



Australian Government

Commonwealth Superannuation Corporation

Commonwealth Superannuation Corporation Modern Slavery Statement



Commonwealth
Superannuation
Corporation



Acknowledgement of Country

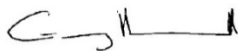
Commonwealth Superannuation Corporation (CSC) respectfully acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to land, waters and community.

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

Statement approval

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 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 2024.

This statement was approved by a resolution of the CSC Board on 11 December 2024.



Mr Garry Hounsell, Chair of the Board



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A message from the Chief Executive Officer

At CSC we pride ourselves on serving those who serve. For more than 100 years we have been taking care of the retirement savings of government employees and ADF members, and in this time have seen a century's worth of change. Through this there has been the one constant, and that is our commitment to ensuring our members are at the heart of everything we do.

Our primary purpose is to build, support and protect better retirement outcomes for all our members. This includes managing all risks (including any potential modern slavery risks) that can impact the sustainability and value of businesses that we invest in on behalf of our members.

In addition, CSC's operations are multi-faceted. We take seriously our responsibility to be a good corporate citizen and uphold and defend human rights and are aware of the potential for modern slavery to be present in any part of our operations. Accordingly, we are committed to collaborating with our suppliers to reduce the risks of modern slavery and human trafficking practices in any of our business activities.

Our strategy for managing this risk covers:

- our investment management approach
- our approach to supplier and partner relationships
- our values.

I'm pleased to present our 2024 Modern Slavery Statement, which, like all elements of our business operations, is continually improving to ensure it reflects our values, our vision and the expectations of the society in which we operate.

As always, we welcome your feedback. <https://www.csc.gov.au/Members/Feedback>



Key actions for 2023-24

Progressing our approach to risk management

- CSC recognises Modern slavery as a systemic investment risk which underpins our approach to managing and preventing modern slavery risks:
 - **Investors.** CSC's own investment governance framework appreciates the complexity and interconnected nature of global supply chains and the fact that some system risks are difficult to identify, manage or remediate effectively. Modern slavery risk is an example of one of these. Where such risks are identified, investors can mitigate the impact on their portfolios (e.g. divestment or diversification), but this does not necessarily have any impact in altering the real-world modern slavery networks.
 - **Regulation.** We recognise the crucial role of regulators to implement policies such as laws and fines to regulate industry practices and deter harmful behaviour.
 - **Industry collaboration.** Effecting genuine change in the real world requires co-ordinated collaboration across global industry verticals, so that relative competitive disadvantages arising from internalising the costs of better labour practices are commonly shared.
- Our investment managers have improved their risk control processes and transparency about their impact. They've increasingly focused their risk management activities in higher-risk geographies, business models, and sectors. They have shared anecdotes from various sectors, including commodities (agriculture, mining, and raw materials), labour-intensive services (such as cleaning, building, and construction), as well as the apparel, technology, and manufacturing industries.
- Our investment managers have also become more explicit about integrating transparency regarding modern slavery risks into their overall investment decisions. This integration is achieved through the investment hurdle required for the level of uncertainty surrounding the investment and its supply chains:
 - Where risks were identified pre investment and considered to be too high, or processes insufficient to reduce risks, the investment was avoided
 - Some managers explicitly added anti-slavery clauses in contracts, addressed modern slavery risks in pre-investment sustainability assessments, engaged independent audits of key contractors
 - Where risks were material, they were incorporated into company valuations and investment return hurdles i.e., specific charge to cash flows or an adjustment to the weighted average cost of capital.
- We continued to uplift our supplier risk management policies and procedures in 2023-24. This included improvements to the system that supports our risk management processes and stores our risk ratings, controls and actions.
- Since the inception of the Modern Slavery reporting scheme, we've observed year-on-year improvements in our corporate suppliers' transparency regarding their risk exposure, their policies and procedures to combat modern slavery.

Monitoring our exposure to modern slavery

- Many of CSC's investment managers are opting for engagement instead of divestment, where they identify high modern slavery risks and seek to engage with those companies to improve their supply chain awareness and management. CSC's focus this year was to understand how these investment managers measure the success of their engagement programs.

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- This year, we also observed marked improvements in the approaches to modern slavery policies and procedures in two large multinational companies previously assessed as high (amber) risk. As a result, we've seen a reduction in our high (amber) risk rated corporate suppliers, falling from four suppliers to two. No investment supplier is currently rated as high risk, and no supplier (corporate or investment) is assessed as extreme (red) risk.
 - We continued to expand our knowledge of our corporate suppliers and their own operations. This year we conducted research into a larger cohort of companies. This search resulted in one existing supplier of IT professional services being reassessed as high (amber) risk. The company is not alleged to have engaged in modern slavery, but to have supplied services to a company that has since been found guilty of such claims. There is a legal proceeding pending against this company, and CSC will continue to monitor the company.
 - Last year, we identified two smaller Australian corporate suppliers that we thought could also do more to address modern slavery concerns. We've since confirmed that one of these companies do not trade in IT hardware, reducing the residual risk to low. The remaining company is rated as medium risk being a small supplier to CSC of software licences only; however, their supply chains do involve the sourcing of electronic goods. We've identified that they have a Tier 2 supplier (a supplier of our supplier) that we think is at higher risk of modern slavery. We have written to our supplier to raise our concerns and encourage increased transparency from their supplier.

Strengthening our corporate activities

- We reviewed our Supplier Code of Conduct, first launched in 2021, and strengthened the requirements to ensure it continues to align with our corporate objectives, compliance obligations and the Commonwealth Supplier Code of Conduct (which came into effect on 1 July 2024).
- Our research into our corporate suppliers also expanded search terms to cover potential non-compliance with our Supplier Code of Conduct. Last year, we identified one company accused of unethical pay practices. We continued to monitor the issue and found no reports of confirmed unlawful pay practices by the company. However, we have also not renewed any contracts with this supplier this year.
- We continued to ensure that all new employees complete mandatory eLearning in modern slavery to raise awareness of human rights, modern slavery and how these risks may arise for our business. Last year, we updated the training to include publications issued by the Australian Human Rights Institute. This year, we commenced a full review of the training to ensure it remains an effective education tool.
- We updated our Procurement Policy to include consideration of socially responsible procurement.
- We reviewed our suite of procurement template contracts to ensure continued inclusion of modern slavery clauses, along with requirements to comply with our Supplier Code of Conduct. CSC continues to negotiate such clauses into all higher risk contracts. This year, we conducted a large tender which required compliance with our Code as a condition of participation.
- We provided targeted procurement training to our employees that included raising awareness of our supplier risk management procedures and system, as well as encouraging the use of our procurement template contracts. The template contracts are maintained on our Intranet pages to ensure wide-spread usage, and their usage is further encouraged via our updated spending proposal form.

Criteria 1 and 2: About 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 superannuation 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 around 540 employees in three main functions: Investments, Customer, and Corporate. We have standalone Transformation and Technology, Risk and General Counsel units which report directly to the CEO.

Most staff are based in Canberra and Sydney, with others located around Australia, and three international staff in Singapore, New Zealand and the Philippines. Staff are employed under an individual contract. Our remuneration policy meets the requirements of APRA's Prudential Standard CPS 511, Remuneration and Prudential Standard SPS 510, Governance.

