

INTRODUCTION FROM THE CEO

KU Children's Services (KU) is committed to upholding human rights and acting with honesty and integrity for our people, for children and for our planet. This includes our commitment to procure products and services that meet or exceed our own and customer expectations, to take action to address risks of modern slavery within our supply chain, and to partner with suppliers who share our values.


At KU, we value respect and trust in our relationships, recognise the importance of childhood as a special time and are committed to the belief that every child has a right to feel safe, nurtured, valued and heard. Practices relating to modern slavery and child exploitation strongly conflict with our values and what we believe is right.

As a reporting entity under the Modern Slavery Act 2018, we welcome the legislation as an opportunity to enhance and formalise our commitment to the fight against modern slavery. We understand that modern slavery refers to situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom, such as through human trafficking, forced labour, debt bondage, forced marriage and the worst forms of child labour. It is our responsibility to do our best to ensure we are not part of the problem, directly or indirectly. KU aligns with the United Nations Convention on the Rights of the Child and the United Nations Guiding Principles on Business and Human Rights (UNGPs) which are an internationally recognised standard to prevent and address human rights abuses occurring in the context of businesses.

The legislation highlights the pervasiveness of these practices and the extent to which they are still occurring, even in Australia. Whilst we have always made procurement decisions based on what we believe to be right, as part of our response to the legislation we have sought to better understand and respond to risks within our supply chain, and to reiterate our commitment to taking action to address these. As a child safe organisation, we further commit to eliminating the risk of child labour in our supply chain, through assessing our risks and working with our suppliers.

One of the key actions we have undertaken in 2020 is establishing a modern slavery working group to formalise our governance in this area, which is led by our Chief Finance Officer. We recognise that collaboration is essential to tackling modern slavery risks, which can affect many different parts of the organisation. Our working group therefore contains representatives from our Finance, Marketing and Communications, Capital Works, and Repairs and Maintenance teams. Our working group have participated in two workshops this year, forming a central part of our initial response to addressing modern slavery risks (see the section entitled 'Actions taken to address modern slavery risks', for more information).

2020 has been a challenging year for many businesses in Australia and the rest of the world. The COVID-19 pandemic has had the greatest impact on vulnerable populations around the world with mass unemployment, increasing the risk factors for modern slavery. At KU, this has impacted the way we do business, with monitoring and testing protocols put in place to cope with COVID-19 and an Executive Steering Committee established to monitor and direct our operations during this time. We also needed to maintain enrolments in our Centres, so it was critical to retain and protect our staff, and communicate with parents, both at a Centre and whole of business level.

Chief Executive Officer signature:  Date approved by Board: 19 May 2021

MODERN SLAVERY STATEMENT

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ABOUT US

This statement is made on behalf of the reporting entity **KU Children's Services (KU)** and covers the reporting period of 1 January – 31 December 2020. Our Australian Company Number is 000 006 137, and registered office location is 129 York Street, Sydney, NSW 2000.

KU is a not-for-profit entity, registered charity, and company limited by guarantee. We provide early childhood education and care services, and our members are the parents of the children enrolled at KU. We do not have any entities, therefore will not be reporting consultation as per Criteria 6 of the MSA.

OUR OPERATIONS

We provide early childhood education and care services through our 105 KU childcare centres and 12 work based childcare centres. We employ approximately 2,000 people.

Our operations are solely based in Australia, in New South Wales, Victoria, ACT and Queensland. We offer the following services:

- ▶ Preschool education
- ▶ Childcare and early learning for babies, toddlers and pre-schoolers
- ▶ Before and after school care
- ▶ Early intervention and National Disability Insurance Scheme (NDIS) services, which support children with disability and developmental delay
- ▶ Inclusion support for children with additional needs
- ▶ Early learning services supporting settlement of newly arrived migrant and refugee children and their families under the Adult Migrant English Program (AMEP)

We work with a mixture of short-term and long-term suppliers in the delivery of our services. Long-term arrangements tend to be for our central office contracts who provide ongoing services, such as for IT and Finance. Our short-term arrangements include purchasing one-off supplies, or for standalone projects such as capital works and supplies.

