

The background of the cover is a vibrant, sunlit field of tall grasses. A large, semi-circular orange shape is overlaid on the left side, containing the title text. The sun is visible in the upper right, creating a bright lens flare effect across the scene.

# AustralianSuper Modern Slavery Statement FY20



# Introduction from Chairman, Dr Don Russell & Chief Executive, Ian Silk



With an estimated 40 million victims of modern slavery globally<sup>1</sup>, modern slavery is a serious issue for communities and investors worldwide. AustralianSuper acknowledges the risk modern slavery presents and as a trustee investing on behalf of members, we understand the importance of addressing this risk in our operations and supply chains.

As a significant global investor, we believe we have a responsibility to use our size to advocate for improved outcomes. By actively addressing modern slavery and collaborating with other investors and civil society, we believe we are heightening awareness of this issue and contributing to the mitigation of modern slavery risk for the most vulnerable people globally.

AustralianSuper has a long-standing program of integrating labour force and human rights considerations into its investment decision-making process and stewardship activities.

Our activities include co-founding and contributing to the Cleaning Accountability Framework (CAF); recommitting as a signatory to the Workforce Disclosure Initiative; continuing our membership of the Australian Council of Superannuation Investors (ACSI) and the Responsible Investment Association Australasia (RIAA) Human Rights Working Group; and independent direct engagement with listed companies and unlisted assets.

While assessing the risk to value is an important part of our investment approach, this statement focuses on modern slavery from a 'risk to people' perspective. This looks to determine where modern slavery risks are likely to be most prevalent in terms of their impact on individuals, rather than investment value, level of expenditure or impact to the business.

Highlights from our work in FY20 include:

- › Establishment of a Modern Slavery Working Group
- › Engagement of service provider Fair Supply to conduct an independent modern slavery risk assessment of 2,500 companies our listed equities portfolio as at 31 December 2019
- › Improvement of processes through which we assess the modern slavery policies and approaches of our external investment managers
- › Review and amendment of contracts with material suppliers to include specific modern slavery obligations
- › Amendments to services agreements to include modern slavery obligations for suppliers
- › Development of a modern slavery questionnaire intended to help assess the modern slavery risk profile of existing and new suppliers
- › Continued involvement with CAF to improve labour practices for workers in the high-risk cleaning industry
- › Co-authoring of **Modern Slavery Reporting – Guide for Investors** with ACSI and RIAA's Human Rights Working Group.

All of this work contributes to the quality of the investment portfolio for our members, and combined with our past activity, contributed to AustralianSuper being ranked as the number one performing Fund over 5, 7 and 15 years<sup>2</sup>.

This statement outlines AustralianSuper's approach to addressing modern slavery to date and sets the foundation for the work that we will continue to do as an organisation and investor in the future.

This statement was approved by the Board of AustralianSuper on 25 February 2021.

**Dr Don Russell**  
Chair

**Ian Silk**  
Chief Executive

1. ILO and Walk Free, Global Estimates of Modern Slavery, 2017  
2. SuperRatings Survey as at 31 Jan 2021.

## About us

We manage the retirement savings of more than one in ten working Australians with the aim of helping members achieve their best possible retirement outcomes.

AustralianSuper is the largest superannuation fund in Australia and one of the largest pension funds in the world<sup>3</sup>, managing over \$200 billion in assets on behalf of 2.3 million members. AustralianSuper provides a range of services for members.

More information about who we are and how we are working to deliver for members is available in our [2019-2020 Annual Report](#).

## Our structure

AustralianSuper Pty Ltd is the trustee of AustralianSuper, a public offer superannuation fund, and manages the Fund's operations and investment activity on behalf of our members. The Trustee holds an RSE licence from the Australian Prudential Regulation Authority (APRA) which authorises it to act as the trustee of AustralianSuper.

In addition, AustralianSuper Pty Ltd has established a number of wholly owned and controlled investment vehicles also known as Separate Legal Entities 'SLEs', usually in the form of unit trusts with proprietary limited trustee companies. These SLEs have been established for the purpose of holding specific property, infrastructure and private equity investments in our investment portfolio. No staff are employed by any of these SLEs and they are governed by AustralianSuper Pty Ltd's policies and procedures. We consulted with these entities, particularly through the Company Secretary of these entities, on the content of this statement.