Embedding our Supplier Code of Conduct

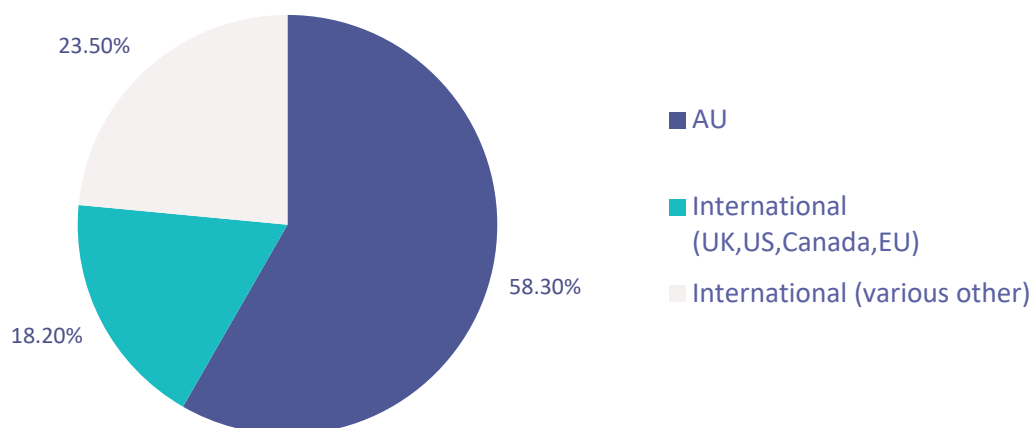
At CSC we focus on maintaining strong and productive relationships with our suppliers. CSC launched our Supplier Code of Conduct in 2021. This code is our commitment to suppliers to uphold our corporate values when working with them and our expectations of them as a supplier to the trusted superannuation fund for Commonwealth and Defence Force customers. CSC has strengthened its Supplier Code of Conduct in 2024 to ensure it continues to align with our corporate objectives, compliance obligations and the Commonwealth Supplier Code of Conduct (which came into effect on 1 July 2024). In 2022, we started incorporating our Supplier Code of Conduct into our standard contract terms and conditions when buying goods and services. Contractual terms include our expectations for a transparent relationship, including timely reporting of risk and incidents of modern slavery in our suppliers' operations and supply chains. Risk ratings recorded within our supplier management system will help us manage any identified modern slavery risks and inform us to how strongly we insist upon these clauses within our supplier contracts.

Our corporate suppliers

During 2023-24 we sourced goods and services from approximately 262 corporate suppliers. Measured by dollars spent, roughly 58.3% were located in Australia and New Zealand (figure 2). Measured by the number of suppliers, roughly 76% were located in Australia and New Zealand. A further 18.2% (by spend) operate in locations that include the United Kingdom (UK), United States (US), Canada, or a country within the European Union (EU). The remaining 23.5% operate in one or more locations outside of these countries, and as such may expose CSC to higher risk of modern slavery.¹

¹ Location risk is determined using the [Global Slavery Index 2023](#).

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



Our corporate suppliers operate mainly within the lower risk ‘professional services and financials’ category (44%) (figure 3).² Our next largest corporate supplier category is ‘information technology (IT)’ (31%). This category includes suppliers that provide software subscription, licences and support; however, they may also trade in electronics and hardware goods with a higher risk of modern slavery.³ A smaller portion of our suppliers are in the ‘technicians and trades’ category (6%) which include our cleaning provider and other building management services. This category is considered at medium risk of modern slavery.⁴ Only 2% of our corporate suppliers’ trade in ‘consumables’, however this is considered a higher risk category because these suppliers are more likely to sell products sourced from high-risk locations. Suppliers categorised under ‘other’ are those that CSC considers as inherently lower risk of modern slavery and includes various services such as utilities, health and wellbeing services, advertising and postage services (17%).⁵ This means that around 61% of our corporate suppliers have an inherently low risk of modern slavery within their operations and supply chains.

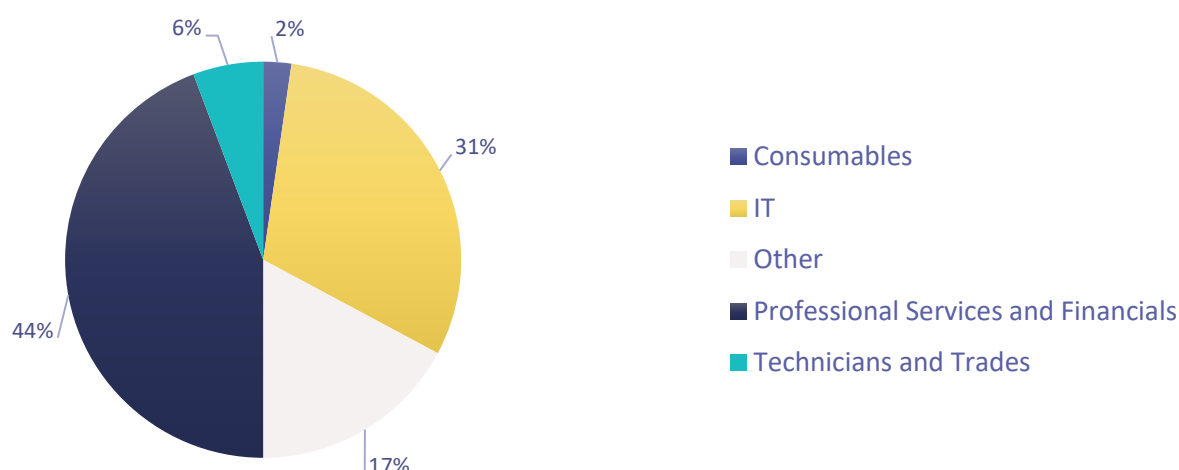
² As per the [ACSI Modern Slavery Risks, Rights and Responsibilities](#), this sector uses a skilled professional workforce considered at lower risk of modern slavery.

³ For instance: [APAC Investors Against Slavery and Trafficking](#) focuses on modern slavery risk known to be pervasive within the electronics sector.

⁴ As per the [ACSI Modern Slavery Risks, Rights and Responsibilities](#), property, cleaning, food and beverage providers are considered at higher risk of modern slavery. However, as CSC consumes these services wholly within Australia by Australian companies with limited supply chains, CSC therefore lowers this risk to medium.

⁵ As these services are wholly located within Australia (utilities, postage services), or more typically supported by a skilled workforce (health and wellbeing, advertising).

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 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 just receive 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 modern slavery issues.

To make these strategic relationships as valuable as possible, we have developed a comprehensive and objective qualitative and quantitative scoring system 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 may use different criteria and measures, depending on how much influence we have. This year we increased the granularity of our categorisation method, by considering access routes to underlying investments, e.g. mandates vs co-investments vs open vs closed-ended pooled investment funds.

Table 1: Influence levels for investment managers (Funds Under Management (FUM) exposure)

CSC influence	% of FUM as at 30/6/2024
Very limited influence	8.7%
Limited influence	4.6%
Some influence	82.6%
Majority ownership and/or control	4.1%
CSC of Total FUM	100.0%

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)

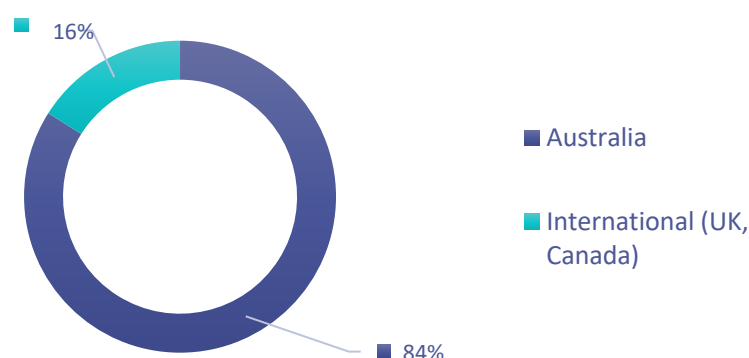
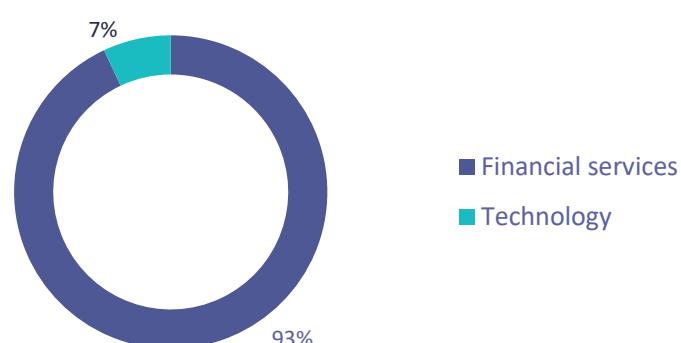


Figure 5: Our investment suppliers (by sector)



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 2023–24, we focused on 'material' suppliers where our contract value in that year was more than \$100,000.

