

EY Australia
FY20
Modern Slavery
Statement



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This statement covers the two reporting entities Ernst and Young (ABN: 75 288 172 749) and Ernst and Young Services Trust (ABN: 67 457 905 811).

This statement has been approved by the principal governing body of Ernst & Young and Ernst & Young Services Trust on 22 February 2021.

Message
from
our

Chief

Executive

Officer



EY considers the observance of human rights as the most fundamental obligation of leadership and an imperative in building a better working world. Building a better working world is vital to all we do at EY and as such, an acknowledgement of human rights has been incorporated into our organisational values and purpose, to guide how we do business at the highest level.

Our people, whether employed locally or by our outsourced service providers, are critical to the success and sustainability of our business. Our Values and Code of Conduct guide us in ensuring our people and those from whom we procure goods and services, are safe and protected against acts of modern slavery.

During the FY20 reporting period we bolstered our modern slavery framework by strengthening our policy position, implementing further controls in our procurement process and undertaking diligence activities for at-risk suppliers.

Whilst these actions have moved EY closer to understanding the risks of modern slavery in our supply chain and operations, we are aware that labour exploitation persists in many parts of the world, and we are not immune to the risk of modern slavery occurring within, or in connection with our business activities. We have used the time during this reporting period to better understand these risks and we recognise our responsibility to prevent, mitigate and remedy modern slavery in our operations and supply chain.

This statement demonstrates our alignment to the Act and to the principle of thinking and acting differently to address the intolerable continuation of modern slavery across the world. We appreciate this is EY Australia's inaugural modern slavery statement and there is further work to be done, however we have established a solid foundation upon which we can develop our future responses and commitments to address modern slavery.

Yours sincerely,



Tony Johnson
CEO & Regional Managing Partner
EY Oceania

Our statement

This statement is made on behalf of the reporting entities *Ernst and Young* and *Ernst and Young Services Trust* (together '*EY Australia*'). This is EY Australia's first modern slavery statement, which has been prepared in accordance with the requirements of the *Modern Slavery Act 2018* (the Act) for the financial year 1 July 2019 to 30 June 2020 (FY20). Ernst and Young (EY) is a partnership and is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee.

Ernst and Young and *Ernst and Young Services Trust*, and the entities they own or control, are managed centrally in our Australian operations, with shared governance, policies and procedures pertaining to human rights risks. Due to

this centralised management structure, a consultation process pertaining to the entities owned or controlled by the reporting entities, and the reporting entities was not required.

This statement outlines our position, approach and key learnings in relation to modern slavery risk management and seeks to provide readers with a transparent view of our risks, actions and areas for improvement.