For the purposes of the *Modern Slavery Act 2018* (Cth), only one of the SLEs is a reporting entity - AS Infrastructure WestConnex (Holding) Pty Ltd as trustee for AS Infrastructure (Holding) Trust. As it is a wholly owned entity, governed by the same policies and procedures as AustralianSuper Pty Ltd, all content in this statement should be read as applying to this entity.

## Our operations and supply chain

AustralianSuper directly employs around 900 team members as at 30 June 2020. Headquartered in Melbourne, Australia, we also have offices in Adelaide, Brisbane, Canberra, Darwin, Hobart, Perth, Sydney, Beijing, London, and New York.

The Fund's main focus is the day to day running of the investment portfolio and member-related functions. We procure a range of goods and services from external providers to achieve our operational aims. In FY20, we worked with more than 1,100 suppliers across our operational and investment activities. Key industries included information technology, business process outsourcing, people and professional services, telecommunications and property. Most of this occurred in Australia or the UK.

## Our investment capability

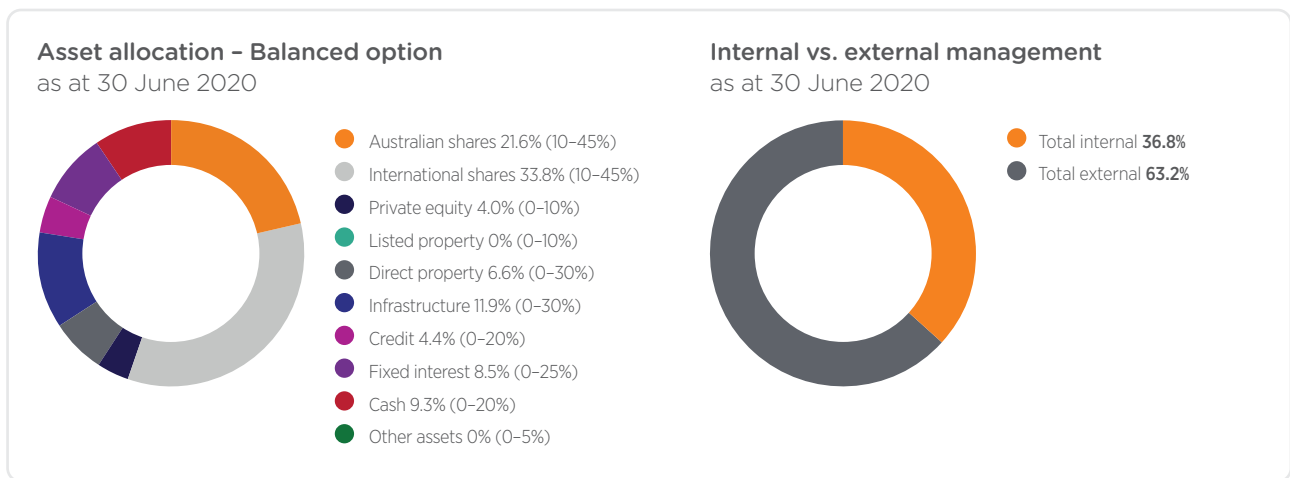
AustralianSuper invests across a variety of asset classes and geographies. We invest both internally through our in-house investment capability and externally through investment managers who run discrete portfolios on behalf of AustralianSuper or pooled investment vehicles. The following charts provide a breakdown of the investment portfolio by asset class, geographic region and internal and external management.

We offer a choice of investment options, with about 90% of members investing in our default Balanced option.

Since 2013 AustralianSuper has been expanding its internal investment capability. Expanding our internal