Criterion 3: Risks of modern slavery practices in 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



Hybrid Work Environment



Primarily located in capital cities



Majority tertiary education employees



Employees predominantly Australian citizens



Employees on individual contracts



98% of employees are permanent employees



Average employee tenure is 6 years



Call centre hours capped at 8.30am-5pm



Contractors engaged through trusted suppliers

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 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 through third-party agencies with agreed standard terms of business. Where we do engage contractors through third parties, we ensure that our contracts require that they comply with Australian modern slavery law.
- 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)
- a whistleblower policy, which allows employees to raise any suspected concerns regarding unethical behaviour or decisions that could indicate potential wrongdoing.

Risk in our supply chain: corporate suppliers

Assessing the inherent risk

CSC's risk assessment process involves:

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

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

Sourcing locations: We take a cautious approach and assess any of our corporate suppliers that have operations outside Australia and/or New Zealand as being potentially higher risk. We also look at the operational footprint of our suppliers' parent companies.

Sector characteristics: We identify industries with a potentially higher risk of modern slavery based on the RIAA Investor Toolkit *and* the ACSI Modern Slavery Risks, Rights and Responsibilities. We also look at those suppliers trading in industries with higher casual labour. This year, we assessed whether those suppliers trading in IT were providing exclusively professional services. Where they were, we rated them as low inherent risk.

Supplier questionnaire

We issued a questionnaire to all our new suppliers we engaged in 2023–24 to find out their approach to:



Governance



Risk management



Remediation



Training and
awareness



Due diligence



Monitoring and
effectiveness

We surveyed these corporate suppliers as to how committed they are to developing processes and policies to address modern slavery over the next 12 months, if they have not yet developed them.

Our questionnaire is based on the questions developed by Ernst and Young (EY) for our inaugural Modern Slavery Statement. Each year we continue to develop the risk rubric used to assess supplier responses. We now use more data inputs and quantify our risk outputs depending on the suppliers' specific answers.

We continue to scrutinise suppliers with a moderate inherent risk or above by conducting desktop research into their operations and supply chains. Research conducted includes:

- a review of any available Modern Slavery Statements
- locating evidence of governance policies covering modern slavery and ethical conduct
- details of the suppliers' scope-of-operations and operational footprints
- news articles or reports covering instances of modern slavery or a potential relationship to such incidents.

We use this information to adjust the residual risk for each supplier. Where we identify specific additional risk in the suppliers' parent company operations or supply chain, we reconsider the effectiveness of their self-reported mitigation strategies.

Maturing our approach

This year CSC continues to expand our research into our corporate suppliers' operations to more accurately assess their inherent risk of modern slavery. This means that we can focus on conducting more detailed research into those suppliers at highest risk of modern slavery.

While it was initially appropriate to write to as many of our at-risk suppliers as possible to raise awareness of the new legislation within Australia, we are now focused on building our data sets to include more risk variables across a smaller cohort of our highest risk corporate suppliers.

Risk groups for investment managers and suppliers

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

- **Red/Extreme:** Suppliers that have no processes / controls / documentation in place and/or are not willing to cooperate
- **Amber/High:** Suppliers that have limited processes / controls / documentation in place,
- **Yellow/Medium:** Suppliers that have adequate processes in place, however some areas of their approach /documentation are a work in progress
- **Green/Low:** Suppliers that have adequate processes / documentation in place.

The adequacy of supplier processes and documentation is assessed against the supplier's potential exposure to modern slavery. This means that for some suppliers, even those that have comprehensive policies and processes, their risk rating will remain residually higher when:

- there is a known incident of modern slavery within the suppliers' operations within the last five years
- the potential for risk exposure is higher due to the immense size of the suppliers' global operations and product listings
- the supplier is likely to have low visibility of their supply chains (e.g., where the common source location of the raw materials or products is subject to current local conflict and/or adverse political climates).

Maintaining higher residual ratings cover the above cases means that CSC will continue to monitor these suppliers and their potential risk exposure more closely.

Corporate supplier risk analysis

Of our 262 corporate suppliers⁶, we earmarked 126 suppliers for further assessment to determine their level of inherent risk. Of these, 88 were assessed to be inherently lower risk of modern slavery. They were excluded from further analysis.

Of the remaining 38 suppliers assessed as inherently high risk of modern slavery, CSC assessed their responses to the questionnaire and conducted further desktop research to determine their level of residual risk.⁷ Twenty-three (61%) were rated as residually low (green) risk, 13 (34%) were rated as medium risk of modern slavery, with 2 (5%) rated as high risk (amber). No suppliers were rated as extreme risk (red) of modern slavery.

Last year, CSC assessed 3 suppliers to be high (amber) risk, two of which we thought could do more to reduce their residual risk. One of these suppliers no longer contracts directly with CSC and we purchase their services via a whole of government panel arrangement. A review of the company's 2023 modern slavery statement now evidences good governance approaches and also includes the

⁶ CSC engaged 262 corporate suppliers in FY 2023-24. These include suppliers from whom CSC has made one-off purchases and suppliers who no longer provide services to CSC.

⁷ This year, nine new suppliers were sent the questionnaire. We conducted desktop research on all 38 suppliers assessed as high inherent risk.

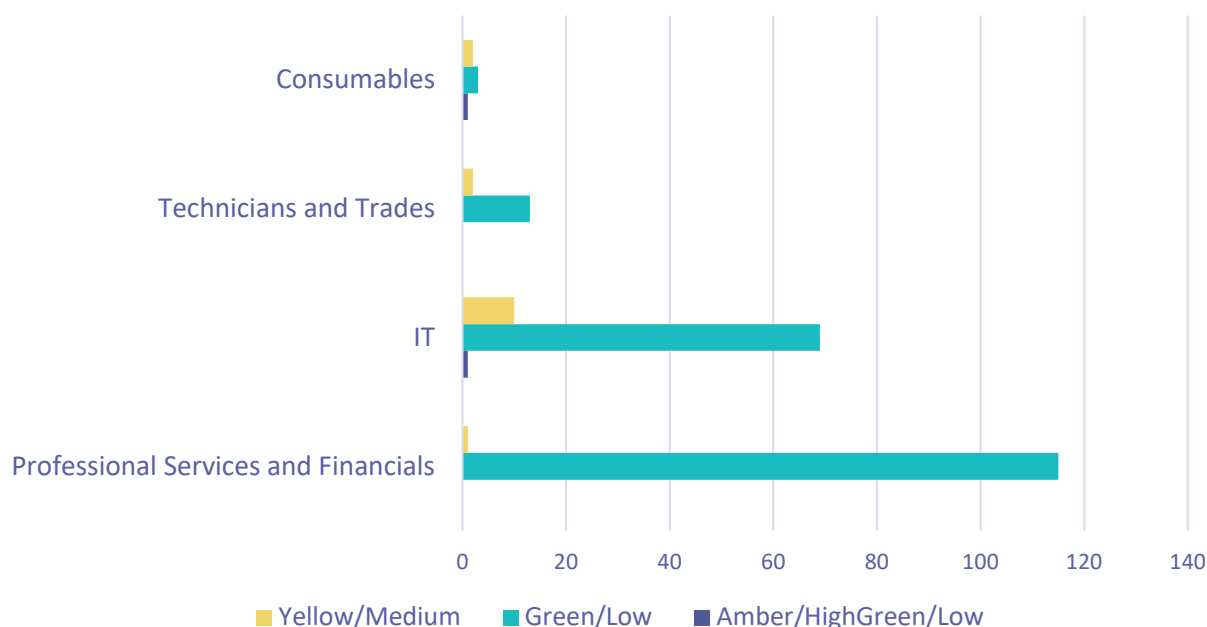
details of their risk assessment process. The other supplier has reduced its risk rating to low ('green'). The company has recently published a modern slavery statement which details their low exposure to modern slavery given their limited supply chains and specialisation in software only.

Additionally, the company now report that they have implemented a Code of Business Conduct and Ethics which they use to train their employees, coupled with the maintenance of a 24/7 reporting portal and whistleblower policy. They also maintain a Human Rights Policy and a Supplier Code of Conduct.

The third company remains rated as high (amber) risk since a known modern slavery incident occurred within this company's supply chains within the last five years, occurring in 2019. While this company now provides a higher level of transparency regarding their risk exposure and approach to risk mitigation, CSC has retained this supplier in the high (amber) risk category to continue to monitor any potential risk. Should CSC find no new incidents in the coming year, their residual risk rating will be lowered accordingly.

