



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.

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 are collaborating with our suppliers 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.



Chief Executive Officer's Message

In 2022 we proudly celebrate 100 years of providing superannuation services to those who serve our country.

As we reflect on our heritage, who we are today and what we want to become over the next 100 years, we recognise we have to continually improve everything we do, becoming more connected and customer centric.

We also recognise our responsibility to conduct our business in ways that meet what our employees, our customers and the broader communities expect of us. This responsibility includes consideration of the broadest range of risks involved in investing the retirement savings of our customers. This includes consideration of environmental, social and governance-related risks.

One such risk is the potential for modern slavery in any part of our operations, investments and supply chains. This is a complex issue, when we consider how connected our societies are today, but we are committed to doing our part in identifying and minimising the risk of modern slavery in our business activities.

This is the right thing to do and our customers tell us they expect it of us, as some recent customer comments reflect:

- “I also would like to ensure that anything my money is being used to invest in will not cause harm to others (animal, human or the planet) and, ideally, will help improve the lives of others.”
- “I want my money to be supporting socially and environmentally responsible pursuits.”
- “[I support] Steady growth in an ethical product not tied to environmentally destructive practices, human trafficking or slavery.”

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 2022 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](#).

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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 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 2022.

This statement was approved by a resolution of the CSC Board on 8 December 2022.



Mr Garry Hounsell, Chair of the Board

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 50 million people were victims of modern slavery in 2021². There are more people in slavery today than at any other time in history.

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.

This is 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.

Summary of what we are doing to combat modern slavery

We are collaborating with our suppliers to reduce the risk of modern slavery in our operations, investments and entire supply chain. It's part of our intent to be a responsible corporate citizen and to uphold and defend human rights.

We are addressing 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 of which CSC and ARIA Co are trustees.

Jointly, we are committed to developing a consistent group-wide response to the Act, so all actions apply to all entities listed in the Appendix. Information about the activities we focussed on during the reporting period is below.

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

² Global Estimates of Modern Slavery: Forced Labour and Forced Marriage

Our 2021–22 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 incorporated our Supplier Code of Conduct into our standard procurement contracts. This means that we are setting our expectations on the management of Modern Slavery risk from the outset of our new supplier arrangements.
- We continue to educate our corporate suppliers that the Modern Slavery laws capture smaller business operations too. We have written to those smaller suppliers who have not yet developed policies to encourage their adoption.
- We developed our risk assessment metrics to improve the quality of our risk ratings. These ratings now are available in a centralised system and are supported by a Third Party Risk Management Procedure, giving greater visibility and responsibility to business managers to ensure the active detection and management of Modern Slavery risk.
- 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.
- We developed and delivered a modern slavery eLearning tool – based on the Department of Home Affairs’ model – to raise awareness of human rights, modern slavery and how these risks may arise for our business. All staff must complete this course annually. 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.

Improving corporate visibility of our supply chain vulnerabilities

CSC is committed to continuous improvement in our identification and management of outsourced risk. CSC is now using a Third Party Risk Management system to store and monitor modern slavery risk alongside other risk data. This means that those people at the frontline of our operations are alert to our suppliers’ vulnerabilities to particular sources of risk, including those with risk of modern slavery within their operations or supply chains.

Providing modern slavery awareness and education

Last year, CSC provided mandatory training for every CSC employee. The training is also required of every new employee at CSC. The training covers: awareness of the types of modern slavery, where it might be found in our supply chains, how to identify modern slavery risk, assessment of this risk in procurement processes, and the ongoing monitoring requirements where a supplier is identified as having a higher residual risk.

CSC maintains a Third Party Risk Management Procedure that outlines specific roles and responsibilities for monitoring risk contained within the system. CSC is conducting additional education sessions with employees assigned to one or more of these roles in 2022 and will continue these targeted education sessions throughout 2023.

Our Modern Slavery Statement explained

This is the third 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, as we learn more each year and gain experience, we will improve risk management.

We feel we have made positive steps to addressing modern slavery. Going forward, we will strengthen our arrangements to better identify, assess, minimise and remediate risks within our organisation. Our key priorities for 2022–23 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	5
2	Describe the reporting entity's structure, operations and supply chains	9
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	15
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	25
5	Describe how the reporting assesses the effectiveness of these actions	31
6	Describe entity 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)	32
7	Provide any other relevant information	Various



Our business

A summary of how our Operations and Investment divisions work and deal with suppliers

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.

