

Modern Slavery Statement

1. Introduction

This Modern Slavery Statement for the 2019/20 financial year is a joint modern slavery statement given by two reporting entities, being the Reserve Bank of Australia (the Bank) and its wholly-owned subsidiary Note Printing Australia Limited (NPA). This Statement has been approved by the principal governing body of each of the Bank and NPA.

2. About our structure, operations and supply chains

2.1 What we do

The Bank is Australia's central bank and derives its functions and powers from the *Reserve Bank Act 1959*. The Bank has the following five key objectives¹. NPA is integrally involved in the fifth of these objectives:

1. Price stability and full employment. The Bank conducts monetary policy to meet an agreed medium-term inflation target. The Bank manages Australia's gold and foreign exchange reserves and operates in domestic financial markets to implement monetary policy.
2. Stability of the financial system. The Bank works with other regulatory bodies to foster financial stability.
3. Secure, stable and efficient payments system. The Bank promotes efficiency and competition in the payments system, and the overall stability of the financial system. The Bank oversees Australia's high-value payments system, supervises central counterparties and securities settlement facilities and owns and manages the Reserve Bank Information and Transfer System (including the Fast Settlement Service).
4. Delivery of efficient and effective banking services to the Australian Government. The Bank provides selected banking services to a range of Australian Government agencies and banking and registry services to a number of central banks and overseas official institutions.
5. The provision of secure and reliable banknotes. The Bank is responsible for the issue, reissue and cancellation of Australian banknotes. The Bank works with NPA to design and produce Australian banknotes. NPA also prints banknotes for foreign customers and prints and assembles passports for the Department of Foreign Affairs and Trade and one other foreign customer.

2.2 Our operations

The Bank operates and is staffed to achieve its five key objectives. The predominant components of the Bank's core operations are human capital and information. The Bank's operations, at their most basic level, include the storage, processing, analysis and distribution of information by the Bank's own staff. As at 30 June 2020, the Bank had 1,384 staff, 99 per cent of whom work in Australia and of whom 200 commenced during the 2019/20 year.²

NPA's core operations are more diverse as they perform research and design work, manage security printing equipment lines and conduct quality management in supplying high-security banknotes and

1 For more information on our objectives, strategic focus areas and activities see the Bank's Corporate Plan: www.rba.gov.au/about-rba/corporate-plan.html

2 A small number of staff are located at the Bank's New York, London and Beijing Representative Offices.

passports. As at 30 June 2020, NPA had 255 staff, all of whom work in Australia, and of whom 29 commenced during the 2019/20 year.

2.3 Our supply chains

The supply chains of the Bank and NPA reflect the nature of our operations. The Bank requires a range of goods and services to support its activities. The largest categories of suppliers by expenditure are in IT hardware and software, facilities management services and professional services. As a manufacturer, NPA's key suppliers provide the inputs to production, including consumables (such as banknote substrate, passport paper, inks, foils, and printing plates) and equipment (such as printing machinery). The majority of the Bank's suppliers, both based on volume and expenditure, are based in Australia, whereas, NPA's suppliers are more geographically diverse with some key manufacturing inputs being sourced from companies incorporated in Europe.³

3. The risks of modern slavery at the Bank and NPA

The first step in addressing and reducing modern slavery is to understand the risks of modern slavery in our operations and supply chains. In evaluating the potential or perceived risks of modern slavery, we considered the following factors as they related to our suppliers:

- Risks associated with geography – including levels of corruption, the population's skill or education levels, rule of law and strength of human rights or labour laws.
- Industry or sector-specific risks – such as whether it has predominantly base-skilled or migrant workers, industries where a high proportion of businesses utilise labour-hire, outsourcing or third party contracting arrangements and the nature of the product or service.