Last year, CSC increased its desktop research to investigate the supply chains of suppliers trading in IT hardware and electronics. This year, CSC expanded its desktop research to include all IT companies. As a result, an existing supplier of IT professional services has received a revised risk rating of high (amber) due to a pending claim against the company. The company is not alleged to have engaged in modern slavery, but to have supplied services to a company that has since been found guilty of such claims. The company is a large supplier to government and corporate businesses within Australia and is otherwise found to maintain a good standard of policies related to finding and addressing modern slavery concerns. CSC will monitor this supplier and will review its risk status at the conclusion of the case against it.

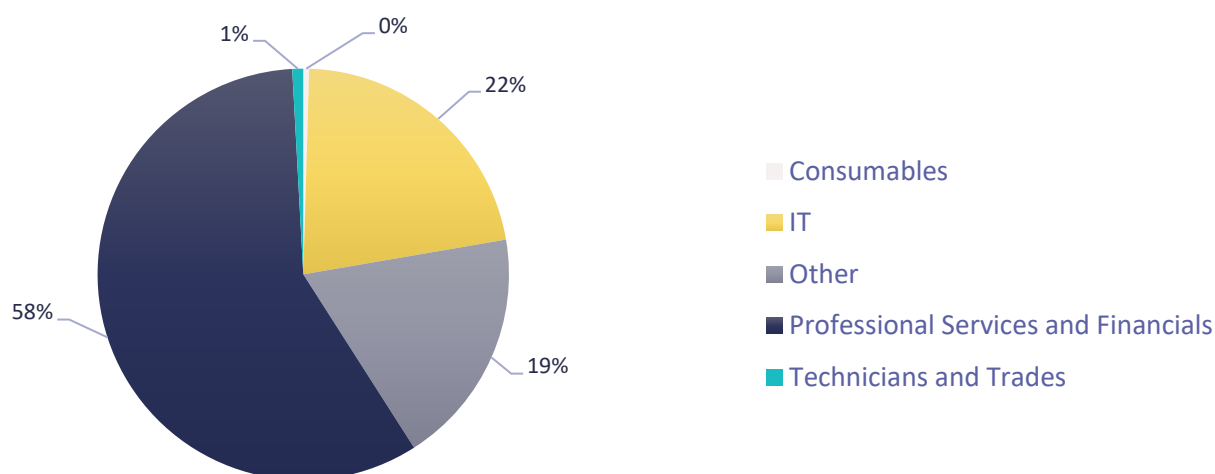
Figure 7: Residual risk analysis of different supplier industry categories



Corporate suppliers operating in higher risk locations

We investigated the parent companies of subsidiaries operating in Australia to identify those operating in higher-risk locations overseas⁸. The majority (58%) of spend is on suppliers of professional services, which is inherently lower risk of modern slavery. Around 22% of spend is on suppliers of IT services including higher risk IT hardware, peripherals, as well as the storage and disposal of these goods.

Figure 8: Suppliers operating in higher-risk locations (by category of spend A\$)



Suppliers trading in computer hardware and electronics

Within CSC's supply chains, IT hardware and electronics consumables pose a higher potential risk of modern slavery due to the complexity of these supply chains and reported difficulties in monitoring operations within the countries where the component parts and minerals are typically sourced.

Our research identified 9 providers of IT professional services that may also on-sell IT hardware or electronics items sourced from higher risk locations.

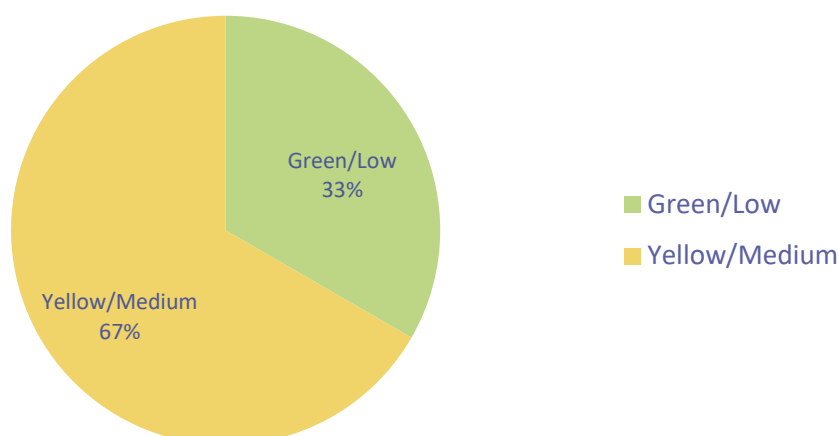
Of these 9 suppliers, 6 are assessed to have a medium risk exposure due to the locations they operate in globally and the types of products they sell.

One has publicly reported risk of 'conflict minerals' in their supply chains. However, this company maintain a comprehensive modern slavery policy statement and their 2022 public statement evidences a high degree of transparency concerning their potential risk exposure and efforts to monitor their suppliers. We have reduced their risk rating to medium(yellow) which means that they will be subject to ongoing monitoring but no further improvements to policies or procedures will be required at this time.

The other 3 suppliers maintain adequate policies and procedures that reduces their residual modern slavery risk to low(green). A review of these companies' operations indicates that they are unlikely to source goods from higher risk locations.

⁸ As identified by the [Global Slavery Index 2023](#)

Figure 9: Suppliers also trading in computer hardware & electronics (by category of risk)



Investment manager and investment supplier risk analysis

Investment philosophy and ESG risk management (including Modern Slavery)

CSC's investment objective is to maximise long-term returns above inflation to provide a reliable income for customers in retirement. To achieve this, we consider traditional financial matters as well as many that are less-widely recognised as financially relevant, for example trends disregarded by investors with short term objectives. Many environmental (E) and social (S) risks fall into this category. Together with the governance (G) features that enable these risks to be managed, these are often referred to as "ESG".

Examples of common ESG issues include:

- pollution
- occupational health and safety
- **modern slavery**
- climate change.

However, critical to our objective is to see beyond the issues recognised by financial markets at any given time, because not every relevant risk is properly valued by markets. Therefore, instead of being oriented to specific ESG issues or goals, we expand our sources of insight and enable diverse thinking to enrich our analysis, within the rigours of our disciplined investment and risk management framework. This applies equally to issues that some do not consider to be "ESG," for example:

- pandemic and other global shocks
- geopolitical tensions
- the threats and opportunities of technology
- changes in economic, regulatory and financial market conditions
- **vulnerability in supply chains.**

- how well a business is managed, including how its management team:
 - o understands its competitive environment
 - o supports, trains, manages and aligns its **employees** to its purpose and values
 - o considers and manages its impact on the environment; and the community in which it operates.

We take ESG matters into account for the purpose of achieving our investment objectives, through ESG integration in our investment risk management and through stewardship activities, **where it is both cost-effective and in the best financial interests of our customers to do so.**

Modern slavery risks identification, management and remediation

We have established a set of *Modern Slavery Risk Management Requirements* (based on the *Modern Slavery Act 2018*), which require our investment managers and investment suppliers 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 (internally and externally).

A plan for improvement or progress over time (for 'Yellow', 'Amber' and 'Red' rated investment suppliers).

We ask all our investment managers and material investment suppliers to complete a modern slavery questionnaire, regardless of their inherent risk. We then assess the managers each year based on their progress compared to our *Modern Slavery Risk Management Requirements*.

Aims of CSC's 2023-24 risk review of investment partners

The purpose of our Modern Slavery risk review this year was to continue to gain greater clarity on how our investment partners, on CSC's behalf, are able to manage potential modern slavery risk exposures in portfolio businesses. Our aims were to:

- promote transparent identification of where the highest risks might be
- encourage the systematic monitoring and documentation of where it is possible to remediate and prevent future risks, and, importantly,
- recognise where it is not possible to effect remediation or mitigation of risks.

This year's focus follows our initial questionnaires in previous years, covering both managers' operations and investment activities.

