



Modern Slavery Statement FY2021

Foreword

Modern slavery occurs all around the world, and most Australian businesses are impacted in some way.

ACSI's work focuses on supporting management of ESG issues in ASX listed companies, including modern slavery. Modern slavery presents a clear financial risk as well as an ethical responsibility for companies.

Poor management of human rights such as modern slavery, both directly and via supply-chains, impacts upon the commercial success, stability and longevity of a company and can materially impact upon the value of their investment.

Last year was the first year of reporting under the Modern Slavery Act (2018), requiring companies with revenue of over AUD\$100M to publicly disclose their exposure to modern slavery risks. We now have greater transparency as to how listed and large-scale enterprises are managing modern slavery risk within their businesses.

For investors of Australia's largest companies, it is important to understand these risks and how companies are approaching modern slavery. That is why ACSI published research *Moving from paper to practice: ASX200 reporting under Australia's Modern Slavery Act*, which analyses the first year of public reporting.

Improving understanding of modern slavery risks in company operations and supply chains and disclosing company approach to manage these risks, will support investors understanding and is a key purpose of the Modern Slavery Act.

For the second year ACSI has produced its own Modern Slavery statement, to understand our exposure. While ACSI is not required to deliver a modern slavery statement under the Act, we believe it is beneficial to understand our risks, and provide leadership on ESG reporting.

In 2021 we have gone deeper and expanded our reporting criteria to include all of our direct suppliers and requesting information from indirect suppliers that we consider to be in high-risk categories.

For ACSI, our exposure to modern slavery risk is a reputational and financial one, however it is important to recognise that the real risk is to the workers who are being exploited and harmed via various unscrupulous business practices.

We encourage businesses of all sizes and industries to assess their exposure to modern slavery, whether or not they are legally required to do so under the Act.

This statement is our way of keeping ourselves accountable to what we would like to see from business leaders going forward.

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include 34 Australian and international asset owners and institutional investors with over \$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes.

Active ownership allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

ACSI members can achieve financial outcomes for their beneficiaries through genuine and permanent improvements to the environment, social and governance (ESG) practices of the companies in which they invest.



34 Australian & international investors



Leading voice on ESG issues and advocacy



ACSI members managed over \$1 trillion in assets

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Structure, operations and supply chain

The Australian Council of Superannuation Investors (ACSI) (ACN 164 568 610) is a public company limited by guarantee domiciled in Australia, employing 21 permanent staff and supporting our 34 Australian and international members. ACSI is a standalone entity whose registered office and principal place of business is Level 23, 150 Lonsdale Street, Melbourne. This statement covers the principal activities of ACSI and the associated supply chains as follows:

Principal activities

- Undertake or commission research into relevant environmental, social and governance (ESG) issues;
- Provide information to members that assists the development and implementation of ESG policy;
- Provide educational activities, materials, seminars and conferences related to ESG issues;
- Engage with ASX300 companies in order to understand and, where appropriate, improve the management of ESG risks and opportunities;
- Provide voting alert services to subscribers on the ESG practices of Australia's ASX300 companies and large overseas listed companies to aid with voting and engagement decisions;
- Provide fee-for-service consulting services on ESG policy development and disclosure;
- Coordination of the provision of information from and to international service providers for subscribers of international engagement services; and
- Advocate for improved ESG practices and standards including promotion of effective legislative and regulatory regimes.

Operational functions including Finance and Corporate Services and Company Secretariat support our member facing teams who undertake the principal activities outlined above.

Supply chain

- Publication of research reports including reports that are commissioned by us or partnered with other organisations;
- Presentation of ESG materials and information via publications or virtual reporting;
- Corporate hospitality and sponsorship material suppliers engaged for our events;
- Partnership with key suppliers in the delivery of our Voting research and alert services and International Engagement services;
- Office equipment, consumables and tenancy requirements;
- Technology (hardware, software and cloud services) including telephony and virtual services; and
- Utilities and professional services who provide services directly to ACSI or via our tenancy lessor.

