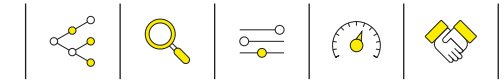




Commonwealth Bank  
of Australia

# Modern Slavery and Human Trafficking Statement 2021



This Statement is prepared on behalf of the Commonwealth Bank of Australia (CBA or the Bank), together with the entities it owns and controls and the other reporting entities listed in Appendix 1 (together, the Group). This Statement outlines the actions taken by the Group to identify and mitigate modern slavery and human trafficking in our operations and supply chains, over the financial year ending 30 June 2021 (FY21). This Statement has been prepared to comply with the reporting requirements of both Section 14 of the *Modern Slavery Act 2018 (Cth)* and Section 54 of the *Modern Slavery Act 2015 (UK)*.

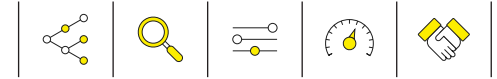
In this Statement we refer to 'modern slavery' as defined by the *Modern Slavery Act 2018 (Cth) (MSA)* and the *Modern Slavery Act 2015 (UK)*.

In this Statement, the collective expressions 'we', 'us', 'our' and 'the Group' are used for convenience where reference is made, in general, to all reporting entities covered by this Statement and any entities which the reporting entities own or control. Save where explicitly identified below, we operate using Group-wide policies and procedures to assess and address modern slavery risk.

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# Introduction



Modern slavery can occur in many forms, such as forced labour, bonded labour, child labour, domestic servitude, sex trafficking, and human trafficking.

As a business, we are committed to respecting human rights through our operations, supply chain, customers and stakeholders. We are also committed to working with government, other businesses, non-government organisations (NGOs) and the community to protect and respect human rights, including through the prevention of modern slavery.

Perpetrators of modern slavery often make it difficult to detect, so we must continually work to identify this risk and address it when we find it.

Given the nature of our business operations and the locations in which we operate, we acknowledge the risk of being linked to modern slavery and human rights impacts, including via our customers, investments and procurement activities.

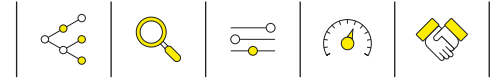
We understand that the business decisions we make, whether lending to a person or business, facilitating the transfer of money, or sourcing products and services from suppliers, can influence the risk that a person becomes a victim of modern slavery.

We are improving our capability to identify and manage these risks through our own processes and by working with specialised third parties, NGOs and our peers in the industry to address gaps.

As we assess the risk of modern slavery, implement programs to manage that risk, and determine the effectiveness of these solutions, it is clear that we must continue to refine our practices to better address modern slavery risks. This Statement details our programs and outlines actions taken in the 2021 Financial Year.

## Key initiatives in FY21

- Reviewed and updated the Group's Environmental and Social Framework (**E&S Framework**) and Environmental and Social Policy (**E&S Policy**) to ensure it addresses changing risks and opportunities. We have commitments to respect human rights in our operations, business relationships, supply chain and communities and to respect the human rights of Indigenous peoples.
- Board endorsed environmental and social risk as a strategic risk that could have a material impact on our business.
- Introduced new governance by establishing an Executive Leadership Team E&S Committee, which is supported by a new Business E&S Action Group.
- Invested in expanding our ability to perform ESG risk assessments across a greater portion of our business-lending portfolio.
- Conducted a cross-jurisdictional project with data analysts from different business units and support units to investigate transaction red flags and typologies that may indicate modern slavery activity.
- Introduced attestation process for ASB's agricultural and horticultural clients, seeking information on labour practices and workplace conditions.
- Issued risk assessment questionnaires to our higher risk suppliers.
- More than 12,000 employees completed ESG training (including modern slavery content) or specific modern slavery training.



## Our commitment to respecting human rights

The Group's E&S Policy and the public [E&S Framework](#) detail our commitment to respecting human rights.

Respect for human rights underpins the way we do business. These human rights are set out in the International Bill of Human Rights and International Labour Organisation Declaration on Fundamental Principles and Rights at Work, and at a minimum, we abide by the human rights-related laws of the countries where we operate.

We support the United Nations Guiding Principles on Business and Human Rights, and we continue to work to implement these across the Group.