- Our objective was to gain honest insight into the impediments, as well as the successes in this endeavour.
- In our view, insufficient attention is given to what we as asset owners, collectively, are not able to do. This potentially leads to misrepresentations of the capacity of capital markets to rectify system issues.
- As awareness of modern slavery develops across the globe, the focus is moving from identification to reporting, remediation and future mitigation.

In summary, transparency in the overarching governance process that CSC and our investment partners, operating as our agents, undertake allows our stakeholders to understand areas we prioritise for engagement, given the resources available to deliver sustainable retirement outcomes to all our customers.

Figure 10: Residual risk assessment of investment managers and investment suppliers

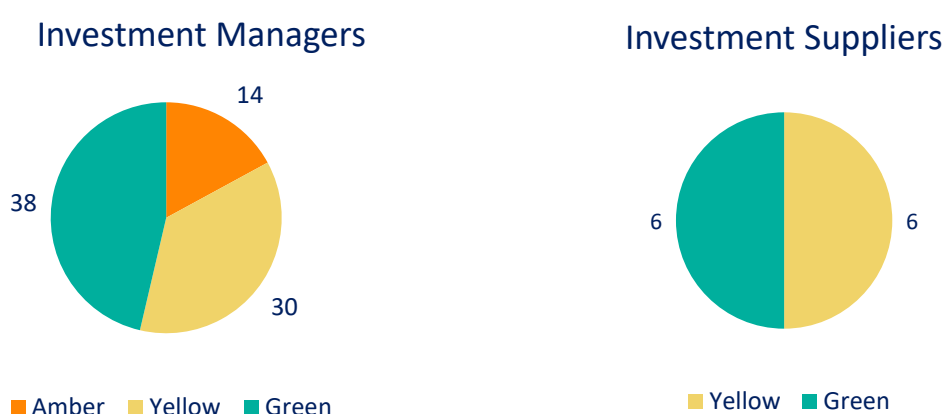


Table 2: Residual risk assessment of investment managers and investment suppliers

	Questionnaires sent	Ratings			
		Red (Extreme)	Amber (High)	Yellow (Medium)	Green (Low)
IMs	82	0	14	30	38
IMs (%)	100%	0%	17%	37%	46%
Suppliers	12	0	0	6	6
Suppliers (%)	100%	0%	0%	50%	50%

In this year's modern slavery risk assessment, we assessed 94 investment managers and investment suppliers and found the following:

- Most (85%) of our investment managers and investment suppliers were assessed as medium 'Yellow' or low 'Green'. No investment managers rated extreme "Red".
- 10% of our managers improved their policies, processes and/or practices in modern slavery risk management, resulting in an upgrade in rating this year. Our long-term goal is for all our investment managers and investment suppliers to have our *Modern Slavery Risk Management Requirements* in place.
- As a universal owner, we have exposure to a full universe of capital market risks. Our equities⁹ exposure to the following higher risk sectors is approximately 11%, slightly below that of the MSCI All Country World Index (ACWI) which is 16%.

Sectors ¹	CSC (%)	MSCI ACWI (%)	Difference (%)
Mining	4.1%	1.0%	3.1%
Construction and building materials	0.3%	0.4%	-0.1%
Apparel	0.6%	1.0%	-0.5%
Agricultural and fishing	0.1%	0.1%	0.0%
Electronics manufacturing and recycling	1.6%	6.7%	-5.1%
Food and Beverage	1.1%	2.5%	-1.4%
Health care	1.1%	1.7%	-0.5%
Forestry	0.0%	0.0%	0.0%
Hospitality	1.3%	1.6%	-0.3%
Housekeeping/Facilities	0.0%	0.0%	0.0%
Transport and Warehousing	0.8%	1.2%	-0.5%
Total	10.8%	16.2%	-5.4%

- CSC investment portfolios' exposure to countries identified in the Global Slavery Index as potentially higher risk with respect to modern slavery incidents is approximately 1.5% FUM (30/06/24)¹⁰. This compares to their share of global GDP, which is 21.0%¹¹. In part, this reflects the fact that we have mandates primarily in developed and emerging markets, rather than frontier markets where we assess the risks to be relatively opaque and much harder to price.
- CSC recognises that modern slavery risks can also occur in areas that may initially seem low risk as supply chains are deep and complex, and incidents can occur even in highly rated processes.
- However, as noted in the Modern Slavery Act, scoping exercises can help to set a baseline for a risk-based approach. CSC recognises that systems issues require universal owners to co-operate for influence where it can be most impactful, cost-effective and aligned with customer's best financial interests.

⁹ [World Economic Outlook \(2024\) - GDP based on PPP, share of world \(imf.org\)](#)

¹⁰ [Global Slavery Index 2023](#) – estimated prevalence of modern slavery by country (per 1,000 population).

¹¹ [World Economic Outlook \(2024\) - GDP based on PPP, share of world \(imf.org\)](#)



Criterion 4: Actions taken to address our risks

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 with which we engage to 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 Customer 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, 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 Policy	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. This leads to early prevention and detection of issues.

Diversity Policy and Inclusion Policy	This helps us support and encourage a diverse and inclusive workplace culture and environment of equity, respect, courtesy, honesty and integrity. It also helps remove barriers so all employees can contribute to their full potential, 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 be in members' best financial interests 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.
Supplier Risk Management Procedure	Sets out our approach to third party risk management at CSC, including Modern Slavery risk. The procedure establishes what is required to identify, assess and manage third party risk, and who is responsible for these actions.

Employment practices

All our staff are employed on individual contracts under the Australian Government Industry Award. As a member of the Financial Institutions 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.

Providing modern slavery awareness and education

In 2024 and into 2025 CSC's Organisational Capability and Learning Team is evolving the mandatory learning suite which includes Modern Slavery. In doing this, the Modern Slavery learning will provide clearer context within the CSC environment by addressing:

- Key aspects of modern slavery including its impact on our community and CSC
- Team Members roles and responsibilities in identifying and combating modern slavery, and
- How employees can source policy and procedure to support them in their day to day delivery of work.

This year the Finance Team also delivered Strategic Procurement Training to those employees who are involved in procurement on how best to manage procurement within the CSC environment, which includes due diligence assessments on potential suppliers prior to engagement.

CSC investment stewardship

Financial markets' feedback to companies does not consistently promote the value of long term and widely diversified portfolios like those CSC manages for customers. Our stewardship activities aim to create greater alignment, via a focus on:

- Secure shareholder rights, such as the right to determine a company's board of directors and make decisions on major capital transactions;
- Boards / election of directors with strong strategic competencies and governance competencies; and who are conscientious with respect to company impacts and externalities;
- Accountability to shareholders, via transparency.

Investors delegate the oversight of companies to boards of directors, rather than being involved in management decisions directly. CSC's priorities reflect the important role of company directors, in this context.

Investment manager actions

We expect managers to identify, evaluate and manage exposures to all sources of Investment Value and Risk, as fundamental asset management competencies. Managers conduct a variety of activities on behalf of CSC customers to ensure a complete view of value and risk, including intangible value and unconventional 'ESG-related' risk.

In particular, with respect to modern slavery risk management, some of our investment managers

- **Engage with underlying investee companies** to identify, manage and remediate any potential modern slavery risks, as discussed further in Criteria 5.
- Use **tools** specifically to identify and manage modern slavery risks such as:
 - ***Supply chain tracing for risk identification:***
 - FairSupply
 - RepRisk
 - EcoVadis
 - MSCI ESG
 - ISS ESG
 - Sustainalytics
 - ***Industry frameworks for prioritising focus:***
 - PRI guidance
 - Walk Free Global Slavery Index
 - SASB (Sustainability Accounting Standards Board) Materiality Map
 - ***Industry collaborations for knowledge sharing and influence***
 - CAF (Cleaning Accountability Framework) certifications
 - Labour Behind the Label (global garments)
 - Conflict Affected and High Risk areas (responsible minerals initiative)
 - RIAA (Responsible Investment Association Australasia) Human Rights Working Group
 - IAST (Investors Against Slavery and Trafficking) - see following page

Specifically, our managers reported the following actions over the last 12 months, with respect to their policies and processes:

- **Enhancement to investment managers' own policies and procedures**
 - Human and labour rights were embedded into managers' ESG policies and procedures. Some managers updated ESG policies using the UNGPs (United Nations Guiding Principles on Business and Human Rights) and OECD (Organisation for Economic Co-operation and Development) Guidelines as a guiding framework;
 - Some managers implemented incident notification policies for portfolio companies and updated Supplier Code of Conduct to manage expectations and risks;
 - Some managers developed modern slavery incident response plans outlining remediation processes to follow;
 - Some manager processes were modified to have stronger risk management practices, e.g. audits.
- **Manager risk controls.** Managers reported the following risk measures to help identify modern slavery incidents:
 - Provided modern slavery education to key staff, portfolio companies and suppliers;
 - Added more detailed risk assessments (ESG scorecards with modern slavery risks);
 - Developed proprietary tools and dashboards as part of their modern slavery due diligence and screening processes. Others used third party industry data tools;
 - Enhanced due diligence questionnaires to companies to focus on more social responsibility and human rights;
 - Supported due diligence efforts with regular media scans specific to modern slavery;
 - External research in collaboration with NGOs and leading modern slavery specialist organisations;
 - Implemented supplier audits and assessments.