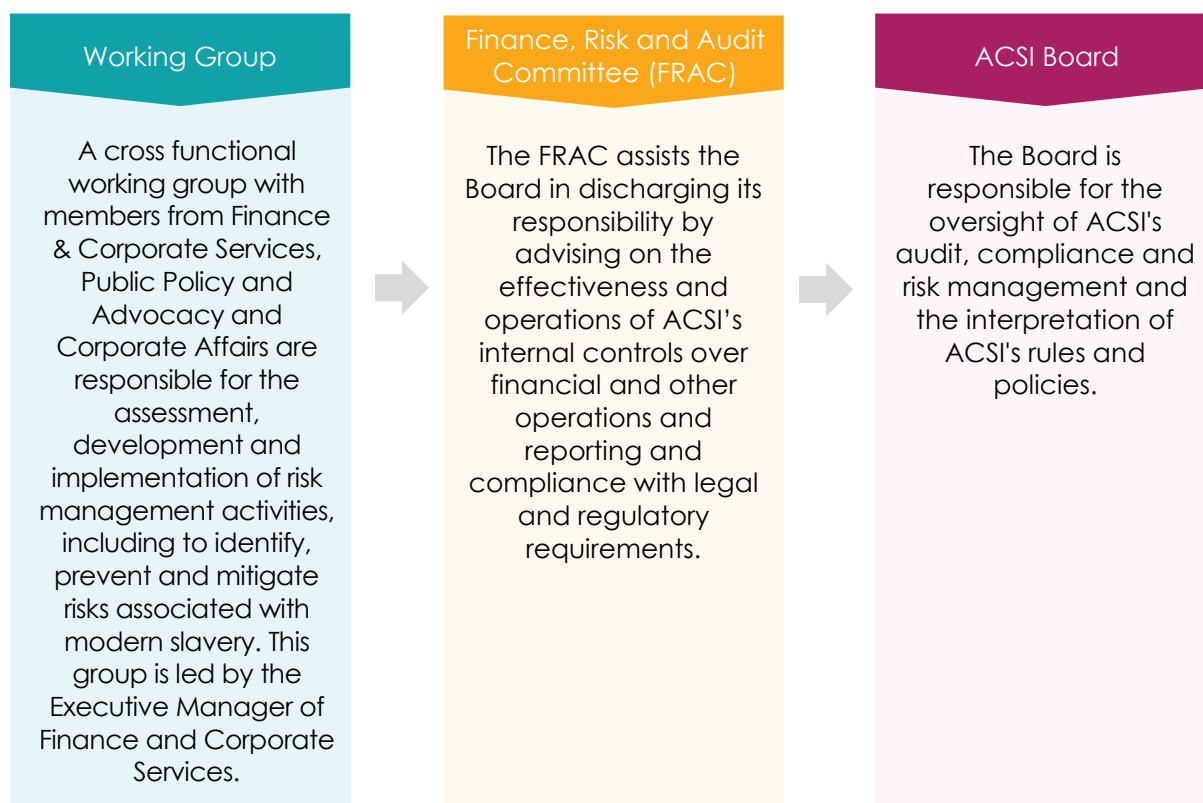
During the reporting period, we engaged with 65 direct suppliers who are Australian based and 4 direct suppliers whose operations are offshore or have extended workforce offshore.

Risks of modern slavery practices in our operations and supply chains

ACSI governing body and risk appetite for modern slavery risk

ACSI respects the human rights of all our stakeholders and promote human rights as part of our ESG work. Where we identify or are informed of any instances of modern slavery risk, we will seek to understand them and will work constructively to remediate them.

