

Colonial First State Joint Modern Slavery Statement

(1 July 2021 – 30 June 2022)



Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and respect the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We pay our respects to the Elders and Traditional Custodians of the past, present and emerging.

This Joint Modern Slavery Statement is prepared and issued by Colonial First State (CFS) to comply with the *Australian Modern Slavery Act 2018* (the Act) for the financial year ending 30 June 2022. This Joint Modern Slavery Statement covers the following entities that meet the definition of reporting entities in the Act. Together, these entities may be described as ‘Colonial First State’ or ‘the Group’.

- Superannuation and Investments Services Pty Ltd (ServicesCo) (ABN: 90 646 698 160)
- Avanteos Investments Ltd (AIL) (ABN: 20 096 259 979)
- Colonial First State Investments Ltd (CFSIL) (ABN: 98 002 348 352)

Contents

A message from the Executive Chairman	3
Our business and structure	4
Our risks of modern slavery	5
Assessing and addressing modern slavery risk	6
Policies	6
Systems and controls	7
Grievance mechanisms and remediation	9
Training and employee awareness	9
Assessing effectiveness	10
Other relevant information and approval processes	11

A message from the Executive Chairman

I'm pleased to present Colonial First State's inaugural Joint Modern Slavery Statement since becoming a standalone business in December 2021.

CFS recognises the seriousness and scale of modern slavery and human trafficking in Australia and across the globe, and in particular its impact on women and children.

As one of Australia's leading superannuation and investment businesses, with 1,656 employees, over 900,000 members and \$139 billion in funds under administration, we recognise the need to report, identify and manage modern slavery risk within our direct business operations and supply chains.

Our supply chains cover myriad geographies, industries, businesses and people across the globe and assists us to invest our members' retirement savings and help them achieve financial freedom in retirement. We are committed to taking steps to address modern slavery risk within our sphere of influence.

Since becoming a standalone business in December 2021, following Commonwealth Bank of Australia's (CBA) sale of a 55% interest to Kohlberg Kravis Roberts & Co. (KKR), we have been focused on separating our operations from CBA and implementing our transformation program to position CFS as Australia's first choice for superannuation and investments. Throughout this period we have remained conscious of our responsibility to manage modern slavery risk and have taken steps to build our own capabilities in this area.

Key actions from the 2022 financial year included:

- developing a modern slavery risk identification framework and action plan;
- establishing a modern slavery working group;
- establishing a partnership with FairSupply to review our Australian share portfolio, with the data used to engage with companies identified as high risk;
- appointing EOS at Federated Hermes to enable active ownership amongst our global investments, including a focus on modern slavery;
- continuing to engage and share learnings with peers through collaborative groups, including the Responsible Investment Association Australasia's (RIAA) Human Rights Working Group and Investors Against Slavery and Trafficking APAC (IAST APAC); and
- engaging our people through modern slavery training.

I am proud to lead an organisation that takes modern slavery seriously. We have taken important steps in managing modern slavery risk, and I look forward to building on this important work into the future.



Rob Coombe
Executive Chairman, Colonial First State



Our business and structure

CFS is a superannuation fund and wealth manager that has been helping Australians achieve financial freedom in retirement for over 30 years. We are one of the largest private pension payers in Australia.

We provide a spectrum of superannuation and investment products to assist our customers, ranging from relatively simple products with fewer investment options that are designed for younger members, such as our Essential Super product, through to more complex and sophisticated products that are designed for customers who receive financial advice from a financial adviser, such as our FirstWrap platform that provides access to hundreds of investment options.

Our flagship FirstChoice and FirstWrap products are designed to provide members with a wide range of investment choice to enable them to choose an investment strategy that most suits their financial needs and objectives and which best aligns with their values.

Through FirstChoice, members can access over 160 investment and super products that are managed by leading domestic and international fund managers, who themselves have offices across the globe.

Through CFS' FirstWrap platform, customers can make direct investments into hundreds of investment products, including listed securities, unlisted funds as well as CFS' FirstChoice products, all wrapped into a single account.