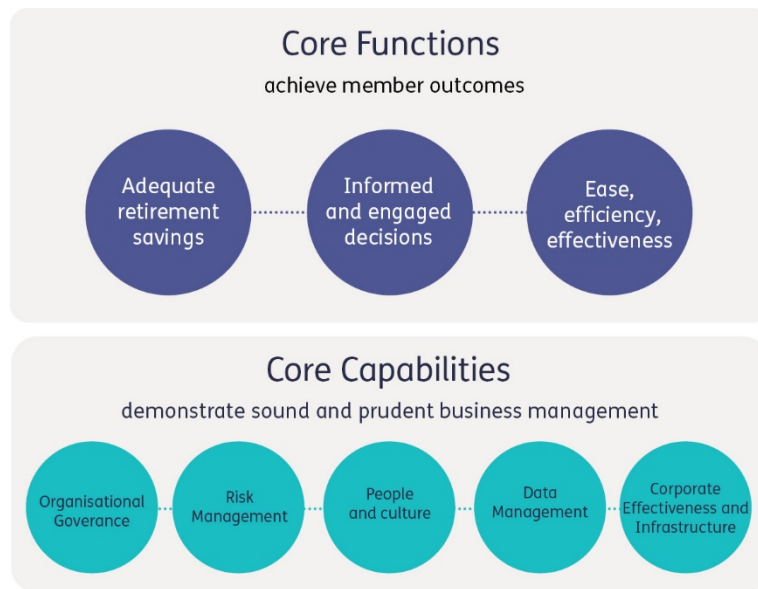
In more detail, our objectives and functions under the *Governance of Australia Government Superannuation Schemes Act 2011* are to:

- 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 600 employees in three main functions: Investments, Customer Innovation and Services, and Corporate. There are two additional business units – Risk and General Counsel.

Most staff are based in Canberra and Sydney, with others located around Australia, and three international staff in Singapore, New Zealand and the US. 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.

Embedding our Supplier Code of Conduct

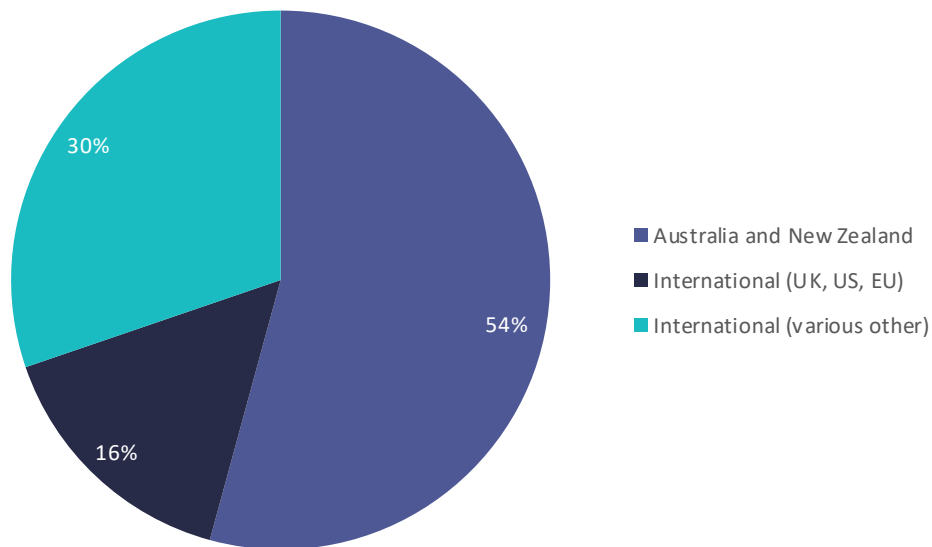
At CSC we focus on maintaining strong and productive relationships with our suppliers. Last year we launched our Supplier Code of Conduct. This code is our commitment to suppliers to uphold our corporate values when working with them and our expectations of them as a supplier to the trusted superannuation fund for Commonwealth and Defence Force customers.

This year we incorporated the 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.

Our corporate suppliers

During 2021–22 we sourced goods and services from approximately 330 corporate suppliers. Measured by dollars spent, roughly 54% were located in Australia and New Zealand (figure 2). Measured by the number of suppliers, roughly 84% were located in Australia and New Zealand.