We have a governance structure that oversees the identification and assessment of modern slavery risk and supports the Board with appropriate information and oversight of the process. The governance structure is outlined below:



Potential risks in our operations and supply chains

ACSI recognises there is a risk of modern slavery practices in its operations and supply chain, just as modern slavery is a risk factor for all businesses within the financial services sector. Given the nature of our business, our modern slavery risks are largely related to those arising from our office operations (office supplies, IT equipment, tenancy maintenance, cleaning and security), events and marketing, transport and travel. The procurement of the goods and services for these areas of operations potentially exposes ACSI to inherent risks such as sector risks (e.g., use of low skilled labour, migrant workers, reliance on third party labour hire or other vulnerable workers) and country risks (e.g. goods produced in countries with higher prevalence of modern slavery).

Assessing ACSI's modern slavery risk

Risk assessment process

ACSI has incorporated our approach to modern slavery practices within our existing risk framework to ensure that modern slavery risk has the same level of focus as other risks, and a consistency in approach including reporting to our FRAC and Board.

In considering the modern slavery risk in our operations and supply chains, we have taken into account the following factors:

- ACSI's principal business activities;
- The social, political and environmental conditions in the countries our suppliers operate in;
- Industry specific pressures; and
- Procurement categories with inherent modern slavery risk factors such as:
 - Vulnerable populations where migrant workers or base-skilled workers are particularly vulnerable to systemic issues such as underpayment and excessive work hours (cleaning, security, catering, transport and maintenance);
 - Business models structured around high-risk work practices where third-party labour arrangements may increase complexity in our supply chain (e.g. cleaning);
 - High risk product and service categories (IT hardware, building services, cleaning, security and maintenance); and
 - High risk geographies.



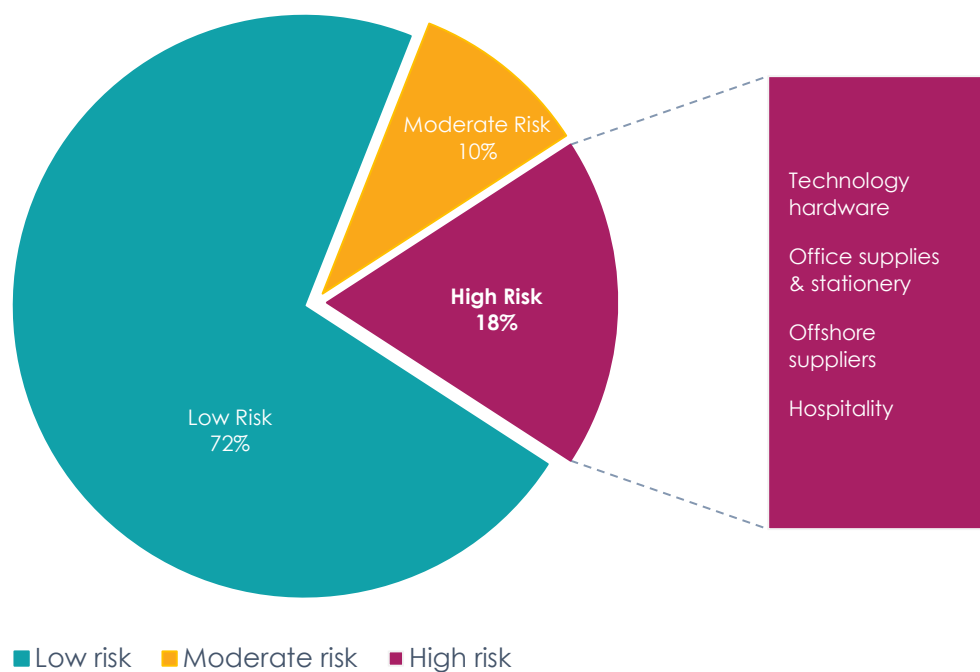
Risks identified

During the reporting period, we undertook an internal risk assessment of our business operations and supply chain to identify areas that we consider to be low risk and the areas that could potentially pose a higher level of risk of modern slavery practices.

We have used the concepts of cause, contribute and directly linked as set out in the UN Guiding Principles of Business and Human Rights and have assessed the overall risks in our operations and supply chains are low.