Our operations + supply chain

Our operations

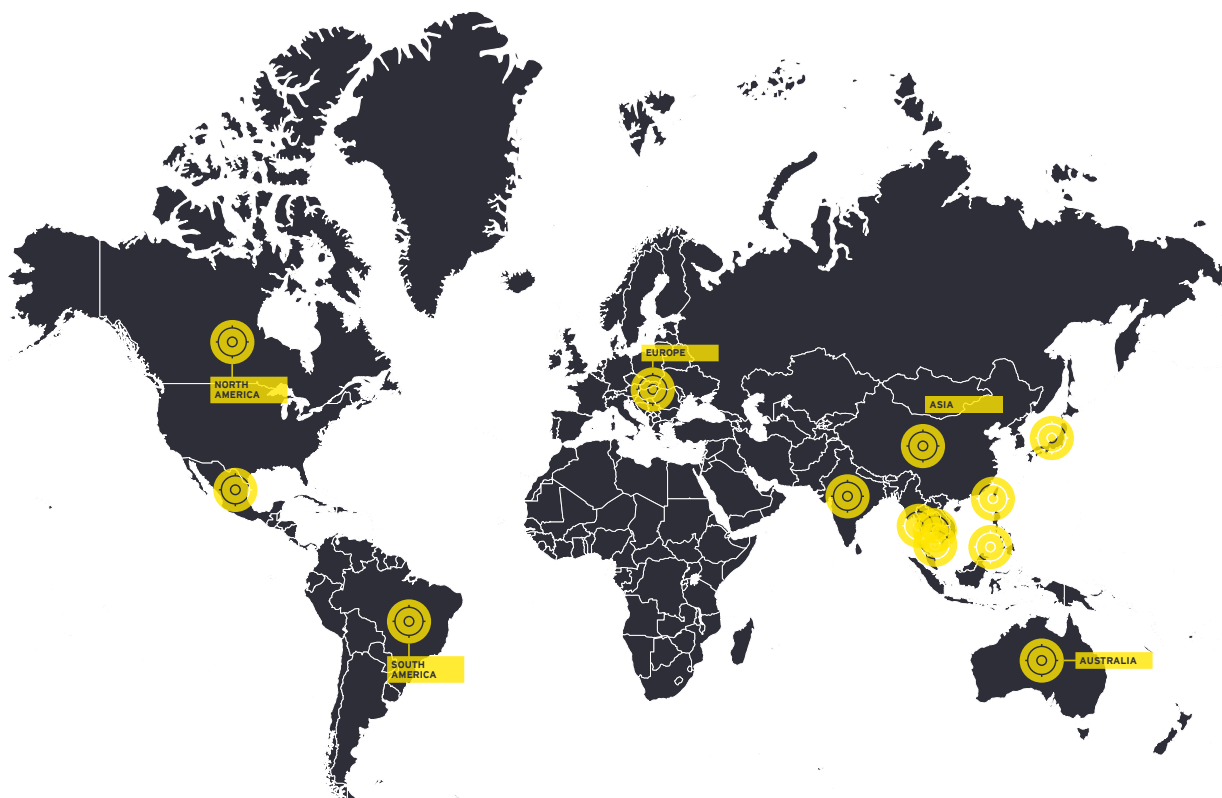
EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets. Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate. Working across assurance, consulting, law, tax, strategy and transactions, EY teams ask better questions to find new answers to the complex issues facing our world today.

EY Australia employs approximately 7,500 people, who work across our eight Australian offices. Our Australian operations are supported by other EY member firms based in offshore locations, such as India, China and the Philippines, which provide client engagement as well as business, compliance and administrative support services to our onshore teams in Australia. EY also engages third party

providers to provide outsourced support services, which includes: IT help desk support; finance and accounting services; and payroll services. These services are performed by people predominantly based in India, China and Poland.

Our supply chain

During the reporting period, EY Australia procured goods and services from over 1,800 direct (referred to as 'tier 1') suppliers in approximately 25 countries. While most of our suppliers are headquartered in Australia, where possible, we have identified the countries where those goods and services are produced or sourced from, to appropriately assess the modern slavery risks. The map below illustrates the main countries from which our procured goods and services are sourced or produced.



EY Australia procures a diverse range of products and services, across six main procurement categories: Technology; Brand, Marketing & Communications; Workplace Services; Real Estate; Travel, Meetings & Events; and Talent.

The table below outlines the types of products and services procured across these categories and the countries from which they are typically sourced.

Procurement categories	Examples of goods and services procured	Key sourcing countries
TECHNOLOGY	Software, telecommunication, IT support services and technology hardware, such as laptops, monitors and peripherals	Australia, China, Taiwan, India, Brazil, Mexico, Malaysia, Thailand, Singapore, Canada, Japan, Hungary
BRAND, MARKETING + COMMUNICATIONS	Banners, signage and promotional merchandise such as hats, t-shirts, umbrellas	Australia, China, India, Malaysia
WORKPLACE SERVICES	Office equipment, stationery, furniture and onsite services such as cleaning, catering and property maintenance	Australia, China, Indonesia
REAL ESTATE	Rent and construction products and services for office fit outs	Australia, China, India
TRAVEL, MEETINGS + EVENTS	Venues, air travel, hotels and ground transportation	Australia
TALENT	Recruitment agencies and learning and development activities and materials	Australia, India, Philippines, Singapore



Our modern slavery

risks

EY Australia undertook a modern slavery risk assessment over our operations and supply chains to identify and assess our priority areas of modern slavery risk. The assessment considered both the inherent country and industry risks associated with our business practices, and the inherent risks in the products and services we procure. Country risks were determined through an analysis of credible indexes and databases, for example the International Labour Organisation Statistics on forced labour, modern slavery and human trafficking. Industry risks were determined by considering known industry risk factors such as, the use of unskilled, temporary or seasonal labour, short-term contracts, outsourced labour, foreign workers, the presence of opaque intermediaries, as well as whether there are known labour rights controversies within the industry.

