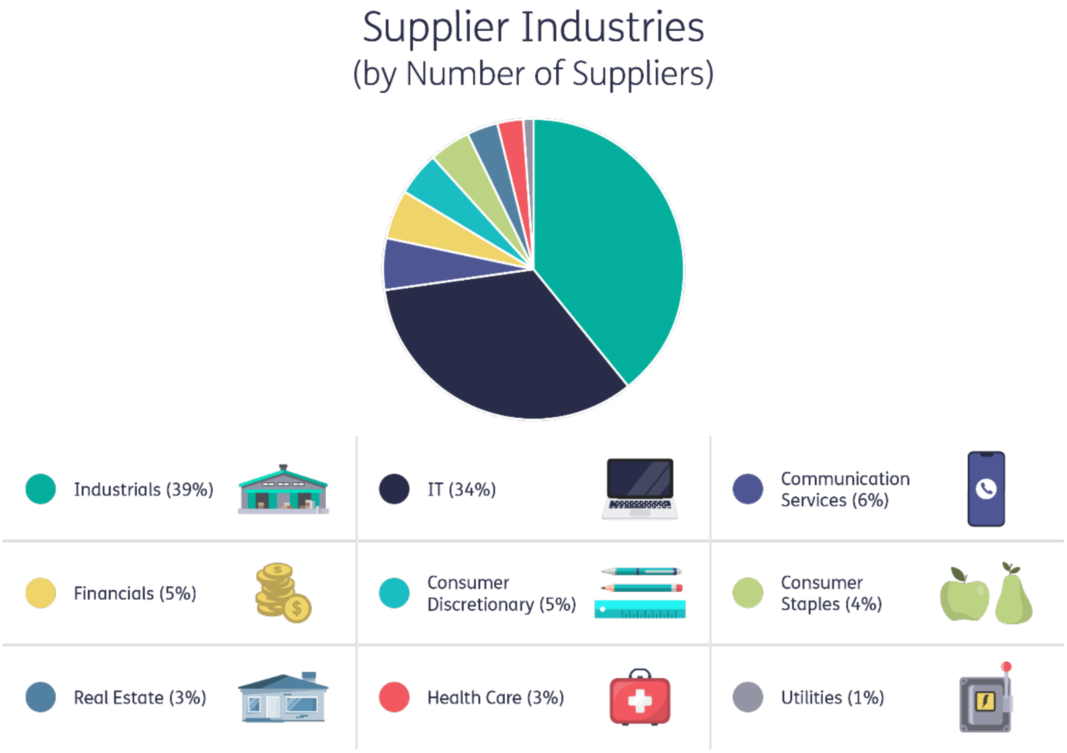
During 2020–21, we sourced goods and services from approximately 270 corporate suppliers. Measured by dollars spent, roughly 50% were located in Australia and New Zealand. Measured by the number of suppliers, roughly 71% were located in Australia and New Zealand.

Figure 2: Location of our corporate supply chain (by spend)

Our corporate suppliers operate mainly within the information technology and industrials sectors, which includes businesses such as professional services. Together, these sectors represent approximately 73% of our suppliers, when measured by dollars spent.

Other suppliers provide financial services, communication services, real estate, utilities, health care (e.g. rehabilitation services), selected consumer staples and consumer discretionary services (e.g. stationery, training and online newspapers).

Figure 3: Our corporate supply chain (by sector)



Investments

Investment managers

We invest our funds across a wide range of local and international investment markets, assets and strategies. This includes investments in cash, fixed income, public and private equity, property, infrastructure and hedge fund strategies. This means we invest across a range of industries and businesses that operate all over the world.

We are required by law to employ external investment-grade managers to manage our funds rather than manage them in-house. We build partnerships with these external managers so they are 'outcome owners', meaning they are rewarded by the outcomes they deliver for our customers.

As a result, we seek a smaller number of strategic relationships with external specialists to leverage and engage their expertise at a deeper level, rather than monitor and receive just basic information about what managers bought and sold for us. We expect these specialists to do in-depth research and explain their insights into the underlying risks and opportunities they see in the assets they manage on our behalf. This includes any risks to the future value of the assets from inadequate management of environmental, social, technological and regulatory issues like modern slavery.

To make these strategic relationships as valuable as possible, we have developed a comprehensive and objective qualitative and quantitative scoring system (based on the *Modern Slavery Act 2018*) to assess these specialists' performance. Among other things, this assesses how our managers manage environmental, social and governance (ESG) factors in their portfolios, including those that relate to modern slavery.

From a risk management perspective, we consider our investment managers using different criteria and measures, depending on how much influence we have.

Table 1: Influence levels for Investment Managers (Funds Under Management (FUM) exposure)

Our influence[1]	Nature of exposure through FUM	% of FUM
Very limited influence	Locked-up capital/no influence (e.g. private equity managers)	9.4%
Limited influence	Pooled structures (open ended, can redeem)	7.4%
Some influence	Discrete mandates or unit trusts with significant holdings (greater influence)	77.4%
Majority ownership and/or control	Property and infrastructure investments and seed funding	5.8%
	CSC Total FUM	**100%**

[1] Note, we also consider intangible aspects of influence such as the length of our relationship built over time and the amount and impact of our influence based on current discussions and/or negotiations.

