



Australian Government

Commonwealth Superannuation Corporation

Commonwealth Superannuation Corporation Modern Slavery Statement 2019-20



Commonwealth
Superannuation
Corporation

Message from the Chair

At Commonwealth Super Corporation (CSC) our mission is to be a trusted and valued partner who achieves long-term investment objectives. We are committed to being a responsible corporate citizen and taking action on human rights, including modern slavery practices, as demonstrated by our inclusion in the Top 20% of the Bretton Woods II Most Responsible Asset Allocators in 2017 and 2019. Our mission is achieved with a focus on principles-based responsible investment through ensuring our investment partners are adequately identifying, managing and reducing sustainability risks, including modern slavery.

We acknowledge that slavery is not a thing of the past. Modern slavery practices can exist in the operations, supply chains and investments of Australian businesses today. As the superannuation provider to employees of the Australian Government and members of the Australian Defence Force, we recognise our responsibility to take meaningful action towards eradicating modern slavery. We are committed to taking action across our operations, supply chain and investments, and to working with others, to make a meaningful contribution in helping address modern slavery.

CSC welcomes the introduction of the federal Modern Slavery Act. Within the first reporting period, we have made progress on educating ourselves, our suppliers and investment partners whilst assessing the risks of modern slavery in our supply chain and investments. We continue to assess the maturity, and where required update, our policies, frameworks, systems and controls that are used to identify and respond to potential or actual harm. Moving forward, we have a strong plan to further enhance our due diligence practices and continue to work collaboratively with our partners.

We acknowledge that we are at the beginning of our journey and while we have not identified specific instances of modern slavery practices, we have identified potential higher-risk areas within our supply chain and investments. The complexity of this issue requires an ongoing commitment to continuous improvement in order to learn and strengthen our approach. We expect to enhance our processes for identifying, assessing, and when needed, remediating potential instances of modern slavery breaches. We therefore look forward to the opportunity to report further on our progress in coming years.



Patricia Cross

Chair

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About this statement

This statement was prepared by the reporting entity Commonwealth Superannuation Corporation ('CSC', 'the Company') (ABN 48 882 817 243). Commonwealth Superannuation Corporation makes this single joint Statement on behalf of all reporting entities in the Group, and all other owned and controlled entities, as outlined in the Appendix. The Company's principal place of business and registered office is 7 London Circuit, Canberra, ACT 2601. This statement has been prepared in accordance with the *Modern Slavery Act (Cth) 2018* ('the Act') and outlines the actions taken by CSC to identify, assess, and address modern slavery risks across our operations, investments and supply chains for the year ending 30 June 2020.

This statement was approved by a resolution of the CSC Board on 25 March 2021.

Mandatory criteria for Modern Slavery Statements		Page No.
Criteria 1	Identify the reporting entity	4
Criteria 2	Describe the reporting entity's structure, operations and supply chains	6
Criteria 3	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	11
Criteria 4	Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes	18
Criteria 5	Describe how the reporting entity assesses the effectiveness of these actions	23
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Introduction

Modern slavery is a systemic issue which describes situations of exploitation, specifically forced labour, debt bondage, deceptive recruitment and child labour.¹ The exploitation and deprivation of an individual's liberty for personal or financial gain of another person is a violation of human rights and a global challenge, which the Australian business community is not immune from, within operations, supply chains and through investment activities.

We welcome the introduction of the *Modern Slavery Act 2018 (Cth)* (the Act) to progress action on the issues of modern slavery. This is Commonwealth Superannuation Corporation's (CSC) inaugural modern slavery statement and has been prepared in accordance with the Act. CSC has developed this statement as a joint statement, capturing the entities listed in the Appendix, being CSC, its wholly-owned subsidiary ARIA Co Pty Ltd, and the superannuation schemes and investment trusts that CSC and ARIA Co are trustee of. We are committed to developing a consistent group-wide response to the Act, and as we have a central governance approach, the actions we have taken apply to all entities in the group. In preparing this statement, the activities of ARIA Co and its trusts have been addressed through our overarching management system. The boards of all controlled entities in the group effectively act as one on investment and operational matters, such as our approach to modern slavery risk management, and as a result formal consultation with each entity is not applicable.

- Within the FY20 reporting period we focused on the following activities:
- Identified the potential for modern slavery risks within our supply chain and investments, which has been informing our approach to assessing these risks across our suppliers and investments;
- Reviewed our policy suite and governance framework to ensure that modern slavery risks were incorporated; and
- Undertook an annual benchmark survey on employee roles and salaries.

We recognise further work is required to better identify, assess, minimise and remediate modern slavery risks within our organisation, and our key priorities for FY21 are outlined in the 'Our Future Priorities' section of the Statement.