Our risk assessment over our operations and existing tier 1 supplier base provided us with a view of where to focus our efforts, particularly in the short to medium term. The assessment covered our Australian operations, offshore operations, and our existing suppliers.

Modern slavery risks within our operations

In examining our operations, we considered the risk of modern slavery occurring within our direct employee workforce and our indirect employee workforce provided by our offshore and outsourced service providers. For each of these categories we identified the level of risk and EY's causal relationship to any identified risks.

Our direct workforce

EY Australia considers the risk of modern slavery occurrences within our direct employee workforce to be low, due to both the industry and country in which we operate presenting a low inherent risk of forced labour, child labour and other forms of modern slavery. Key factors supporting a low risk level in the professional services industry include the office-based nature of the work, the low proportion of characteristically vulnerable workers typically found within the workforce and the higher level of skill required to perform the work.

EY Australia maintains a strong policy environment in relation to workplace relations and has a zero-tolerance level for modern slavery practices in our direct employee workforce. We have not identified any occurrences of modern slavery in our operations.

Our indirect workforce

Our Australian operations are supported by offshore EY member firms and outsourced service providers. Our offshore member firms, predominantly in India, China and the Philippines, support our Australian based employee workforce with business, compliance and administrative support services

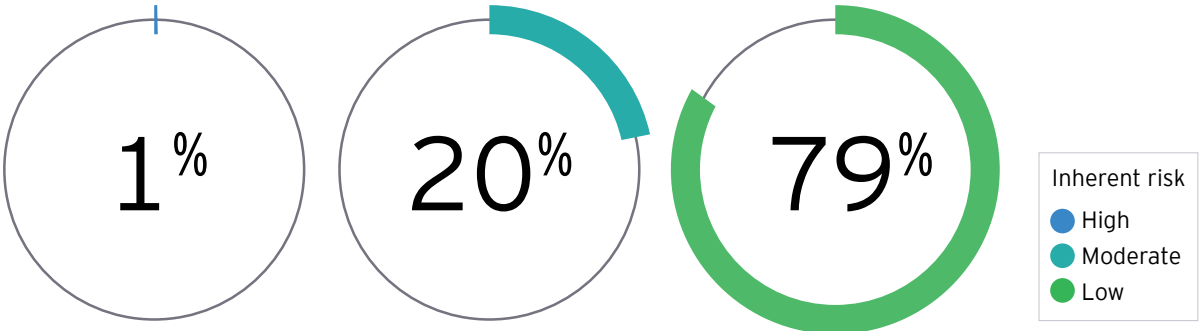
and engagement delivery. Our outsourced service providers support our onshore operations by providing payroll, finance and accounting and technology support services, with work being performed in offshore locations, including India, China, Poland and the Philippines.

Due to the known labour rights issues associated with offshore business process outsourcing, we consider both our overseas and outsourced workforce, as well as the onsite contractor workforce within these offshore locations (such as cleaning and maintenance services), to present a higher inherent risk of modern slavery.

As the EY member firms providing these services are governed by EY's global policies and procedures with respect to labour rights and conditions, the residual risk of modern slavery practices, specifically occurring in our offshore services is reduced. However, this remains an area of focus and we will continue with our due diligence over offshore and outsourced service providers during the next reporting period.