Investment suppliers

Investment suppliers are financial service providers that deliver mainly investment-related data, software services or specialist investment advice. Figures 4 and 5 display these suppliers based on their locations and sectors.

Figure 4: Our investment suppliers (by location)

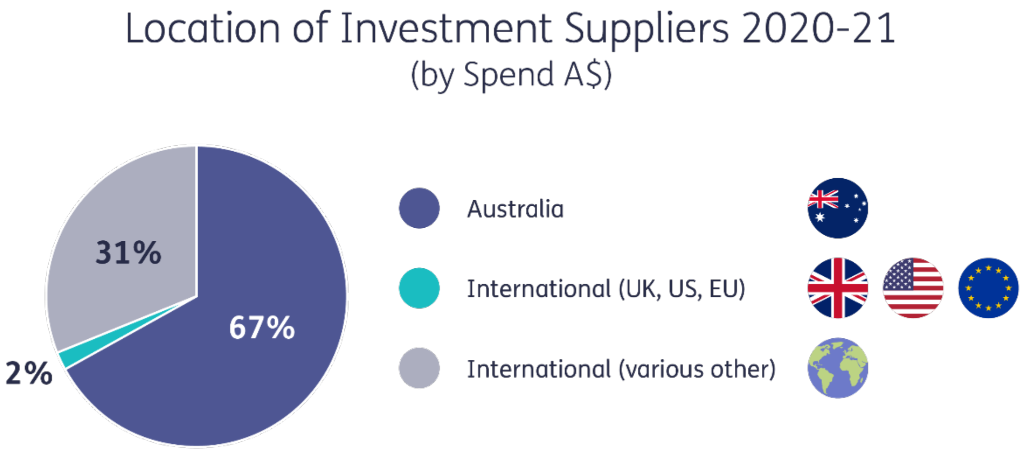
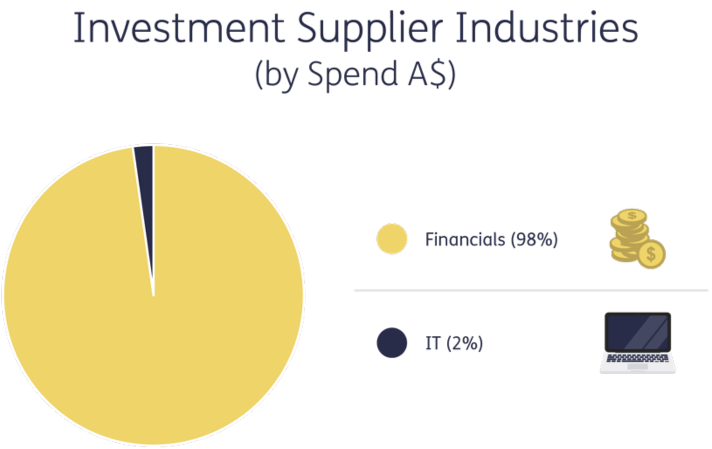


Figure 5: Our investment suppliers (by sector)



Materiality

When it comes to our investment suppliers, our influence is generally limited and depends on the type of service they provide, their size and their 'materiality'. By 'materiality' we mean the amount or size in dollars of the business relative to the supplier and to us. In 2020–21, we focused on 'material' suppliers where our contract value in that year was more than $100k or >1% of our expenditure.

Understanding modern slavery and our business

We understand that all businesses may be exposed to modern slavery and that we have a duty to operate responsibly and to assess and address modern slavery in our operations and investments. We also understand that we are responsible for investigating risks of modern slavery happening throughout our supply chain.

To do this we ensure we have the highest possible ethical standards in place. We're also taking steps to identify, minimise and mitigate possible instances of modern slavery.

Risk in our operations

We have assessed the modern slavery risk within our direct workforce and we categorise it as 'low'. This is based on a number of reasons, as shown in Figure 6.

Figure 6: Factors indicating low risk in our own operations

The following activities help to reduce the likelihood that we employ vulnerable people:

- We have a standard commercial arrangement with our primary recruiting partner which manages all recruitment for us.
- Most of our workforce is employed directly by us, with contractors engaged through our recruitment partner. For some specialist roles we engage contractors though third-party

agencies with agreed standard terms of business. Where we do engage contractors through third parties we ensure the provider contracts meet the requirements for modern slavery.

- All candidates are screened through the recruitment process conducted by our recruiting partner.
- Police checks are conducted through the Australian Criminal Intelligence Commission (ACIC) and working rights checks are conducted through the Visa Entitlement Verification Online system (VEVO) before contractors or staff start work.

We assess the inherent risk of modern slavery occurring in our operations as 'low' but we are nevertheless committed to having effective policies and standards to limit any risks. These policies and standards include:

- An employee code of conduct, which explains that we expect the highest standards of ethics and integrity, and makes clear that we oppose all forms of unfair discrimination or victimisation. All employees must comply with the code.
- An internal whistleblowing policy, which allows employees to raise any suspected concerns regarding unethical behaviour or decisions that could indicate potential wrongdoing. For further details see the 'Addressing and managing modern slavery for our business' section.

Risk in our supply chain – corporate suppliers

In 2020–21 we updated our risk assessment to understand more about where potential modern slavery risk areas may be. This process involved:

- grouping corporate suppliers into higher- and lower-risk groups, based on inherent risk factors
- issuing a modern slavery questionnaire to the higher inherent risk groups.