A high-level insight of ACSI's supply chain risk are as follows:

Modern slavery risks within ACSI's supply chain



The area of focus identified from our supply chain risk assessment relates to the following:

1. Technology hardware

ACSI engages a technology company to procure a range of different technology hardware products (eg. laptops, monitors and other peripherals). These products are typically manufactured in high risk countries in Asia Pacific where there's known issues with exploitation of labour practices due to the low-skilled nature of the work and the low cost model upon which the industry has been built. While our suppliers demonstrated remediation actions to addressing labour rights issues, our view is that this area still presents high residual risks of modern slavery.

2. Office supplies and stationery

From time to time ACSI procures office supplies and stationery from a number of Australian based companies who source these products from local manufacturers and offshore. This presents a high inherent risk and a focused area for ACSI due to the high country risks, industry risks and known labour rights issues relating to the manufacturing of these products.

3. Offshore suppliers

We have identified four suppliers who are either based offshore or have extended workforce offshore in Asia and the Middle East. Whilst our suppliers demonstrated remediation actions to addressing labour rights issues, our view is that this area still presents high geographic risk of modern slavery.

4. Hospitality

On a yearly basis ACSI hosts a number of events (e.g. annual conference) and predominantly rely on labour hire delivered by third party suppliers within the hospitality industry (e.g. hotels, caterers). This presents a high industry risk as the hospitality sector is known for issues relating to labour exploitation due to short-term unskilled labour.

Drawing on our 2021 assessment of our supply chain risks, we asked all of our direct suppliers to complete a Modern Slavery Risk Questionnaire and also extended our questionnaire to those indirect suppliers who we have identified as having potentially high modern slavery risk in the category of facilities maintenance and cleaning services (our indirect cleaning supplier and tenancy supplier).

This survey asked our suppliers about their modern slavery policies, risk assessment and remediation actions and staff awareness and grievance mechanisms in place.

The survey has supported ACSI to identify areas for further focus. From the responses we have received, we identified a small risk that ACSI could potentially contribute or be linked to modern slavery practices.

Our analysis of the survey results also indicated the continued low to moderate risk to ACSI in relation to the following areas:

1.

Suppliers continue not to recognise their own exposure

Many of our direct suppliers are aware of the Modern Slavery Act but failed to recognise the exposure to modern slavery risk in their own operations and supply chains, in particular non reportable suppliers. This indicated the continued need to educate our suppliers in relation to modern slavery risks.

2.

Suppliers taking a legal or minimalist approach

Several of our direct suppliers did not respond to our questionnaire for reasons such as not being reportable under the Modern Slavery Act or referring us directly to their publicly available modern slavery statement and not wanting to respond to our questionnaire. We recognised the need to continue to engage with our suppliers to ensure their approach to modern slavery risks aligns with our minimum standards. Supplier relationship renewals will be reviewed where we are not satisfied that our suppliers are taking modern slavery risks seriously.

How we address modern slavery risk

ACSI policy and position

ACSI values are set out in our [Code of Conduct](#). We work hard to improve ESG practices and performance at listed Australian companies, and we recognise that it is incumbent on us to model the standards of conduct and behaviour that we expect from the organisations we examine.

Employees and representatives of ACSI are expected to comply with our policies, respect our values and the law, and be aware of their actions and of those around them.

The following aspects of our governance framework are relevant to our commitment to human rights:

- Our Code of Conduct requires each employee to comply with our policies and conduct oneself in a manner reflective of our values of trustworthiness, respect, responsibility, caring, justice and fairness, excellence and stewardship. It is the responsibility of all ACSI staff to act in a way that creates a workplace environment that supports and embraces diversity and is free from discrimination, harassment, bullying and victimisation. All staff must respect the human rights of all our stakeholders and promote human rights as part of our ESG work.
- ACSI's Supplier Code of Conduct describes the minimum expectations of several ethical areas, including labour and human rights. Suppliers to ACSI are advised to review our Supplier Code and ensure that relevant areas of their business and supply chain meet our standards. We expect suppliers to consider modern slavery risks in their operations and supply chains and work with ACSI to consistently develop capacity to identify, manage, address and remediate modern slavery risks.