Modern slavery risks within our supply chain

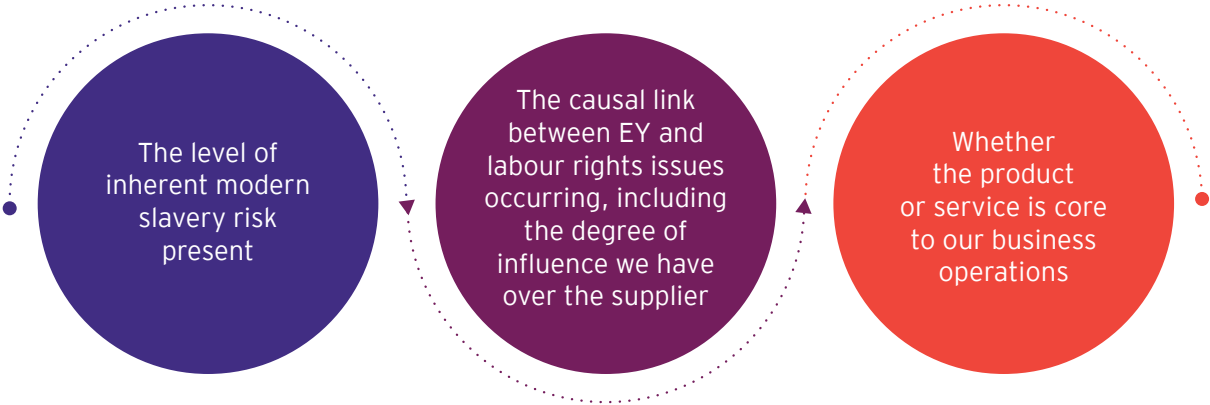
High level insights from the supplier risk assessment were as follows:



The products and services which presented a higher inherent risk of modern slavery included:



In order to appropriately focus our due diligence efforts and resources, we undertook a prioritisation assessment which took into account the following factors:



Our priority modern slavery risk areas in our supply chain are outlined below.

Technology hardware

Technology hardware is considered our area of highest priority in our supply chain due to a number of factors, such as the level of risk, known issues within the industry and our supply chain specifically, as well the causal relationship we have to these issues. The EY organisation engages large international technology companies to procure a range of different technology hardware products, such as, laptops, monitors and other peripherals. The products acquired from these companies are typically manufactured in high risk countries, including China, Taiwan, India, Brazil, Mexico, Malaysia and Thailand.

It is widely known there are systemic labour issues in the technology hardware industry. These include

a heightened vulnerability to exploitative labour practices due to the low-skilled nature of the work and the low-cost model upon which the industry has been built.

Whilst our risk assessment focussed on our tier 1 suppliers and assessed the risks within the manufacturing of these products, we recognise the high inherent risks of modern slavery also present further down the supply chain of the products, such as, the high risk of child labour in the mining of raw minerals used to make electronic components (i.e. conflict minerals) and forced labour in the manufacturing of product parts.

While our suppliers typically demonstrate established programs with respect to addressing labour rights issues, our view is that this area of our supply chain presents high residual risks of modern slavery.

Promotional merchandise and office stationery

EY procures a variety of merchandise and office stationery products such as hats, t-shirts, bags, umbrellas and pens. These products are typically sourced by Australian based companies who manufacture or source these products predominantly from China, Malaysia and Indonesia. Our promotional merchandise and office stationery suppliers were identified in our risk assessment as presenting a high inherent risk of modern slavery due to high country risks, industry risks and widely known labour rights issues associated with the manufacturing of these products.

For example, garment manufacturing is known for its systemic labour rights issues such as excessive working hours and substandard working conditions. The low-skilled nature of the work, which sometimes occurs within a weak regulatory environments, combined with the low-cost model of the industry can create a heightened risk of vulnerability for workers.

Whilst our key suppliers of promotional merchandise and office stationery demonstrated established controls to mitigate risks and identify and remediate issues pertaining to labour rights, the industry-wide systemic issues support our continued focus on these areas in our supply chain.

Onsite cleaning services

The onsite cleaning services performed in our Australian offices were identified as presenting a moderate inherent risk of modern slavery practices. The cleaning industry is widely known as having a heightened vulnerability to modern slavery practices due to factors such as, the prevalence of migrant labour, the low skilled nature of the work and the known controversies of underpayment and poor treatment of workers. During the reporting period we commenced a review of the engagement activities of one of our key cleaning contractors to better understand the controls they have in place to manage risks of labour exploitation, including modern slavery. Furthermore, we engaged the onsite EY personnel responsible for managing and monitoring the performance of our cleaners to better understand the day-to-day activities and controls in place to mitigate risks. Whilst we recognise the lower inherent risk of modern slavery in Australia, and the controls observed, in light of the known vulnerabilities in the industry, we still consider this an area of risk for continued focus.

