

Sunsuper Group

# Modern Slavery Statement

2021

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## 1.0 Introduction

This statement, pursuant to the *Modern Slavery Act 2018* (Cth) (the Act), outlines the actions taken by the Sunsuper Group to assess and address modern slavery risks in our operations and supply chain. This is the Sunsuper Group's second Modern Slavery Statement and covers the reporting period 1 July 2020 to 30 June 2021.

The statement is made on behalf of the Sunsuper Group, including Sunsuper Pty Ltd (ABN 88 010 720 840, AFSL No 228975), the Trustee of the Superannuation Fund (ABN 98 503 137 921) and the following related bodies corporate:

- Precision Administration Services Pty Ltd (ABN 47 098 977 667, AFSL No. 246 604)
- Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818, AFSL No. 227867)
- Sunsuper Infrastructure Trust 3 (ABN 60 798 062 849)
- Sunsuper Pooled Superannuation Trust (ABN 14 732 571 880).

All entities within the Sunsuper Group utilise the same policies and processes and have shared suppliers. As a result, a joint statement has been prepared for the Sunsuper Group entities outlined above to provide a single, consolidated view on the matters prescribed by the Act.

The directors of all entities listed above were consulted on the combined group joint statement, noting that not all entities within the group met the compulsory reporting criteria and therefore, some entities have voluntarily reported.

As the controlling entity within the group, Sunsuper Pty Ltd will sign the Sunsuper Group Modern Slavery Statement. All entities in the group have been consulted and have had the opportunity to review and update the Sunsuper Group Modern Slavery Statement prior to its release.

### 1.1 Our structure, operations and supply chains

The Sunsuper Superannuation Fund is one of Australia's largest super funds with 1.4 million members, and, as at 30 June 2021, \$90 billion in funds under management.

As a profit-for-members fund, our customers sit at the heart of everything we do. Any profits are returned to members through lower administration fees, product innovation and enhanced services.

We also help more than 160,000 businesses across the country manage their employees' retirement savings through a range of products and services designed to make managing super efficient.

Our purpose is to inspire and empower Australians to fulfil their retirement dreams. It's our reason for being and motivates us to deliver great customer service by helping members grow their super through award-winning products, strong long-term investment returns and lower administration fees.

The Sunsuper Superannuation Fund is structured as a trust and managed by a board of trustees. The following table provides an overview of the key activities of the entities within the Sunsuper Group:

| Entity  | Description  |
|---|--|
| Sunsuper Pty Ltd                                | Trustee of Sunsuper Superannuation Fund and Sunsuper Pooled Superannuation Trust   |
| Sunsuper Superannuation Fund                    | Superannuation fund  |
| Sunsuper Pooled Superannuation Trust            | An investment vehicle supporting the overall investment strategy of the fund   |
| Sunsuper Infrastructure Trust 3                 | An investment vehicle supporting the infrastructure investment strategy of the fund  |
| Precision Administration Services Pty Ltd (PAS) | Wholly owned (via its Custodian) by Sunsuper Pty Ltd as Trustee of the Sunsuper Superannuation Fund. Provides administrative services to the fund  |
| Sunsuper Financial Services Pty Ltd             | Wholly owned (via its Custodian) by Sunsuper Pty Ltd as Trustee of the Sunsuper Superannuation Fund. Provides financial advice to members and employers, and actuarial consulting services to defined benefit funds held within the Fund and external parties. |

Table 1: Entity Structure Listing

The registered office for all entities within the group is 30 Little Cribb Street, Milton Qld 4064.

The Sunsuper Group, through the Sunsuper Superannuation Fund and PAS, employs over 1,300 staff either directly or indirectly through agencies where contractors are required to meet business requirements. The majority of direct staff are employed through PAS via a collective industrial instrument.

Service agreements exist with other entities in the group so either the Sunsuper Superannuation Fund or PAS can provide services.

The Sunsuper Group has two primary business functions, being (1) investment management and (2) superannuation administration. The group's supply chain includes services provided by external fund managers who oversee investment management activities and consultants who provide a range of advisory services. The group's operations include internal investment management.