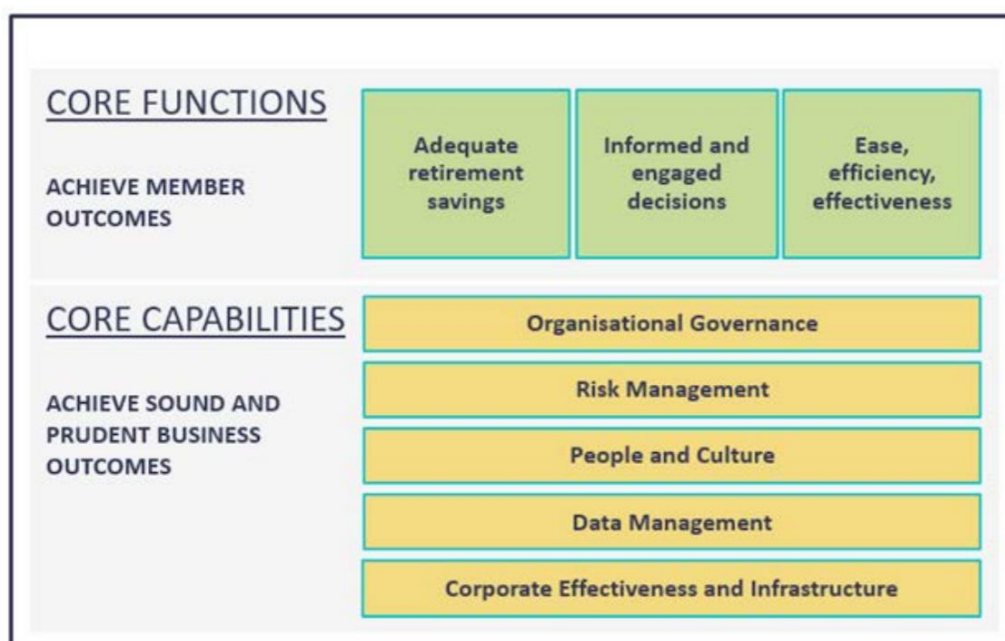
¹ Refer Section 4 of the *Modern Slavery Act 2018 (Cth)* for a full definition.

Our business

CSC is a corporate Commonwealth entity established on 1 July 2011. We manage 11 government and military superannuation schemes, including five APRA regulated schemes, and provide superannuation services to current and former Australian Government employees and members of the Australian Defence Force (ADF). CSC's primary functions are to administer the schemes, and to manage and invest the funds in the best interests of all our members, in accordance with the provisions of the various acts and deeds that govern the schemes.

We deliver on our purpose *to build, support and protect better retirement outcomes for all our customers and their families* through three core functions. These functions deliver outcomes directly to CSC's customers and are assessed and monitored using CSC's Members Outcomes framework. Our core capabilities support in this delivery.

Figure 1: CSC's Operating Model



Operations

CSC operates within the Australian superannuation industry, regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC).

Our objective is to provide retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force. More specifically, CSC's objectives and functions are set out under the *Governance of Australia Government Superannuation Schemes Act 2011*, which are to:

- Administer the schemes and manage and invest the funds;

- Receive payments from employers and customers into the funds in accordance with the scheme legislation or trust deed;
- Pay superannuation benefits to or in respect of customers;
- Provide information about scheme benefits or potential benefits; and
- Provide advice to the Minister for Finance on proposed changes to the scheme legislation or trust deeds.

CSC employs approximately 500 staff members across three primary functions: Investments, Customer Innovation and Services, and Corporate. CSC also has stand-alone Risk, General Counsel and Transformation units, which report directly to the CEO.

Most staff are based in Canberra and Sydney, with a small number of customer educators and financial planners located in Melbourne, Brisbane and Adelaide. The entirety of our workforce is based in Australia except for one executive who is based in Singapore. Staff are employed under individual contracts, or in accordance with an Enterprise Agreement. CSC's remuneration policy complies with the requirements of APRA's Prudential Standard SPS 510 Governance.

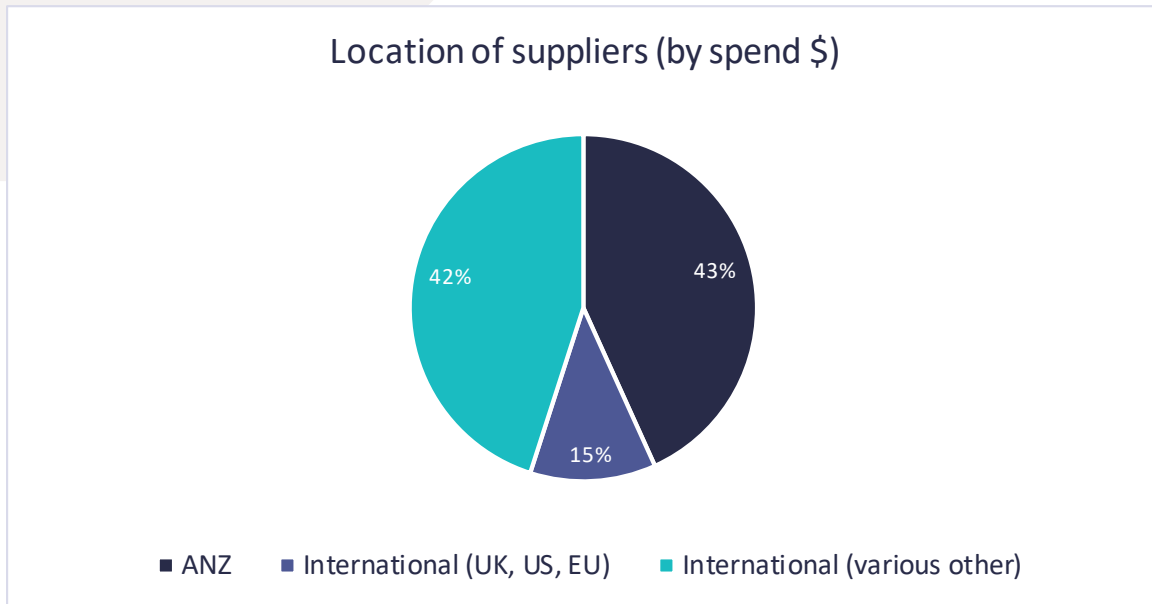
Supply chain

Corporate suppliers (suppliers other than investment managers and investment suppliers)

At CSC we rely on the use of various third parties to support high quality, effective and efficient delivery of our services to customers. We expect our corporate suppliers to operate in a responsible, ethical, open and transparent way, and in compliance with all applicable laws and regulations as stipulated in our supplier contracts.

