

# SMARTGROUP CORPORATION MODERN SLAVERY STATEMENT 2020

## INTRODUCTION

This modern slavery statement (**statement**) is made by Smartgroup Corporation Ltd (ACN 126 266 831) (**Smartgroup Corporation**) pursuant to the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**) for the period 1 January 2020 to 31 December 2020 (**first reporting period**).

Smartgroup Corporation is the parent company of the Smartgroup group of companies (collectively referred to as **Smartgroup**) and is a reporting entity pursuant to section 5 of the Modern Slavery Act.

In this statement, Smartgroup adopts the meaning of modern slavery as defined in the Modern Slavery Act.

## COMMITMENT TO REDUCING THE RISK OF MODERN SLAVERY PRACTICES

### **Message from the Managing Director and Chief Executive Officer**

*Smartgroup is committed to improving our practices to combat the risk of modern slavery in our operations and supply chains and welcomes the introduction of the Modern Slavery Act. Smartgroup has a zero-tolerance approach to modern slavery in any form within our business and recognises the important role we can play in ensuring ethical businesses practices in both our own operations and those of our suppliers.*

*We are committed to continually reviewing and improving our practices to ensure we are taking all appropriate steps to reduce the risk of modern slavery in all aspects of our business and contributing to global efforts to eradicate all forms of modern slavery.*

*Smartgroup's commitment to operating ethically and contributing positively to the broader community in which we operate is reflected in our core business values as well as the establishment of the Smartgroup Foundation, which directs annual grants received from Smartgroup Corporation each year to certain community projects in areas determined by Smartgroup employees.*

*Smartgroup has a dedicated Group Risk Team and a newly appointed Group Procurement Manager who are responsible for driving and managing Smartgroup's response to modern slavery risks, with the support of the Executive Team and the Board.*

A handwritten signature in black ink, appearing to be "Tim Looi".

Tim Looi  
Chief Executive Officer

## OUR BUSINESS STRUCTURE AND OPERATIONS

### Overview

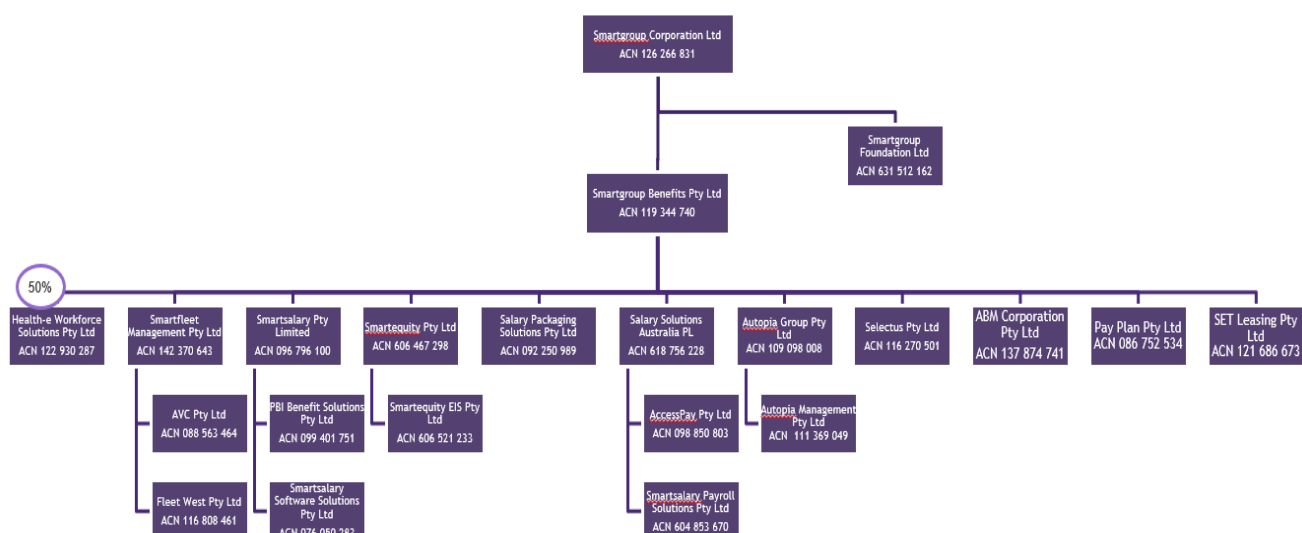
Since first launching in 1999 as a simple web-based comparison tool, Smartgroup has today grown to become one of Australia's leading specialist providers of a range of employee management services including salary packaging, novated leasing, fleet management, payroll administration, employee share plan administration and workforce optimisation. Each year, Smartgroup assists thousands of employer clients in a broad range of sectors across Australia to deliver cost-effective employee remuneration and benefits solutions to over 360,000 employee customers, while finding significant cost savings through workforce optimisation and fleet management.