We have over 900,000 members who choose CFS for their superannuation or investment savings. Across Australia, we employ 1,656 people and 383 contractors either in our two head offices – which are located in Sydney and Melbourne – or in our smaller offices in Queensland, Western Australia and South Australia.

We also engage approximately 300 service providers across information technology, professional services, business services and market data. While these suppliers are primarily located in Australia, some of our technology providers have resources located in India and the Philippines.

Until December 2021, CFS was a wholly-owned subsidiary of CBA. With the sale of a 55% interest to KKR, CBA has retained 45% ownership. Since becoming a standalone business, CFS has been progressively separating from CBA, including head office functions such as IT and procurement, upon which CFS previously relied on CBA for provision.

Prior to separation, CFS' modern slavery reporting obligations formed part of CBA's annual statements.



~900,000
members



~160 superannuation
and investment
products



~80 investment
managers



1,656 employees
in Australia



383 contractors



~300 suppliers
in three countries



\$139 billion
funds under
administration (FUA)







Became a
standalone
business in
December 2021

Note: all figures are as at 30 June 2022.

CFS' FirstWrap platform is an administration service that offers an extensive menu of investments wrapped into a single account, enabling members to make direct investments in hundreds of listed and unlisted funds and securities. Due to the nature of the investment structure, CFS has limited visibility over the supply chains of these investments. This will be an area of continuing focus.

Our risks of modern slavery

In 2021, CFS performed a high-level assessment of its operations to build a framework for considering and identifying risk within its supply chains. This assessment considered four modern slavery factors, and CFS’ potential exposure to each factor.

Factor	Description
High risk geographies	 Geographies where there is a weak rule of law, high levels of corruption or conflict, and other factors such as internal displacement of people, high cross-border migration and regional or remote areas.
Vulnerable populations	 People or groups whose personal characteristics may lead them to be more susceptible to harm or create barriers to reporting harm. For example, level of education and literacy, visa insecurity and language barriers.
High risk sectors	 Sectors where exploitative labour practices are more likely and which are inherently more risky in terms of the known incidence of slavery in relation to certain business practices. High risk sectors can include raw materials and manufacturing.
High risk business models	 Risks are exacerbated in high risk business models, such as offshore centres, contracting, subcontracting and use of third-party agents and business partners such as brokers, agents and dealers.

Following consideration of these factors, three key modern slavery focus areas were identified within CFS’ supply chains. These are: investments; property and facilities services; and corporate goods and services.

Investments

Risk factors present:



CFS’ holdings in high risk geographies can extend beyond the country where the company or asset is headquartered. Investee companies in high risk sectors with operations in multiple geographies can bring increased modern slavery risk exposure.

Investee companies’ exposure to modern slavery risk will be heightened at the intersection of two risk factors considered by CFS, for example, vulnerable populations and high risk sectors. This exposure extends beyond an investees’ own operations and into its supply chains.

Detail about how CFS analyses its investment portfolios for modern slavery risk is included on page 7.

Property and facilities services

Risk factors present:



Property and facilities management is known for its exposure to multiple modern slavery risk factors in Australia. Services such as cleaning, maintenance and security are often outsourced to small service providers and often include third-party labour hire arrangements. Facilities management services can employ base-skilled workers from migrant backgrounds who present a higher risk of forced labour.

Prior to December 2021, CFS relied on CBA procurement for modern slavery assessments of suppliers managed at a Group level. Following separation from CBA, these procurement contracts were transferred to CFS and are now overseen by CFS’ dedicated procurement team.

Corporate goods and services

(IT hardware, marketing materials)

Risk factors present:



IT hardware manufacturing relies on sourcing metal components, often from high risk or conflict-prone geographies. IT hardware manufacturing is also known to rely on base-skilled workers and the sector is prone to subcontracting and third-party arrangements that further increases CFS’ risk exposure. Manufacturing of low-cost marketing and promotional items also typically happens in high risk jurisdictions.

Prior to December 2021, CBA identified high risk suppliers, including suppliers providing telecommunication services, IT equipment and marketing material, to ensure these services were procured from approved and vetted suppliers. Following separation, these approved contracts were transferred to CFS.