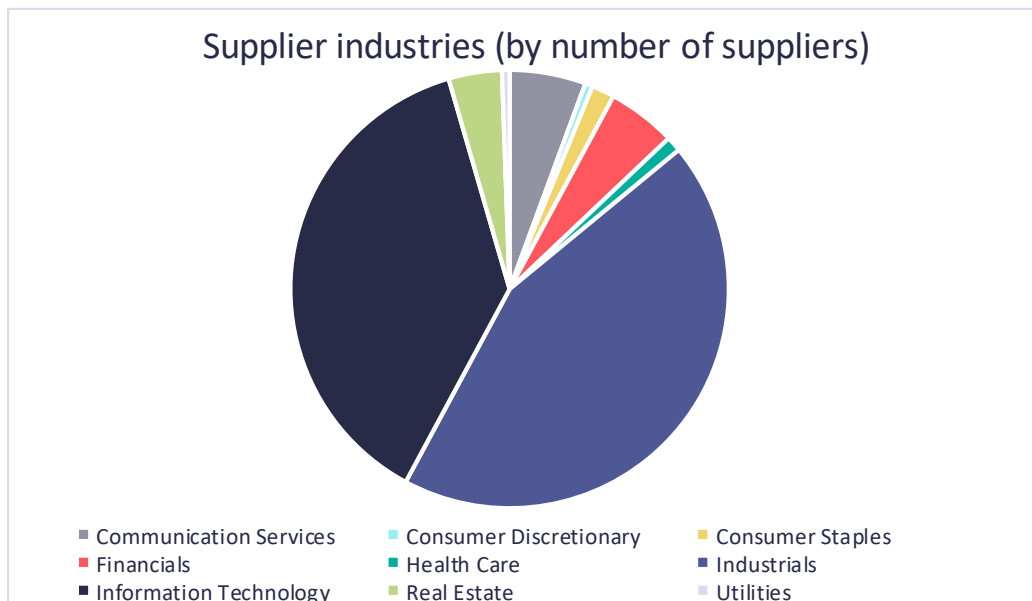
We source a range of goods and services from approximately 180 corporate suppliers. Of these, approximately 67% are located within Australia and New Zealand (ANZ) based on number, or 43% based on spend during FY20.

Figure 2: CSC's Corporate supplyChain (by location)



Our corporate suppliers operate predominantly within the information technology and industrials sectors (which includes businesses such as professional services), which combined represent almost 70% of our suppliers by spend. Other suppliers include providers of financial services, communication services, real estate, utilities, and selected consumer staples (e.g. stationery).

Figure 3: CSC's Corporate supplyChain (by sector)



Investments

Investment managers and investment suppliers

CSC funds are invested across a full universe of local and international investment markets, assets and strategies. This includes investments in cash, fixed income, public and private equity, property, infrastructure and hedge fund strategies. We therefore invest across a range of industries and businesses that operate all over the world.

Figure 4: CSC's Investment managers and investment suppliers (by location)

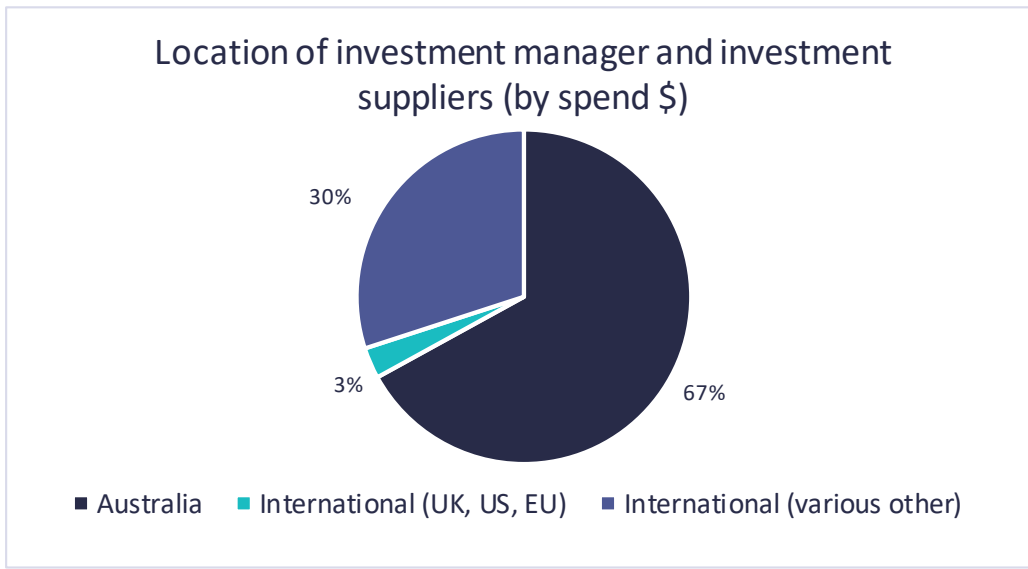
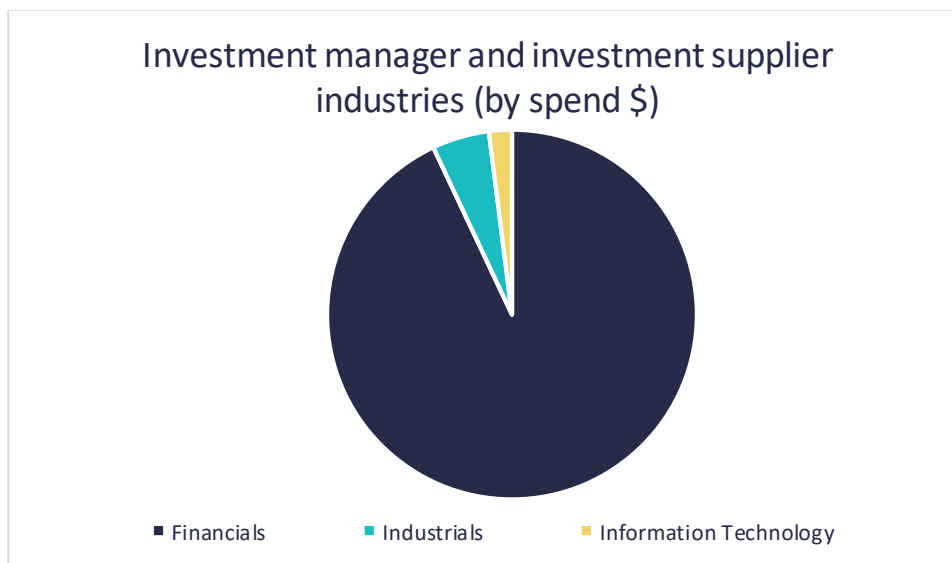