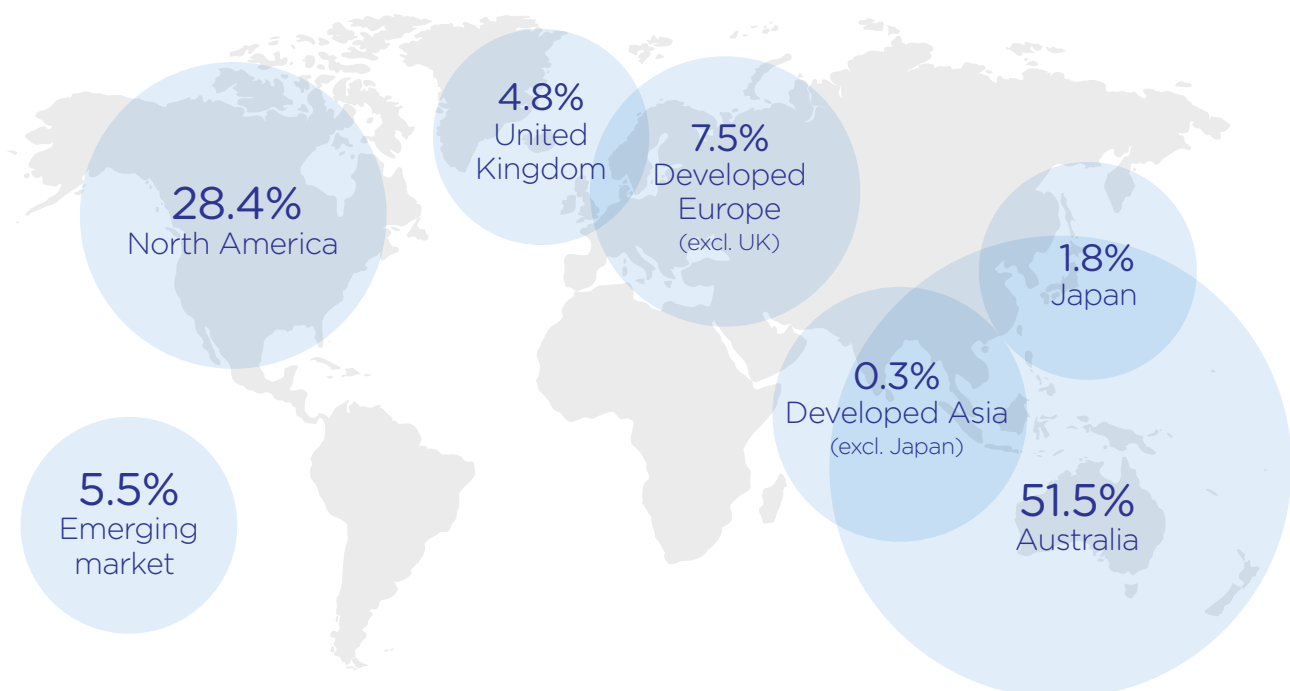
investment capability contributes to better investment performance outcomes by improving our ability to oversee and efficiently manage the portfolio. It also improves our ability to integrate modern slavery risks in investment decision-making and manage modern slavery risks throughout the time the asset is in our portfolio.

We value transparency in our investment activities and believe it's important for members to understand what they are invested in. AustralianSuper publishes a full list of the holdings in each investment option twice a year, which is accessible on [our website](#). Our 2019-2020 Annual Report also contains a full list of our investment managers at 30 June 2020.