- Our Code of Conduct and employee training covers how employees can report suspected breaches of our requirements.
- Employees are encouraged to use our reporting mechanisms to report breaches.
- Reports from our employees are collated and reported to the FRAC.

ACSI has a high expectation of its staff, members and listed companies we engage with, with regards to the standards of conduct and behavior, including in relation to human rights and modern slavery.

Internal policies

Our internal policy suite addresses modern slavery and human rights in our employee code of conduct, employment conditions, diversity, procurement and remuneration policies. These policies are reviewed annually to ensure best practice has been considered and expectations are well understood. Given the nature of ACSI's work program and our purpose, our staff are keenly interested in human rights. This extends to ACSI's own measures in place to ensure appropriate modern slavery disclosures and practices are undertaken by the businesses we engage and work with, including our own practices.

Supplier due diligence and procurement policies

Our procurement processes are subject to a policy which includes the provision of minimum expectations around labour and human rights as outlined in our Supplier Code of Conduct.

In the reporting period, the risk-based assessment of our suppliers through their responses to our Modern Slavery Questionnaire has given us greater understanding of our supplier risks. From our assessment, applying the concept of cause, contribute and directly linked we categorised suppliers by level of inherent risk which informs us of the level of due diligence we need to exercise. The minimum level of diligence for all our suppliers, irrespective of risk are to review our Supplier Code of Conduct and ensure that relevant areas of their business and supply chain meet our standards and confirm their commitment to our code. For all new suppliers or suppliers renewing contracts with us, we require them to read ACSI's Supplier Code of Conduct and either:

- Agree to the inclusion of supplier's commitment to ACSI's Supplier Code of Conduct clause in the contract between the supplier and ACSI; or
- Sign ACSI's supplier commitment declaration.

ACSI's work supporting modern slavery risk reporting

Research

ACSI plays a leading role in working with policy makers, companies and responsible investors on workforce and human rights risks through our research. Over the past four years, ACSI has produced three major research reports on modern slavery. Our latest report, [Moving from Paper to Practice: ASX200 reporting under Australia's Modern Slavery Act](#) (published in July 2021), assesses the first year of company reporting under the Modern Slavery Act. The research identifies areas where reporting can be improved and covers the practical steps businesses have taken to mitigate modern slavery risks in their operations and supply chains.

Our research report [Modern Slavery Risks, Rights and Responsibilities](#) (published February 2019) aims to increase the Australian business community's understanding of modern slavery risks in their operations and supply chains, and to help prepare businesses to meet the requirements under the Modern Slavery Act (Cth) for transparent public disclosure. The [Modern Slavery Reporting – Guide for Investors](#) (published November 2019) was prepared by ACSI and RIAA to provide a framework for investor reporting. It provides broad context on matters investors may wish to consider in preparing their modern slavery statements and aims to assist investors both in developing their capacity to identify, manage, address and remediate modern slavery risks, and drive meaningful reporting and better practice across the market. The Guide supplements the guidance provided by the Australian Border Force (Government Guidance), providing additional information for investors on how they might address their investment activity in their modern slavery statements.

Engagement

ACSI conducts a year-round engagement program with ASX300 companies on material ESG issues and pursues a priority work program on behalf of its members. ACSI's priority themes include workforce issues, incorporating modern slavery and supply chains. ACSI has adopted a risk-based approach, using both sectoral and geographic exposures of ASX-listed companies to derive a list of priority companies in respect of modern slavery. In the year to 30 June 2021, ACSI's engagement prioritised 10 high-risk ASX300 companies, in the Consumer Staples, Consumer Discretionary and Health Care sectors. Overall, ACSI held 92 meetings with 74 ASX300 companies where modern slavery and supply chain risks were raised.

