



# Modern Slavery Statement FY2023

# Foreword

Modern slavery impacts 50 million people around the globe, including an estimated 41,000 people in Australia, according to the most recent [Global Slavery Index](#).

This abuse of human rights is not just an ethical issue for listed companies, it's a legal and reputational risk with the potential to undermine shareholder value.

Safeguarding human rights is important to long-term business sustainability, with supply chains exposing companies across many sectors to significant risks.

All businesses should assess their exposure to modern slavery, and businesses with consolidated revenue of \$100 million annually are required to do so under the Modern Slavery Act.

While many companies have governance practices in place to protect the human rights of their own staff, it can be more challenging to understand and address practices across their supply chains, which can expose companies across the economy to significant risk.

In April 2023, we released our research into the third annual cycle of company reporting under the Modern Slavery Act. We named it *Compliance Without Ambition*, as it found most ASX200 companies report their modern slavery risks at a very basic level. To effectively address modern slavery in practice, much more needs to be done.

The results show while most listed companies have incrementally improved their disclosure of modern slavery risks, there are clear signs of stagnation. Since the assessment of the first year's reporting, the average score has risen only eight percentage points to 44%.

Just a small number of companies disclose more complex actions to manage slavery risks, with less than 10% working with suppliers to build risk management capacity, consulting with potentially affected groups or defining effectiveness to help track performance.

Through our company engagements, we intend to positively influence system level improvement in these areas.

Investors support the ongoing identification and remediation of instances of modern slavery, and reporting of the company's approach, yet only 8% of companies reported identifying a modern slavery incident or allegation. It seems very doubtful corporate Australia has uncovered the full extent of the modern slavery challenges it faces.

There has been movement on the national policy front, however, with the Federal Government now considering the review of the Act by Professor John MacMillan. ACSI welcomed Professor MacMillan's review, which made 30 recommendations to meaningfully tackle modern slavery, at home and abroad.

While ACSI is not required to deliver a modern slavery statement under the Act, we believe it is beneficial to understand our risks, and report them.

ACSI's 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.

One clear benefit found by our research this year is that Australian listed companies now have a good grasp of foundations of modern slavery reporting. We hope and expect the next round of reporting will build on those foundations, not purely with compliance in mind, but to monitor and robustly confront the modern slavery challenges which could harm the long-term sustainability of their business.

# About ACSI

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

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage.

ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.



Australian & international investors



Leading voice on ESG issues and advocacy



ACSI members manage over \$1 trillion in assets

## Acknowledgement of Country

We acknowledge and respect the traditional lands and cultures of First Nations people in Australia and globally. We pay our respects to Elders past and present and recognise First Nations peoples' longstanding and ongoing spiritual connections to land, sea, community and Country. Appreciation and respect for the rights and cultural heritage of First Nations peoples is essential to the advancement of our societies and our common humanity.

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# Structure, operations and supply chain

The Australian Council of Superannuation Investors Limited (ACSI) (ACN 164 568 610) is a public company limited by guarantee domiciled in Australia. As at 1 October 2023, ACSI employs 25 permanent staff and we support our Australian and international members. ACSI is a standalone entity whose registered office and principal place of business is Level 23, 150 Lonsdale Street, Melbourne, Victoria Australia.

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 them with the development and implementation of ESG policy
- Provide educational activities, training, 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
- Coordinate the provision of information from and to international service providers for subscribers of international engagement services; and
- Advocate for improved ESG practices and standards.

Operational functions including Finance and Corporate Services, Company Secretariat support and 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.