Corporate suppliers were deemed to have a higher inherent risk based on the following characteristics:

Sourcing locations **–** We continued to take a cautious approach and assessed any of our corporate suppliers that have operations outside Australia and/or New Zealand as being potentially higher risk.

Sector characteristics **–** We identified industries with a potentially higher risk of modern slavery based on the *RIAA Investor Toolkit and the ACSI Modern Slavery Risks, Rights and Responsibilities: A guide for companies and investors and the Responsible Sourcing Tool*.

We also looked at our top 15 suppliers regardless of location or sector. While 10 of these suppliers were already deemed to pose a higher inherent risk, the remaining 5 were added to the 2020–21 sample because of their value to CSC.

We also introduced a Supplier Code of Conduct, which we expect every supplier to follow.

Supplier questionnaire

We issued a questionnaire to those corporate suppliers who have a higher inherent risk in 2020–21 to find out their approach to:

Governance

Risk Management

Remediation

Training and awareness

Due diligence

Monitoring and effectiveness

We also asked the corporate suppliers in this group how committed they were to developing processes and policies to address modern slavery over the next 12 months, if they had not yet developed them.

The 2020–21 questionnaire was based on the questionnaire developed by Ernst and Young (EY) for our 2019–20 Modern Slavery Statement. We used the same risk assessment process, established by EY, for the current questionnaire. This allowed us to compare results across the two financial years.

Risk groups

We devised the following risk-rating system to assess suppliers' responses, so we can measure how much residual risk they have and work out which suppliers we will do further due diligence on:

- **Red** – Suppliers that had no processes/controls/documentation in place and/or were not willing to cooperate
- **Amber** – Suppliers that had limited processes/controls/documentation in place
- **Yellow** – Suppliers that had adequate processes in place even though some areas of their approach/documentation are works in progress
- **Green** – Suppliers that had adequate processes/documentation in place
- **Blue** – Full assessment not conducted as there will be limited engagement with the supplier going forward (e.g. existing engagements that will end soon) or the relationship does not meet a 'materiality' threshold (see p 10 for definition)

Our focus is to encourage suppliers to have sound policies and processes to avoid modern slavery risks and to remediate where there are incidences of modern slavery (e.g. ‘middle-men’ recruitment agencies that profit by charging exorbitant fees or high interest on loans to workers for finding them jobs).

We have not identified or been informed of any instances of modern slavery within our business or supply chain.

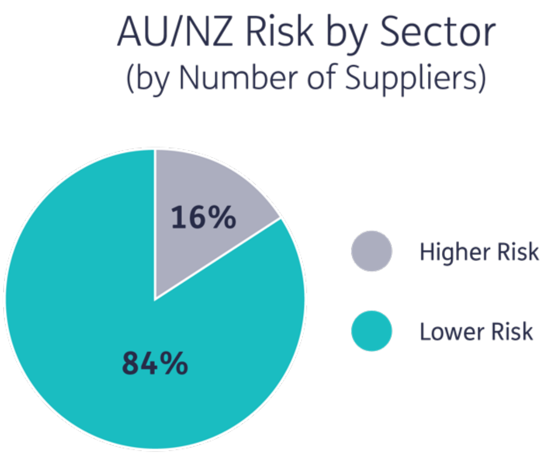
Analysis of corporate suppliers with higher inherent risk

In 2019–20, we identified 74 corporate suppliers as posing a higher inherent risk and sent them the modern slavery questionnaire. Four suppliers from that sample were no longer suppliers to us in 2020–21 so we removed them from further analysis. In 2020–21, a further 38 suppliers were added to this group. This resulted in us selecting 108 suppliers for assessment of residual risk, representing just under 80% of our total corporate expenditure in 2020–21.

Most of these 108 suppliers were classified as having a higher inherent risk because they have operations outside Australia and/or New Zealand (approximately 68%). For corporate suppliers operating exclusively within Australia and/or New Zealand, approximately 16% were deemed to be higher risk because of what they do. The higher risk categories included technology providers and/or consultants in technology industries, maintenance contractors and providers of office supplies.

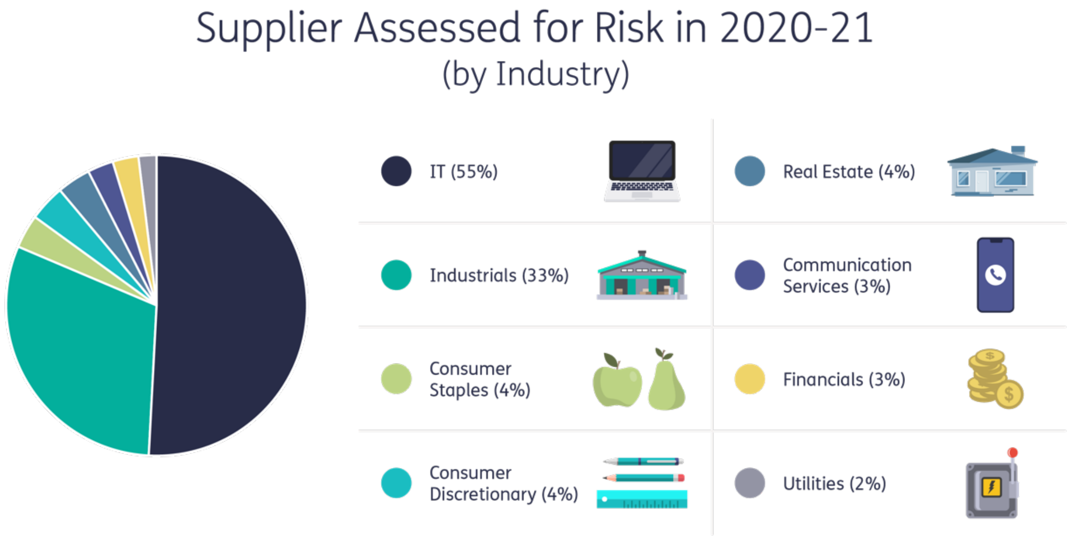
Industry risks were determined by considering known industry risk factors such as the use of unskilled, temporary or seasonal labour, short-term contracts, outsourced labour, foreign workers, the presence of opaque intermediaries, as well as whether there are known labour rights controversies within the industry.