ONGOING SERVICES

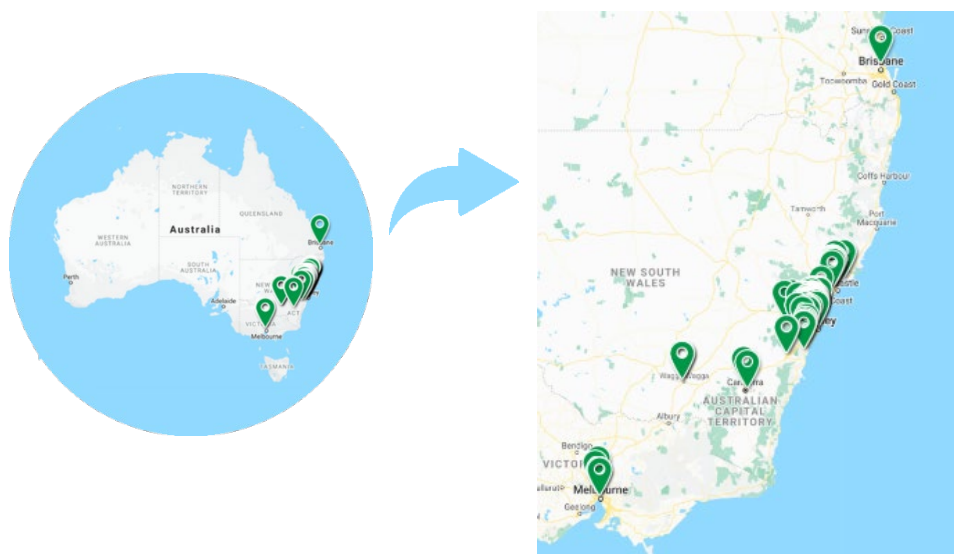
We have entered into a contract with the Federal Government to provide staff for the Inclusion Agency (IA), the Inclusion Development Fund (IDF) and the Inclusion Development Fund Manager (IDFM). These services support the inclusion of children with additional needs in early childhood education and care services through funding, tailored inclusion advice and access to funded support and specialist equipment where required. The IA is a state government agency that assists eligible services to build their capacity and capability to provide and embed inclusive practices in the delivery of early learning programs. The IDF provides funding to assist eligible services to address barriers to inclusion that require the support of an IA. The IDFM provides for nationally consistent and equitable management of the IDF. We provide staff for 16 IA / IDFM offices.

We also have a contract with Navitas, which services the Adult Migrant English Program (AMEP) by providing childcare services for participants. AMEP is administered by the Department of Education and Training (DET) under the Immigration (Education) Act 1971 and the Immigration (Education) Regulations 1992. AMEP provides up to 510 hours of English language tuition to eligible adult migrants and humanitarian entrants to help them learn foundation English language and settlement skills.

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Childcare during English classes is provided at no cost to the families and is fully funded by the DET. We provide an onsite childcare placement at KU AMEP services located at English Colleges, and also organise mainstream childcare placements near English Colleges or student's homes.



OUR SUPPLY CHAIN

Australia is the only sourcing country for our Tier 1 general supply chain, with the exception of external speakers we contract from countries including the USA, Canada and Italy to attend our annual conference. Tier 1 refers to our direct suppliers, i.e. the first level of our supply chain as captured in accounts payable spend data.

Whilst we procure a variety of goods and services, our top five industry spend categories during the reporting period are listed below:

- ▶ **Commerce**
 - Mercantile function that provides variety goods or provide a select service, such as catering
- ▶ **Financial services**
 - Auxiliary financial activities
- ▶ **Public administration, education and health**
 - Including services conducted with or necessitated by government, activities of membership organisations, and services relating to health or education
- ▶ **Dwellings**
 - Relating to property expenses, including rent, lease and physical building attributes (lifts, gates, fencing)
- ▶ **Machinery and equipment**
 - Likely to be more specialist, and long-term (as opposed to manufactured goods which may be more generic, or single use)

We acknowledge that each of these industry categories has a differing level of modern slavery risk, with our identified higher risk areas outlined in the following section.