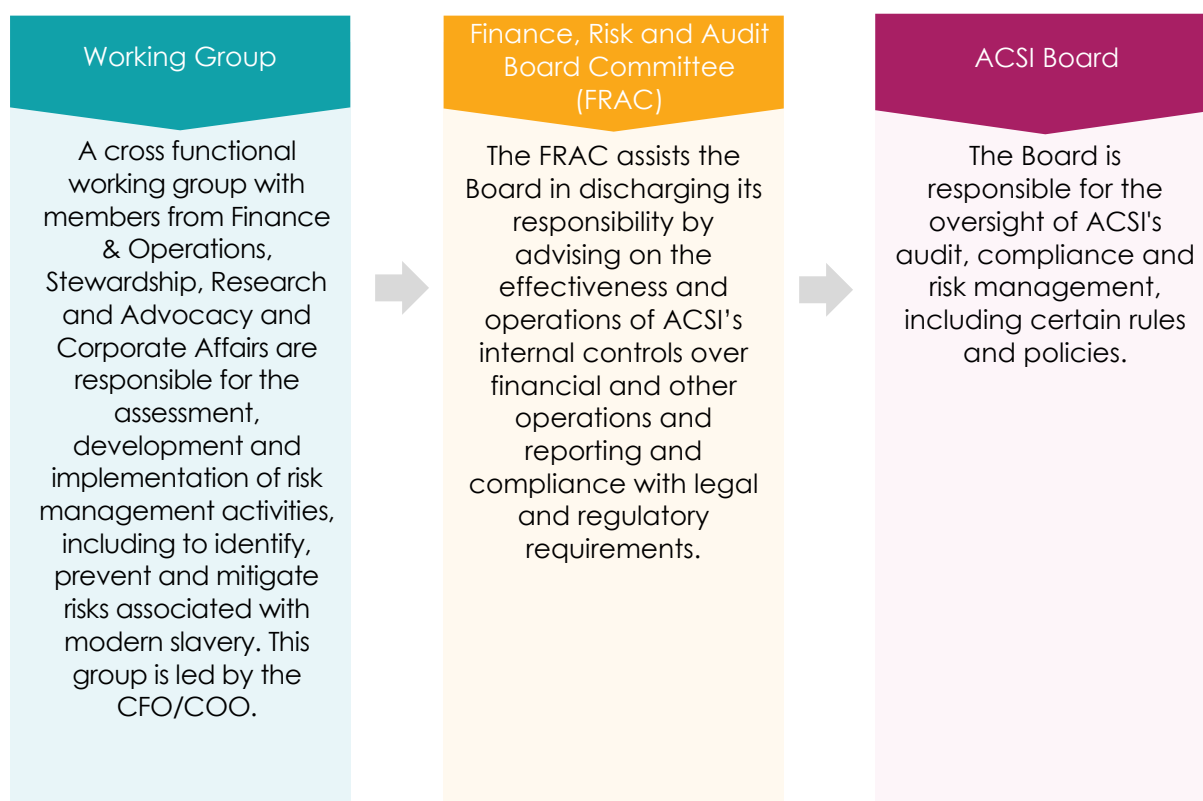
During the reporting period, we engaged with 188 direct suppliers who are Australian based and 70 direct suppliers whose operations are offshore or have extended workforce offshore.

# 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 promotes human rights as part of our ESG work. Where we identify or are informed of modern slavery risk or incidents, we will seek to understand them and, where relevant, 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 into 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.



## Our supply chains

Our spend for the reporting period remains similar to the last reporting period and the areas of focus of our supply chain risk relate 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. We continue to work with our suppliers to understand the actions they have in place to mitigate modern slavery risks in this area as, in our view, it presents a high inherent risk 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 issue relating to the manufacturing of these products.

### 3. Offshore suppliers

We have identified seventy suppliers who are either based offshore or have extended workforce offshore. We are in the process of working with our suppliers to understand what actions they have in place to mitigate modern slavery risks in this area as, in our view, it presents a high geographic risk of modern slavery.

### 4. Hospitality

Throughout the year 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.

In the last 12 months, ACSI continued to monitor and assess our modern slavery risk and no instances of modern slavery within our supply chain have been brought to our attention.



# How we address modern slavery risk

During the reporting period we contacted our direct suppliers and reminded them of the importance of ACSI's supplier code of conduct and the minimum expectations we have for our suppliers. We requested that our direct suppliers review our supplier code of conduct and confirm their commitment to our code, ensuring their business operation aligns with ACSI's values, principles and commitment. We continue to work with our suppliers to reinforce such expectations, noting many of our suppliers are small and not required to report under the Australian Modern Slavery Act.