Figure 5: CSC's Investment managers and investment suppliers (by sector)



It is a legislative requirement for CSC to employ external investment grade managers to manage our funds rather than manage them in-house. We build partnerships with these external managers to be outcome-owners. As a result, we seek a smaller number of

strategic relationships with external specialists to leverage and engage their expertise at a deeper level; rather than monitor/receive information from large 'commodity' providers. To ensure we effectively manage these strategic relationships, we have developed a comprehensive and objective qualitative and quantitative scoring system to assess their performance, which includes consideration of environmental, social and governance (ESG) factors.

From a risk management perspective, we look at our investment managers and investment suppliers through different lenses depending on the level of management influence that we have.

Table 1: Influence levels for Investment Managers (FUM exposure)

Our leverage^[1]	Nature of exposure through FUM	%
Very limited influence	Locked up capital/no influence (e.g. Private Equity managers)	7%
Limited influence	Pooled structures (open ended, can redeem)	10%
Some influence	Discrete mandates or unit trusts with significant holding (greater influence)	76%
Majority ownership and/or Control	Property and infrastructure investments and seed funding	7%
CSC Total FUM		100%

^[1] Note, we also consider intangible aspects of influence such as the length of our relationship built over time, and weight of influence based on current discussions and/or negotiations.

For our investment suppliers, we consider we have limited influence, particularly for larger service providers, where we are only a small client.

Understanding modern slavery and our business

We recognise that all businesses may be exposed to modern slavery and that CSC has a duty to operate responsibly and ensure that no person within our operations is subject to practices of modern slavery. We also understand that throughout our supply chain it is our responsibility to investigate risks of potential instances of modern slavery risks, which could occur deep down in our supply chain. As such, we are taking prudent steps to identify, minimise and mitigate possible of instances of modern slavery in our operations and supply chain.

Risk in our operations

CSC has assessed our modern slavery risk within our direct workforce as low for number of reasons:

Figure 6: Factors indicating low risk nature of CSC's own operations



We have a standard commercial arrangement with our primary recruiting partner who manage all recruitment for CSC. The majority of our workforce are employed directly by CSC and are complemented by contractors engaged through our recruitment partner. For some

specialist roles we engage contractors through third-party agencies with agreed standard terms of business.

All candidates are screened through the recruitment process conducted by our recruiting partner. Police checks are conducted through the Australian Criminal Intelligence Commission (ACIC) and working rights checks are conducted through the Visa Entitlement Verification Online system (VEVO) prior to contractors/staff commencing. These activities help to reduce the likelihood that CSC employs vulnerable people.

Whilst the inherent risk of modern slavery occurring in our operations is assessed as low, CSC is committed to mitigating any risks of modern slavery through a suite of effective policies and standards. All employees must comply with our employee code of conduct, which sets out that we expect the highest standards of ethics and integrity and makes clear that we oppose all forms of unfair discrimination or victimisation. CSC promotes high ethical standards and have an internal Whistleblowing Policy whereby employees can raise any suspected concerns regarding unethical behaviour or decisions that could indicate potential wrongdoing. Further details are provided in the following section on: 'Addressing and managing modern slavery for our business'.

Risk in our supply chain – Corporate suppliers

CSC performed an initial risk assessment to understand where potential modern slavery risk areas may be. This process involved:

- 1 Segmenting corporate suppliers into higher and lower risk groups, based on inherent risk factors (outlined below), and
- 2 Issuing a modern slavery questionnaire to the higher risk corporate supplier group.

Corporate suppliers were deemed to have a higher inherent risk based on the following characteristics:

Sourcing location – We took a cautious approach and assessed any of our corporate suppliers with an operational footprint outside of Australia and/or New Zealand as being potentially higher risk.

Sectoral characteristics – Industries with a potentially higher risk of modern slavery were identified using the *RIAA Investor Toolkit and the ACSI Modern Slavery Risks, Rights and Responsibilities: A guide for companies and investors and the Responsible Sourcing Tool*.