CSC participation in Industry collaborations

Investors Against Slavery & Trafficking (IAST-APAC)

This year, CSC continued to be a member of and take part in the leading Asia Pacific collaboration related to modern slavery: Investors Against Slavery & Trafficking (IAST-APAC).¹²

We initially joined this collaboration in 2021 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.

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.

¹² 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).

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.



Development of Forced Labor Open Risk Estimation Tool (FLORET)

A global open-source tool to measure forced labour risk, FLORET grew out of The Rockefeller Foundation and Brookings Institution's 17 Rooms Initiative in 2021, which CSC participated in. The tool is being designed to improve institutional investors' access to and use of reliable forced labour risk data. It is a multi-stakeholder collective – the initiative is hosted by the McCain Institute at Arizona State University, with a few supporting partners including the Office of the NSW Anti-slavery Commissioner, Google, Dun & Bradstreet, and one of CSC's investment partners, Bridgewater.

Currently in the prototype stage, it is being developed to provide comparable and reliable data offering information about the exposure to forced labour at the company or investment level and avoid duplication in order to improve effectiveness of industry wide information transparency.

CSC continues to follow the development of the tool to support its eventual use for investors and industry.

Criterion 5: Progress and effectiveness of actions

As an Australian Government corporate entity, CSC works to ensure alignment with the broader objectives of the statutory agenda to combat modern slavery, as well as assess the effectiveness of our actions against those set by the Australian Government's own progress reviews and performance framework.

Reviewing our progress against the statutory objectives

The purpose of the Australian legislative scheme is to encourage Australian entities and larger companies to improve their approach to modern slavery concerns via public disclosure requirements and the application of market pressure.

...a public register aims to encourage entities to be serious in identifying, reporting and addressing modern slavery risks. This can have flow-on market effects in consumer support, business reputation and competition for investor funding. If the 'transparency framework' works as intended, there will be a 'race to the top'.¹³

CSC has indeed observed a marked improvement in the quality of the risk reporting of our corporate suppliers and investment managers since the inception of the scheme, including greater disclosure of businesses' policies and procedures. Our results herein show good improvements in the number of businesses that now rate as low (green) risk. Our review of our continuing suppliers and investment partners indicates that year-on-year they are collectively improving in the quality of their public policies and risk disclosures.

Last year, we particularly welcomed the *Australian Government's Report of the statutory review of the Modern Slavery Act 2018 (Cth): The first three years*. As a result, we have identified two report recommendations for further development. Our progress against each of these is outlined below.

Report Recommendation:	What we are doing:
1. Implementation of due diligence systems	CSC implemented Phase 2 of its Supplier Management System in October 2024. This system is aimed at meeting CSC's overall operational risk requirements under APRA's Prudential Standard CPS230 Operational Risk Management, due to commence on 1 July 2025. Modern slavery risk is captured within this system. This year, we used the system to report and record a supplier risk incident concerning potential unethical practices, and to assign and record our mitigation actions as a result. CSC remains focused on improving our system-based processes to effectively meet our due diligence requirements and risk management practices, including in the monitoring of modern slavery risk.
2. Mechanism for declaring high-risk factors	This recommendation is aimed at ensuring consistency in the matters to be included in annual modern slavery risk assessments. CSC will assess the current flexibility of its own risk assessment processes in 2025 so that we are prepared to implement any future improvements in this space.

¹³ Australian Government (Report by Professor John McMillan AO), *Report of the statutory review of the Modern Slavery Act 2018 (Cth): The first three years*, page 8.

Reviewing our policies

Earlier, we outlined our policy framework in our response to Criterion 4. The list below summarises our efforts to ensure these policies remain current and effective. CSC typically reviews all policies every three years or following a trigger event.

The Supplier Management Policy is an updated policy to supersede our Third-Party Risk Management Procedure introduced in 2022. The policy includes compliance with Modern Slavery laws, as well as our risk management obligations under Australian financial sector regulations. CSC employs a continuous improvement mindset to the review of our policies, including via an annual audit schedule.

Policy Title:	Last Review:
Modern Slavery Policy	2023
Employee Code of Conduct	2022
Whistleblower Protection & Public Interest Disclosure	2023
Diversity Policy and Inclusion Policy	2023
Procurement Policy	2024
Supplier Code of Conduct	2024
Supplier Management Policy	2024

Reviewing performance against the government framework

The Australian Government has set an overarching performance review framework.¹⁴ As a separate Commonwealth Corporate entity, CSC does not contribute data toward the Australian Government's performance framework. However, we have aligned our own performance metrics to ensure best practice.

The Australian Government framework covers the following four key areas. We have assessed our own performance against each of these areas, setting similar measures against which we assess our own performance on our corporate activities.

Area	Key Performance Indicators	Our Performance
Training and awareness activities	New employees to CSC complete the modern slavery awareness training within 1 week of commencement.	Mandatory requirement introduced in 2021, with system generated metrics to track compliance.
	All employees recomplete training 12 months thereafter.	The training is based on the Australian Government's initial training module and is scheduled for a full review in 2025.
	All employees pass awareness testing on completion of the training.	

¹⁴ Commonwealth Modern Slavery Statement 2021-22.

Procurement and contract management processes	<p>All CSC standard procurement template contracts include compliance with our Supplier Code of Conduct and modern slavery clauses.</p>	<p>In 2021–22 we incorporated our Supplier Code of Conduct and modern slavery clauses into our standard contract terms. This year, we reviewed and updated our standard contracts for currency.</p> <p>CSC actively promotes the use of these template contracts in procurement forms and online resources. Additionally, our modern slavery clauses must be reviewed by our General Counsel wherever the supplier wishes to negotiate a change.</p> <p>This year, we conducted a significant tender which required full compliance with our standard terms, including modern slavery, as a condition of participation.</p>
	<p>CSC embeds supplier risk management and due diligence procedures, including the identification and management of modern slavery risk into procurement processes.</p>	<p>Decisions on appropriate contractual terms are informed by our supplier risk assessments.</p> <p>Last-line-of-defence compliance checks are performed via the submission of mandatory Spending Proposals for procurements valued above \$10,000.</p> <p>CSC implemented Phase 2 of its Supplier Management System in October 2024, embedding requirements for supplier due diligence and risk assessment into our procurement practices.</p>
	<p>All corporate procurement contracts valued over \$10,000 GST inclusive are assigned a Contract Manager responsible for their active management.</p>	<p>Roles and responsibilities for contract management are articulated within our Procurement Policy.</p> <p>We conducted targeted training in 2024 to raise awareness of Contract Manager responsibilities.</p> <p>‘Contract Manager’ is a defined user-group within our financial system, allowing CSC to monitor performance.</p>
Supplier activities	<p>Number of suppliers found to have had an actual modern slavery incident/concern reported within the last 5 years, or to have an</p>	<p>CSC’s Supplier Management System, first introduced in 2022, includes a reputational risk assessment. Search parameters include modern slavery</p>

	outstanding ethical concern under investigation.	<p>concerns, as well as broader ethical concerns such as the fair payment of workers.</p> <p>CSC has identified one corporate supplier with an actual incident of modern slavery within the last 5 years. Another corporate supplier has been implicated in ethical concerns still under investigation. We continue to monitor this company.</p>
Response activities	Trend data shows proportion of higher risk suppliers decreasing year-on-year.	See trend analysis below. The data indicates that our suppliers are actively improving their modern slavery policies and practices each year. This year, only two suppliers are rated as high (amber) risk. No supplier is rated as extreme (red) risk.