Figure 7: Relative proportion of suppliers assessed as having a higher risk of modern slavery (AU/NZ suppliers)



The largest proportion of corporate suppliers assessed as having a higher inherent risk of modern slavery were in the information technology (51%) and industrials (31%) sectors. These industries have been classified according to MSCI's Global Industry Classification Standard.

Figure 8: Industry representation of suppliers assessed as having a higher inherent risk of modern slavery



Outcomes of the corporate supplier questionnaire

After publishing our 2019–20 Modern Slavery Statement we continued to follow up the corporate suppliers from which we had not received a response to our 2019–20 questionnaire. We also assessed suppliers' own modern slavery statements where these were available.

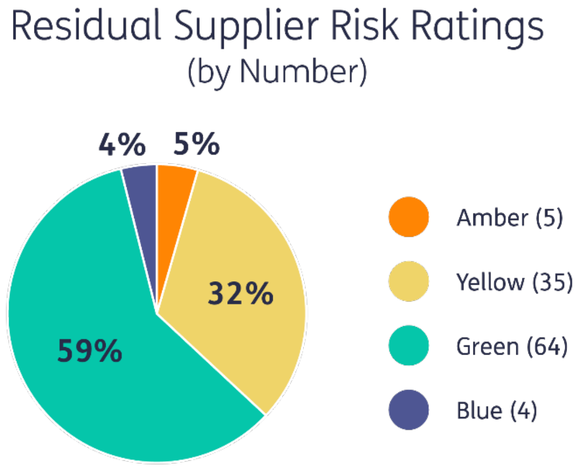
Of the 2019-20 suppliers selected, only four did not provide information to us. These suppliers were one-off providers of services and therefore were not re-engaged in 2020–21.

We asked our corporate suppliers who were previously surveyed in 2019–20 if they had made any progress in implementing processes and policies aimed at addressing modern slavery risks. Ten suppliers provided information that meant we could reduce their residual risk rating.

We then identified another 38 suppliers with higher inherent risk that were not previously surveyed and who were paid for goods and services in 2020–21. We obtained information for just under 90% of these (34 suppliers). We did not have enough information on four suppliers to conduct a full assessment but because those suppliers are no longer supplying to us, all four were put in the 'Blue' group.

Figure 9 shows the final risk rating of the 108 suppliers assessed in 2020-21.

Figure 9: Residual risk ratings for the 2020–21 sample of 108 suppliers



We continue to have no 'Red' suppliers, which is our ongoing aim. If any are identified in future, we will engage with them to encourage them to draft and implement policies and processes.

Analysis of 'Amber' companies

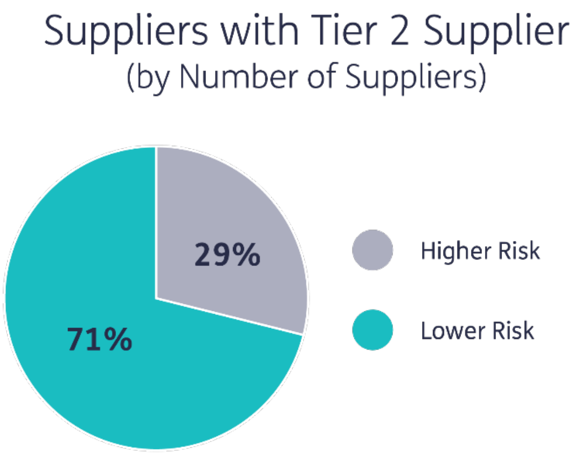
Five companies were rated as 'Amber', representing around 5% of our sample, down from 13% in 2019-20. Four of our 'Amber' rated suppliers have said that they plan to implement policies to assess and address modern slavery risk within the next 12 months. We will work with these suppliers to check their progress and will continue to work with the fifth supplier to confirm their commitment.

Supply chain analysis

We are committed to identifying modern slavery risks beyond our direct suppliers (our 'Tier 1' suppliers). This means looking at those suppliers who must sub-contract in order to deliver goods and services to us. Of the 38 direct suppliers sampled for the first time in 2020–21, seven rely on third parties, or 'Tier 2' suppliers.

The majority of suppliers that rely on 'Tier 2' suppliers to deliver goods or services to us are considered to present a lower residual risk (four 'Green' risk ratings and one 'Yellow') and 29% present a higher residual risk rating (two 'Amber' risk ratings).