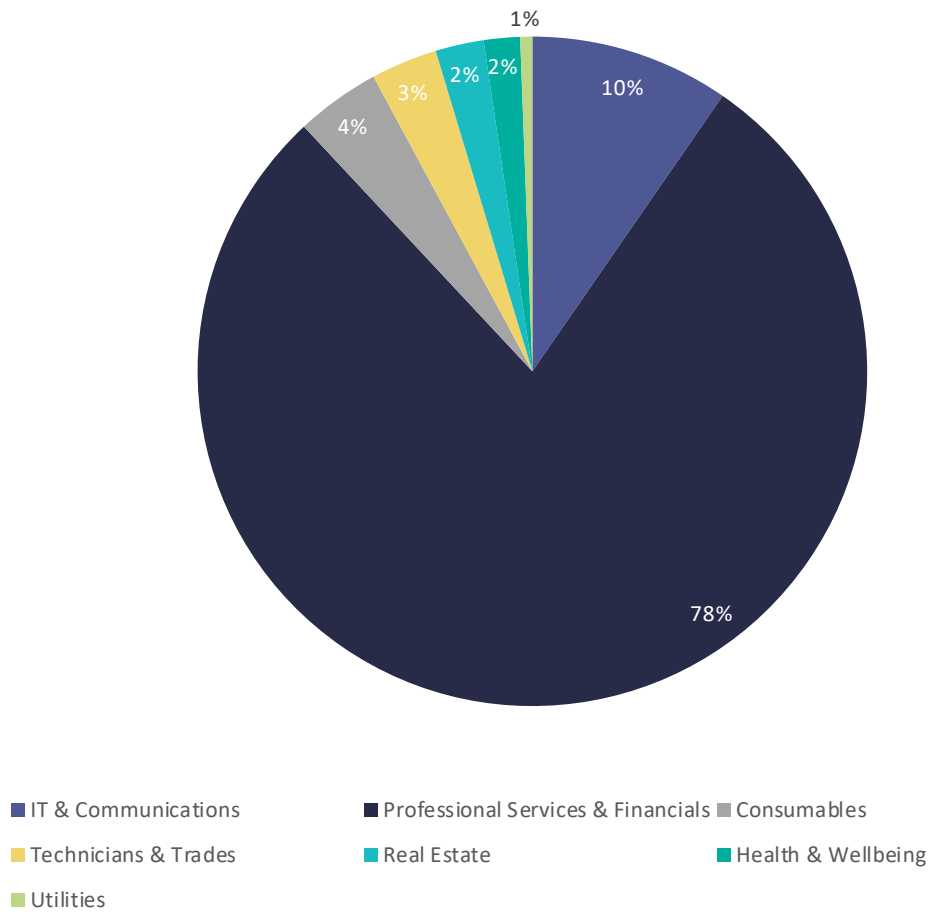
Figure 2: Location of our corporate supply chain (by spend)



Our corporate suppliers operate mainly within the lower risk professional services and financials (78%) category (figure 3), with an additional 10 per cent providing information technology and communications services which may include some professional services but not exclusively. These information technology and communications suppliers may also trade in hardware and electronics, industries which have a higher risk of modern slavery. An additional 4 per cent primarily trade in consumables, some of which may be at higher risk of modern slavery. Other suppliers provided real estate, utilities, technicians and trades, and health and wellbeing services.

Figure 3: Our corporate supply chain (by sector)

Supplier industries
(by number of suppliers)



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 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 modern slavery issues.

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 may use 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)	11.9%
Limited influence	Pooled structures (open ended, can redeem)	5.4%
Some influence	Discrete mandates or unit trusts with significant holdings (greater influence)	77.9%
Majority ownership and/or control	Property and infrastructure investments and seed funding	4.7%
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)

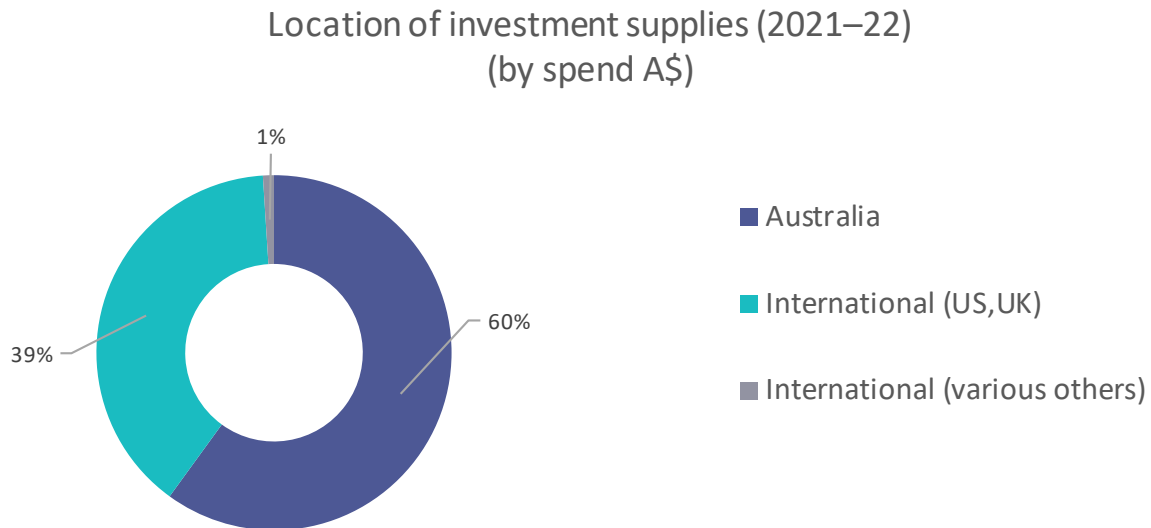
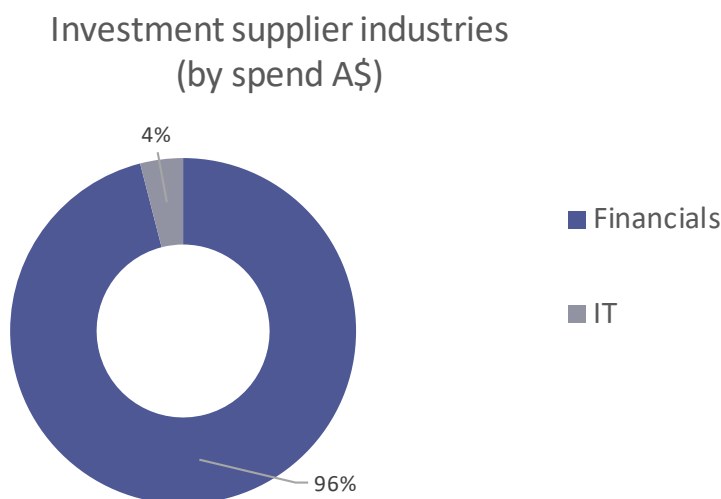