Consistent with our commitment to review the Framework every two years, we released a revised Framework on 11 August 2021.

In that revised Framework, our specific commitments for modern slavery include:

- Where reasonably practical, we work to assess and address the risks of modern slavery in our business operations, Supply Chains and Financing decisions, as reported in our annual Modern Slavery Statement.
- We engage with our Suppliers rated as high risk for modern slavery, to assess and address the risks of modern slavery in their operations.

## How we conduct business

Our [Code of Conduct](#) incorporates our purpose and values, and sets expectations on how our people should act. It includes the 'Should We?' test to ensure our people do the right thing by our customers and the community. We continue to embed our Code of Conduct into our processes to support the skills and mindset required to deliver the best customer and risk outcomes.

Our Values are what we stand for and they guide us in everything we do:

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### Care

We care about our customers and each other – we serve with humility and transparency;

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### Courage

We have the courage to step in, speak up and lead by example; and

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### Commitment

We are unwavering in our commitment – we do what's right and together we find a way.

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The Code of Conduct is also a supporting control for making the right decision for our supply chains, financial crime compliance, and our customers and clients.



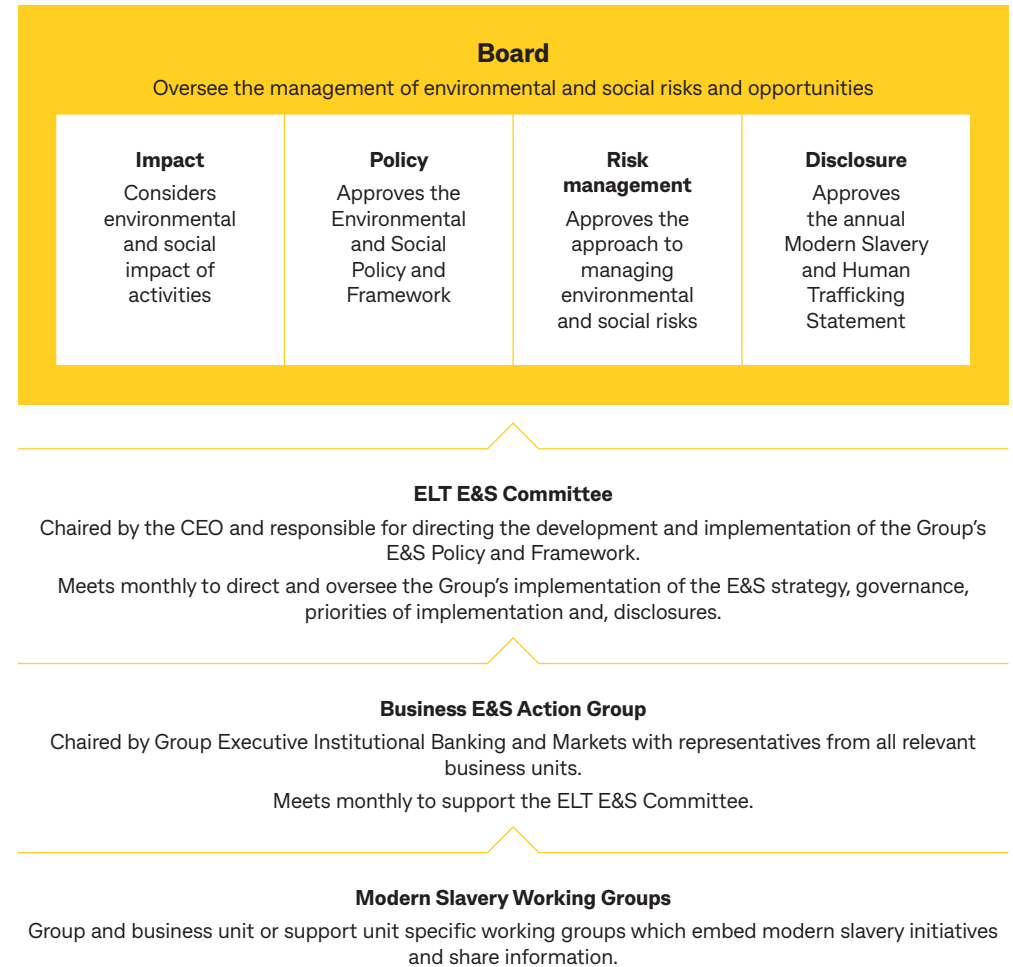
## Governance

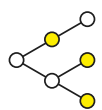
Effective governance is critical to managing environmental and social risks and opportunities, including modern slavery risks.