## Total member assets by geographic region

Effective 30 June 2020



# Identifying modern slavery risks

## What is modern slavery risk – taking a risk to people approach

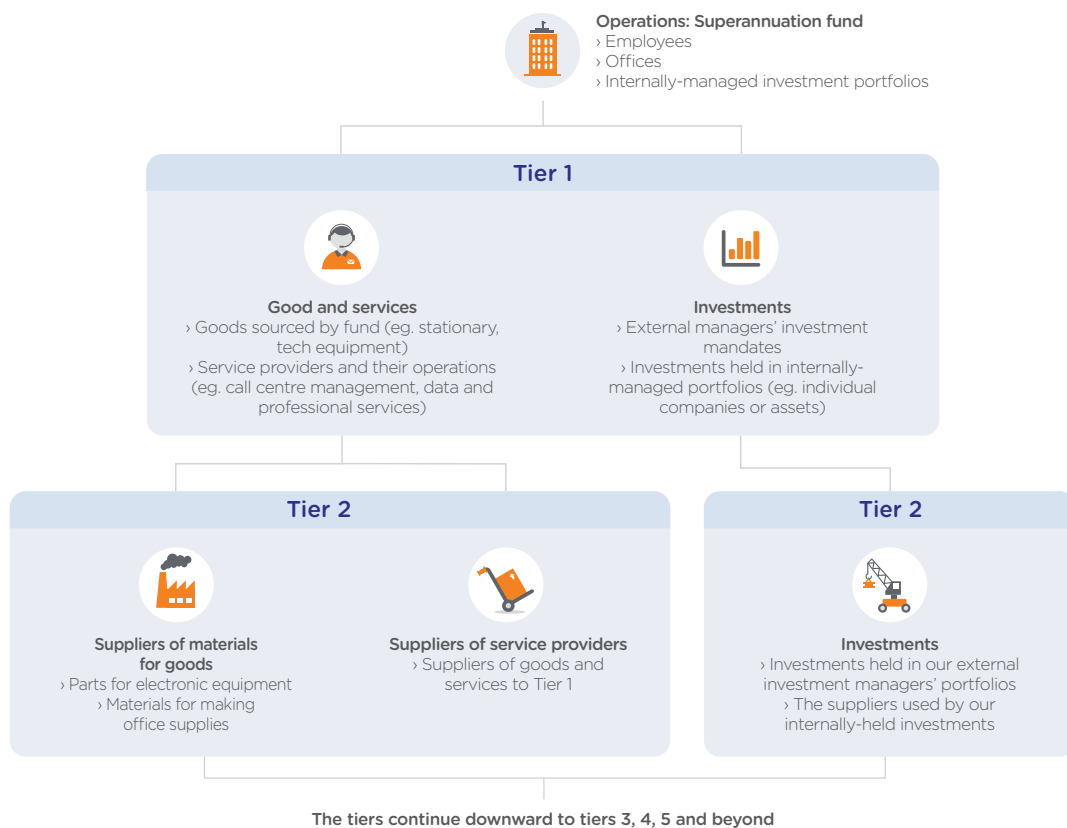
The term modern slavery describes situations where coercion, threats or deception are used to severely exploit victims and undermine their freedom<sup>4</sup>. While modern slavery manifests in different ways, the eight types of serious exploitation that are of focus for the *Modern Slavery Act 2018* (Cth) and AustralianSuper, are: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour<sup>5</sup>.

When looking to assess modern slavery risk, it is important to take a ‘risk to people’ approach. This means that we are looking at the severity of modern slavery practices, the likelihood of them occurring, as well as the extent of the risk in terms of the number of people affected and over what time period.

For AustralianSuper, this means that our risk analysis does not necessarily focus on the most material parts of our business or the risk to AustralianSuper’s business. Rather, we are focussing on areas of our business and investments where the risk is highest for individuals to be subjected to modern slavery practices, even if they are smaller in terms of spend or impact to our business.

When looking to understand modern slavery risk, we also need to progressively address risks deeper in our operations and supply chain. Supply chains are often discussed by describing ‘tiers’ or layers to the supply chain. The below diagram shows an example of a superannuation fund supply chain and the different tiers.

**Figure 1: Example of a superannuation fund supply chain**



4. Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities.

5. As defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999.

## Identifying modern slavery risks cont.

### Procurement

We have begun work on identifying where the risks lie in both our procurement activities and investment portfolio.

Our operations are mainly in Australia and the products and services purchased by AustralianSuper are generally limited to information technology, business process outsourcing and people and professional services. While we understand our operational supply chain (tier 1) and are doing work to gather the necessary information to assess risks posed, we will seek to conduct deeper analysis of procurement activities and risks in future.

### Investment portfolio

In the investment portfolio we seek to identify modern slavery risks as part of our responsible investment approach by integrating Environmental, Social and Governance (ESG) factors in the investment process. This includes analysing material social or 'S' factors including supply chain, labour and modern slavery risks. We assess modern slavery risks prior to investing in an asset and on an ongoing basis throughout the ownership phase for our most material assets.

As part of our 'S' factor assessments, we take into consideration the geographic location of the investment, industry exposure and the nature of the business' workforce to identify potential risks. These elements have been informed by guiding frameworks such as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Global Slavery Index, and UN Guiding Principles on Business and Human Rights. Based on these factors and further information gathered in due diligence, we identify key modern slavery and labour risks for the investment which informs the asset class teams' decision to invest in the asset or external managers' decision to invest in the asset.