Absent from the above performance metrics is usage of the Australian Government’s Modern Slavery Toolkit for Government Procurement Officers and the Risk Screening Tool. These tools inform our Supplier Risk Management practices at CSC which we are currently embedding into our financial and risk management systems. CSC is currently developing and reviewing the effectiveness of our broader supplier risk management processes as we prepare for the introduction of APRA’s Prudential Standard CPS230 Operational Risk Management from 1 July 2025.

2023-24 corporate supplier progress

Monitoring the progress of our corporate suppliers

Since the inception of the Australian legislative scheme, we’ve encouraged our corporate suppliers to develop their modern slavery due diligence. Last year, 20 of our corporate suppliers were rated as residually medium (yellow) or high (amber) risk. This has decreased to 17 this year. Additionally, last year (2023) we reported 4 suppliers that we thought could do more to reduce their risk exposure via the development of specific policies and procedures. See table 3.

- Two of the companies were rated as high (amber) risk. They are multinational companies that have both improved the transparency of their risk exposure and now link to a comprehensive set of policies to assist their employees and suppliers to identify and report incidents of modern slavery. Their residual risk is no longer rated as high (amber).
- The other two suppliers were residually rated a medium (yellow) risk last year. They are both small businesses operating within Australia and New Zealand. We’ve since lowered the risk rating of one down to low (green) as we clarified with the supplier that they don’t sell hardware. However, the other remains residually medium (yellow) risk as they trade in hardware. They have two key corporate suppliers of their hardware products, one of which publishes a modern slavery statement in Australia, evidencing good risk management and internal policies. The other does not trade directly within Australia and is not otherwise covered under a similar reporting scheme in the UK. Our contract with this supplier is of relatively low value and for software services only. We have written to our supplier to raise our concerns and encourage increased transparency from their supplier.

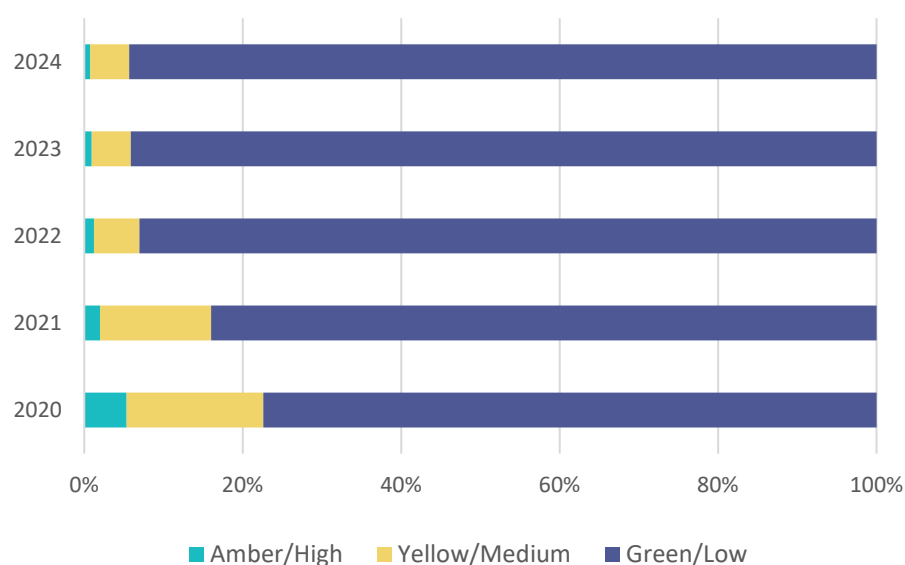
Table 3: Number (#) of high & medium risk suppliers that improved policies and practices in 2024

	Total # 2023	Total # 2024	Earmarked for Improvement: # 2023	Evidence of Improvement: # 2024	Notes:
High (Amber) Risk	3	2	2	2	Two suppliers evidenced improved policies and increased transparency in 2024. They are no longer rated as high risk. An additional supplier with good policies and practices increased residual risk to high in 2024 due to ethical concern in operations.
Medium (Yellow) Risk	17	15	2	1	One earmarked supplier is now rated as low risk. The other supplier remains at medium risk. CSC has written to the company to encourage improvement in 2025.
Total suppliers	20	17	4	3	

Trend analysis of our corporate supplier risk

The proportion of CSC's corporate suppliers that have taken action to improve and report on their approach to the identification and management of modern slavery risk has markedly improved since the inception of the legislative scheme. There is a noticeable decrease in the proportion of high risk (amber) suppliers – reducing from 5.34% of all corporate suppliers in 2020, down to 0.73% in 2024. In 2022, we saw a substantial decrease in the proportion of suppliers rated as medium (yellow risk) – reducing from 14% in 2022, down to 5.76% the following year. The low-risk (green) category remains the largest and has seen a significant upward trend from 77.39% in 2020 to 94.34% in 2024. See Figure 12 below.

Figure 12: Risk ratings (%) of total corporate suppliers (2020-2024)



Reviewing our corporate risk processes (2020-2024)

Since the inception of our modern slavery corporate supplier risk review in 2019-20, we have continued to enhance our processes and expand our assessment scope to better identify risk of modern slavery in our supply chains.

Maturing our risk assessment process (2020-2024)	
2020	We started with a pool of 74 suppliers assessed as inherently high for modern slavery risk. Just over half (40) responded to our questionnaire. The interpretation of questions was inconsistent across respondents in our first year.
2021	We updated our supplier questionnaire and refined our questions to improve the quality of our data capture, including the identification of higher risk locations and Tier 2 suppliers. ¹⁵ This year, 108 suppliers were rated as inherently high risk. We sent the survey out to an additional 34 new suppliers. We also sought updates on our suppliers' progress for those already assessed in 2020.

¹⁵ To date, we have not identified any subcontractors (Tier 2 suppliers) at higher inherent risk of modern slavery.

2022	100 suppliers were rated as inherently high risk in 2022. We expanded out our review, looking closely at 29 suppliers identified as potentially trading in computer hardware or electronics.
2023	We spent more time assessing our suppliers to determine their inherent risk, thereby decreasing our inherently high-risk supplier list to 54. We expanded our research efforts by investigating the parent companies of Australian subsidiaries.
2024	This year, just 38 suppliers were deemed inherently high risk of modern slavery. This has meant that we have conducted research into more IT suppliers than ever before – not just those trading in higher risk hardware and electronics – but also those trading exclusively in professional services from an overseas location. As a result, we’ve increased the residual risk of one supplier to high (amber). We’ve also identified a supplier at medium (yellow) risk that we think could do more to reduce risk within their supply chain.

2023-24 Investment manager and supplier progress

We have aggregated insights from our engagement with our investment partners throughout the year and assessed them against CSC’s stewardship principles. The following reflects on their progress, reviews CSC’s investment stewardship actions to set out what can be effectively achieved (and what cannot be achieved) in this space.

Modern slavery as a systemic investment risk

- **Investors.** CSC’s own investment governance framework appreciates the complexity and interconnected nature of global supply chains and the fact that some system risks are difficult to identify, manage or remediate effectively. Modern slavery risk is an example of one of these. Where such risks are identified, investors can mitigate the impact on their portfolios (e.g. divestment or diversification), but this does not necessarily have any impact in altering the real-world modern slavery networks.
- **Regulation.** We recognise the crucial role of regulators to implement policies such as laws and fines to regulate industry practices and deter harmful behaviour.
- **Industry collaboration.** Effecting genuine change in the real world requires co-ordinated collaboration across global industry verticals, so that relative competitive disadvantages arising from internalising the costs of better labour practices, for example, are commonly shared.