In FY21, we have implemented new senior governance for environmental and social issues, with the CEO chairing the Executive Leadership Team Environmental and Social (E&S) Committee. The ELT E&S Committee is responsible for directing and overseeing the Group’s environmental and social strategy, governance, priorities for implementation and disclosures. It is the point of escalation for all matters regarding program direction, and is the approval body for major program strategic decisions.

A Business Action Group supports this Committee, and is accountable for the effective implementation of the Group E&S program of work as directed by the ELT E&S Committee. It is the point of escalation for all matters regarding program delivery, and is the approval body for major program delivery decisions. Both groups meet regularly to oversee the Group’s work on issues that include climate and human rights.

## Governance Framework





# Our business structure, operations and supply chain



Our business structure, operations and supply chain



## Structure and operations

The Group is a leading provider of integrated financial services, including retail, business and institutional banking, superannuation, insurance, investment and share-broking products and services. Our head office is located in Sydney, Australia.

We serve more than 15 million customers globally, and, in line with our commitment to maintaining the largest branch network in Australia, as at 30 June 2021 we operated 875 branches in Australia.

The Group employs more than 46,100 full-time equivalent employees, with more than 43,200 (94%) based in Australia or New Zealand. By headcount, more than 31,000 of our employees are permanent full-time workers and more than 7,000 are permanent part-time.<sup>1</sup> Approximately 290 of our employees are casual workers.

Compared to our Australia and New Zealand-based operations, the Group has a smaller presence in Asia, North America, and Europe. In Asia, we have offices or branches in Indonesia, Japan, Singapore, mainland China, Hong Kong, India and Vietnam. We offer a range of financial services to both Australian clients with interests in Asia and clients within the region who have business interests in Australia. Our offices in New York, London, Amsterdam and Malta provide services that may include products and services to financial institutions, non-bank financial institutions, corporations and multinationals.

Our brands include some of the best-known names in financial services in Australia and New Zealand: Commonwealth Bank, CommSec, ASB, Colonial First State and Bankwest.

A description of our brands, and the primary business units that operate across our brands, is set out below:

<b>Retail Banking Services (RBS)</b>	Provides simple, convenient and affordable banking and general insurance products and services to personal and private bank customers, helping them manage their everyday banking needs, buy a home, protect their assets or invest for the future. In FY21, RBS included the retail banking businesses under the Commonwealth Bank and Bankwest brands, general insurance, mortgage broking and Commonwealth Financial Planning.
<b>Business Banking (BB)</b>	Deliver banking services to business, corporate and agribusiness customers across the full range of financial services solutions. BB also provides Australia's leading equities trading and margin lending services through CommSec. BB also supports the business banking activities conducted by Bankwest.
<b>Institutional Banking and Markets (IB&amp;M)</b>	Serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists.

<sup>1</sup> Excludes fixed-term contractors, contingent workers and ASB businesses in New Zealand.



<b>ASB Bank (ASB)</b>	Includes the banking and funds management businesses operating in New Zealand under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in New Zealand.
<b>Colonial First State (CFS)</b>	<p>Our superannuation and investment business, and includes Colonial First State Investments Limited (CFSIL) and Avanteos Investments Limited (AIL). CFS provides a range of investment, superannuation and retirement products to individuals and corporate superannuation solutions to employers in Australia.</p> <p>For FY21, CFS is a wholly owned subsidiary of the Group and is covered by this joint statement. With the partial sale of CFS to KKR, the Group will retain 45% ownership of CFS. This sale is planned to be completed in the second half of 2021.</p>
<b>International Financial Services (IFS)</b>	Includes the Group's Indonesian retail and business banking operations (PT Bank Commonwealth), and minority investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank).