Impact of COVID-19

Due to the economic consequences of government restrictions, businesses have faced significant challenges in their efforts to address modern slavery risks and controls within their supply chains. Economic pressures associated with COVID-19 have created a heightened level of modern slavery risk for the workers in global supply chains and has made validation of supplier assertions pertaining to labour practices and remediation more difficult. Taking account of these factors EY will continue to consider the evolving nature of modern slavery risks in our sourcing of goods and services.



Our approach to managing modern slavery risks

Our Risk Management business function has responsibility for the overarching management of EY's modern slavery response. The day-to-day implementation of controls and activities sits within the relevant business functions, which include, among others, Procurement, Legal, Talent and Workplace Services. Human Rights Specialists within the EY Climate Change and Sustainability Services team were engaged during the reporting period to support EY Australia's inaugural response to the Act, and to support the continual improvement of our approach to addressing modern slavery issues going forward.

Establishing our baseline

In FY20, EY Australia undertook an assessment of our modern slavery risks and relevant controls to establish a baseline against which our approach to managing modern slavery risks could mature. The assessment involved an operational and supplier risk

assessment, cross-functional internal stakeholder engagement and a gap analysis of our policies, procedures and processes. The gap analysis was undertaken against the EY Human Rights Due Diligence Framework, which was designed using international standards and guidance, including, the UN Guiding Principles on Business and Human Rights.

The baseline controls we identified included EY's extensive suite of global and local policies and procedures which protect the working rights of our people, and provide controls to ensure there is no forced labour, child labour or other forms of modern slavery in our direct employee workforce.

Areas for improvement were identified in our approach to managing modern slavery risks in our indirect workforce, for both supplier selection and onboarding due diligence practices. Enhancing our processes to assess and address risks in our supply chain was a key area of priority in FY20 and we consequently took action in the following areas:

- ▶ Formalising our position on modern slavery
- ▶ Strengthening modern slavery controls
- ▶ Conducting due diligence activities

Enhancing our policies & procedures

EY has an extensive suite of policies and procedures which guide the actions of our people, including how we work with each other, our recruitment and purchasing practices and our engagement with clients.

Outlined on the following page are our policies and procedures, together with details of the actions taken in the current reporting period to enhance our policy framework and strengthen our control environment pertaining to modern slavery risks.

The EY Human Rights Due Diligence Framework



Policies and procedures

- ▶ **Global Code of Conduct** - Our commitment to integrity and professionalism is set forth in our [Global Code of Conduct](#), which provides a clear set of standards for all of our business practices.
- ▶ **EY Ethics Hotline** - [EY Ethics Hotline](#) provides a platform for EY people, clients, suppliers and others outside the firm to raise grievances or concerns through a confidential and anonymous channel which is accessible via phone or an online portal.
- ▶ **Whistleblowing policy** - Our [Whistleblowing Policy](#) is available publicly online and sets out the principles for making, receiving, investigating and addressing disclosures raised by whistleblowers.
- ▶ **Employment agreements** - All employees receive an employment agreement which clearly communicates their working rights and terms of employment, including, working hours, remuneration and notice periods.
- ▶ **Global Procurement Policy** - The *EY Global Procurement Policy* sets out the codes and policies that govern the processes pertaining to supplier engagement and the minimum requirements and prohibitions with respect to the purchasing of goods and services on behalf of EY.
- ▶ **Global Supplier Code of Conduct** - The *EY Global Supplier Code of Conduct* establishes a shared understanding with suppliers of our minimum expectations. Our newly established minimum modern slavery standards were integrated into the EY Global Supplier Code of Conduct in the the reporting period.



Our approach to operational due diligence

Our approach to managing risks of modern slavery in our operations is guided by a strong policy environment in relation to workplace relations, zero-tolerance for modern slavery practices and a robust governance structure.

For our direct employees, this includes a rigorous onboarding process which includes the confirmation of appropriate visa status, working entitlements in alignment with Australian legislation and the careful management of health and safety by the Risk Management team.

Support staff employed by offshore member firms are governed by EY policies relating to labour rights, entitlements and health and safety, and are subject to working rights in accordance with local law.

In the coming years, EY Australia will undertake due diligence activities over our offshore and outsourced operations to validate our understanding of the existing control environments, and where appropriate, provide recommendations and support for improvements.