Figure 10: Risk ratings of suppliers with 'Tier 2' suppliers



We also looked at the residual risk ratings for these underlying 'Tier 2' suppliers. Three of our direct suppliers reported that their own suppliers (our 'Tier 2') operate in higher-risk locations. However, none operate in a higher-risk sector. Only one supplier with a higher residual risk (based on the operation of its 'Tier 2' suppliers) was risk rated as 'Amber'. This supplier has committed to develop its policies and processes to address modern slavery risk over the next 12 months.

Risk in our investments – investment managers and investment suppliers

We have established a set of *Modern Slavery Risk Management Requirements* (based on the *Modern Slavery Act 2018*), which we believe our investment managers and investment suppliers need to manage their own modern slavery risks and, in turn, reduce CSC's exposure to these risks.

These are the requirements:

- A policy to address modern slavery risks (or addressed as part of other policies, e.g. ESG policy).
- Fit-for-purpose governance and ownership of modern slavery risks.
- A process for identifying and assessing modern slavery risks pre-investment or pre-engagement.
- A process for identifying risks in their operations (i.e. their investment activities) and supply chain (i.e. any third-party suppliers of our investment managers or investment suppliers) post investment or post engagement (i.e. on an ongoing basis).
- A process for managing identified modern slavery risks.
- A process for reporting modern slavery risks (both internally and to us).
- A plan for improvement or progress over time (for 'Yellow', 'Amber' and 'Red' rated investment suppliers).

We asked all our investment managers and material investment suppliers to answer a modern slavery questionnaire – regardless of their inherent risk. This questionnaire was based on the Financial Services Council's Modern Slavery Investment Questionnaire. We then assessed the managers based on how closely they aligned to our *Modern Slavery Risk Management Requirements*.

Investment achievements

This year, we achieved the following:

- We enhanced our modern slavery reviews, following up on the initial assessment we did last year and focusing on areas where we can make the most impact, continually improve and progress to best practice.
- We asked managers and suppliers to report on any:
    - changes to policies, procedures and practices in assessing modern slavery risks
    - modern slavery-related incidents (including how they were detected and assessed, how risks were mitigated and whether more controls were put in place to prevent future occurrences)
    - new controls or processes introduced to strengthen the control environment to mitigate modern slavery risks
    - new initiatives or actions taken to mitigate modern slavery risks.
- We analysed managers' responses and compared the results to our findings from our initial assessment program last year (2019–20). This mostly confirmed the existing ratings but in five cases we upgraded ratings (e.g., from 'Yellow' to 'Green').

- We reviewed 18 publicly available modern slavery statements from the Australian Government Online Register, published by our managers and suppliers, and assessed them against the requirements of the *Modern Slavery Act 2018*.

Figure 11: Residual risk assessment of investment managers and investment suppliers

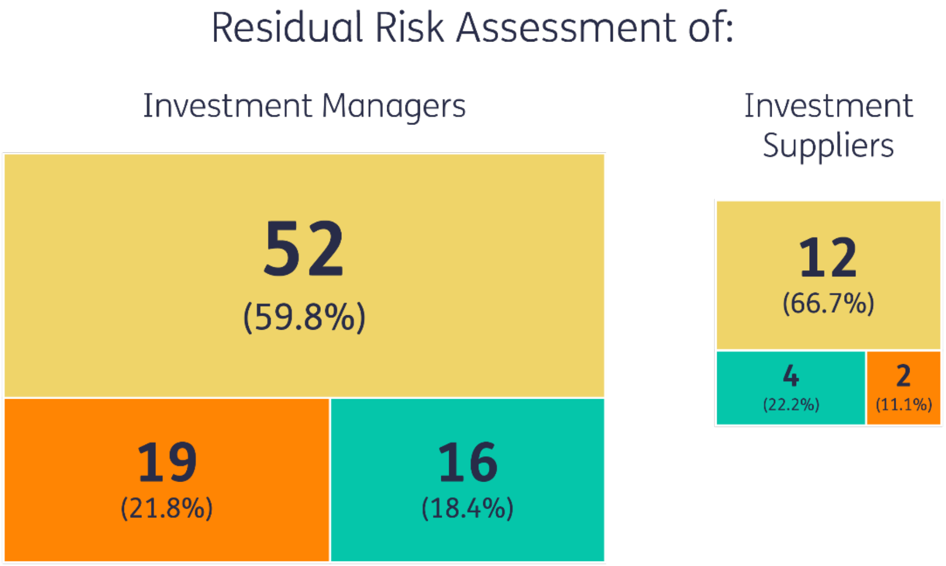


Table 2: Residual risk assessment of investment managers and investment suppliers

		Ratings			
	Questionnaires sent	Red	Amber	Yellow	Green
IMs	87	0	19	52	16
IMs (%)	100%	0%	21.8%	59.8%	18.4%
Suppliers	18	0	2	12	4
Suppliers (%)	100%	0%	11.1%	66.7%	22.2%

In this, our second year of modern slavery risk assessment, we assessed 105 investment managers or investment suppliers and found the following:

- 21 out of the 105 assessments (20%) were rated as 'Amber' – investment managers or suppliers that had limited processes, controls or documentation in place. Although most of these 21 are within asset classes that we have limited influence over, we will continue to engage with these managers so they improve how they assess modern slavery risks in their operations and supply chains.
- Most (80%) of our investment managers and investment suppliers were assessed as 'Yellow' or 'Green'.