### Listed shares modern slavery risk assessment

In FY20 AustralianSuper engaged service provider Fair Supply to conduct an independent modern slavery risk assessment of our Australian and international listed shares portfolios. This risk assessment analysed both portfolios' absolute modern slavery risk down to tier 10 of the supply chain and covered both our internally and externally managed share exposures. The exposures produced indicate the absolute risk of modern slavery occurring throughout our listed shares portfolios, including deep into investee companies' supply chains.

This risk assessment enabled us to identify top modern slavery risks by geography and industry. While this analysis reveals where our modern slavery risk lies, it may not be indicative of modern slavery risk occurring in a company in our portfolio, but rather risks that emerge from deep in that company's supply chain.

### International shares

**Figure 2: Top industry modern slavery risks international share portfolio**



Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2019.

### Australian shares

**Figure 3: Top industry modern slavery risk Australian share portfolio**



Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2019.

## Identifying modern slavery risks cont.

In addition to industry risk assessment, the analysis also produced a supply chain exposure for the Australian listed shares portfolio.

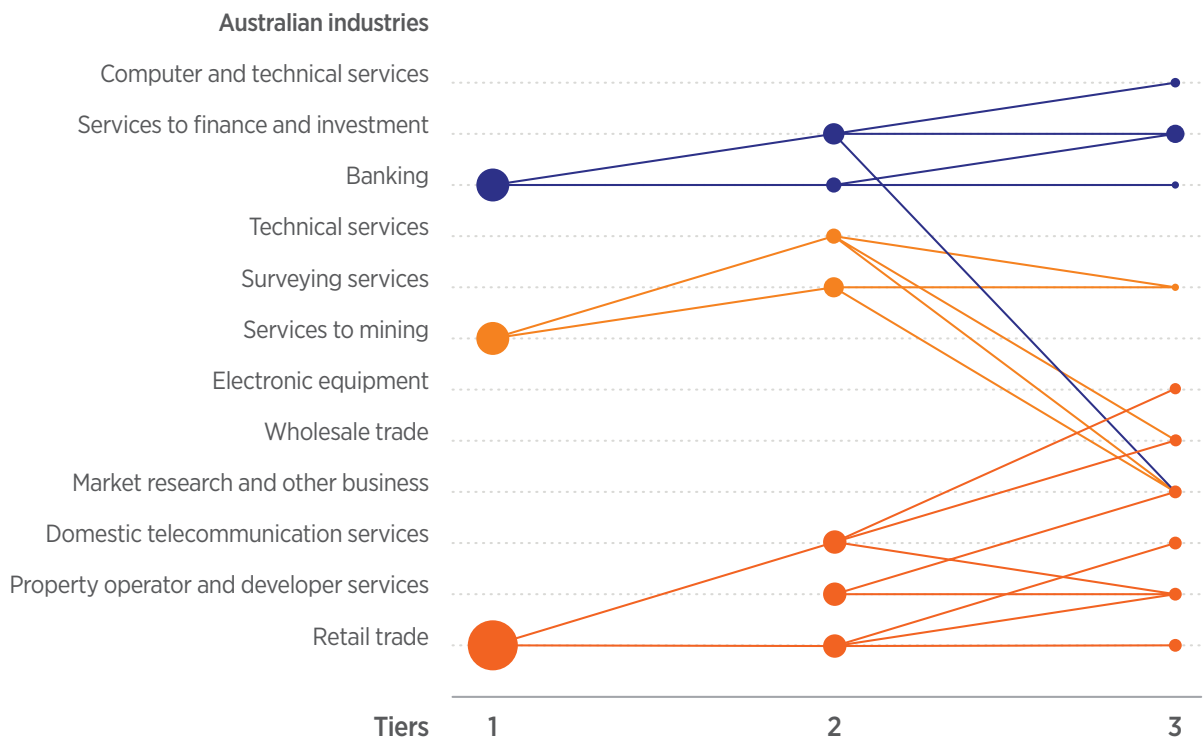
Figure 4 shows the largest industries the Australian shares portfolio is invested in and the related industries in the supply chain that pose the largest modern slavery risk. For example, through our investment in companies that are retailers (indicated by the large dark orange circle in tier 1), AustralianSuper is also exposed to other industries further down the supply chain, such as property operations and

services (as indicated by the connecting dark orange lines to the smaller circles in tier 2) and market research and business management (tier 3). This gives us a deeper perspective of where the risk lies.