## 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. Our Code of Conduct and employee training covers how employees can report suspected breaches of our requirements.

- 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.
- Employees are encouraged to use our reporting mechanisms to report breaches as outlined within our policies.

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. 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 we categorised suppliers by level of inherent risk which informs us of the level of due diligence we need to exercise. As a minimum all our suppliers are informed annually of our Supplier Code of Conduct and our commitment to ensuring that our business is operating with best practice principles, particularly regarding modern slavery risks. 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 years, ACSI has produced four major research reports on modern slavery. Our latest report [Compliance without ambition: Taking stock of ASX200 reporting under Australia's Modern Slavery Act](#) (published in April 2023) is the first detailed analysis of company reporting in the third annual cycle of the Modern Slavery Act. The research goes beyond measuring strict compliance to also assess whether companies reported on areas of recommended practice. Recommendations for investors and Government are also provided.

[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 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 2023, ACSI's engagement prioritised 14 high-risk ASX300 companies, in the Consumer Staples, Consumer Discretionary and Health Care sectors. Overall, ACSI held 54 meetings with 44 ASX 300 companies where modern slavery issues were raised.

For companies with predominantly Australian-based businesses, ACSI's core focus continues to be 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.

In April 2023, ACSI in partnership with expert business and human rights advisory firm Pillar Two, completed and released its second round of benchmarking for ASX200 modern slavery statements.

The research assessed the quality of companies' most recent statements against the mandatory requirements of the Australian Modern Slavery Act and stakeholder expectations, including as set out in the Australian Government's official guidance.

Post the public release of our research, ACSI held 9 meetings with 9 companies to 30 June 2023 to discuss their modern slavery statement. In these engagements, ACSI focused on moving companies from descriptive disclosure to discussing the outcomes of their policy, risk assessment, remediation and effectiveness practices across reporting periods.

ACSI also emphasised the critical role that quantitative and qualitative indicators play in company ability to monitor and track the efficacy of actions taken to assess and address modern slavery risk in company operations and supply chains.

Another key focus concerned remediation. ACSI encouraged companies to align their grievance handling processes with the UNGPs to ensure a victim centred approach and to enhance their transparency of remedial practices, including disclosure of incidents of modern slavery.

ACSI has also responded where issues have been raised with ASX-listed companies' operations by directly engaging with those groups, and through its role as 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 instances of modern slavery, labour exploitation and human trafficking. For IAST APAC, in FY23 we participated in 6 meetings with 6 ASX300 companies.

## 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 *Compliance without ambition: Taking stock of ASX200 reporting under Australia's Modern Slavery Act* has five recommendations for government. ACSI also participated in the review of the Modern Slavery Act. In its submission to the review, ACSI called for the Modern Slavery Act to be further strengthened to include:

- An independent Anti-Slavery Commissioner, with an important role in monitoring the impacts and functioning of the Modern Slavery Act
- A due diligence requirement, to support entities to improve their risk assessment and mitigation
- More robust enforcement of noncompliance, through penalties and other incentive measures
- Additional detail in the mandatory reporting criteria to support the provision of sufficient granularity in modern slavery statements; and
- Access to remedies for victims.

We are pleased to see that a number of the recommendations from the review are aligned with ACSI's position. We will continue to advocate for better management of the risks and associated reporting.

## 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 research into ASX200 reporting, conveys our expectations of risk management and disclosure. 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 support our approach to risk identification and assessment remaining effective. In addition, we will continue to deliver 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.

## 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:

- Continue education with our suppliers, particularly for those not required to report under the Modern Slavery Act, to increase alignment of expectations to mitigate modern slavery risks within our operations.
- Mapping our indirect suppliers that reside within categories with inherent modern slavery risk factors and understand their program to mitigate modern slavery risk.
- Continuing advocacy work on modern slavery, supporting public awareness of the issue, working with regulators and policy makers and engaging with the Australian Government on the recommendation from the three-year review of the Modern Slavery Act.