Assessing and addressing modern slavery risk

In 2021, we developed a roadmap of actions designed to provide a practical foundation for ongoing modern slavery risk management following separation from CBA. To implement the roadmap, we established a modern slavery working group to share information, best practices and ensure a coordinated approach.

Our actions are defined by four key areas of focus: policies; systems and controls; grievance mechanisms and remediation; and employee training and awareness.

Policies

In 2021, we completed a review of our organisational policies and made amendments to ensure that human rights and modern slavery risk was captured in our governance processes. Below are the key policies that incorporate our management of modern slavery risk.

CFS Third Party Lifecycle Policy and Third Party Code of Conduct

CFS relies upon third parties to provide products and services, including outsourced and offshored business functions, to meet a range of strategic and operational needs. CFS recognises that third parties introduce risk, and that CFS must remain accountable for managing this risk.

The CFS Third Party Policy and Code of Conduct is designed to ensure that all third parties are appropriately and effectively sourced, contracted, managed and off-boarded through the third party lifecycle. Modern slavery is referenced as a specific area of focus, and the Policy and Code of Conduct require third parties to comply with applicable employment standards, labour, non-discrimination and human rights legislation.

CFSIL Responsible Investment Policy and AIL Responsible Investment Policy

The CFSIL and AIL responsible investment policies guide the relevant trustees on their approach to managing environmental, social, governance and climate risks and opportunities. Modern slavery is specifically identified as an area of focus in our responsible investment policies, along with our Modern Slavery Framework. The policies include guidance around how CFS approaches different sustainability issues, including its policy on voting and exclusion.

Systems and controls

Investments

Portfolio analysis

Some of our investments present greater modern slavery risk relative to others. These include investments in listed equities (global and Australian) as well as fixed income, listed infrastructure and listed property. Our approach to managing these risks is consistent with that in the *Modern Slavery Act 2018* whereby the most at-risk holdings and those fund managers who control those holdings are determined on the basis of where risk is **greatest to the individual – not by reference to the size of the investment.**

Our Responsible Investment team have classified our investment managers as having a low risk of exposure to modern slavery as they are located in low risk countries and are developing processes to manage modern slavery risks in their operations. A further analysis of how we identify and address risk in our investment holdings is outlined below.

- **Australian equities**

In March 2022, CFS appointed FairSupply Analytics to analyse Australian equity holdings across FirstChoice portfolios to identify which investee companies had the highest risk of modern slavery. The FairSupply analytics enables CFS to assess the modern slavery risk down to the 10th tier of the investee company supply chain.

The investment managers that held investments in the companies that CFS had identified as being at a higher risk of modern slavery were contacted to gain a greater understanding of their approach and processes to mitigate modern slavery risk. In response, these investment managers provided detailed insights and their own assessment of the respective companies' management systems and controls. CFS uses this information to inform its actions, such as engaging further with companies through relevant investment managers.

- **Global equities and fixed income**

For global shares and fixed income, CFS uses the Responsible Investment Association of Australasia (RIAA) toolkit, International Labour Organisation and Global Slavery Index lists to analyse and identify high risk holdings. Once high risk holdings are identified, CFS works with investment managers to gain greater understanding of the managers' approach, company engagement and what processes are in place to mitigate modern slavery risk.

The below methodology, which leverages the Global Slavery Index 2018, is used to identify at-risk holdings across global equities and fixed income.

Global equities	<ul style="list-style-type: none">• Using the RIAA Investor Toolkit, CFS identifies potential high risk holdings where there is a cross-over of high risk geographies and high risk sectors.• Using this analysis, we identified the following high-risk areas within our equities portfolio: agriculture, apparel, construction, healthcare, food and beverage and mining.
Global fixed Income	<ul style="list-style-type: none">• For fixed income, using the RIAA Investor Toolkit, we assess high risk holdings where there is a cross-over between high risk geographies and high risk bond ratings.• For bond ratings, these are classified as tier 1 (highest risk CCC to D) and tier 2 (high risk BB, B).• Using this analysis, we have chosen to focus on the following six high risk areas: agriculture, apparel, construction, healthcare, food and beverage and mining.