Smartgroup Corporation has been an ASX listed company since 2014 (ASX Code SIQ).

### Our Structure

Smartgroup is comprised of a range of entities which contributed to its annual consolidated revenue as at 31 December 2020.

The entities comprising Smartgroup are outlined in the following corporate structure chart:



Smartgroup Corporation is the ASX listed parent company of Smartgroup and wholly owns all its subsidiaries except for Health-e Workforce Solutions Pty Ltd (ACN 122 930 287) (**Health-e Workforce Solutions**). Smartgroup Corporation owns 50% of Health-e Workforce Solutions.

Smartgroup Benefits Pty Ltd (ACN 119 344 740) (**Smartgroup Benefits**) is the entity which employs/engages all staff working for Smartgroup as well as various administrative functions for the group. As at 31 December 2020, Smartgroup Benefits employed 666 full-time equivalent permanent, temporary employees (including contractors) across Australia.

Smartgroup Foundation Ltd (ACN 631 512 162) (**Smartgroup Foundation**) is the entity which operates the Smartgroup Foundation. The Smartgroup Foundation receives an annual grant from Smartgroup Corporation each year to be directed to certain charities with Deductible-Gift-Recipient (**DRG**) status. The areas of focus are determined by

Smartgroup employees and at present include animal welfare, children's illnesses and disabilities, children and families at risk, cancer and the environment.

The other entities comprising Smartgroup are used to operate Smartgroup's various businesses and brands, which are outlined below.

### *Our Operations*

Smartgroup operates various businesses which provide the following employee management services to employer clients across Australia:

- **Salary packaging:** Smartgroup's salary packaging business delivers both fully managed and in-house salary packaging solutions to medium and large organisations throughout Australia. The business operates through various brands including the largest provider, Smartsalary. The other salary packaging providers are Advantage Salary Packaging, Access Pay and PBI Solutions.
- **Novated leasing:** Smartgroup's novated leasing business provides and delivers novated leasing programs for employers across all sectors including corporate, government and not-for-profit. The business operates through the Smartleasing and Autopia brands. The Smartleasing brand is one of the largest providers of novated leases in Australia.
- **Fleet management:** Smartgroup's fleet management business is run through the Smartfleet brand, which is a leading, award-winning provider of fleet management and related services to Australian businesses of all shapes and sizes. Smartfleet provides both cloud-based solutions for internal fleet management as well as a fully outsourced model where Smartfleet manages all aspects of a client's fleet of vehicles.
- **Vehicle buying:** The Personal Buying Service by Smartfleet provides everyday car buyers with access to expert car buying advice and fleet discounts that are usually only available to employers.
- **Payroll administration:** Smartgroup provides payroll consulting and fully managed administration services to the corporate and not-for-profit sectors via the Smartsalary Payroll Solutions brand.
- **Share plan administration:** Smartgroup offers outsourced employee share plan administration to the corporate and private sectors through the Smartequity brand.
- **Workforce optimisation:** Smartgroup's work optimisation business is run through Health-e Workforce Solutions. Health-e Workforce Solutions provides hospital administrators and managers in the health sector with workforce optimisation solutions designed to optimise staffing resources, minimise dependency on high-cost staff and reduce the cost of patient care.

Smartgroup's businesses operate from 6 office locations across Australia including our National Head Office in Sydney. The other offices are in Melbourne, Adelaide, Perth, Brisbane and Canberra.

### **OUR SUPPLY CHAINS**

As a provider of employee management services to employers throughout Australia, Smartgroup procures goods and services for the purpose of managing and delivering our services to clients, as well as managing the offices from which we work.

Our business utilises the following primary supply chains:

- Real estate and related property management services for our 6 offices including:
  - Asset/leasing management services;
  - Construction services;
  - Interior designers;
  - Cleaners;
  - Property maintenance
- Professional/corporate services including:
  - Legal, accounting, finance and insurance providers;
  - Recruitment services;
  - Business systems and payment processing services;
  - Investment management/registry services;
  - Marketing; and
  - Business management services.
- Technology infrastructure and services including:
  - IT infrastructure and services;
  - CRM and business application infrastructure and services;
  - Telecommunications services; and
  - Cyber security services.
- Services for our fleet/vehicle management and leasing businesses including:
  - Car insurance providers;
  - Vehicle repair/mechanic services;
  - Providers of automotive accessories and vehicle after sales products;
  - Vehicle valuation services; and
  - Vehicle auction services.
- Services for our salary packaging and payroll administration services including:
  - Payment services; and
  - Payroll providers.
- Suppliers of various business services and products including:
  - Stationery;
  - Gift cards and store value cards;
  - Catering;
  - Marketing/promotions

## **RISKS OF MODERN SLAVERY PRACTICES IN OUR OPERATIONS AND SUPPLY CHAINS**

### ***Risk Assessment Process***

During our first reporting period, Smartgroup reviewed its operations and supply chains and undertook a comprehensive risk assessment of its operations and suppliers to identify areas at risk of modern slavery practices. The process of identifying Smartgroup's operations and supply chains, undertaking the risk assessment and then determining appropriate methods for acting on the risk assessment's findings to address potential risk areas was undertaken by Smartgroup's Group Risk Team.