Figure 5: Our investment suppliers (by sector)



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 2021–22, we focused on 'material' suppliers where our contract value in that year was more than \$100k or >1% of our expenditure.



Modern slavery and risk in our business

How we deal with modern slavery risk in our Operations and Investments

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 through third-party agencies with agreed standard terms of business. Where we do engage contractors through third parties, we ensure that our contracts required 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. For further details see this report's **Addressing and managing modern slavery for our business** section.

Risk in our supply chain – corporate suppliers

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 the suppliers with higher inherent risk.

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.

Supplier questionnaire

We issued a questionnaire to those corporate suppliers who have a higher inherent risk in 2021–22 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 2021–22 questionnaire was based on the questionnaire developed by Ernst and Young (EY) for our 2019–20 Modern Slavery Statement. We used a similar risk assessment process, established by EY, for the current questionnaire.

This year, we improved our risk rubric to consider more data inputs and quantified our risk outputs depending on the suppliers' particular answers. We then looked at all suppliers with a moderate risk or above and conducted further research into their operations and supply chains.

This included a review of their suppliers' Modern Slavery Statements, where they were available. We used this information to adjust the residual risk for each supplier. Where we identified specific additional risk in the suppliers' parent company operations or supply chain, we reconsidered the effectiveness of their self-reported mitigation strategies.

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, however some areas of their approach /documentation are work in progress
- Green – Suppliers that had adequate processes / documentation in place.

Corporate supplier risk analysis

CSC risk assessed 100 suppliers from which we currently purchase goods and services in addition to those previously assessed for risk of modern slavery and from which we expect to buy from again. Suppliers are assessed:

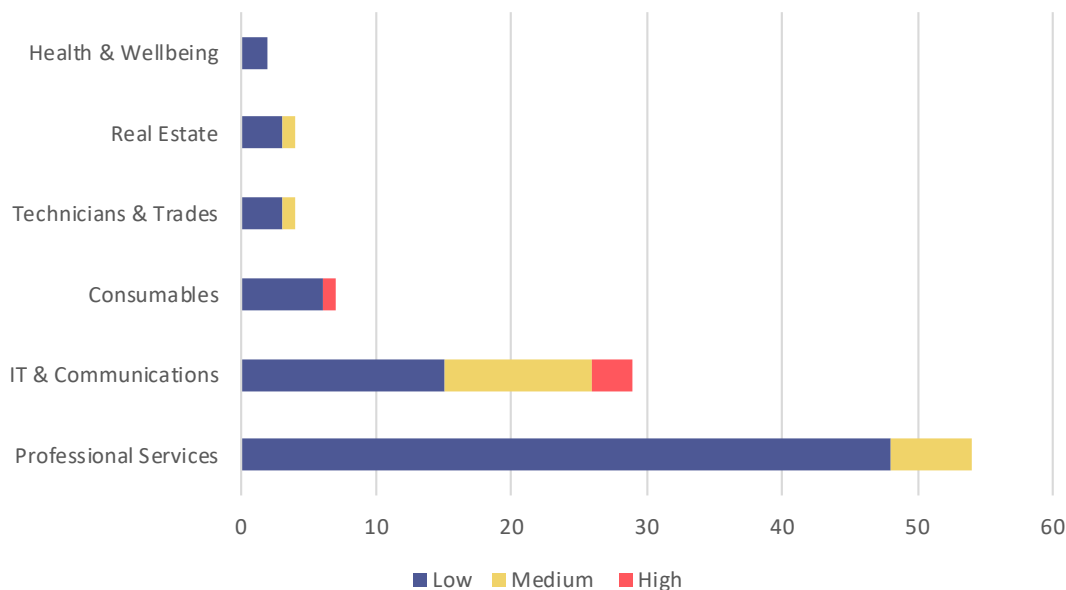
- if they are linked to parent companies with operations overseas
- Australian companies with overseas locations
- Australian companies operating in industries with higher risk of modern slavery in their operations and supply chains, such as Information Technology and Consumables
- Australian suppliers in industries known for higher casual labour