Our long-term goal is for all our investment managers and investment suppliers to have our *Modern Slavery Risk Management Requirements* in place. This will mean modern slavery risks are being appropriately identified and mitigated across our investment portfolios.

We will continue to engage with our investment managers and investment suppliers, and encourage them to achieve the 'Green' risk rating and meet our broader expectations.

Our investment exposure to higher-risk countries

We also performed an analysis of how exposed our investments are to the top 50 high-risk countries identified in the Financial Services Council (FSC) Modern Slavery Investment Questionnaire.

This showed our investment exposure to higher-risk countries was approximately 0.6% of total funds under management as at 30 June 2021. This analysis covered approximately 86% of our funds under management.

Addressing and managing modern slavery for our business

We are committed to addressing and managing possible instances of modern slavery within our operations, supply chain and through our investments. We are also committed to continuing to make decisions based on the highest standard of ethics, integrity and behaviour. We expect our employees and those we engage with to always follow these principles.

To support this commitment and reduce the potential risks of modern slavery, we have robust governance and policies covering all our operations. We also have an equally prudent approach to managing our investments responsibly, including considering ESG risks.

Our approach to modern slavery risk management will continue to mature. We will do more to effectively identify, assess and remediate potential instances of modern slavery within our operations, supply chain and investments.

Governance

The CSC Board has developed a Board Governance Policy Framework to manage the development, maintenance and review of key governance documents, policies, plans and procedures. This framework means the Board can monitor key governance issues, including modern slavery.

The Board is responsible for ensuring that management is effectively assessing and managing potential modern slavery risks in our operations and throughout our supply chain and investments. At the management level, our Chief Operating Officer is responsible for modern slavery risk management.

Policy framework

We have a robust policy framework, which includes the following policies relating to modern slavery risks:

Employee Code of Conduct – this makes it clear that we expect our employees and those engaged with us to observe the highest standards of ethics, integrity and behaviour. They honour the code by acting with honesty and integrity, treating everyone with respect and courtesy, complying with all Australian laws and upholding our values.

Modern Slavery Policy – this sets out our modern slavery standards and approach. This helps us identify, manage and mitigate modern slavery risks. We regularly review this approach so it continues to develop and improve.

Whistleblower Protection and Public Interest Disclosure Policy – this is a key part of our remediation approach and is important for our good risk management and corporate governance. Whistleblowing helps to uncover misconduct that may not otherwise be revealed. Therefore, whistleblowers must be protected against potential personal and financial risk. We have a culture of disclosure and we strongly support and encourage staff, suppliers and other partners to disclose and report any incidents and breaches of law. We have seen this lead to the early prevention and detection of issues.

Diversity Policy – this helps us ensure our workplace culture celebrates diversity and removes barriers so all employees can contribute to their full potential. It also helps all employees have equal access to opportunities and be equitably remunerated.

Procurement Policy – this aims to achieve good governance in procurement, which involves acquiring goods and services by or on behalf of us, and effectively managing contracts. Procurement must focus on member outcomes and business requirements, and align with our strategic objectives. It must be defensible (that is, fair, accountable, transparent and free from conflicts of interest), actively manage risk in line with our policies and achieve value for money.

Supplier Code of Conduct - this outlines the standards we expect our suppliers to meet. The code includes modern slavery concerns, is based on best practice and aligns with several Australian company codes.

Employment practices

All our staff are employed on individual contracts under the Australian Government Industry Award or in accordance with the ComSuper Enterprise Agreement 2015–2018. All new employees are employed under individual contracts. Also, as we are a member of the Financial Industry Remuneration Group, we undertake an annual benchmark survey of employee roles and salaries to ensure our employees are appropriately paid.

The Remuneration and HR Committee of the CSC Board helps to ensure our people policies and practices support our strategic goals. The committee advises on issues relevant to our Remuneration Policy and human resources obligations.

Investment philosophy and ESG risk management

We focus on achieving sustainable financial outcomes for our customers. We believe that over time, as we consider long-term risks holistically, this will also achieve positive externalities – things that improve people's lives such as cleaner air and water, and better and safer treatment of workers. We continue to be an active owner of the companies we invest in on our customers' behalf – this means we proactively engage with the management and boards of the Australian public companies that we significantly invest in. We do this to support those companies to take decisions that are aligned with our members' best, long-term interests.

As part of our investment philosophy, we consider a range of risks including non-traditional risks, which take into account the ESG consequences of, and influences on, corporate operations and strategies. We seek to embed principles of ESG risk management, including human rights and modern slavery risk management, throughout our investment portfolio, benchmarks, intermediary agents, corporate agents, scale, active ownership practices, impact and measures of success.

How much of a genuine impact we can have on issues such as modern slavery is influenced by our capacity to contribute either financial or strategic capital to businesses or assets where we have majority ownership or significant control/influence, e.g. property assets.

Our capacity to effect positive change is likely to be slower and more gradual in assets where our customers are minority shareholders, e.g. large, public, multi-national companies. This doesn't make our efforts any less valuable, especially when they are supported by constructive engagement and collaborations with other investors.