The risk assessment process undertaken by the Group Risk Team involved the following key steps:

1. Identifying Smartgroup's suppliers;
2. Categorising the suppliers into different groups based on factors such as industry sector, type of product and services and geographic location;
3. A risk assessment was conducted to assess each of the suppliers against recognised modern slavery risk factors including geographic location, sector/industry, business, product/service and relationship and assign risk ratings of 'high', 'medium' and 'low' to each supplier in relation to each of the risk factors; and
4. Considering the risk rating findings to determine which suppliers are at a high, medium and low risk of modern slavery practices.

### ***Risk Assessment Findings***

Overall, Smartgroup's operations and supply chains are at a low risk of modern slavery practices given that:

- We provide employee management services to employers throughout Australia and do not manufacture any goods;
- Our operations are based in Australia, which is a low-risk region in the world, and we have a high level of direct control over our business operations;
- All our staff are employed or engaged in Australia under applicable Australian employment and workplace relations laws;
- We have a dedicated People and Culture Team and robust policies and procedures in place to ensure compliance with relevant employment, workplace relations and workplace health and safety laws as well as best practice in regard to our personnel; and
- The vast majority of our suppliers are based in Australia.

Our risk assessment identified that two of our direct suppliers presented as potentially high risk. Both of these suppliers provide IT services to Smartgroup's businesses. One of them is based in India and one in China. The steps taken to address these risks are outlined below.

Our risk assessment also identified that one of our suppliers may be at a medium risk of modern slavery practices. This supplier's business involves sourcing of plastic cards for use as store value cards and its services may be delivered from offshore locations.

We have implemented the following actions and processes to assess and address these risks and generally integrate modern slavery risk mitigation into our operations.

## **ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS**

### ***Specific actions taken for high-risk suppliers***

In relation to the suppliers identified through our risk assessment as being at a high risk of modern slavery practices, our Group Risk Team undertook the following additional due diligence processes in the first reporting period:

#### **1. Site visit to supplier in India**

In February 2020, a member of the Risk team personally visited the supplier based in India to assess its operations against five categories of risks relating to modern slavery: Compliance with Local Laws, Management Systems, Social and Labour Standards, Environmental Standards and Additional Standards. No non-conformances were observed, and it was found that the supplier's practices to mitigate modern slavery risks were sound.

## **2. Assessment of risks relating to outsourcing of IT services**

Given that the two identified high-risk suppliers supply Smartgroup's businesses with outsourced IT services, the Group Risk Team conducted an additional assessment of the risks relating to outsourcing of IT services against five categories, being: Contracts and Agreements, Security and Confidentiality, Financial Viability, Service Continuity, and Skills and Innovation. The assessment found that:

- There were inadequate supplier contracts in place;
- There was a potential data security risk in relation to the supplier in India; and
- There was a lack of visibility of supplier financials for the India-based supplier as company financial records were not available.

Actions have since been implemented to remediate these concerns including establishing new supplier contracts, moving the systems which create a potential data security risk in-house (in Sydney) and conducting a commercial review of the India-based supplier's development activities to ensure financial visibility. Progress of these actions will be tracked through quarterly Chief Risk Officer reporting to the Audit and Risk Committee.

Services with the IT supplier based in China ceased in the second half of 2020.

Another supplier of scanning services was deemed medium-risk and Smartgroup ceased using their services in July 2019.

### ***Other actions taken***

In addition to the specific actions taken for the high-risk suppliers mentioned above, in its first reporting period Smartgroup implemented the following actions to reduce the risk of modern slavery practices in its operations and supply chains:

#### **1. Updating Group Procurement Policy**

On 20 August 2020, Smartgroup's Group Procurement Policy, which sets out Smartgroup's requirements for managing the procurement of third party supplied products and services, was amended to include a requirement for Group Legal to review all supplier contracts and proposed terms and conditions before they are signed to ensure compliance with the Modern Slavery Act. As part of this review, the amendments also require Group Legal to review the due diligence processes completed on the relevant supplier.

#### **2. Modern slavery training**

All members of Smartgroup's Executive Team, Senior Leaders and members of the People and Culture Team were required to complete mandatory e-module training on the Modern Slavery Act and Smartgroup's response to modern slavery risks by 31 December 2020. Among other things, the training covered the

requirements under the Modern Slavery Act, relevant internal policies and procedures regarding modern slavery and procurement and Smartgroup's response to identifying, assessing and responding to potential modern slavery risks in its operations and supply chains.