Overall, the majority (77%) of CSC's corporate suppliers present a low risk of modern slavery. Nineteen suppliers present a moderate risk, due to the location of their operations or supply-chain vulnerabilities. Four suppliers pose a high risk of modern slavery. All four high risk suppliers are non-essential suppliers to CSC and represent just 0.04% of total spend on corporate suppliers in 2021–22. No suppliers were rated as an 'extreme' risk.

Fifteen of the assessed suppliers have high or extreme inherent risk ratings, but reduce their risk via policies and procedures, with some listed as signatories to the United Nations Global Compact.³ There are a further eight companies that we believe could do more to reduce their risk exposure via the development of specific policies and procedures.

We flag these suppliers for closer monitoring within our Third Party Risk Management system. We will also consider their willingness to adopt Modern Slavery policies and procedures should they bid for future work with CSC.

Figure 7: Residual risk analysis of different supplier industry categories



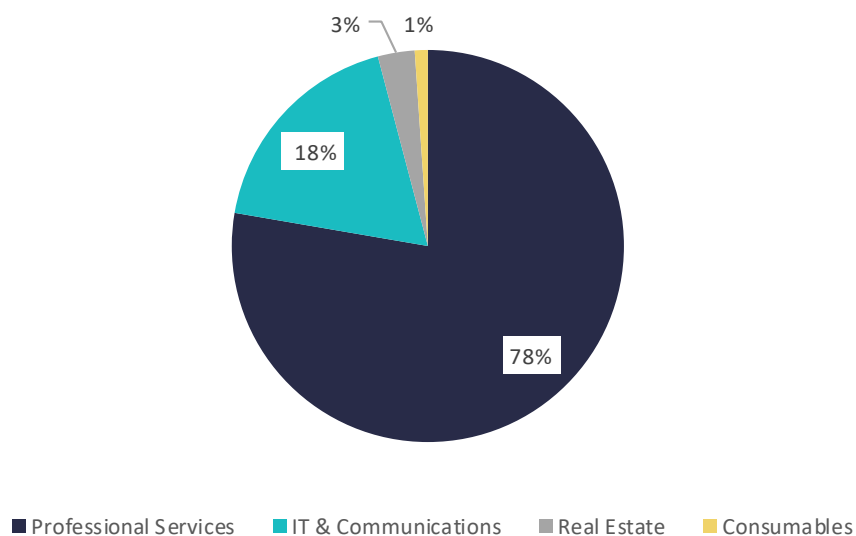
³ [Homepage | UN Global Compact](#)

In 2020-21, CSC’s analysis of 108 suppliers resulted in 59% low risk corporate suppliers, 35% of moderate risk, and 5% high risk. None were rated as ‘extreme’ risk. There were 41 new suppliers assessed this year. Of those assessed in 2020-21, our reassessment resulted in nine moving from moderate to low risk, and an additional two moving from high risk to moderate and low risk. This is due to the greater availability of risk information from our suppliers, and our use of a risk rubric to standardise our assessment process. Only one supplier moved from low to moderate risk after further analysis of their potential risk exposure in the provision of electronics products, despite maintaining comprehensive policies and procedures.

Corporate suppliers operating in higher-risk locations

We also investigated the parent companies of subsidiaries operating in Australia to identify those operating in higher-risk locations overseas.⁴ The majority (78%) of spend with these suppliers is on professional services, which is at lower risk of modern slavery. Around one fifth of spend on suppliers who also operate in higher-risk locations is in the categories of Information Technology, Communications and Consumables.

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



Corporate suppliers of information technology and communications

The information technology and communications category presents the largest risk of modern slavery within CSC’s corporate supplier operations and supply chains. The initial identification of suppliers for analysis put 54 into this category. We assessed the broader business operations of our Information Technology suppliers in this category to better understand their inherent risk. Unlike in previous years, we reclassified 25 of these suppliers into ‘Professional Services’ because they exclusively provide professional services in IT consulting and software development with relatively lower risk of modern slavery. Reclassification means that we continue to focus on those Information Technology suppliers with a greater inherent risk of modern slavery.