Sunsuper's investments span a range of countries and regions, in both developed and emerging markets. You can find out more about Sunsuper's investment options, including geographic allocation, in our *Investment Report*, available at

[sunsuper.com.au/investments/performance/reports](https://sunsuper.com.au/investments/performance/reports).

In order to successfully operate the entities within the group and provide superannuation administration services, external suppliers are required. The group's supply chain has complex supplier relationships, ranging from large international companies that supply IT infrastructure, services and equipment to stationery suppliers.

More information on Sunsuper's key suppliers, including our external fund managers, can be found in our 2020-21 *Annual report*, available at

[sunsuper.com.au/annual-reports](https://sunsuper.com.au/annual-reports).

## 1.2 Risks of modern slavery in Sunsuper Group operations and supply chains

The Sunsuper Group recognises that modern slavery risks may be present in our operations and supply chains. Sunsuper has identified the risk that it may be directly linked to modern slavery practices through its investment activities, where the investee engages in modern slavery practices. We have examined the underlying listed equity portfolio companies (our 'Tier 2' suppliers) aided by data provided by our ESG service provider. We have identified that companies in the air freight and logistics, food distributors, restaurants and retail food industries represent a higher risk of modern and child slavery.

Sunsuper has also identified the risk that it may be directly linked to modern slavery practices through a business relationship with an entity within its direct or extended supply chain. We continue to refine the risk assessment of our supply chain, recognising that the level of risk is influenced by factors such as the type of product and service, sector and industry, geographical location and specific entity risk. The products or services we procure that have been assessed as presenting an elevated risk of modern slavery are outlined in section 2.3 below.

## 1.3 Impacts of COVID-19

Although the ongoing COVID-19 impacts have presented challenges for the Sunsuper Group, it has not altered our assessment of the risks of modern slavery in our operations and supply chains outlined in section 1.2 above.

Recognising that some of our suppliers may have been significantly impacted by COVID-19, we continued our focus on payment times during FY2021.

## 2.0 Assessing and mitigating modern slavery risk

The diversity and scale of the Sunsuper Group's investment management activities and the supply chain utilised in its superannuation administration operations may expose the group to modern slavery risks. The modern slavery risk in our operations and supply chain is assessed and managed within our established corporate governance framework.

Sunsuper is a strong advocate of good corporate governance, not only within its own operations but within those of its external service providers. The Sunsuper Board oversees the group's actions in addressing modern slavery risks. There are a number of group policies relevant to modern slavery that underpin this governance framework. These include our:

- Code of Conduct and Ethics Policy,
- Procurement Policy,
- Whistleblower Policy; and
- Environmental, Social and Governance (ESG) Policy.

Please refer to our corporate website at [sunsuper.com.au/governance-and-reporting](https://sunsuper.com.au/governance-and-reporting) for further information on our approach to corporate governance.

## 2.1 Investment management

Sunsuper has diversified asset portfolios that may have exposure to various asset classes, including listed shares, private equity, fixed income securities, property, infrastructure, cash, currencies and derivatives. These investments are predominantly managed by third-party professional investment managers. Through these investments, particularly within the listed shares asset class, Sunsuper has direct and indirect interests in many thousands of companies and entities worldwide.

To best protect and manage our investments for the long term, we require our investment managers to consider environmental, social and governance (ESG) risks, impacts,

and opportunities in their investment decision-making process. We believe that taking these ESG matters into consideration is consistent with better investment outcomes and has the ancillary benefit of contributing to a better future for our members. Research has shown that all other things being equal, entities that best manage ESG factors are more likely to be financially sustainable over the long term.

The below graphic outlines some of the most material ESG risks facing Sunsuper’s investment portfolio and includes ‘slavery and child labour’.



Sunsuper has integrated modern slavery risk analysis into its existing ESG risk management processes. We engage directly with many of our largest investments - some of which are the nation’s largest employers with the largest supply chains, and we consider the outcomes of this engagement when determining how to vote at the companies’ Annual General Meetings.

The Sunsuper Group is committed to being an active owner on behalf of our members. We believe that engaging directly with company directors and voting on resolutions

at annual general meetings where we consider these are appropriate and effective is not only our fiduciary duty but can also be a source of value creation by protecting and enhancing shareholder value. We use our influence to encourage companies to manage and disclose risks that relate to a range of environmental, social and governance factors.