The modern slavery questionnaire that was issued to identify higher risk corporate suppliers sought to gain a better understanding of the management approaches these suppliers are taking to address modern slavery and covered the following areas:

- Governance
- Risk Management
- Remediation

- Training and Awareness
- Due Diligence
- Monitoring and Effectiveness.

We engaged Ernst and Young (EY), having experience in undertaking modern slavery risk assessments, to assist in the design of the questionnaire and with interpretation of the responses. The outcomes of this process are also helping to further refine CSC's risk assessment criteria.

The following risk-rating system was used to assess supplier responses, in order to ascertain the level of residual risk and prioritise suppliers for which we will conduct further due diligence:

- **Red** – Suppliers that had no processes / controls / documentation in place and/or were not willing to cooperate
- **Amber** – Suppliers that had limited processes / controls / documentation in place
- **Yellow** – Suppliers that had adequate processes in place, however some areas of their approach /documentation are work in progress
- **Green** – Suppliers that had adequate processes / documentation in place
- **Blue** – Full assessment not conducted as there will be limited engagement with the supplier going forward (e.g. existing engagements that will be terminated in near term).

To date, CSC has not identified any specific instances of modern slavery within our supply chain, however we have identified potential risk areas.

Outcomes of step (1): Inherent risk assessment

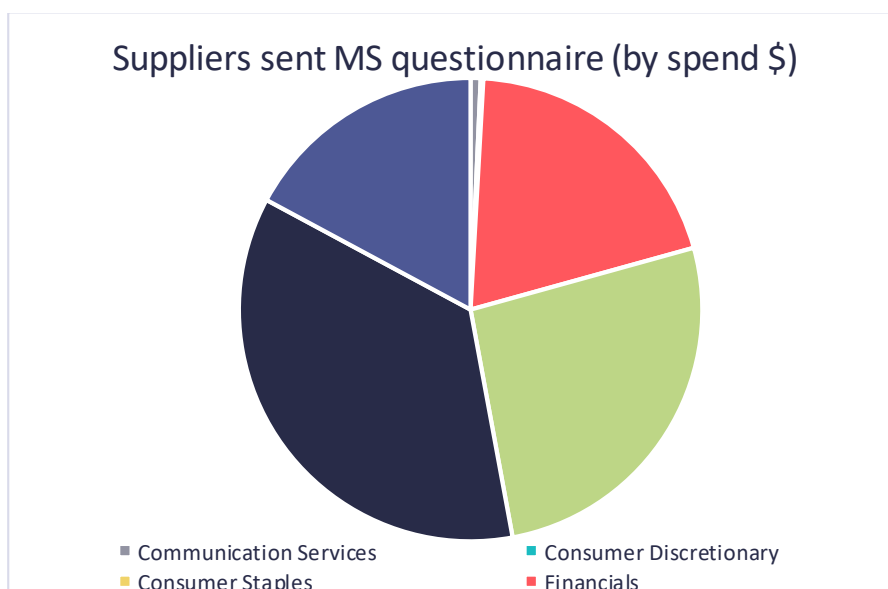
In total, 74 corporate suppliers were assessed as posing a higher inherent risk and were sent the modern slavery questionnaire, representing roughly 66% of CSC's FY20 corporate expenditure. The majority of these were classified as having a higher inherent risk because they had operations outside of Australia and/or New Zealand (80%). For corporate suppliers operating exclusively within Australia and/or New Zealand, approximately 13% were deemed to be higher risk because of the nature of their activities. Some of the higher risk categories included waste management, food and beverage suppliers, technology providers, and maintenance contractors.

Figure 7: Relative proportion of suppliers assessed as having a higher risk of modern slavery (AU/NZ suppliers)



The largest proportion of corporate suppliers which were assessed as having a higher risk were within the Information Technology (46% based on number) and Industrials (38%) industries.

Figure 8: Industry representation of suppliers assessed as having a higher risk of modern slavery



Outcomes of step (2): Modern Slavery Supplier Questionnaire

More than half of the selected corporate suppliers responded to our modern slavery risk questionnaire. We are continuing to follow-up with those corporate suppliers that were not able to respond in order to capture a more complete understanding of our corporate supply chain and potential risk areas. Where possible, we have also reviewed publicly available information for those corporate suppliers publishing Modern Slavery Statements and other relevant material.

Based on supplementary information provided by corporate suppliers within the questionnaire, we are also revisiting our inherent risk assessment when determining the ultimate level of residual risk. For example, some corporate suppliers located in Australia, but operating in higher risk industries, had non-complex operating models and lower risks of labour issues. Residual risk was therefore calculated based on the revisited inherent risk factors and reduced by the presence of one or more controls or mitigating factors.

No corporate suppliers were assessed as 'Red' and approximately 13% of corporate suppliers who responded to the modern slavery risk questionnaire were given a residual risk rating of 'Amber'. These suppliers are predominantly in the early phases of mitigating for modern slavery risks, with many intending to introduce a policy in the coming year. All 'Amber' rated corporate suppliers were from the information technology industry and have operations outside of Australia and/or New Zealand.

CSC is aware that information technology procurement has a higher risk of modern slavery due to the raw material extraction, manufacturing and disposal stages of the supply chain that often attract vulnerable populations in high-risk geographies. As a result, CSC is committed to engaging with our information technology suppliers and partners to better understand potential areas of modern slavery risk and to increase our visibility of activities beyond our direct (first-tier) suppliers.