CSC investigated the remaining 29 suppliers to understand the potential sources of modern slavery risk within their operations and supply chains. We reviewed suppliers’ self-reported risk from

⁴ As identified by the [Global Slavery Index Report 2018](#)

survey answers, as well as our own research into each company. We investigated the locations of parent company operations, and noted those that operate in countries of higher risk of modern slavery. We also researched companies to understand the types of services and products that they provide. Where we identified risk, we conducted searches for reports of any unethical labour practises or supply chain connections within regions where modern slavery is prevalent.

Suppliers also trading in computer hardware and electronics

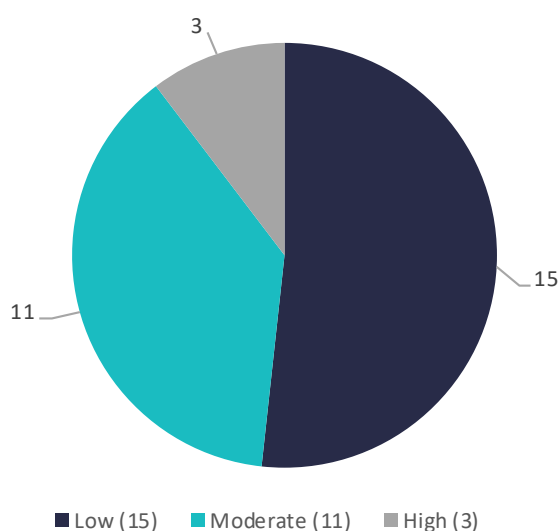
CSC identified 29 suppliers with potential exposure to modern slavery due to their trade in IT hardware and electronic goods, though most do not actually provide these products to CSC.

A review of their service and product offerings indicate that half are mainly providing IT professional services, though not exclusively and they may on-sell IT hardware or electronics items sourced from higher-risk locations. These suppliers are typically smaller Australian businesses with no operational footprint overseas. However, a larger Australian supplier does maintain operations in one higher-risk location. They maintain a comprehensive Modern Slavery policy statement that we believe reduces their exposure.

A smaller proportion of these suppliers (11) remain at moderate risk of modern slavery. All but two are required to provide annual modern slavery statements under Australian law. We concluded information contained within these statements does not reduce risk to low given their operational footprints in higher-risk location, coupled with the limited availability of other risk information. We have sought additional information from these suppliers to further assess our risk exposure.

A further three are multinational companies rated as inherently high due to the volume of sales of computer hardware and electronics, and have self-reported risk in the supply chains for some of their products. Specifically, two have publicly reported risk of 'conflict minerals' in their supply chains. These suppliers maintain ethical trade policy statements. Due to the size and scale of their operations, we continue to rate them as high risk in order to ensure ongoing monitoring via our Third Party Risk Management system.

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

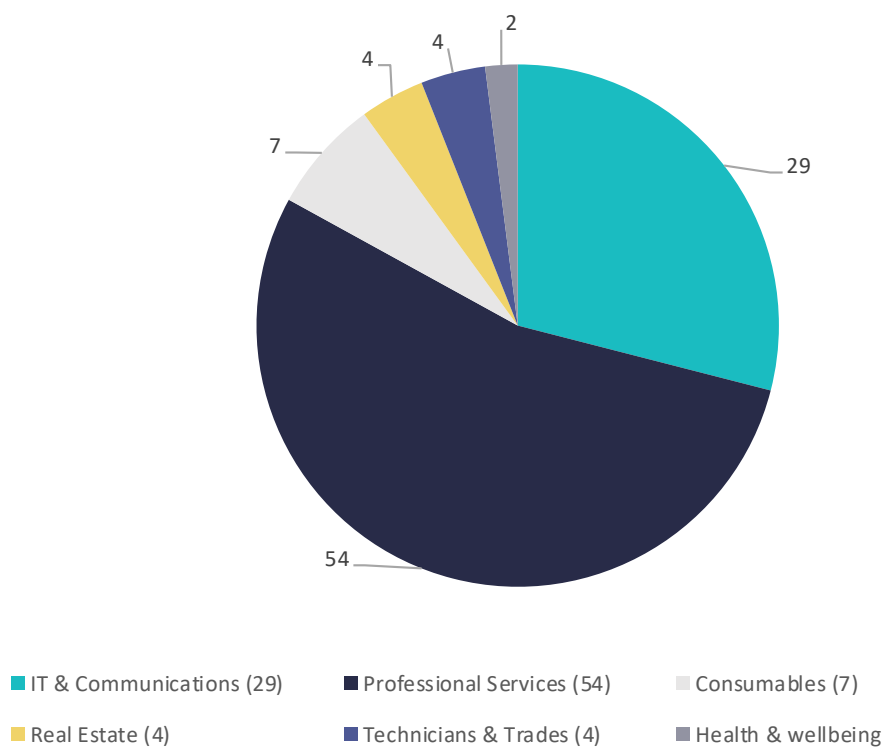


Corporate suppliers of consumables and other industries

Seven suppliers provide consumable goods and services that are of lower risk of modern slavery. One is of higher risk of modern slavery due to a report of unethical labour practises within its supply chain within the last five years. The company immediately ceased use of the implicated supplier and released a statement containing other remediation work.