For further information see our 2020-21 Responsible Investment Report at [sunsuper.com.au/investments/how-we-invest/responsible-investing](https://www.sunsuper.com.au/investments/how-we-invest/responsible-investing)

## 2.2 Investment management actions undertaken

The work performed on modern slavery in FY2020 within the investment portfolio was built upon during the reporting period FY2021. Whilst many of our external manager relationships and portfolio companies are captured by the Modern Slavery Act in Australia or the UK (providing additional insights into this important issue), these insights are of varying quality and a large proportion of the portfolio remains yet to be covered by such legislation.

In FY2020, Sunsuper administered a questionnaire to our external fund managers to establish a baseline understanding of how human rights risks are assessed and monitored within our fund managers' operational and investment processes. The insights from that questionnaire highlighted that our managers' approach to assessing human rights and modern slavery risks vary in maturity. To uplift efforts and ensure minimum standards, Sunsuper has commenced introducing modern slavery provisions into Public Market investment management contractual agreements.

Last year, our statement noted that we had identified 28 companies within the listed equities portfolio that had potential modern slavery issues within their supply chains, which was based on our own desktop research and which utilised MSCI's ESG data. We have been furnished with policies or statements from most of these companies, which in general shows a heightened level of awareness and action in relation to this issue. However in order to ensure the portfolio is more comprehensively assessed, and to incorporate more data sets, this year Sunsuper engaged a third party consultant with an enhanced process to help assess the portfolio for modern slavery. The third party consultancy group applied its Modern Slavery Risk Analysis Tool to provide insights into where modern slavery risk may lie within Sunsuper's listed equity portfolio.

An assessment of modern slavery against country of operation and sub-industry in which the company operates was undertaken. A heatmap was produced to indicate possible modern slavery hotspots within the investment portfolio.

Country risk considers the prevalence of people in modern servitude per thousand of population. This is augmented by a measure of the future risk of continued modern slavery by considering aspects such as inequality and governance issues, using data from the Walk Free Foundation's Global Slavery Index.

Sub-industry risk considers issues in supply chain management, labour practices, employee health and safety and business ethics within the primary operations of portfolio companies' subsectors, as determined by the Sustainability Accounting Standards Board.

The resulting risk heatmap produced has provided an improved indication of possible locations of modern slavery within the listed equity portfolio and will be used in engagements with our managers and portfolio companies.

The analysis identified companies operating in Pakistan, Philippines, Thailand, Egypt and India to be at higher risk of exposure to modern slavery. In addition, the highest risk sub-industries for Sunsuper's listed shares portfolio were Air Freight and Logistics, Food Distributors, Restaurants and Food Retail. In our statement for FY2020, we identified two prior instances where risks within the labour supply chain resulted in Sunsuper excluding companies from its investable universe. The first of these companies, an Asian aquaculture firm is showing signs of improvement in its supply chain management, to the point where continued exclusion from Sunsuper's portfolio is under review. The second excluded company, a Middle Eastern construction company has ceased business.

## 2.3 Superannuation administration actions undertaken

During the FY2021 reporting period, the following actions have been taken to improve the Sunsuper Group's capacity to identify and manage modern slavery risks in its supply chain in relation to its administration of the Sunsuper Superannuation Fund.

### 1) Creation of a Supplier Code of Conduct

A Supplier Code of Conduct (Code) was developed in FY2021 and sets out the minimum standards that Sunsuper expects from its suppliers in the provision of goods or services to or on behalf of Sunsuper. The Code applies to all supply chain partners of Sunsuper irrespective of the value of the procurement activity and supplements any contract that has been agreed between the supplier and the Sunsuper Group. The Code includes the minimum expectations of suppliers in identifying and mitigating the risks of modern slavery in their operations and supply chains.

Sunsuper expects its suppliers to monitor their own and their suppliers' compliance with the Code and to ensure timely correction of any identified non-conformance. Suppliers are also required to promptly notify Sunsuper of any breaches or compliance concerns. There are a number of reporting mechanisms available to suppliers to notify Sunsuper, including an independent grievance reporting hotline.

The Code was distributed for the first time to over 550 active suppliers of the Sunsuper Group in June 2021.