For companies with predominantly Australian-based businesses, ACSI's core focus has been on direct or indirect connections to the following business activities:

- Horticulture and fresh food supply chains – modern slavery risks in these sectors have been well documented, including cases where the seasonal workers have been underpaid, exploited, or subjected to inappropriate conditions.
- Cleaning and security – workers performing these roles are at an elevated risk of exploitation. Worker vulnerability stems from the nature of contracting arrangements and the high representation of migrant workers, many of whom have precarious visa conditions.
- Franchise business models – poor labour practices attributable to franchise arrangements have become well-known in recent years. Issues such as wage underpayments, while not constituting modern slavery itself, raise red flags. Workforces here are, again often vulnerable in terms of residency status, language, or awareness of rights.

For those companies with international operations and supply chains, ACSI's engagement has focused on companies that are either running, or sourcing from, operations in countries with poor labour conditions or governance. ACSI's engagement with companies on human rights issues has included supply chain linkages to the Xinjiang Uyghur Autonomous Region (XUAR) within the People's Republic of China.

ACSI is a founding member of the investor-led initiative Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) which was convened for the purpose of engaging with companies in the Australia-Pacific region. Through engagement, IAST APAC seeks to promote effective action at investee companies that can find, fix and prevent all instances of modern slavery, labour exploitation and human trafficking.

Advocacy

Through our advocacy program, we engage broadly in relation to the Modern Slavery Act and in relation to the quality of reporting. ACSI has been a strong voice pushing for consistent progress from businesses in their assessment and management of modern slavery risk, so as to encourage a proactive approach that focuses on improvement rather than mere compliance with reporting requirements. Our most recent research *Moving from Paper to Practice: ASX200 reporting under Australia's Modern Slavery Act* has [three recommendations for government](#).

Assessing the effectiveness of actions

Our work program with ASX300 entities includes six monthly review and analysis of engagement outcomes, which are shared with our members. This includes detailed reporting on our engagement meetings, including those with priority companies on human rights issues, to assist our members.

The continued focus that ACSI has placed on modern slavery risk, including recent research into ASX200 reporting, helps to ensure that our expectations of risk management and disclosure are understood. However, we recognise that this is an evolving area for many organisations within the Australian economy.

As we continue to work with our own supplier network and recognise areas of good practice and opportunities to improve, ACSI itself will evolve our risk assessment and reporting. This will include an annual refresh of our modern slavery risk tolerance to changes in our risk profile across our operations and supply chains and to ensure that our approach to risk identification and assessment remains effective. Education, particularly for our suppliers who are not required to report under the Modern Slavery Act, and improved understanding of modern slavery risk exposure to those suppliers will be an area of focus.

ACSI will seek to understand the impact of this education on how our suppliers evolve their own modern slavery risk program, which will ultimately impact ACSI as a user of these direct, and indirect, suppliers.

ACSI continues to integrate new developments and practices into our annual review of policies and procedures, ensuring we consider not only best practice ideas and frameworks, but also incorporate any new areas of focus or processes required to increase assurance over modern slavery risks for ACSI.

Other information (next steps)

Many businesses within our supply chain and operations are continuing to evolve programs to mitigate modern slavery risks, particularly those who are not required to report under the Australian Modern Slavery Act. In completing our program of work in support of our own Modern Slavery Statement this year, we have identified the following areas of development we wish to progress over the next 12 months:

- The need for further education and support to our suppliers, particularly for those not required to report under the Modern Slavery Act. This may include training to help our suppliers identify risk and develop approaches to reduce exposure to modern slavery risks.
- Continuing advocacy work on modern slavery, working with regulators and policy makers, as well as supporting public awareness of the issue.
- Reviewing our supplier questionnaire program to consider other modes of assurance and practices to support our assessment of direct and indirect supplier susceptibility to modern slavery risk.

Australian Council of Superannuation Investors
Level 23
150 Lonsdale Street
Melbourne VIC 3000
Australia

P: +61 8677 3890
E: info@acsi.org.au
W: www.acsi.org.au