Meeting our responsibilities

We meet our ownership responsibilities in the following ways:

- **Directly engaging with the entity's decision makers and operating partners**: This is most effective where our members have material exposure to the company and represent a material shareholding. For example:
    - **in our large, private investments** we seek governance and/or control stakes in order to strategically manage and consciously steward the assets we invest in, as majority and/or governance-staked shareholders
    - **in our seeded investment management businesses** we are directly involved in the design of sustainable business practices and integrated investment processes, capable of assessing financial and extra-financial risks
    - **in our material public company investments** we seek genuine dialogue with management and governing parties – the aim is to understand and support long-term, ecosystem-aware decision making in the public companies we materially finance on our customers' behalf.
- **Engaging via one of our investment management agents**: We can do this where our members have a material exposure to the company but represent an immaterial shareholding on that company's share register. We are effectively leveraging the scale of the combined capital invested by our external investment-manager partnerships. When this happens, we require our external investment-management teams to undertake and report on their engagements with the management teams of public companies they select to invest in on our behalf. All our external investment management teams are mandated to comply with our own active-ownership policy and proxy voting principles and to provide us with strategic insight on the capability of our investee companies to manage strategic risks.
- **Voting on all public company management recommendations**: We vote on every shareholder resolution made by every public company in our portfolio. This is the most efficient mechanism for positive influence where our customers are minority shareholders and immaterially exposed to the individual company. See our proxy voting principles for details[3].
- **Exclusion or divestment**: Divestment is a last resort because we believe that long-term investors have a responsibility to help investee companies to transition to better practice robustly. We have divested from companies when our active ownership practices cannot work to reduce risks, governance risk cannot be mitigated or where our engagement efforts are significantly constrained. We, of course, do not invest in companies whose activities are contrary to Australian government regulations, sanctions, treaties or conventions. Examples where we have taken the decision to exclude an industry from our investable universe include tobacco companies (2013), cluster munition manufacturers (2011) and undiversified companies that derive 70%+ revenue from thermal coal generation and extraction (from 2021).

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[3] https://www.csc.gov.au/-/media/Files/Corporate-Governance-files/Proxy-Voting/Proxy-voting-policy.pdf

Modern slavery risk management in action – two case studies

We take part in two industry-leading collaborations related to modern slavery: Investors Against Slavery & Trafficking (IAST-APAC)[1] and the United Nations/Brookings Institution SDG 17 Rooms project on which our Chief Investment Officer (CIO) serves, alongside CIOs from pension funds from around the world[2]. (SDG stands for Sustainable Development Goals, a collection of 17 global goals set up by the UN to achieve a better and more sustainable future for all.)

We joined these collaborations because we recognise that more meaningful and effective change can be achieved together with other institutional investors and modern slavery experts, as well as by engaging with our suppliers individually.

Investors Against Slavery & Trafficking (IAST-APAC)

IAST-APAC is strongly focused on industry collaboration, including sharing knowledge and tools to address risk. It is inspired by the UK's 'Find It, Fix It, Prevent It' investor initiative.

IAST-APAC partners with experts, including the Walk Free organisation (based in Western Australia) and the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST), as well as investor briefings on specific risks by labour rights specialists.

We joined IAST-APAC to:

- raise concerns about modern slavery risk with companies systematically and consistently
- create more meaningful and effective change by joining forces with others to protect people from modern slavery, labour exploitation and human trafficking
- avoid duplication of effort among investors working to address modern slavery risks
- increase awareness of modern slavery, trafficking and labour exploitation risks amongst the investor and business community
- provide a framework for investors to address risks to meet legal and other requirements, including the requirement to enable effective remedy
- share information and knowledge about modern slavery risks.

[1] The secretariat and knowledge partner of IAST-APAC is Walk Free, a not for profit organisation seeking to strengthen systems and eradicate slavery from all supply chains and the publisher of the Global Slavery Index, along with the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST).

[2] Members:

- Institutional investors: Bridgewater Associates, CSC, Transport for London Pension Fund
- Forced labour experts: Humanity United, Transparentem, Verité
- Research organisations: McCain Institute, Brookings Institution, Rockefeller Foundation

UN/Brookings Institution SDG 17 Rooms

Our CIO was invited to contribute to this global flagship initiative – organised by Brookings Institution and The Rockefeller Foundation – to accelerate progress towards the SDGs.

We joined 17 Rooms because it:

- aims to advance problem solving within and across all the SDGs
- adds value by speeding up actions, generating insights and strengthening the potential impact from participants who are fighting for common goals, including combating modern slavery.

Participants from many specialist communities (institutional investors, field specialists and research organisations) meet in their own 'rooms' or working groups, one for each SDG. Each room has to identify cooperative actions they can take over 12–18 months. Ideas are then shared across rooms to spot where participants might be able to collaborate.

In particular, our CIO has been involved in Room 17, which focuses on how institutional investors can combat forced labour and modern slavery, while still supporting financial growth. The aim is to increase institutional investors' awareness of and focus on the real-world impacts of modern slavery.

SDG 17 Rooms has resulted in the design of a tool to estimate forced labour risk. This seeks to allow investors, regulators and those who set standards to efficiently identify, measure and mitigate modern slavery risks across all markets.