### Unlisted assets – infrastructure and property

In FY21, we will seek to expand this risk analysis in our unlisted portfolio. This will complement the already-entrenched ‘S’ factor due diligence process that applies to these assets.

**Figure 4: Australian Listed Shares Portfolio Supply Chain Exposure**



Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2019.



# Assessing and addressing modern slavery risks

## Policy framework

AustralianSuper is governed by a suite of policies which allow for modern slavery risk management in our operations and investment portfolio. The Fund's Code of Conduct, Outsourcing Policy and Framework and **ESG and Stewardship Policy** set out mechanisms by which safe and compliant labour practices occur in our organisation and are assessed in our investment decision-making.

In addition, the Fund's Whistleblower Policy provides mechanisms to allow workforce grievances, including instances of modern slavery, to be escalated and addressed through the proper governance mechanisms at the Fund. Our Whistleblower Policy applies to staff, contractors and suppliers, helping to ensure that we capture and escalate grievances throughout our supply chain.

In FY20, AustralianSuper convened a cross-functional Modern Slavery Act working group to assess the Fund's approach to addressing modern slavery risk. This forum consolidated existing work in the Fund, established a forward-looking work program to reduce modern slavery risk in our operations and investment processes and identified key priorities for AustralianSuper.

## Responsible procurement

For our procurement activities, in FY20 we began a process to review and amend contracts with material suppliers to include specific modern slavery obligations. This included the adoption of policies and procedures that are designed to ensure compliance with modern slavery laws by the vendor and its suppliers, reporting identified modern slavery risks or events to AustralianSuper, keeping records in relation to the supplier's modern slavery practices and providing AustralianSuper with that information. In connection with this process, we also initiated a number of engagements with material suppliers to better understand their modern slavery processes.

We have also completed significant work to amend services agreements to include modern slavery obligations. This will help ensure that new suppliers will be required to have procedures in place to support compliance with modern slavery laws, to start implementing similar expectations on their vendors and to notify AustralianSuper of identified material modern slavery risks.

In FY20, AustralianSuper developed a modern slavery questionnaire intended to help assess the modern slavery risk profile of existing and new suppliers. The questionnaire includes questions in relation to the vendor's modern slavery policies and procedures, site/facility locations, supply chain management, known modern slavery risks and other risk factors. AustralianSuper also commenced work on a Framework and Action Plan outlining the actions that we propose to take to improve our modern slavery processes in relation to our supply chain. The Framework and Action Plan will be further refined in FY21.

### Modern Slavery Questionnaire

AustralianSuper has developed a modern slavery questionnaire intended to help assess the modern slavery risk profile of existing and new suppliers. It includes questions about vendors' modern slavery policies and procedures, facility and site locations and supply chain management, known modern slavery risks and other factors.

## Investments

### Unlisted assets

The aforementioned 'S' factor ESG due diligence process provides a basis by which we identify modern slavery risks in our unlisted assets. We seek to manage these risks through our ongoing asset management practices.

Once we own an asset, we conduct periodic ESG specific reviews as part of our asset management approach. During these reviews, AustralianSuper engages directly with the management teams of the asset and specifically addresses how they're tackling modern slavery risks in their operations. In these engagements we also seek to articulate best practice and our expectations for ongoing enhanced performance in identifying and addressing modern slavery risks.

## Assessing and addressing modern slavery risks cont.

### Listed companies

With listed companies, we have a direct engagement program where we discuss the company's approach to ESG aspects that impact our investment. Modern slavery and labour standards are priority areas of our direct engagement program and have been addressed in 24% of our direct engagements in FY20. Our company engagements focus heavily on enhancing performance and each is tailored to our assessment of the company's progress on modern slavery. Engagement priorities include increased disclosure on how the business is addressing modern slavery risks, deeper understanding of the company supply chain beyond tier 1, and the development of supplier relationships beyond reliance on auditing activity.

If the company response to our engagement on modern slavery does not result in sufficient progress, we will often use our shareholder right of voting at company meetings to support the mitigation of modern slavery risk. We voted in favour of a number of shareholder resolutions on labour and modern slavery issues to highlight our expectation that companies must be effectively identifying and managing this risk and that it does pose significant long-term investment impact. Our full voting record, including how we voted on different modern slavery related company resolutions, can be found on [our website](#).