3.1 Focus areas in our supply chains

During 2019/20, we conducted initial assessments of our direct or 'Tier 1' suppliers'. This initial assessment of our suppliers focussed on geography, sector or industry classification and the broad products or services involved (see Section 4.1 for additional details on the assessment methodology). The assessments indicated that our suppliers broadly present low modern slavery risks for a range of reasons, including the following:

- they are predominantly based in Australia and other geographies that are considered to have lower modern slavery risks;
- they employ highly-skilled staff (who are generally less vulnerable to modern slavery) to supply the Bank with services and NPA with highly specialised production components, skills and machinery.

Whilst no instances of modern slavery were identified through this analysis, it was identified, however, that there are some areas of the Bank and NPA's supply chains where workers may be at greater risk of modern slavery. In particular, the risk focus areas identified were:

- **Textiles, Clothing and Footwear** – Instances of modern slavery practices in the textile, clothing and footwear industries have been widely documented. The Bank and NPA's supply chains include suppliers of uniforms or workwear, and NPA also uses rag services in manufacturing.
- **Stationery and Paper Products** – Stationery products carry potential risks in their manufacture. Similarly, paper products carry risks of worker exploitation, including through illegal logging practices. The Bank and NPA both utilise office stationery and paper products, and additionally NPA utilises paper products to package its products.

³ Supplier geography has been defined as the location of the entity with which the Bank and NPA has the direct contractual relationship, albeit the supplier may have global operations.

- **IT Hardware and Software** – Some IT hardware products utilised by the Bank and NPA (such as laptops, computers and mobile phones), as well as IT support services (particularly where suppliers utilise call centres outside of Australia) are considered to be at higher risk of modern slavery.
- **Property and Hospitality Services** – This includes a number of services utilised by the Bank and NPA (such as cleaning, laundry, security, office fit-out and catering services) that employ lower-skilled workers or workers that have been associated with reduced understanding and reduced ability to exert their labour rights. Additionally, some of these services are completed outside of standard business hours and thus, poor work practices may not be as visible.
- **Waste Services** – Waste services have been reported as being difficult to track and poor work practices may not be as visible. These services are particularly important to NPA as a goods manufacturer to manage waste products resulting from its production processes.

At the onset of the COVID-19 pandemic, our strategic suppliers were closely monitored. It was identified that suppliers could face additional pressures and some workers in the supply chain could become more vulnerable to modern slavery. In specific instances, supplier requirements or constraints were taken into account when managing deliverables to ensure that modern slavery risks were not exacerbated, consistent with advice from the Department of Home Affairs.

3.2 Analysis of our operations

During 2019/20, we also analysed our operations, which included examining staffing arrangements at our organisations and exploring the risks associated with the Bank's investment activities.

3.2.1 Our staff

We do not engage in practices that would contribute to making our staff vulnerable to modern slavery (such as confiscating identity documents or paying below minimum wages). Workers engaged as part of managed services, professional services or labour hire arrangements are typically identified as being at greater risk of modern slavery. However, we engage few workers under these types of arrangements and those that are tend to be highly skilled specialists that provide professional services or banknote production expertise and would therefore be considered less vulnerable to modern slavery.

We also have well-established staff grievance mechanisms. For example, both the Bank and NPA's staff and service providers may report unethical behaviour to the Integrity Reporting Service ([Fair Call](#)).

3.2.2 The Bank's investment activities

The Bank's investment activities comprise:

- Domestic market operations to implement monetary policy and to facilitate the smooth functioning of the payments system.
- International market operations, which include providing foreign exchange services to the Australian Government and investments in foreign currency assets.
- Holdings of gold as part of Australia's official reserve assets.

Overall, the risks of modern slavery associated with these investment activities are considered low, due to the types of assets held and the nature of the Bank's counterparties.

Domestic Portfolio

The domestic portfolio consists of both securities purchased outright and securities held under open and fixed-term repurchase agreements (repos). The Bank only holds Australian Government securities and semi-government securities outright. Securities held under repo are primarily Australian Government securities and semi-government securities, or securities issued by authorised-deposit taking institutions (ADIs). Securities issued by supranational organisations (such as the Asian Development Bank, European

Investment Bank and International Bank for Reconstruction and Development) and investment-grade non-ADI corporate securities are also eligible for repo.