“...recognise interconnectedness of global supply chains and the exposure of almost every company to some degree to modern slavery risk.” ~ Alternatives manager

“Resilience of companies against future business disruptions is dependent on its oversight and agile remediation of emerging risks and disputes, including modern slavery. These disruptions can weaken financial performance, create suboptimal workforce productivity, operation and supply chain disruptions, reputational damage and litigations costs. We encourage companies to increase oversight in their indirect supply chain by mapping out high-risk sourcing and scaling up audits where applicable.” ~ Public markets manager

Focus on higher risk geographies, business models and sectors

- **Raising awareness of the issue and expectations on risk controls:** In our previous annual modern slavery reviews of our investment partners, CSC has focused on raising awareness, scoping and gaining transparency of where potential modern slavery risks lie within investee companies (and their supply chains where possible).
- **Improving the adequacy of the risk control processes and encouraging honesty on impact:** This year, more of our investment managers progressed to focus their risk management activities, including company engagement, on higher risk geographies, business models and sectors. Anecdotes reported from managers spanned sectors examples including commodities (agriculture, mining and raw materials), more labour-intensive services such as cleaning, building and construction, apparel, technology and manufacturing industries.
- In addition to the activities of our investment managers, CSC employed EOS at Federated Hermes Limited in its engagement activities with international companies within the human rights engagement theme and specifically within supply chain labour rights. In EOS' engagements, they expect:
 - Companies to develop a business model and purchasing practices (incl. supplier social compliance due diligence) aligned to the elimination of human rights abuses, including modern slavery, when EOS engages with companies on supply chain labour rights.
 - Near-term corporate objectives to include carrying out dynamic due diligence across supply chains to identify impacts such as forced labour, modern slavery, child labour, non-payment of living wages and gender-specific issues (e.g., lower pay, vulnerability to exploitation) and facilitating supply chain grievance mechanisms which incorporate true worker voice and ensure access to remedy.

Investment hurdles and transparency levels

- **Risk integration:** CSC engages investment managers to identify, evaluate and manage exposures to all applicable sources of investment value and risk, as fundamental asset management competencies. CSC's due diligence, monitoring and review of our managers throughout the year therefore encompassed assessment of their efforts to ensure a complete view of value and risk, including intangible value and unconventional (including ESG-related) risk.
- **Investment pipeline hard hurdles vs valuation adjustments:** In this year's review, managers reported more explicitly about integrating the transparency (or lack of) on modern slavery risks into the overall investment decision, through the hurdle required for the level of uncertainty surrounding the investment and its supply chains. For example:
 - where risks were identified pre investment and considered to be too high, or processes insufficient to reduce risks, the investment was avoided
 - some managers explicitly added anti-slavery clauses in contracts, addressed modern slavery risks in pre-investment sustainability assessments, engaged independent audits of key contractors
 - where risks were material, they were incorporated into company valuations and investment return hurdles i.e., specific charge to cash flows or an adjustment to the weighted average cost of capital.

“Transparency from portfolio companies important and a lack of it could increase the hurdle for investments”.

~Alternatives manager

“Companies that demonstrate a thorough understanding and control of their supply chains helped us define the risk profile of the investment”.

~Private asset manager

Risk management: Divestment vs Engagement

CSC’s efforts focused on differentiating manager responses into two categories:

- **Divestment:** where investment managers identify high modern slavery risks in their investee companies, they divest their exposure to that company. Most of CSC’s managers do not do this.
- **Engagement:** Where investment managers identify high modern slavery risks in their investee companies, they seek to engage with those companies to improve their supply chain awareness and management. Many of CSC’s managers do this. CSC’s focus is then on understanding how these investment managers measure the success or otherwise of their engagement programs.

“Divesting from an asset does little to reduce real-world impact and correspondingly does not reduce systemic risk and uncertainty...many companies focus only on tier 1 suppliers, so there is a high risk of controversy and persistent modern slavery risks exist deeper in supply chains.”

~Public markets manager



Criterion 6: Consultation with our entities

This modern slavery statement covers, and has been developed through engagement in connection with, the entities listed in the Appendix: CSC, its wholly-owned subsidiary ARIA Co Pty Ltd and the superannuation schemes and investment trusts of which CSC and ARIA Co are trustees. CSC and ARIA Co do not own or control any other entities. Jointly, we are committed to developing a consistent group-wide response to the Act, so all actions apply to all reporting entities listed in the Appendix.



2024–25 and beyond

Our goal going forward is to assess whether engagement with investment managers and investee companies have real world impact. We also aim to identify impediments to impact and address these where possible. We give effect to these goals via the diligence and regular reviews of our investment agents:

- **Transparency:** We encourage benchmarking against the latest global best practice benchmarks e.g. *2024 Know the Chain's Good Practice Guide*.¹⁶
- **Learning:** We aim to identify impact of corrective actions and/or areas for improvement at our annual reviews and at pre-investment due diligence stages (e.g. Whether actions have deepened and improved the mapping and understanding of supply chains and risk control of labour procurement practices).
- **Impact versus Risk management:** We encourage impactful and helpful remediation with reference to research such as the *Modern Slavery & Remediation – an investor's guide*, published October 2024.¹⁷
- **Aligned to purpose:** We expect our investment managers to tailor their risk management approaches by sector and key moving parts: e.g. property managers focusing on cleaning and security workers; apparel companies focusing on working conditions of garment workers; mining companies on responsible minerals extraction.

Collaboration

CSC contributes to collaborative efforts (including those of companies, investment partners, industry peers, market standard setters, and collaborative initiatives) through thought leadership, insights or other support where this is in our customers best interests. In particular, we will continue to participate in IAST-APAC¹⁸ and monitor/participate in the next stage of the Forced Labor Open Risk Estimation Tool (FLORET).

Modern slavery risk management is no different to other systems issues. Differentiation must be made between decisions to mitigate risks within investment portfolios versus activities that can actually improve real world supply chains. These two issues are often conflated.

CSC's investment principles support transparency on this critical difference.

¹⁶ knowthechain.org/wp-content/uploads/KTC-Good-Practice-Guide-1.pdf

¹⁷ <https://cdn.walkfree.org/content/uploads/2024/10/22155952/Walk-Free-SII-Modern-Slavery-and-Remediation-Investor-Guide.pdf>

Effectiveness of remediation (such as accessibility, affordability, adequacy and timeliness), protect against victimisation in the process of seeking remedy and other considerations to redress asymmetrical relationship and power imbalances between worker and employer.

¹⁸ IAST was awarded the 2024 PRI award for recognition for action- for human rights. [IAST APAC | Case study | PRI](#)

Education and awareness

We aim to continue to enhance our 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).

1. We aim to continue 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 supplier managers to develop their understanding of modern slavery risks and how to work with suppliers to ensure potential risks get reported.
2. We aim to continue to engage with our employees in completing our modern slavery eLearning module. This training is mandatory for all new employees and requires annual recompletion. CSC will review and uplift this training in 2025 to ensure that it continues to effectively educate our staff.

During 2025-2026 CSC will continue to build its modern slavery education offering by:

- Mandatory learning will focus on relevant industry and CSC examples to highlight modern slavery impacts faced by CSC as an organisation
- Monitor and report on modern slavery eLearning completions, with the view to achieving 95% completion rates across the organisation.
- Whistleblower learning has now been delivered to CSC and embedded with an annual completion cycle ensuring employees are able to report incidents.

Engagement with suppliers

We are focused on uplifting and maturing our supplier risk management policies, procedures and the system that will support us to undertake our supplier risk assessments. The aim is to efficiently understand our outsourced risk and take appropriate actions to reduce risk to CSC. This work will further assist CSC to meet our various compliance obligations, including with modern slavery laws.

We will continue the monitoring and engagement with suppliers whose risk remains above low (green). As part of this process we will:

1. Undertake an annual review of our approach to modern slavery risk management.
2. Review corporate supplier compliance against the expectations in our Supplier Code of Conduct.
3. Continue to ask our suppliers to make their respective policies and processes more mature, as we do the same.
4. Continue to assess our direct corporate suppliers who engage third parties (our 'Tier 2' suppliers) to deliver goods and services to us.
5. Continue undertaking due diligence on new suppliers using our supplier management system in accordance with our Supplier Risk Management Policy.



Appendix: Entities controlled by CSC in this 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)