### External investment managers

AustralianSuper invests a proportion of members' retirement savings through external investment managers. While AustralianSuper is not making the individual investment decisions in these circumstances, it is important for us to make sure our investment managers consider modern slavery, supply chain and labour aspects in their investment processes.

In the investment manager appointment and annual compliance organisational due diligence process for all external managers, we assess how investment managers address ESG issues as part of their investment approach. During the reporting period, we enhanced these processes by implementing additional modern slavery specific questions.

On top of these assessments, AustralianSuper also conducts annual comprehensive ESG reviews of its external listed share managers. As part of these reviews, we seek to understand how the manager considers ESG factors in the investment process and more specifically, how they consider labour and supply chain factors as part of investment decision-making. In FY20 we developed a modern slavery specific section to the process which includes deeper analysis into how the manager considers modern slavery in their investment decision making. This section also includes forward-looking elements including how the manager seeks to evolve its modern slavery risk identification approach and how it's actively addressing modern slavery risks in its supply chain over time. This section will be implemented in the ESG manager review process in FY21.

# Collaborating for better outcomes

## Building partnerships and contributing to improved understanding of modern slavery

At AustralianSuper, we also understand the importance of contributing to and supporting initiatives that help peers, businesses and society better identify and mitigate modern slavery risk.

AustralianSuper is a signatory to the Workforce Disclosure Initiative, a global initiative designed to improve corporate transparency and accountability on workforce issues and provide companies and investors with comprehensive and comparable data on workforce issues. Collaborating with investors globally for better disclosure on workforce factors provides us with a better sense of where modern slavery risks exist as well as highlighting early warning signs of risks that could lead to modern slavery.

We also partner with like-minded investors to collaboratively tackle modern slavery risks in our investment portfolios. We do so through our membership in investor forums such as The

Australian Council of Superannuation Investors (ACSI) and RIAA's Human Rights Working Group. In FY20, these groups combined efforts to produce a **Modern Slavery Reporting - Guide for Investors**. AustralianSuper was one of the co-authors of this guide, which sought to exemplify best practice for investors reporting in compliance with the *Modern Slavery Act 2018* (Cth). This builds on our previous contribution to the **Investor Toolkit: Human rights with focus on supply chains**, which seeks to outline how investors can integrate human rights and modern slavery considerations in their ESG practices and engagement with companies.

AustralianSuper has also contributed to a variety of business, civil society and investor forums during the financial year discussing our approach to tackling modern slavery, including speaking at the Australian Department of Home Affairs 2019 Industry Summit on the panel exploring the *Modern Slavery Act*. This public advocacy underscores our commitment to raising awareness about modern slavery and seeking collaborative solutions to mitigate it.

## Cleaning Accountability Framework

AustralianSuper is a founding partner and contributor to the Cleaning Accountability Framework (CAF).

The cleaning sector is one of the highest-risk sectors for modern slavery. Cleaners have often been susceptible to wage theft, lack of legally-mandated entitlements (like the payment of superannuation and leave), income insecurity, poor working conditions and unethical contracting approaches.

Understanding the need to address these issues for the long-term positive outcome of members, many of whom are in the cleaning industry, AustralianSuper sought a collaborative solution and in 2012, jointly founded CAF.

CAF's mission is to improve labour practices in the Australian cleaning industry. CAF works with cleaners, tenants, contractors, property owners, facility managers, and investors across the cleaning supply chain to ensure ethical labour practices through certification of commercial real estate assets in line with their 3 Star Standard. The CAF 3 Star

Standard takes a multi-stakeholder approach to ensuring that all cleaning staff are compensated according to law and the best labour practices are upheld.

Around 90,000 AustralianSuper members are employed in the cleaning industry, so this is an important initiative for AustralianSuper. Our continued involvement with CAF helps ensure members in the high-risk cleaning industry are paid their due compensation, including their superannuation guarantee and are treated in an ethical manner. Additionally, as a large investor in the Australian property market, CAF certification also indicates that the property in question is operating sustainably when it comes to its labour practices, helping mitigate modern slavery risks and protecting investment value and members' outcomes in the long term.