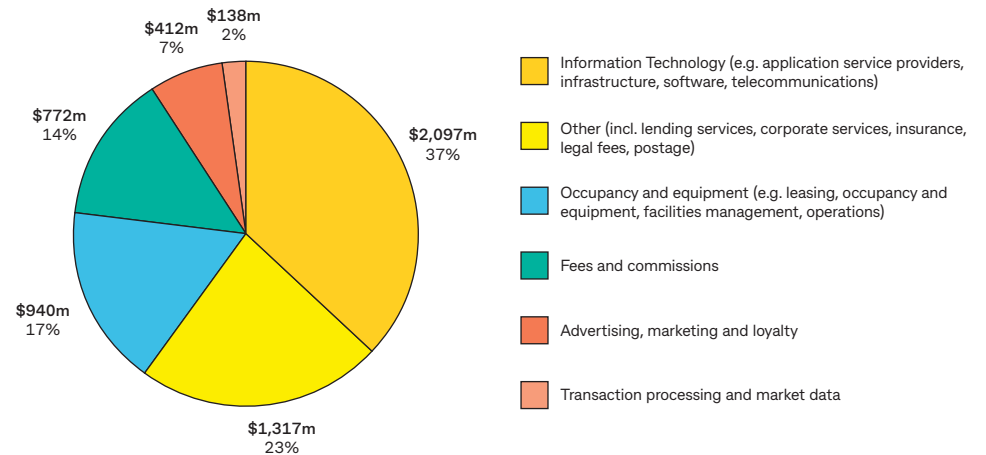
## Our supply chains

The Group partners with more than 6,900 suppliers to help us deliver products and services to our customers. During FY21, we spent approximately \$5.7 billion<sup>2</sup> with these suppliers, who range from large multinational corporations to small businesses.

Our three largest categories of procurement are Information Technology, Occupancy and equipment, and Other (predominantly lending services, corporate services, legal fees, printing and postage). Chart 1 shows the percentage of spend across all categories.

The top five countries where our suppliers are based, and which account for 97.5% of our spend, are Australia, New Zealand, USA, Great Britain and Ireland.

Chart 1: FY21 CBA spend across all categories



<sup>2</sup> Australian and international supplier spend, excluding intercompany, regulatory payments and brokers' fees.



# Identifying risks of modern slavery

The Group assesses the risks of modern slavery to people in our operations, including in the banking services that we provide our clients and customers, and through the suppliers we use.

Due to the complexity of our business, we consider the following types of modern slavery risks<sup>3</sup> are relevant to our business operations and supply chain:

For our people	For our customers and clients	For our supply chain
<ul style="list-style-type: none"> <li>Forced labour</li> <li>Debt bondage</li> <li>Deceptive recruiting for labour or services.</li> </ul>	<ul style="list-style-type: none"> <li>Trafficking in persons</li> <li>Slavery</li> <li>Forced labour</li> <li>Debt bondage</li> <li>Worst forms of child labour</li> <li>Deceptive recruiting for labour or services.</li> </ul>	<ul style="list-style-type: none"> <li>Forced labour</li> <li>Debt bondage</li> <li>Worst forms of child labour</li> <li>Deceptive recruiting for labour or services.</li> </ul>

## For our people

We consider that there is a low risk that our employees in branches and offices (across all business and support units) could be subject to modern slavery. More than 99% of our people are permanent full-time or permanent part-time workers, and all are qualified or skilled in financial services or support functions. Full-time work and contracts, access to trade union membership, high skill levels, and our supporting employee policies (including commitments to diversity and inclusion) are all indicators of a low modern slavery risk.

We respect the rights of our people by - operating a workplace that is open, fair and inclusive; providing access to grievance mechanisms; and providing a safe and healthy workplace, which promotes physical, mental and financial wellbeing.

<sup>3</sup> Australian legislation defines modern slavery as trafficking in persons, slavery, servitude, forced labour, forced marriage, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.



## For our customers and clients

### As a lender

We expect our clients to identify, manage, monitor, and redress any adverse impacts on human rights where their business is involved.

ESG assessments are completed by our banking teams and reviewed by our credit risk teams. We consider ESG risks, including modern slavery and human rights risks, in our lending decisions through our ESG Risk Assessment Tool (**ESG Tool**). The ESG Tool is used when evaluating institutional bank loans and large business bank loans (during FY21 this refers to loans greater than \$30 million, although as we explain below, work is underway to apply an assessment to smaller loans). The ESG Tool enables assessment of over 500 industry types and flags the level of modern slavery risk from very high to insignificant risk.