The Bank's domestic counterparties are primarily ADIs, other APRA-regulated entities, a limited number of Australian Financial Services Licence holders, clearing and settlement facilities regulated by the Bank, and Commonwealth, state or territory government institutions.

None of the issuers and counterparties are considered to be associated with high modern slavery risks as the Australian Government, ADIs and other large corporates must manage their own modern slavery risks under the *Modern Slavery Act 2018* and supranational organisations promote economic and social development in their member countries. Additionally, although the Bank is the legal owner of the security for the length of the repo, the Bank has no control over the actions of the issuers of securities it accepts under repo.

Foreign Portfolio

The Bank's foreign portfolio is largely comprised of US dollar, Euro, Japanese yen, Canadian dollar, Chinese renminbi, UK pound sterling and South Korean won investments. The vast majority of the Bank's investments in the benchmark currencies are limited to deposits at official institutions (such as central banks) and debt instruments issued (or guaranteed) by sovereign entities, central banks and supranational agencies.

The Bank's foreign counterparties are generally large banks and financial service firms, which are subject to regulation in their respective jurisdictions and must meet the Bank's eligibility criteria for counterparties, including minimum credit rating requirements and compliance with the Bank's Sanctions Policy.

Overall, given the nature of the debt securities held by the Bank and the counterparties it deals with, the risks of modern slavery in the foreign reserves portfolio are considered low. The Bank does not have any control over the staffing or supply chain decisions of sovereign entities overseas.

Gold

The Bank has [committed](#) to conducting its activities in the gold market in a manner consistent with the principles of the [Global Precious Metals Code](#), which promotes striving for the highest ethical standards.

The Bank holds 80 tonnes of gold (including gold that is on loan) as part of Australia's official reserve assets. Almost the entirety of the Bank's physical gold holdings (99.9 per cent) is stored in the United Kingdom at the Bank of England (BoE).

The Bank also engages in gold lending in Australia and gold swaps (where gold is lent or purchased for a fixed term in exchange for one of the currencies in the foreign reserve portfolio). Counterparties to gold swaps are banks and other financial service firms that are eligible under the Bank's credit framework to transact in foreign exchange swaps. Gold bullion lent or purchased under swap is fungible and must meet standards set for good delivery by the London Bullion Market Association, which include rules requiring responsible sourcing of precious metals.

4. Actions to assess and address modern slavery risks

The Bank and NPA are taking a targeted, risk-based approach to assessing and addressing the modern slavery risks described in Section 3. This approach allows the Bank and NPA to focus their actions on assessing and addressing modern slavery risks on the highest risk areas. The first step in this process was to analyse our operations and supply chains to identify areas with a higher potential for modern slavery risks. Having identified supply chain risks as a key focus area, another key step was to focus on the development of resources and tools to help identify and manage modern slavery risks during procurement activities, as part of a broader modern slavery framework.

4.1 Assessment methodology

We assessed our operations and supply chains based on risk factors identified in the ‘Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities’ (the Guidance) and other commonly cited public resources.

Having conducted a high-level or thematic assessment of our operations and supply chains, we prioritised conducting a more in-depth assessment of our Tier 1 or direct suppliers. Our focus has been on suppliers engaged domestically (i.e. by the Bank’s Australian offices and NPA), which covered the bulk of our suppliers (by volume and spend). As described in Section 3, supplier modern slavery risks were assessed on three broad factors: sector/industry, product/service, and geography. Analysis of industry/sector and product/service risks was performed using an expenditure analysis, with expenditure grouped into categories of goods/services with common characteristics (i.e. common sector/industry). Each category was analysed using information from a range of sources about the risks of modern slavery within particular industries/sectors, products/services and geographies.

For the purpose of this analysis, supplier geography was defined as the location of the entity with which the Bank or NPA has the direct contractual relationship (and consequently the entity to which the Bank or NPA makes payments). Suppliers engaged under Whole of Government arrangements were not the core focus of the analysis since they have been assessed by the Department of Home Affairs and covered by the Commonwealth Modern Slavery Statement. The assessment was also limited to current suppliers; any suppliers that the Bank previously engaged, but no longer has an active relationship with, were not assessed.