Within all other supplier categories (real estate, technicians and trade, and health and wellbeing), all but two are at lower risk of modern slavery. One supplier's parent company maintains a large international footprint and a relatively high casual workforce in some operations and remains at moderate risk for monitoring purposes. We believe we can work with the other provider to reduce their risk to low via their adoption of Modern Slavery policies and procedures.

Figure 10: Supplier industries (by number of suppliers)



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 require our investment managers and investment suppliers to follow 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 asked all our investment managers and material investment suppliers to complete 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 assessments we conducted 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
 - tools, e.g. bottom-up worker voice used to identify, manage or remedy modern slavery risks in supply chains.

- We analysed managers' responses and compared the results to our findings from our assessment program last year (2020–21). Pleasingly, in 24 cases we upgraded ratings (7 from 'Amber' to 'Yellow', 17 from 'Yellow' to 'Green') as our investment partners increased their awareness and governance of ESG risks generally and modern slavery risks specifically, formalising policies and processes.
- We reviewed 19 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*. A further 15 providers shared their UK statements with us. New for this year's review we note there were two modern slavery statements jointly addressing both Australian and UK Acts.

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

Residual risk assessment of:

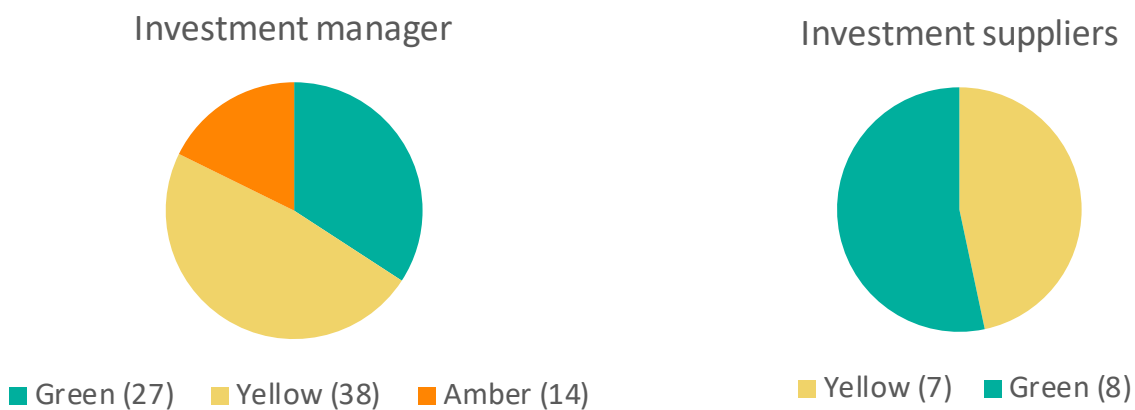


Table 2: Residual risk assessment of investment managers and investment suppliers

	Questionnaires sent	Ratings			
		Red	Amber	Yellow	Green
IMs	79	0	14	38	27
IMs (%)	100%	0%	18%	48%	34%
Suppliers	15	0	0	7	8
Suppliers (%)	100%	0%	0%	47%	53%

In this, our third year of modern slavery risk assessment, we assessed 94 investment managers or investment suppliers and found the following:

- 14 out of the 94 assessments (15%) were rated as 'Amber' – investment managers or suppliers that had limited processes, controls or documentation in place. Although most of these 14 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 (85%) 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.

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 0.4% of total funds under management as at 30 June 2022.

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.



Addressing and managing modern slavery for our business

How we are integrating modern slavery measures into 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 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 – 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 to 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.

Third Party 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 or in accordance with the ComSuper Enterprise Agreement 2015–2018. All new employees are employed under individual contracts. As 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.

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 details⁵.
- **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 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).

⁵ <https://www.csc.gov.au/-/media/Files/Corporate-Governance-files/Proxy-Voting/Proxy-voting-policy.pdf>



Modern slavery risk management in action – highlights for 2021–22 in investments

How we are succeeding in managing modern slavery risk

Industry collaboration – Investors Against Slavery & Trafficking (IAST-APAC)

This year, we 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).^[1]

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.

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).