The ESG Tool guides bankers to rate the ESG risks associated with the client's activities across nine priority areas: climate and energy, climate physical risk, pollution, biodiversity, water, labour rights and modern slavery, human rights, workplace health and safety, and anti-corruption and governance.

In FY20, we uplifted our approach to include a specific labour rights and modern slavery priority area. We did this utilising research from the Australian Government and Transparency International, and by analysing more than 500 industry sectors and their underlying modern slavery risks, in partnership with the Mekong Club. The ESG Tool's risk ratings are also reviewed annually by key stakeholders within the Group and in consultation with EY.

In FY21, we have invested in expanding our ability to perform ESG risk assessments across a greater portion of our business-lending portfolio. An assessment of ESG risk is now a part of the lending approval and annual review process for clients in BB with commercial borrowings from \$1million. For this expanded portion, modern slavery remains a focus area for ESG risk assessments across our portfolio.

Based on the sources mentioned above (e.g. Australian Government guidance) that informed the risk assessment inherent risk ratings, the industries with higher risks





of modern slavery include horticulture, mining, manufacturing, construction and property. We also consider countries that have been identified as higher risks of modern slavery, including Thailand, Philippines, India and China.

In New Zealand, ASB provides banking and financial services to business customers operating in a range of sectors, some of which have high potential risk of people exposed to modern slavery.

For ASB, our business customers' operations are primarily based in New Zealand, which as a jurisdiction has a framework of strong labour legislation and employee protection. ASB considers that workers directly employed in this environment are likely to be at a lower risk of exploitation.

Industries at higher risk of modern slavery in the workforce include those that employ low-skilled casual or seasonal labour, including industries that use temporary labour managed by third party recruiters. The risk is likely to be higher when workers are from vulnerable groups such as immigrants or temporary migrants with limited English language skills. Modern slavery risks may also exist where ASB business customers source goods or services from international regions with a high risk of slavery.

In FY21, ASB conducted a risk assessment of their business and corporate customer base to determine the high-risk sectors in their business customer portfolio, and the level of exposure to these sectors. ASB used the modern slavery risk ratings from the ESG Tool.

This assessment showed that one of ASB's main exposures to higher risk sectors is in the agriculture and horticulture sectors, due to the frequent use of seasonal and casual workers.

### As a provider of banking services

Banks have a critical role to play in combatting financial crime to protect customers, the community and the integrity of the financial system. We are required to comply with legislation targeting financial crime activities globally, including those relating to sanctions, anti-money laundering and counter terrorism financing (AML/CTF), and anti-bribery and corruption (AB&C).

We are aware that criminals, including those who exploit other people and cause or contribute to modern slavery, can profit from this exploitation by employing the financial system to transfer funds from victims, amongst other criminals and to themselves. These risks are identified through guidance from regulators and NGOs, and by screening transactions for behaviour that triggers red flags.

Financial crime risks have increased over the last year and through the COVID-19 crisis we have observed an increasingly sophisticated use of technology by criminals targeting vulnerable people.

### As an investor

During the year, CFS worked with independent business and human rights specialists to enhance our risk identification approach. The specialist risk identification methodology assessed where modern slavery risk factors intersect with CFS's operations and supply chain. The four modern slavery risk factors considered were high-risk geographies, high-risk sectors, vulnerable populations and high-risk business models.

Through this process, CFS identified the following potential areas where people may be at risk of modern slavery:

- Parts of our investments that intersect with several modern slavery risk factors across all asset classes. This includes investments in listed equities, fixed income, infrastructure and property;
- Property and facilities services, which are currently managed by the Group; and
- Corporate goods and services, which we will assess further.

For CFSIL investments, where Investment Management Agreements guide our relationships with Investment Managers, we identified risks of modern slavery through analysis of Investment Manager survey results and as a dedicated agenda item in manager meetings, and by following up on 'high risk' holdings and case studies. We also issue the survey to new Investment Managers.