Most corporate suppliers assessed received a residual risk rating of either 'Yellow' or 'Green', with approximately 45% of the suppliers rated 'Green'. We will be prioritising engagement with our corporate suppliers as follows over the next 12 months:

- 1 Reduce the suppliers in '**Amber**' category by providing feedback and encouraging them to progress towards formal policies and implemented processes to identify, manage and reduce modern slavery risks in their supply chain.
- 2 Provide feedback to '**Yellow**' suppliers and encourage them towards '**Green**'.
- 3 If any suppliers are rated '**Red**' within future responses received, we will educate and engage with them to draft and implement policies and processes, with the aim of having no 'Red' suppliers.

We will also seek to ensure all identified higher risk suppliers complete our supplier questionnaire by the end of FY21.

Risk in our investments – Investment managers and investment suppliers

We established a set of ‘modern slavery risk management requirements’, which we believe are necessary elements for our investment managers and investment suppliers to have in order to manage their own modern slavery risks. Our investment managers and investment suppliers (excluding those in the ‘Blue’ category) were requested to participate in a modern slavery questionnaire, regardless of the level of inherent risk, and assessed based on how closely they aligned to these requirements:

- 1 Policy to address modern slavery risks (or addressed as part of other policies, e.g. ESG policy);
- 2 Fit for purpose governance and ownership of the modern slavery risks;
- 3 Process for identifying and assessing modern slavery risks pre-investment or pre-engagement;
- 4 Process for identifying risks in their operations (i.e. their investment activities) and supply chain (i.e. any third-party suppliers of CSC’s investment manager or investment suppliers) post investment or post engagement (i.e. on an ongoing basis);
- 5 Process for managing identified modern slavery risks;
- 6 Process for reporting modern slavery risks (both internally and to CSC); and
- 7 Plan for improvement or progress over time (for non-‘green’ rated investment suppliers).

A response was received from all of the investment managers and investment suppliers who were requested to complete our questionnaire. Upon receipt, questionnaire responses were assessed using the same risk assessment criteria as was applied to our corporate suppliers.

Table 2: Residual risk assessment of investment managers and investment suppliers

	Questionnaires sent	Ratings				
		Red	Amber	Yellow	Green	Blue
IMs	96	0	18	50	14	14
IMs (%)	100.0%	0%	18.8%	52.1%	14.6%	14.6%
Suppliers	31	2	5	19	4	1
Suppliers (%)	100.0%	6.5%	16.1%	61.3%	12.9%	3.2%

Only two investment suppliers were assessed as ‘Red’ because they had no policies or procedures in place regarding modern slavery (not because they are in high risk industries or countries). We engaged directly with both, and determined that they were small data service providers that only engaged with reputable firms (e.g. law firms, accounting firms),

and the underlying risk of exposure to modern slavery was low. We will work with these service providers over the coming months with the aim of improving their rating. Overall, the majority (approximately 68%) of our investment managers and investment suppliers were assessed as **'Yellow'** or **'Green'**.

Our long-term goal is for all our investment managers and investment suppliers to have our *'modern slavery risk management requirements'* in place so that we can feel confident that modern slavery risks are being appropriately identified and mitigated across our investment portfolios. We will continue to engage with our investment managers and investment suppliers and encourage them towards **'Green'** and meeting the expectations we have established.

Our investment exposure to higher risk countries

CSC also performed an analysis of our exposure rate to the top 50 high risk countries identified in the Financial Services Council (FSC) Modern Slavery Investment Questionnaire. This analysis indicated CSC's exposure to higher risk countries was approximately 0.5% of total Funds Under Management as at 30 June 2020. Note that this analysis covered approximately 88% of our Funds Under Management (primarily for discrete managers and private equity managers).

Despite having a low exposure to countries with a higher risk of modern slavery, we have taken an overly cautious approach and engaged with all our investment managers and investment suppliers within scope.

Addressing and managing modern slavery for our business

We are committed to addressing and managing possible instances of modern slavery within our operations, supply chain and through our investments, and as a business we make decisions through a principles-based approach including observing the highest standard of ethics, integrity and behaviour. We expect this from our employees and those we engage with.

To support this commitment, and reduce the potential risks of modern slavery practices, we have a robust governance approach and policy suite covering all our operations. We also have a prudent approach to managing our investments responsibly, which includes consideration of a broad suite of ESG risks.

We acknowledge that our approach to modern slavery risk management will continue to mature over time and we will undertake additional activities as required to effectively identify, assess, and remediate potential instances of modern slavery within our operations, supply chain and investments.

Governance

The CSC Board has developed a Board Governance Policy Framework to manage the development, maintenance and review of key governance documents, policies, plans and procedures. This Framework enables the CSC Board to maintain oversight on key governance issues, including modern slavery. The Board is responsible for ensuring that Management is effectively assessing and managing the potential risks of modern slavery in our operations, as well as throughout our supply chain and investments.

At a Management level, the Chief Operating Officer is responsible for modern slavery risk management, including preparation of our annual Modern Slavery Statement under the Act. This is achieved via collaboration with the Investment, Investment Operations, Compliance, People and Finance teams.

Policy framework

CSC has a robust policy framework which includes the following policies relevant to our management of potential modern slavery risks:

Code of Conduct – Our Code of Conduct outlines CSC’s expectations of employees and those engaged with the organisation to observe the highest standards of ethics, integrity and behaviour. Honouring our Code is achieved by acting with honesty and integrity, treating everyone with respect and courtesy, complying with all Australian laws, and upholding CSC’s values.