Because users can anonymously share data with the tool's provider, the tool can be continuously updated and improved. This data can be used to reveal and analyse patterns, making the tool more accurate. This also means it can be used more broadly to strengthen awareness of what drives modern slavery risks and what organisations need to do to respond to these drivers effectively.

Further detail can be found here: https://www.brookings.edu/wp-content/uploads/2021/11/2021-Room-documents_Room17.pdf

Risk controls in our investment manager due diligence process

Since undertaking our modern slavery risk assessment, we are now also assessing specific modern slavery due diligence activities as part of our existing ESG due diligence process that governs investment managers. This is outlined in the **Our future priorities** section below.

Assessing effectiveness

We know we need to measure how effective our actions are so we can work out whether they are having the desired impact: to address potential modern slavery risks in our operations, supply chain and investments.

Looking at modern slavery specifically, we have focused on establishing a robust risk management framework that appropriately identifies and assesses potential risks of modern slavery. Recently we have focused on ensuring our suppliers implement policies and processes that will monitor for such risks and take action when they find them.

Since our preparation of the inaugural 2019-20 statement we have found that the majority of our corporate suppliers with higher inherent risk have implemented new modern slavery policies and processes. Most of those who have not done this have at least committed to doing so over the next 12 months.

There is more to be done, as outlined in **Our future priorities** section below.

Our future priorities

We are adopting a continuous improvement approach to modern slavery risk management, enhancing it across our operations, supply chain and investments.

2021–22

Within the next reporting period (2021–22), we plan to do the following:

- Continue to include specific modern slavery due diligence activities in our existing ESG investment due diligence process, such as explicitly assessing modern slavery risks when selecting investment managers and assessing existing managers' processes and procedures.
- Continue to engage with our corporate suppliers, investment managers and investment suppliers rated as 'Amber' and 'Yellow', to encourage them towards 'Green'.
- Work collaboratively with other asset owners, forced labour specialists and research organisations (e.g. IAST-APAC), including focusing on managers in particular industry sectors to improve high-risk supply chain categories.
- Continue to support global initiatives such as the UN/Brookings Institution SDG 17 Rooms project to improve disclosure and standards, and make available an easy-to-use and high-quality modern slavery risk assessment tool to help institutional investors access and share information.
- Continue to assess our direct corporate suppliers who engage third parties (our 'Tier 2' suppliers) in order to deliver goods and services to us. We will work with our direct suppliers to understand what our 'Tier 2' suppliers are doing to reduce the risk of modern slavery within their own operations and supply chains.
- Continue to engage with our employees in completing our modern slavery eLearning model, with the view to achieving 100% completion rates across the organisation.
- Continue to ask our suppliers to make their respective policies and processes more mature, as we do the same. We will look to include new contractual terms in our supplier contracts to enable monitoring and reporting against the requirements set by our Supplier Code of Conduct. We will also develop our corporate supplier risk assessment process and supplier questionnaire to better assess how our suppliers are monitoring the effectiveness of their policies and processes.

2021–22 and beyond

Over the next few reporting periods (2021–22 and beyond) we intend to implement a more tailored response to assess how effective our modern slavery risk management processes are. We expect this to involve the following activities:

- Undertaking an annual review of our approach to modern slavery risk management.
- Enhancing employee awareness about human rights and modern slavery issues, including how we manage these issues and processes to voice grievances (e.g. our whistleblower process), and checking whether these issues are well understood (e.g. via feedback).

- Following up on progress from our investment managers' modern slavery risk management, such as checking that identified corrective actions and/or areas for improvement identified through our review are being addressed.
- Reviewing corporate supplier compliance against the expectations in our Supplier Code of Conduct.
- Continuing to embed modern slavery considerations across our activities and building our corporate understanding of modern slavery beyond our eLearning module. This means including modern slavery in procurement processes and tools, and carrying out targeted training programs that help staff to know what they can do to look out for risks e.g. an annual Centre of Excellence which will focus on working with vendor managers to develop their understanding of modern slavery risks and how to work with suppliers to ensure potential risks get reported.

Appendix: Entities captured in this joint statement

This statement is prepared on behalf of CSC and its associated entities. These are:

- Commonwealth Superannuation Corporation ('CSC') (ABN 48 882 817 243)
- The Public Sector Superannuation Scheme ('PSS') (ABN 74 172 177 893)
- The Commonwealth Superannuation Scheme ('CSS') (ABN 19 415 776 361)
- The Public Sector Superannuation Accumulation Plan ('PSSap') (ABN 65 127 917 725)
- The Military Superannuation and Benefits Scheme ('MSBS') (ABN 50 925 523 120)
- The Australian Defence Force Superannuation Scheme ('ADF Super') (ABN 90 302 247 344)
- The ARIA Investments Trust ('AIT') (51 484 956 137)
- The ARIA Property Fund ('APF') (44 682 603 202)
- The PSS/CSS A Property Trust ('PCA') (ABN 53 508 925 207)
- The PSS/CSS B Property Trust ('PCB')
- ARIA Co Pty Ltd ('ARIA Co.') (ABN 49 123 399 057)
- PSS/CSS Investments Trust ('PCIT'), comprised of PSS International Investments Fund (ABN 65 440 705 775), CSS International Investments Fund (ABN 77 190 699 383) and Combined Investments Fund (ABN 88 991 028 460)
- ARIA Alternative Assets Trust ('AAAT') (ABN 84 599 839 363)