Enhancing our approach to supplier due diligence

Taking a risk-based approach to supplier due diligence

We have introduced a risk-based approach to modern slavery supplier diligence. This approach prioritises suppliers by level of inherent risk, which informs the appropriate level of due diligence for supplier selection.

Our approach has been designed to include a minimum level of diligence for all suppliers, irrespective of risk. All new suppliers are now required to:

- ▶ Read, agree and adhere to the revised EY Supplier Code of Conduct, which includes EY's minimum standards on modern slavery
- ▶ Agree to the inclusion of EY Australia's modern slavery clause in the contract between the supplier and EY Australia

For suppliers identified as having a medium or higher inherent modern slavery risk, an additional

level of due diligence is performed, requiring the supplier to:

- ▶ Complete and return EY Australia's Modern Slavery Supplier Diligence Questionnaire for review and follow up by EY Australia as necessary

Where the supplier is identified as a priority risk supplier, our teams undertake heightened due diligence, such as, virtual or (where feasible) physical site audits to obtain comfort the controls in place are mitigating modern slavery risks appropriately.

Embedding modern slavery controls into supplier selection

To determine the level of inherent risk, we integrated a risk identification and assessment process step into our existing procurement process which enables the assessment of a prospective supplier's inherent modern slavery risk level. Training sessions for our Procurement team have been held to enhance their awareness of modern slavery risks and the implementation of the revised procurement process.

In addition, we have engaged with our Global Procurement colleagues to educate them on our modern slavery obligations, resulting in the addition of specific questions in our Global Procurement process.

FY20 due diligence activities

In line with our risk-based approach to due diligence, in the FY20 reporting period, we conducted due diligence over a sample of existing suppliers. The suppliers were selected based on our prioritisation methodology which considers inherent modern slavery risk, causality and how core the supplier is to our business.

The selection included suppliers which provided EY with the following goods and services:

- ▶ Technology hardware
- ▶ IT outsourced support services
- ▶ Promotional merchandise
- ▶ Office supplies and stationery
- ▶ Cleaning services
- ▶ Office design and construction services
- ▶ Outsourced administrative support services
- ▶ Recruitment services
- ▶ Hospitality services

Selected suppliers were asked to provide responses to our Modern Slavery Supplier Diligence Questionnaire. We reviewed the responses and conducted follow up enquiries where appropriate. Our suppliers typically demonstrated a strong level of engagement through their responses which enabled us to gain a greater understanding of the level of residual risk present and the maturity of the suppliers' approach to managing modern slavery risks.

Our suppliers commonly demonstrated an appropriate level of awareness of labour issues and modern slavery and provided assertions and supporting documentation regarding how they manage these risks.

Through this process, in addition to several areas requiring performance improvement, we received direct acknowledgements of modern slavery-related practices in the supply chains of two suppliers. EY conducted further enquiries in response to these findings and whilst the suppliers demonstrated that they have programs in place to manage the risks of modern slavery, they also acknowledged the challenges they face in driving substantive change. EY will continue to monitor and engage with these suppliers for ongoing updates as to what measures are being introduced to address these issues.

Strengthening our supplier agreements

In FY20, we integrated modern slavery provisions into our standard contractual agreements with suppliers. The provisions set out EY's expectations that the supplier will adhere to our Global Supplier Code of Conduct, including our minimum modern slavery standards, and provides EY a right to audit our suppliers with respect to labour rights practices in the supplier's operations and supply chain. These clauses will be introduced into supplier contracts as we enter into new contracts or as current contracts are renewed.

Remediation

Although we have not identified incidents of modern slavery in our direct workforce, we are confident in the efficacy of our EY Ethics Hotline and well-established investigation and escalation processes, to appropriately investigate and remediate any incidents should they arise. In an instance where a supplier is found to be engaging in modern slavery like practices, EY will work with the supplier to understand the scale of adverse impact and the approach taken to remediate any harm. The effectiveness of our remediation process will depend on the level of influence and strength of our relationship with the supplier, as well as the collaboration with stakeholders.

We recognise the value in developing a standardised approach to remediation and aim to establish a more formal, documented approach to remediation in FY21. The procedure will include a prescribed escalation procedure, with the view to seeing tangible positive impacts for the people within our supply chain. Our goal is to demonstrate that any reports of potential or actual modern slavery practices in our operations and supply chain are properly investigated and seen through to remediation.