Modern Slavery Policy – Our Modern Slavery Policy sets out CSC’s modern slavery standards and risk-based approach designed to enable us to identify, manage and mitigate direct and indirect modern slavery risks. CSC is committed to ensuring its approach to managing and

mitigating our modern slavery risk continues to develop and evolve, and as a result the framework will be subject to regular reviews.

Whistleblower Protection and Public Interest Disclosure Policy – Our Whistleblower Protection and Public Interest Disclosure Policy acts as a key component of our remediation approach and is important to CSC’s good risk management and corporate governance. We acknowledge that whistleblowing helps to uncover misconduct that may not otherwise be detected, and therefore whistleblowers must be protected against potential personal and financial risk. At CSC we have a culture of disclosure and strongly support and encourage staff, suppliers and other partners to disclose and report incidents and breaches of law. We have seen this encourage the early prevention and detection of issues.

Diversity Policy – CSC recognises the importance of diversity to enhance the capacity to attract, motivate and retain talent from the widest possible pool of talent available, reduces the potential for entrenchment and groupthink and allows for equal opportunity. We are committed to ensuring a culture where diversity is celebrated and removing barriers so all employees can contribute to their full potential and all employees have equal access to opportunities and are equitably remunerated.

Procurement Policy – Our Procurement Policy aims to achieve good governance in procurement, which is the process of acquiring of goods and services, by or on behalf of CSC, as well as the effective management of resulting contracts. All procurement must ultimately focus on member outcomes and business requirements, and align with CSC’s strategic objectives; be defensible (that is, fair, accountable, transparent and free from conflicts of interest); actively manage risk in accordance with CSC’s policies; and achieve value for money. We are currently developing a Supplier Code of Conduct which outlines the standards CSC expects of our suppliers.

Employment practices

All CSC employees are employed under individual contracts under the Australian Government Industry Award or in accordance with the ComSuper Enterprise Agreement 2015-2018. All new employees are now employed under individual contracts. In addition, as a member of the Financial Industry Remuneration Group, we undertake an annual benchmark survey on employee roles and salaries to ensure our employees are appropriately remunerated.

The Remuneration and HR Committee of the CSC Board assists the Board in ensuring CSC’s people policies and practices support the attainment of CSC’s strategic goals, by advising and making recommendations on issues relevant to CSC’s Remuneration Policy and human resources obligations.

Investment philosophy and ESG risk management

At CSC, we focus on value and achieving sustainable finance outcomes for our customers. We believe that over time this will also achieve positive externalities as we consider long term risks holistically. We ensure that our super funds are active owners of companies by

proactively engaging with the management and boards of the Australian public companies that we significantly invest in. We do this to support those companies to take decisions that are aligned with our members' best, long-term interest.

Within our investment philosophy we consider a range of risks from traditional tangible financial risks, but also non-traditional risks. These non-traditional risks include the Environmental, Social and Governance (ESG) consequences of, and influences on, corporate operations and strategy. We seek to embed principles of ESG risk management, including human rights and modern slavery risk management, via our investment portfolio, benchmarks, intermediary agents, corporate agents, scale and active ownership practices, impact, measures of success.

Our ability to have a genuine impact is influenced by our capacity to contribute either financial or strategic capital to businesses or assets where we have majority ownership or significant control/influence, e.g. private assets.

We accept that our capacity to effect positive change is likely to be slower and more incremental in assets where CSC customers are minority shareholders, e.g. large public multi-national companies. This however does not negate the value of our efforts in this regard, especially when supported through constructive engagement, and aligned collaborations with other investors.

We prosecute our ownership responsibilities in the following ways:

- **Direct engagement with the entity's decision-makers and operating partners:** This is most effective where CSC members have material exposure to the company and represent a material shareholding. For example:
 - **in our large, private investments,** we seek governance and/or control stakes in order to strategically manage and consciously steward the assets we invest in, as majority and/or governance-staked shareholders;
 - **in our seeded investment-management businesses** we are directly involved in the design of sustainable business practices and integrated investment processes, capable of assessing financial and extra-financial risks; and
 - **in our material public-company investments,** we seek genuine two-way dialogue with management and governing parties. The aim is to understand and support long-term, ecosystem-aware decision-making in the public companies we materially finance on our customers' behalf.
- **Engagement via one of our investment-management agents:** These opportunities exist where CSC members have a material exposure to the company, but represent an immaterial shareholding on that company's share register. We are effectively leveraging the scale of the combined capital invested by our external investment-manager partnerships. In these instances, we require our external investment-management teams to undertake and report on their engagements with the

management teams of public companies they select to invest in on our behalf. All our external investment-management teams are mandated to comply with our own active-ownership policy and proxy voting principles and to provide us with strategic insight on the capability of our investee companies to manage strategic risks.

- **Voting on all public-company management recommendations:** We vote on every shareholder resolution made by every public company in our portfolio. This is the most efficient mechanism for positive influence where CSC customers are minority shareholders and immaterially exposed to the individual company. See our [proxy voting principles](#) for details².
- **Exclusion or divestment:** Divestment is a last resort because we believe that long-term investors have a responsibility to help investee companies to transition to better practice robustly. We have divested from companies when our active ownership practices cannot work to reduce risks, governance risk cannot be mitigated or where our engagement efforts are significantly constrained. We, of course, do not invest in companies whose activities are contrary to Australian government regulations, sanctions, treaties or conventions. Examples where we have taken the decision to exclude an industry from our investable universe include tobacco companies (2013), cluster munition manufacturers (2011) and undiversified companies that derive 70%+ revenue from thermal coal generation and extraction (from 2021).