Smartgroup intends to conduct this modern slavery training on an annual basis.

### **3. Review of supplier contractual undertakings**

All of our supplier contracts have standard contractual undertakings. During the first reporting period at the end of May 2019 these undertakings were reviewed and a new clause dealing with modern slavery risks was inserted into our supplier contract template.

The supplier contracts include the following clause:

#### **Modern slavery**

- (i) In performing its obligations under this Agreement, the Contractor shall, and shall ensure the Contractor's Personnel and all the Contractor's agents, contractors and sub-contractors:
  - (A) comply with the *Modern Slavery Act 2018* (Cth); and
  - (B) take reasonable steps to ensure that there is no Modern Slavery in the Contractor's or its agents, contractors and/or sub-contractors supply chains or in any part of its business.
- (ii) The Contractor represents and warrants that neither the Contractor, nor any of its officers, employees or other persons associated with the Contractor, including the Contractor's Personnel:
  - (A) has been convicted of any offence involving Modern Slavery; and
  - (B) having made reasonable enquiries, to the best of its knowledge, has been or is the subject of any investigation, inquiry or enforcement proceedings by any governmental, administrative or regulatory body regarding any offence or alleged offence of or in connection with Modern Slavery.
- (iii) The Contractor shall implement due diligence procedures for its own agents, contractors and subcontractors, and other participants of its supply chains to ensure that there is no Modern Slavery in its supply chains.
- (iv) The Contractor shall notify the Company as soon as it becomes aware of any actual or suspected Modern Slavery in a supply chain, which has a connection with this Agreement.

The new clause has been included in some form in all new supplier agreements entered into since the end of May 2019. Where any new suppliers have had an issue with our standard clause, we have negotiated with them to include a version of the clause which they are comfortable with that still addresses our key concerns around modern slavery risks. We have not yet had a situation where a supplier will not provide any undertakings dealing with modern slavery risks.

#### **4. Implementation of risk assessment process for new suppliers**

As part of our standard due diligence processes for new suppliers, we have recently implemented a new process to identify potential modern slavery risks. This process requires the Group Procurement Manager to conduct the risk assessment process developed by the Group Risk Team, and referred to above, for each new supplier who is being on-boarded.

If any potential risks of modern slavery are identified, appropriate further action will then be taken to assess and address those risks. Depending on the level of risk and status of the contractual arrangements with the new supplier, this may include not proceeding with the supplier arrangement.

### **ASSESSING THE EFFECTIVENESS OF OUR ACTIONS**

Smartgroup appointed a new Group Procurement Manager on 14 December 2020.

Part of the new Group Procurement Manager's role is to work with the Group Risk Team to manage Smartgroup's response to modern slavery risks and assess the effectiveness of the actions being taken to assess and address such risks.

We are also in the process of implementing a new whistleblowing platform this year. Implementation will commence in June 2021, with onboarding taking approximately 6-8 weeks. This new platform will assist us with assessing the effectiveness of our response to modern slavery risks by enabling our staff (including contractors) to report on potential modern slavery issues/breaches.

Our Group Procurement Manager, and Group Risk Team, will continue to monitor and assess our actions to address modern slavery risks, take necessary action in response and develop plans for future action.

### **PLANS FOR FUTURE ACTION**

Part of the new Group Procurement Manager's role will be to drive and manage Smartgroup's plans for future action to address potential modern slavery risks in our operations and supply chains.

Based on the risk assessment we conducted on our suppliers in 2020, our focus in 2021 will be on continuing to audit any suppliers that are determined to be at a 'high' or 'medium' risk of having modern slavery practices.

In addition, in 2021 we intend to:

- Implement a standard questionnaire as part of our supplier due diligence process to help identify and address modern slavery risks as part of our selection of suppliers; and
- Continue to roll-out our mandatory modern slavery training to all staff members.

### **CONSULTATION WITH SUBSIDIARIES IN PREPARING THIS STATEMENT**

Smartgroup has one, group wide procurement, finance and legal function that governs procurement, finance and legal matters for all subsidiaries of Smartgroup Corporation. Further, all supply arrangements are channelled through the group wide procurement, finance and legal function.



Accordingly, there is one management team responsible for coordinating Smartgroup's response to modern slavery risks in its operations and supply chains and preparing this statement.

## **APPROVAL OF STATEMENT**

In accordance with section 13 of the Modern Slavery Act, this statement was approved by the Board of Smartgroup Corporation Ltd (ACN 126 266 831) on 26 May 2021.



Tim Looi  
Managing Director and Chief Executive Officer  
08/06/2021