Grievance Mechanism

The EY Ethics Hotline is a well-established whistleblower and grievance mechanism. The hotline provides EY people, suppliers, clients and others outside of EY with a means to make reports confidentially, and either anonymously or on a disclosed basis. The Ethics Hotline is operated by an independent external organisation, NAVEX Global. Reports received by NAVEX Global are escalated to nominated EY personnel.

During the reporting period, EY Australia did not receive any reports of modern slavery practices, such as forced labour, bonded labour, child labour or any other forms of modern slavery through the Ethics Hotline.

Assessing the effectiveness of our approach

In the first reporting period, we concentrated our efforts on setting up a robust due diligence system with enhanced controls. We recognise however that we need to take appropriate steps to ensure that firstly, our enhanced controls are being consistently implemented, and secondly, the controls are appropriate and effective.

We have set out below, the key activities that enable us to monitor the implementation and assess the effectiveness of our modern slavery approach.

- ▶ **Annual review** - To continue to enhance the design of our approach, we will conduct a holistic annual assessment of the due diligence system to identify aspects which may be ineffective, as well as identify areas to further strengthen the approach. This review will incorporate an assessment of both design and implementation effectiveness.
- ▶ **Modern Slavery Risk Assessment** - We will conduct an annual modern slavery risk assessment refresh to monitor changes and trends in our risk profile across both our operations and supply chains and to make sure that our approach to risk identification and assessment remains current and effective.
- ▶ **EY Oceania Compliance Program** - The purpose of the Oceania Compliance Monitoring Program is to understand and evidence how we comply with legislative and regulatory obligations; registration and licensing requirements; industry codes and guidelines; and internal firm policies and procedures. EY's revised procurement process has been included in the FY21 schedule of the compliance program. The program provides support to owners of non-compliant areas and assists in implementation of risk mitigation strategies. Through this program, we will be able to assess both the consistency in implementation of the modern slavery controls in ongoing procurement activities, as well as assess the extent to which modern slavery considerations have received appropriate weighting during the supplier selection process.
- ▶ **Continue supplier diligence over existing suppliers** - Given this is the first period during which we have carried out due diligence activities over our supply chain, we will continue rolling out further due diligence over suppliers, as required over the coming year. We plan to track the performance of our suppliers, and evaluate the effectiveness of our approach to address, mitigate and remediate modern slavery. Pending travel restrictions due to COVID-19, we will also commence physical site audits of relevant suppliers.
- ▶ **Continue education & training** - EY Australia is committed to conducting modern slavery training for all key stakeholders in the business, to enhance our people's awareness of modern slavery risks and understanding of the modern slavery policies and processes in place to address those risks. The relevant business units will be encouraged to provide feedback in order to tailor the training and ensure the content effectively guides their use of the implemented controls and addresses their responsibilities under the legislation.

Our commitments for the future

The below sets out a list of forward commitments which EY Australia will undertake in coming years. We will report on our progress in implementing these commitments in our future modern slavery statements.

- HUMAN RIGHTS POLICY** EY is currently developing a global human rights policy to establish EY’s global position on internationally recognised human rights and set forth a clear path for addressing our most salient human issues, including modern slavery
- MODERN SLAVERY TRAINING** EY Australia will provide modern slavery training to key functions, including Procurement, Legal, Talent and Workplace Services
- SUPPLIER DUE DILIGENCE** EY Australia will conduct further due diligence activities over selected high priority suppliers to validate the responses received through our diligence questionnaire and assess the efficacy of the suppliers’ remediation practices
- OPERATIONAL DUE DILIGENCE** EY Australia will undertake due diligence activities over our offshore operations to validate our understanding of the existing control environments, and where appropriate, provide recommendations and support for improvements
- CLIENT ACCEPTANCE** EY Australia will encourage the integration of human rights risk considerations in our client acceptance processes
- DRIVE IMPROVEMENTS** EY Australia will engage with suppliers identified as requiring improvement in certain areas following their responses to our questionnaire, to request the supplier undertake corrective actions to strengthen their approach to managing modern slavery risks



EY | Building a better working world

About EY

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