### Investment Managers

In FY21, CFS completed analysis of risk assessments we commenced in FY20, which sought to identify and describe the potential risk of modern slavery attached to our external Investment Managers. This assessment included category and country risk, and was based on the Global Slavery Index 2018. Our assessment determined that most suppliers and third parties presented a low risk of modern slavery.

We rate our investment managers as 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.

We found that all of our managers are aware of the MSA, including some that do not have to disclose under the MSA, but are still committed to the principles of the legislation.

Analysis of the survey results showed that 55 (77%) of our managers have built, or are in the process of, building a policy to assess and manage modern slavery risks and its impacts on their business operations.

### Investment holdings

We analysed CFSIL portfolio holdings across its equities and fixed income portfolio of assets. This constitutes 85% of the total funds under management for CFSIL. For the following assets, we were able to use this analysis to separate out 'at risk' holdings according to country of domicile and industry:

<b>Equities</b>	<ul style="list-style-type: none"> <li>Identified "at risk" countries using the Global Slavery Index 2018. In their joint work for asset owners and asset managers, the Financial Services Council and Responsible Investment Association Australasia (RIAA) have compiled a list of the top 50 countries by risk.</li> <li>Identified "at risk" sectors using the RIAA Investor Toolkit, and we have chosen to focus on the following six high-risk areas: Agriculture, Apparel, Construction, Health Care, Food &amp; Beverage and Mining.</li> </ul>
<b>Fixed Income</b>	<ul style="list-style-type: none"> <li>Identified "at risk" countries using the Global Slavery Index 2018. Classified as tier 1 (highest risk CCC to D) and tier 2 (high risk BB, B).</li> <li>Identified "at risk" sectors using the RIAA Investor Toolkit, and we have chosen to focus on the following six high-risk areas: Agriculture, Apparel, Construction, Health Care, Food &amp; Beverage and Mining.</li> </ul>

CFS will expand its analysis in the future to include other holdings that have been analysed as being at lower risk of instances of modern slavery.

Based on our analysis, we have narrowed our engagement to 13 company holdings across ten (10) managers. The company holdings span Thailand, Hong Kong, Turkey, Saudi Arabia, Japan and Philippines as country of domicile, and the industries of health care facilities, packaged food and meats, soft drinks, gold, integrated oil and gas, and health care distributors.



### ASB Group Investments

We assessed the potential modern slavery risk exposure of ASB Group Investments' (ASBGI) activities (funds under management), based on companies incorporated in high-risk jurisdictions.

As at 30 June 2021, approximately 0.22% of ASB's NZD \$21.B funds under management were invested in countries categorised as potentially high risk according to the Global Slavery Index 2018. This equates to around \$46.8m funds under management. These investments were in the higher risk countries of the Philippines, Thailand, Malaysia, Papua New Guinea, Greece, Pakistan, Turkey and Liberia.

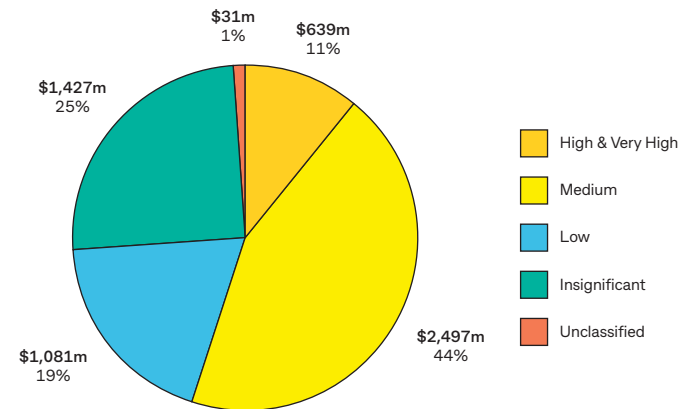
### For our supply chains

Reducing threat of harm to people in any supply chain is complex, due to varying risk across industries and countries, and differing levels of maturity in organisations - in both understanding and controlling modern slavery risk. We are continuing to improve our knowledge, systems and processes to identify how our procurement decisions can affect the risk of people being subject to modern slavery.