### 2) Risk exposure assessment of our supply chain

Risk assessment of all active Tier 1 suppliers was progressed during the reporting period to identify areas of Sunsuper's business supply chains where there is a higher exposure to risks of modern slavery. Active Tier 1 suppliers are defined as those that the Sunsuper Group had transacted within the previous 18-month period.

Factors used to conduct the risk assessment have been drawn from various sources, including guidance issued by the Australian Council of Superannuation Investors (ASCI), KPMG and the Global Slavery Index 2018. Based on this guidance, we have assessed that the products or services we procure within the following categories present an elevated risk of modern slavery:

- Laptops, computers and mobile phones,
- Cleaning and security services,
- Promotional marketing items,
- Coffee products,
- Catering services.

Of 568 active Tier 1 suppliers, 39 or 7% were assessed to be in one of the product or service categories that present an elevated risk of modern slavery. Further due diligence activities will be undertaken on the 39 suppliers initially assessed as being in a high-risk product or service category during FY2022. Additional information from each supplier will be obtained to understand the activities they are undertaking to manage modern slavery risks in their operation. As further information is obtained, reclassification of high-risk suppliers may occur.

### 3) Key procurement policies reviewed and updated

All procurement activity with suppliers used within the Sunsuper Group are assessed under the group's Procurement Policy. The Procurement Policy was reviewed during the reporting period and updated effective June 2021 to require the provision of Sunsuper's Supplier Code of Conduct to vendors on an annual basis as part of vendor management obligations.

## 3.0 Measuring effectiveness

During this reporting period, the focus was to continue to gain a better understanding of our modern slavery risks and how such risks present in the Sunsuper Group's operations and supply chains. Sunsuper recognises that our review and assessment of our actions to identify and address our modern slavery risks in our operations and supply chain will be an ongoing and evolving process that we are committed to continue to build upon. The Sunsuper Group has commenced and will continue to work on developing the following mechanisms to assess the effectiveness of the actions described in this Statement to address modern slavery risks:

### 1) Key actions tracked

The key actions described in this statement to assess and mitigate modern slavery risks will be monitored, with progress reported at Board and Audit, Compliance and Risk Management Committee meetings.

Key performance indicators (KPIs) will be used to measure progress made in our response to mitigate modern slavery risks including:

- % of key management team members trained in modern slavery awareness,
- # and % of new or renewed contracts containing modern slavery clauses, and
- # and % of identified high risk suppliers reviewed, with discussions held around modern slavery compliance.

### 2) Process and policy reviews

Key processes and policies outlined in this statement will be reviewed and assessed on an annual basis. Data drawn from the measurements that we have put in place will help inform and refine our key modern slavery policies, such as our Procurement Policy.

### 3) Grievance reporting

All grievances reported will be reviewed, including an analysis of any trends from the grievance data.

### 4) Investment Management Review and Monitoring

Sunsuper is committed to continuing to extend the time series of data received from our external fund managers (Tier 1 suppliers) around the monitoring of human rights risks. We will, where appropriate, share our learnings with our managers and maintain a dialogue so that they may improve their approach to managing modern slavery risk.

Sunsuper will continue to engage with listed equity investment companies (Tier 2 suppliers) identified as requiring additional review and focus. We will review the identification process and update the focus list of companies most at risk of having modern slavery within their supply chains. We will continue to encourage these companies to take action and report on modern slavery to lower this risk.

## 4.0 Looking forward

The Sunsuper Group is committed to identifying and remedying modern slavery risks in our operations and supply chains.

Looking ahead, we plan to progress the following actions in FY2022 and beyond:

- Ongoing risk assessment of our supply chain and engagement with suppliers in the high-risk profile groupings to more deeply review exposure to modern slavery practices.
- Ongoing delivery of a broad training program for our team and directors to increase their understanding and awareness of modern slavery risks in our operations and supply chain.
- Continue to evolve our performance metrics to monitor the effectiveness of our actions.
- Continue to build internal capacity within the Responsible Investment team to expand upon the work performed to date.

This Statement was approved by the Board of Directors of Sunsuper Pty Ltd, the principal governing body for the Sunsuper Group, on the 9th of December 2021.

Signed for and on behalf of the Board of Sunsuper Pty Ltd



**Andrew Fraser**

Chair





what dreams are made of

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