# Measuring the effectiveness of our actions

The mechanisms already in place that enables us to assess the effectiveness of our actions include:

- › Compliance with key AustralianSuper policies through auditing processes;
- › Use of grievance mechanisms and monitoring of effective and timely remediation;
- › The number of key suppliers under new modern slavery contracts and disclosure regimes and engagement with those suppliers;
- › The level of disclosure garnered from suppliers on their modern slavery approaches;
- › The effectiveness of our investment 'S' factor due diligence and improvement in performance on those factors through active asset management, leading to better long-term returns;
- › The impact of our direct engagement activity – how have investee companies evolved their approaches and if there is no evolution, how has AustralianSuper's voting activity impacted the company's approach; and
- › Active engagement with our external managers on their approach to modern slavery and the number of managers addressing modern slavery risks in their investment approach.

We are currently developing a framework to measure the effectiveness of our modern slavery assessment and management actions. We are on schedule to finalise this framework during FY21.

## A note on COVID-19

FY20 was a challenging year for investors and communities globally as we all adapted to the challenges the COVID-19 pandemic presented. Since the onset of the pandemic, we focused our efforts on operational efficiencies, so we could continue to assist and deliver for members. We also recognised the unique circumstances of many businesses and provided additional support to help them manage their superannuation obligations. Like many organisations, we relocated all staff from our offices around Australia, and those in London and Beijing, to work from home. Many of our colleagues were redeployed to our member services teams to offer increased support to members during this uncertain time.

As a result of this adaptation across the Fund, some elements of our modern slavery work program, such as in-depth analysis of our high-risk suppliers in our procurement supply chain, were delayed until FY21.

COVID-19 highlighted the vulnerability of workers in the supply chain in our investment portfolio. We understand that modern slavery is often the most acute result of a series of poor labour practices that are ignored or neglected. The rapidly changing circumstances around COVID-19 had put some investee companies in situations of immense supply chain pressures or forced a reprioritisation of efforts, delaying or preventing supplier auditing / engagement activity. The impact of COVID-19 on the supply chain, suppliers and workers was a major point of discussion as part of AustralianSuper's direct engagement program with listed companies and unlisted assets. The outcomes of these engagements were integrated in our the ESG analysis of those companies, complementing the other 'S' factors we assess as part of our ESG program and will continue to factor into our analysis going forward.

# The year ahead

FY20 was a foundational year for AustralianSuper in formally establishing our approach to modern slavery across our business through the Modern Slavery Act working group. These activities build on years of existing work on our supply chain and labour rights. In FY21 we will continue to expand our

approach, refining processes and procedures, working with more suppliers and continuing to evolve our responsible investment approach to further address modern slavery. Planned initiatives for FY21 are shown in the below table.

## Evolving our approach to modern slavery in FY21

|                              |  |
|------------------------------|--|
| Policies and risk management | <ul style="list-style-type: none"><li>› Continuing to formalise and evolve our internal controls around modern slavery</li><li>› Evolve documentation around those key controls in the areas of People &amp; Culture, Procurement and Investments</li></ul>  |
| Procurement                  | <ul style="list-style-type: none"><li>› Continue to work with suppliers providing goods and services to AustralianSuper to raise awareness and mitigate any potential modern slavery risks in their supply chains</li></ul>  |
| Investments                  | <ul style="list-style-type: none"><li>› Expand our investment modern slavery risk analysis in our unlisted portfolio</li><li>› Review our 'S' factor assessments for ESG due diligence to ensure alignment with best practice</li><li>› Review responses to modern slavery specific questions in the investment manager appointment process and annual organisational due diligence process for external managers, to assess and benchmark performance</li><li>› Implementation of a modern slavery specific section in our annual ESG review of external listed equities managers</li><li>› Continue to evolve our approach to modern slavery in line with overarching frameworks like the UN Sustainable Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights</li></ul> |
| External collaboration       | <ul style="list-style-type: none"><li>› Continued collaboration with like-minded investors for enhanced modern slavery approaches at investee companies</li><li>› Continue to seize opportunities to advocate for advancement of modern slavery approaches in public forums</li></ul>  |

## Contact us

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