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OUR MODERN SLAVERY RISKS | SUPPLY CHAIN

We identified three higher risk procurement categories for KU: Electronic Equipment, Food Products and Commerce. These are all areas in which we have significant spend. We have provided further details of these risks below:

1. Electronic equipment

Electronic Equipment involves the manufacturing of computer, optical, and electronic products. This category also includes software development.

We recognise there are risks in the manufacturing of equipment, including electronic goods. Asia is a global centre for manufacturing, with many companies relying on migrant workers who are globally recognised as an increasingly vulnerable population to risks of modern slavery and labour exploitation. Modern slavery risks in this sector include the risk of being contacted by recruiters with a job opportunity and forced into debt bondage and shackled to their employer.

2. Food products

Food products includes the production, processing, packaging and transport of food and produce. We purchase food products for use in our centres and as part of our operations caring for children.

Both the domestic and international elements of this supply chain are at risk of modern slavery. Australia imports items such as palm oil and seafood from Asia, which represent a higher risk of modern slavery. Domestically there is reliance on informal contracts when recruiting backpackers and seasonal workers in the sector, which may leave them vulnerable to modern slavery practices, such as wage theft, excessive working hours, and passport retention.

3. Commerce

The category of commerce includes a broad range of retail products and services obtained by KU. Of our three identified higher risk areas, this category represents the highest level of spend for KU. Our spend in this category includes trades and retail purchases, with a particular higher risk area comprising of cleaning services.

Cleaner unions and superannuation have reported regular occurrences of unethical contracts and superannuation theft within this industry, particularly targeting migrant workers.

COVID-19 has made workplace hygiene vital for public health. The hygiene supplies and equipment have seen increased demand, and under pressure manufacturers have resorted to modern slavery practices.

OUR MODERN SLAVERY RISKS | OPERATIONS

We recognise that we are part of a large supply chain that encompasses the extraction and processing of raw materials that go into the products we purchase, the subcontractors who may transport or process the goods, through to varying tiers of suppliers before they reach us.

Alongside key modern slavery risk areas within our supply chain, we also identified areas of practice that may increase our exposure to risks of modern slavery. These included the following areas, which we have identified as current risks within our operations:

▶ Accounts payable data

- We recognise that a sufficiently granular understanding of our entire supply chain is required to allow for the identification and management of modern slavery risks. It can be challenging to obtain the required level of insight to maintain a good overview of risk levels, without a

MODERN SLAVERY STATEMENT

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sufficiently detailed categorisation and records framework. This should also include a clear record of the supplier location, to assist us with being able to effectively assess and address our modern slavery risks.

▶ **Petty cash spend**

- We identified that we have a number of supplier records relating to petty cash payments. Cash payments can pose a higher risk for modern slavery, due to the fact that some schemes involve paying workers cash in hand, and not keeping records to avoid auditor and regulatory scrutiny. The risk may be greater when associated with services rather than goods, with research indicating that in Australia, the agricultural, construction, hospitality, meat processing, cleaning, domestic work and food services industries pose the greatest risk.

ACTIONS TAKEN TO ASSESS OUR MODERN SLAVERY RISKS

As one of our initial steps in responding to modern slavery, we recognised the need to develop a clear understanding of our supply chain in order to identify and manage modern slavery risks. We therefore conducted a risk assessment focusing on our Tier 1 suppliers, to develop an understanding of our baseline risk and identify higher risk suppliers and sectors.

To conduct our assessment, we used supplier spend data from our Accounts Payable data, and considered the following factors:

▶ **Country risk**

- In recognition that some geographies are at more risk of modern slavery, we conducted our assessment based on the Walk Free Foundation 2018 Global Slavery Index (GSI)

▶ **Category risk**

- Involving an assessment of the inherent risk levels present in different sectors, industries or associated with different goods and services

▶ **Dependency risk**

- To identify our financial relationship with different suppliers

Our assessment this year has allowed us to establish a baseline understanding of our modern slavery risks, and to prioritise areas for increased focus as we continue on our journey to minimise and respond to modern slavery risks within our supply chain.