Active ownership

For FY22, CFS appointed EOS at Federated Hermes, a leading global stewardship provider, to provide engagement and voting recommendations for its global equity investments. This appointment reflects CFS' belief that active ownership, including engagement with and voting on company resolutions, leads to better long-term returns for shareholders and members.

During the year, EOS at Federated Hermes shared their experiences with the CFS Responsible Investment team regarding its human rights and human capital management engagement, while also engaging with companies on CFS' behalf.

Manager engagement

CFS' Responsible Investment team regularly engages with its approximately 80 investment managers. This engagement includes a focus on modern slavery risk to understand how investment managers identify, assess and mitigate modern slavery within their investments, operations and supply chains. Through an investment manager survey and subsequent manager meetings, CFS confirmed that:

- all FirstChoice fund managers are aware of the *Modern Slavery Act 2018*; and
- while some are not required to disclose under the Act, they remain committed to the principles of the Act.

Despite not all fund managers being required to complete modern slavery statements, 48% of our investment managers had lodged a statement by June 2022.

Procurement

From December 2021, CFS has been focused on establishing its own procurement team and establishing new processes for on-boarding and managing suppliers, including addressing modern slavery risk. CFS' procurement team have adopted the underlying principles of prudent and diligent modern slavery risk management previously applied by CBA on CFS's behalf.

Supplier on-boarding

In 2021, following separation from CBA and the establishment of a CFS procurement team, a new supplier due diligence process was established. This process includes a modern slavery risk assessment questionnaire to elicit an understanding of modern slavery risks the supplier is exposed to. All suppliers are sent this questionnaire prior to on-boarding and will only be on-boarded if they:

- accept contract clauses that ensure suppliers adhere to modern slavery regulations and work to eliminate modern slavery risk within their operations and supply chains; and
- complete the modern slavery questionnaire.

Suppliers are required to complete the same questionnaire annually, reflecting any changes to their operations and supply chains, and therefore allowing CFS to monitor and manage our modern slavery risk.

Third Party Modern Slavery Framework and risk screening

In FY22, CFS prepared a Third Party Modern Slavery Monitoring Framework to guide its approach to monitoring, managing and mitigating modern slavery risk in its supply chain. This framework, which will be implemented in FY23, will apply to all third parties engaged by CFS to provide products and services, including outsourced and offshored business functions. This framework will complement the Third Party Lifecycle Policy and Code of Conduct and will outline the level and frequency of monitoring required for third parties based on the level of modern slavery risk present.

Grievance mechanisms and remediation

Grievance mechanisms provide a direct channel of communication between individuals adversely impacted, and CFS. They provide a way for CFS to monitor whether its activities are causing, contributing, or directly linked to worker exploitation, and to address such adverse impacts if they are identified.

CFS Workplace Grievance Review Procedure

CFS has a Workplace Grievance Review Procedure that is aligned to the CFS Values and Code of Conduct, and describes an internal mechanism for employees to raise workplace grievances, including those affecting their working conditions.

Whistleblower Policy

The CFS Whistleblower Policy, supported by the Code of Conduct, emphasises the importance of speaking up as a critical component of our culture. The Policy establishes a framework for how CFS complies with obligations regarding whistleblowers, including that all disclosures made through this channel are protected, assessed, investigated and reported. This Policy applies to employees, as well as contractors, consultants, suppliers and third parties.

FairCall Hotline

The FairCall Hotline is an externally-managed telephone and email service that enables employees and third parties to raise issues impacting their roles, wellbeing at work or CFS more broadly. It exists to provide a safe mechanism to raise issues without a fear of reprisal.

Training and employee awareness

CFS employees are trained on the CFS Values and Code of Conduct every year. The Code of Conduct educates employees on grievance processes and how to identify and report behaviour that is not consistent with CFS Values.







In FY22, CFS launched modern slavery awareness learning to senior leaders, supplier relationship owners and its investments team. The awareness training included content on the *Modern Slavery Act 2018*, as well as the updated Third Party Lifecycle Policy and Code of Conduct.