Progress in 2021–22

We have observed that solid progress over the last 12 months among our external investment managers. Here are some examples:

- Demonstration of stronger **governance** and enhanced due diligence processes, such as:
 - more detailed standalone modern slavery and human rights policies being updated as well as ESG policies being updated with more modern slavery specific language and clauses. Specifically, Supplier Code of Conducts are being updated with modern slavery clauses
 - development of more robust ESG assessment **tools** incorporating more modern slavery specific questions⁶
 - **controversy** screening tools
 - more **transparent reporting** and remedial measures when modern slavery risks *are* identified, e.g. investment managers providing details of due diligence undertaken in engaging with publicly listed companies around steps taken to mitigate modern slavery risks
 - development of modern **slavery action plans**.
- Greater awareness being developed via more enhanced **online training** programs for all staff (not just for procurement staff), such as:
 - internal working groups and task forces being established to discuss modern slavery and more broadly, human rights issues and how these risks may occur within a company's operations and supply chains
 - installation of QR codes linking to information and multilanguage awareness training for workers in high risk industries such as cleaning, security, facilities management and construction contractor and subcontractor workforces. This is particularly important for services involving a highly competitive market through outsourced agreements using low skilled, migrant or casual labour; manufacturing supply chains that lack visibility (e.g. plumbing, electrical, mechanical components, masonry, sanitary ware, raw materials, IT, office consumables).
- Recognition that industry collaborations can achieve greater impact, such as those with:
 - non-profit human rights specialists [Walk-Free](#), [IAST-APAC](#), [Anti-Slavery Australia](#), [Be Slavery Free](#), UN Global Compact Network Australia's Modern Slavery Community of Practice, [FAIRR](#) Initiative and [Polaris](#).

⁶ E.g. [FairSupply](#) independent supplier risk platform - up to 10 Tiers, across 190 countries and 16,000 sectors

[Ecovadis](#) – external ESG auditor of supply chains providing benchmark scores

[EthiXbase](#) – risk management program to increase transparency across supply chains

[RepRisk](#) – global database of risk ratings for GPs and operating companies based on an assessment of reported ESG incidents associated with that company, that are weighted according to severity, frequency and source.

- Consultation with sector peers, e.g. most of our property managers work alongside the Property Council of Australia in their Modern Slavery Working Group to share and gather information, collaboratively improve data collected from common suppliers and enhance efficiencies in the industry in identifying and remediating modern slavery risks:
 - Informed365 – this collaboration of 14 leading property organisations has created an online platform that shares data on all suppliers. To date 900 suppliers have been added to the platform.
 - Contributor in the development of a good practice guide for the property industry on Grievance Processes, developed by the Property Council of Australia with KPMG called: Listening and Responding to Modern Slavery in Property and Construction Sector.
- Recognition that supply chains around the world continue to be affected by COVID-19 in the form of mandatory vaccination requirements, staff shortages, order cancellations or redirections, factory/site closures, and business closures. The impact of COVID-19 disproportionately affects vulnerable workers and increases their exposure to modern slavery practices, e.g., loss of income, denial of workplace rights, excessive work hours, unsafe conditions, and an inability to safely return to home countries or states. Some of our partners are increasing awareness and enhancing their risk management to reduce modern slavery risks in these circumstances.
- Stronger and more detailed modern slavery **statements**.

In turn our investment managers are reporting progress at their investee company levels, for example:

- Some entities are starting to use **bottom-up worker voice tools**, recognising the potential limitations of top-down management reporting.
- A number of property managers are supporting the Cleaning Accountability framework – a globally leading worker-driven due diligence scheme to identify modern slavery risks across the cleaning supply chain.
- More availability and awareness of internal **Whistleblowing hotlines** can be used to freely and anonymously provide details specifically about modern slavery and human rights issues, made available 24/7 and in multiple languages.
- Evidence of companies engaging and providing **education** sessions around modern slavery legislation within their supply chains.

Risk controls in CSC's 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.

Investment initiatives 2022–23 and beyond

Within the next reporting period (2022–23), 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.
- Encourage our investment managers to continue to engage with our investee companies to improve employee terms and conditions to reduce modern slavery risks such as:
 - using robust objective benchmarks such as Future-Fit Business Benchmarks
 - using worker voice and other bottom-up tools that genuinely measure the extent of modern slavery risks and culture in any workplace.
- 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 where available, 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 information⁷.
- 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.

⁷ The implementation of the proposed tool we contributed to in 2021 to estimate forced labour risk is still in early stages. We will continue to monitor and participate in future activities as appropriate.

Corporate initiatives 2022–23 and beyond

Over the next few reporting periods (2022–23 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).
- 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.
- 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 provide targeted training to our business managers involved in outsourcing goods and services to ensure the greater uptake of our standard contractual terms and improve awareness of their importance in reducing risk to CSC. These contracts include modern slavery clauses and adherence to our Supplier Code of Conduct.
- Further develop our policies and procedures for the management of third party risk at CSC, as well as improving our current due diligence and ongoing risk management practices via our Third Party Risk Management system.
- 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 modern slavery policies and processes.



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 ('ADFSuper') (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)