Risk controls in CSC’s investment manager due diligence process

Since undertaking our modern slavery risk assessment, we are now also assessing specific modern slavery due diligence activities into our existing ESG due diligence process over investment managers. This is outlined below in ‘Our Future Priorities’.

COVID-19 impacts on the business and our modern slavery risk management program

COVID-19 has resulted in changes for our customers, our business and our investments.

Our investment strategy has not changed through COVID-19, while our customers have been increasingly looking for advice on steps they might take to minimise the impact on their super balances. The superannuation sector has played a key role during COVID-19. It has supported government policy decisions (such as Early Release of Superannuation) and continues to make major investments into the economy, such as infrastructure.

During the year we engaged with our investment managers on their own response to COVID-19 and issued a targeted questionnaire to better understand whether any changes in their processes or controls were required. We also introduced processes to detect and

² <https://www.csc.gov.au/-/media/Files/Corporate-Governance-files/Proxy-Voting/Proxy-voting-policy.pdf>

analyse instances outside tolerance within investment managers' universe and there were no significant exceptions noted.

To meet the additional needs of our customers resulting from COVID-19, our business took steps to reprioritise activities, resulting in delays to the issuance of modern slavery questionnaire to corporate suppliers. We remain committed to progressing our modern slavery risk management program to further refine and implement a robust modern slavery risk response.

Assessing effectiveness

CSC recognises the importance of assessing the effectiveness of our actions in order to determine whether we are having our desired impact: to address potential modern slavery risks in our operations, supply chain and investments. There are several CSC existing processes which are already supporting this objective, including our Whistleblowing process and internal audit activities, which has included an audit over CSC's payroll compliance.

With regards to modern slavery specifically, our focus to date has been on establishing a robust risk management framework that appropriately identifies and assesses potential risks of modern slavery. Our activities in the first reporting period have therefore focused on understanding the potential for modern slavery risks across our operations, supply chain and investments, in order to prioritise higher risk areas for further due diligence in coming years.

Over the next reporting periods we will implement a more tailored response to assessing the effectiveness of our modern slavery risk management processes. We expect this to involve the following activities:

- Undertaking an annual review of our approach to modern slavery risk management
- Enhancing employee awareness on human rights and modern slavery issues, including CSC's approach to managing these issues and available mechanisms to voice grievances (e.g. our Whistleblower process), and checking whether these issues are well understood via feedback
- Reviewing investment managers' management of modern slavery risks, such as checking that identified corrective actions and/or areas for improvement identified through our review are being addressed over time
- Finalising our Corporate Supplier Code of Conduct, then reviewing corporate supplier compliance against the expectations set out therein.

Our future priorities

At CSC we are adopting a continuous improvement approach to modern slavery risk management, and as such, we are committed to enhancing our approach across our operations, supply chain and investments. We will continue to prioritise opportunities which support us to mature our approach.

Within the next reporting period, we plan to:

- 1 Publish our Modern Slavery Policy on our intranet which captures CSC's modern slavery compliance approach, governance and oversight, risk awareness and training, and roles and responsibilities.
- 2 Formalise our governance and internal reporting processes for modern slavery, including board oversight in order to effectively manage the risk.
- 3 Systematise specific modern slavery due diligence activities into our existing ESG due diligence process, such as explicitly assessing modern slavery risks when selecting investment managers and in assessing existing managers' processes and procedures.
- 4 Publish our Supplier Code of Conduct outlining our expectations of the suppliers we engage with, and the minimum standards with which they must comply.
- 5 Refine our modern slavery risk identification and assessment process of our suppliers and ensure all identified higher risk suppliers complete our supplier questionnaire.
- 6 Continue to engage with our corporate suppliers, investment managers and investment suppliers rated as '**Amber**' and '**Yellow**' to encourage them towards 'Green'.
- 7 Undertake a more detailed assessment on high risk supply chain categories and pilot a deep dive due diligence with a selection of key suppliers in these categories.
- 8 Develop and deliver training for key team members to raise awareness of human rights, modern slavery and how these risks may arise for our business.

Appendix: Entities captured in this joint statement

This statement is prepared on behalf of CSC and its associated entities, which includes:

- Commonwealth Superannuation Corporation ('CSC') (ABN 48 882 817 243);
- The Public Sector Superannuation Scheme ('PSS') (ABN 74 172 177 893);
- The Commonwealth Superannuation Scheme ('CSS') (ABN 19 415 776 361);
- The Public Sector Superannuation Accumulation Plan ('PSSap') (ABN 65 127 917 725);
- The Military Superannuation and Benefits Scheme ('MSBS') (ABN 50 925 523 120);
- The Australian Defence Force Superannuation Scheme ('ADF Super') (ABN 90 302 247 344);
- The ARIA Investments Trust ('AIT') (51 484 956 137);
- The ARIA Property Fund ('APF') (44 682 603 202);
- The PSS/CSS A Property Trust ('PCA') (ABN 53 508 925 207);
- The PSS/CSS B Property Trust ('PCB');
- ARIA Co Pty Ltd ('ARIA Co.') (ABN 49 123 399 057);
- PSS/CSS Investments Trust ('PCIT'), comprised of PSS International Investments Fund (ABN 65 440 705 775), CSS International Investments Fund (ABN 77 190 699 383) and Combined Investments Fund (ABN 88 991 028 460); and
- ARIA Alternative Assets Trust ('AAAT') (ABN 84 599 839 363).