All new employees receive a compulsory orientation manual as part of their orientation program, which contains modern slavery awareness information.

At CFS, we take the risk of modern slavery seriously. All employees are required to adhere to the CFS risk management framework as the management of risk is everyone's responsibility, including the consideration of modern slavery risks.

Assessing effectiveness

CFS assesses the effectiveness of its modern slavery risk controls in the following ways.

Element	Metric	FY22 result
Employee learning and awareness 	Number of employees engaging with Code of Conduct and modern slavery training.	<ul style="list-style-type: none"> 100% of employees completed Code of Conduct training. 38 employees completed modern slavery training, including all members of the CFS investment team.
Supplier due diligence 	Completion of modern slavery questionnaire.	<ul style="list-style-type: none"> 100% of CFS suppliers completed the modern slavery questionnaire.
Investment manager engagement 	Understanding the extent to which investment managers are aware of the <i>Modern Slavery Act 2018</i> , as well as how many investment managers completed modern slavery statements.	<ul style="list-style-type: none"> The number of CFS investment managers who delivered modern slavery statements doubled from 22% last reporting period to 48% in FY22. This is a pleasing result, recognising that not all CFS investment managers are legally obligated to report. 100% of new investment managers had a modern slavery discussion with CFS.
Portfolio analysis – Australian shares 	Number of companies engaged with via investment managers, leveraging the FairSupply analysis.	<ul style="list-style-type: none"> In FY22, following the appointment of FairSupply, CFS focused on implementing the new analysis framework and uplifting its reporting to allow for a more robust analysis of holdings deeper in its supply chain. Six companies have been identified as high risk using the FairSupply analysis. In FY23, CFS will engage with these six companies through investment managers to understand their approach to managing and mitigating modern slavery risk. As these six companies are within the metals and mining industries, this will be a future focus area.
Portfolio analysis – global shares 	Number of companies engaged with via investment managers.	<ul style="list-style-type: none"> In FY22, we engaged with 18 company holdings across nine investment managers that were identified as high risk. Engagement with these companies through investment managers included understanding their approaches to managing and mitigating modern slavery risk. These company holdings span across Thailand, Hong Kong, Turkey, Malaysia, Japan and the Philippines, and the industries include communication services, food retail, information technology, materials, oil and gas exploration and production and steel production.
Collaboration 	Collaborating with managers, peers and industry associations to increase our knowledge and influence.	<ul style="list-style-type: none"> During discussions with investment managers, CFS broadened its knowledge of collaborations with organisations, such as IAST. At least two of these managers, who had previously been unaware of the initiative, have signed up to the group. Continued involvement with RIAA through being a member of their Human Rights Working Group.



Other relevant information and approval processes

Stakeholder engagement and collaboration

Collaboration with industry groups and associations continued to build a positive framework to mitigate modern slavery risks at CFS in FY22.

In November 2020, CFS signed the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) Statement, which called on Australian investee companies to meet their reporting obligations under the *Modern Slavery Act 2018* and to go beyond compliance with the legislation by pursuing real action to combat modern slavery. Through our continued involvement with IAST APAC, we are engaging with companies in the region to promote effective action to find, fix and prevent modern slavery, labour exploitation and human trafficking. Through this group, we are a supporting investor in a collaborative engagement with an ASX100 company in the food and beverage industry.

CFS has also been a member of RIAA's Human Rights Working Group since 2019, regularly attending and participating in working group meetings and education sessions.

Consultation

In implementing CFS' modern slavery response program, CFS continued to consult with key internal business stakeholders, including procurement, responsible investment, legal, human resources, as well as other operational functions.

The CFS Executive Leadership Team was also consulted, including reviewing and approving this Statement.

Approval process

This Statement was reviewed and approved by the Superannuation & Investments HoldCo Pty Limited Board (HoldCo) on 10 November 2022, the CFSIL Board on 23 November 2022, the AIL Board on 25 November 2022 and the ServicesCo Board on 30 November 2022. The CFSIL, AIL, ServicesCo and HoldCo boards will review and approve this Statement on an annual basis.

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