The highest risk supplier categories in Australia in which we procure were found to be chemical, rubber and plastic products; electronic equipment; machinery and equipment; food products; paper products and publishing; and commerce.

Following our assessment, we conducted due diligence research on KU's top ten suppliers in terms of both spend and overall risk rating. This involved conducting searches through Factiva, a research tool that allows us to search Australian media publications for any references to modern slavery made in relation to the companies in question. Results were found relating to the practices of one supplier; we therefore reviewed their Modern Slavery Statement in order to seek assurance that they were taking appropriate action in this area.

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ACTIONS TAKEN TO ADDRESS OUR RISKS

The UNGP (Principle 19) makes it clear that the way you respond to modern slavery risks depends on whether you are causing, contributing to or are directly linked to each risk. We acknowledge that our response should be tailored to the modern slavery risks we have identified as being most at risk.

Following the risk assessment of our Tier 1 suppliers, we have taken action in a number of different areas to strengthen our processes and coordinate our response to modern slavery. These include:

- ▶ Establishing a modern slavery working group. This contains representatives from our Finance, Marketing and Communications, Capital Works and Repairs and Maintenance, and is chaired by our Chief Finance Officer.
- ▶ Developing a set of Procurement Principles to guide our procurement decisions and set out our expectations from our suppliers and service providers. These are applicable to all KU employees, contractors and suppliers.
- ▶ Producing a Supplier Questionnaire as a tool to assist in assessing our suppliers' policies and practices to identify, assess and mitigate modern slavery risks in our supply chains and operations. It will be used to facilitate collaborative two-way engagement between us and our suppliers and can be integrated into the procurement process.

The activities we have undertaken in this reporting period have provided us with a solid foundation in our response to modern slavery. We have developed tools to articulate our commitment and expectation to our staff and suppliers. We have also ensured that we have the appropriate governance and coordination in place to elevate our responses moving forward. As part of this coordination, we have developed a three-year Modern Slavery Act roadmap to guide our activities moving forward and assist in directing our efforts to increase our impacts and prioritise our response. Some of our future actions over the next three years include reviewing our policies to ensure alignment with best practice human rights instruments (such as the UNGP), enhancing our supplier data records within our Accounts Payable system, and conducting deep dives into higher risk categories.

Over the next year, our focus will be on communicating and operationalising our newly developed tools within our organisation and raising our staff awareness regarding the risks of modern slavery. We will also communicate these externally and seek to work with our suppliers to bring them along on the journey.

ASSESSING EFFECTIVENESS

We understand that one of the challenges in the fight against modern slavery is that it is complex and often hidden. We recognise that it is therefore essential that we hold ourselves to account and consider ways to monitor our efforts to check whether what we are doing is working.

As an initial step, we have established our working group this year (see Actions Taken to Address our Risks for more details). This group will have overall ownership of our MSA roadmap, with overall accountability for the program designated to our Chief Finance Officer.

We have included a section on 'Overall Program Monitoring' within our MSA roadmap, with two sub-activities to be completed next year:

- ▶ Put in place monitoring processes for MS program and improve and review annually; and
- ▶ Develop an overall program reporting framework

MODERN SLAVERY STATEMENT

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As part of the first activity, we recognise the need to develop key performance indicators to ensure the robustness of our monitoring process. These actions will also allow us to ensure we have collected relevant information throughout the year to inform our second Modern Slavery Act (2018) Statement.

OTHER RELEVANT INFORMATION

In August 2020, our Finance Manager attended a webinar hosted by Deloitte in conjunction with the launch of their Guidebook on the Modern Slavery Act (2018). The discussion considered the impacts COVID-19 has had on our supply chains and modern slavery, and dilemmas organisations are facing in a post COVID-19 world. We believe that building staff capacity and awareness is an important factor in managing modern slavery risks.

We recognise that collaboration is essential to making a positive impact in this area, and in 2021 intend to explore and develop partnerships with other organisations, such as with modern slavery NGOs and charities. This is one of the actions we are committing to in our modern slavery roadmap.

Signed for and behalf of the Board.

Chair: 
Laura Hartley

Date: 19 May 2021