In future reporting periods, it is intended that the analysis will be extended and more detailed due-diligence will be completed to take into account enterprise specific risk factors.⁴

4.2 Building a modern slavery framework

Over the 2019/20 reporting period, we commenced the development of a modern slavery framework. This work included:

- researching potential resources to help mitigate modern slavery risks, particularly in procurement processes and supply chains; and
- developing our goals, actions and work program on modern slavery and developing the tools to track progress and effectiveness over time.

A key part of the initial work towards developing a modern slavery framework was to engage industry experts on modern slavery best practice. This assisted in our development of processes for prioritising suppliers and rating their potential modern slavery risks, tools for conducting due diligence (such as questionnaires and adverse media checking for prospective and existing suppliers) and clauses that can be incorporated in contracts with suppliers.

The development of our modern slavery framework will continue over 2020/21 and future reporting periods, with a focus on due-diligence tools that will be piloted for significant procurements with a higher risk of modern slavery. This will include reviewing and improving the tools being developed based on the pilot results and to take into account resources released by the Government (including the Modern Slavery Toolkit for Procurement Officers, Supplier Questionnaire and Draft Model Contract Clauses). Another key focus will be on training a broader range of staff about modern slavery (using the Government’s e-learning module).

⁴ These might include poor governance structures, a record of treating workers poorly or a track record of human rights violations.

4.3 Assessing effectiveness

We are assessing the effectiveness of our actions to assess and address modern slavery risks over time, including by tracking a range of qualitative and quantitative indicators, by:

- Establishing cross-functional teams (including risk and compliance, and procurement staff) to understand and respond to modern slavery risks, as well as consulting with the Bank’s internal legal and audit functions.
- Setting out a work program which includes key goals and more detailed actions being undertaken in relation to modern slavery. The work program will be tracked against key milestones and desired outcomes or metrics for success.
- Engaging with and benchmarking against similar organisations. To date, this has included exchanges of ideas on assessment methodologies, measures being developed to address modern slavery risks, drafting of Modern Slavery Statements and overall progress being made. Some staff have also attended modern slavery workshops for Commonwealth Corporate Entities run by the Department of Home Affairs, which provided guidance on the requirements under the *Modern Slavery Act 2018*.

Measuring the effectiveness of our actions will help inform the future work plan and activities in relation to modern slavery. This would include helping to identify areas where: staff require training; engagement with suppliers could be improved; or efficiency improvements can be made to new or existing processes. The pilot testing of tools and resources is a key example of this approach, as it allows learning from experience and for improvements to be made before widespread implementation across the Bank and NPA.

4.4 Consultation between the Bank and NPA

The Bank and NPA have worked closely together to assess and address modern slavery risks across both organisations. Over 2019/20, this included regular meetings between the Bank and NPA’s risk and procurement teams, to exchange ideas and share information related to managing modern slavery risks in supply chains.

The aim of our consultation has been to align the modern slavery framework and actions across the Bank and NPA as much as practicable, while taking into account the different supply chains and risk profiles of each entity. This included use of the same assessment methodologies and aligning key tools and resources to ensure that they are fit for purpose for both organisations.

This collaborative approach has been strengthened and formalised for future reporting periods through a modern slavery working group, which includes staff from the risk management and procurement areas of the Bank and NPA, in consultation with the Bank’s legal and audit functions. NPA has also consulted with its legal advisor on specific aspects identified by the working group.

4.5 Governance

This Statement was written by Bank and NPA staff on the working group. It has been endorsed by the Bank’s Risk Management Committee and NPA’s Audit and Risk Committee, and approved by the principal governing body of each reporting entity – the Bank’s Governor and the NPA Board.



Philip Lowe
Governor
Reserve Bank of Australia

11 March 21.



Susan Woods
Chair
Note Printing Australia Limited

10 March 21