In FY21, significant progress has been made on assessing suppliers who pose the greatest risk of modern slavery. This was underpinned by the work conducted last year to identify our highest risk suppliers using the Global Slavery Index to inform country risk, and a heat mapping process that leveraged global benchmarks and research to match each supplier category to an appropriate ANZSIC industry sector to determine industry risk. The heat mapping has been updated in FY21 and identified suppliers accounting for \$639 million of spend have been deemed a higher risk of modern slavery.

Categories in our supply chain identified as having a higher risk of exposing people to modern slavery were infrastructure (incl. workplace technology, data storage), facilities management (incl. cleaning, security, maintenance and catering), telecommunications, card services and production, corporate services (incl. corporate wardrobe and office supplies), promotional materials and travel.

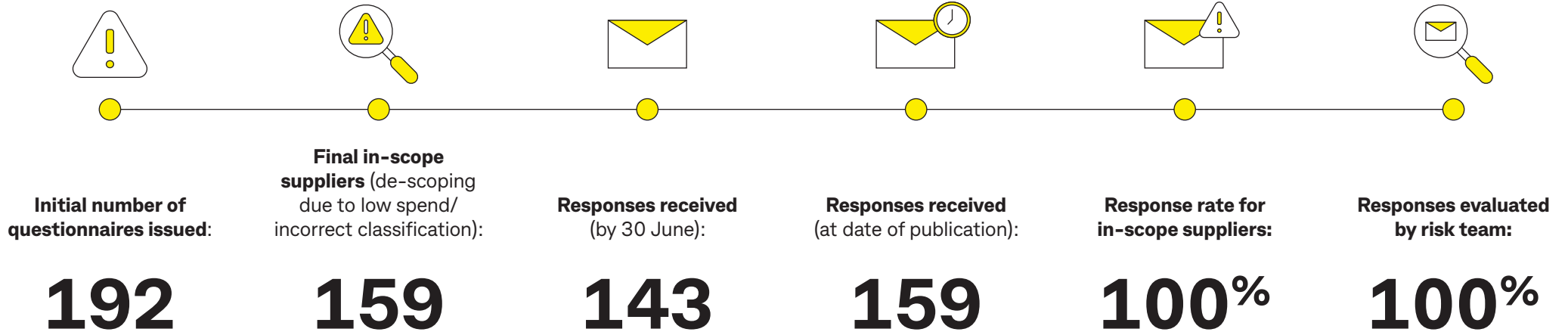
Chart 2: Procurement category risk ratings (by spend)



### FY21 Risk Assessments for High-Risk Suppliers

192 suppliers were identified as high-risk for modern slavery based on the industry or country of operations as described above. These suppliers were requested to complete a detailed risk assessment questionnaire.

The questionnaire was designed to identify risk to people and investigate whether appropriate controls were in place to prevent harm. Risk questions covered geography; vulnerability of the supplier's workforce (e.g. migrant workers, low-skilled workers, those on temporary contracts etc.); and any reported breaches or incidents of modern slavery. We requested information about controls including policies; external audits; leadership accountability for initiatives; risk assessments; staff training and grievance mechanisms.



Our supplier risk team evaluated all of the responses, assigned inherent and residual risk ratings to each supplier, and identified gaps and potential improvement areas. Group Corporate Services established a Modern Slavery Risk Committee, which was independent to the supplier risk team and was designed to review, challenge and verify the final risk ratings. This provided consistency in the risk assessment evaluations and outcomes.

Responses to the risk assessment questionnaires have improved our understanding of our suppliers’ risks and controls. Regardless of risk outcomes, we will use the assessment process as a learning for both our suppliers and the Group on modern slavery exposure. As such, we will communicate the outcomes of the risk assessment process – including opportunities for improvement of controls - to all of the suppliers that responded to the risk assessment questionnaire. Our intent is to use this process to continue to engage with them to endeavour to reduce harm to people across our supply chain.

In the instances where we have identified that our suppliers have vulnerable people in their workforce and lack modern slavery controls for their operations, the next step is to implement time-bound improvement plans with these suppliers.

The Supplier Improvement Plan will focus on actions to close gaps in the supplier’s controls – and may include support on drafting of a modern slavery policy; or provision of staff training materials developed by NGOs. The suppliers will be required to report on progress against a reasonable, agreed timeline to ensure their controls are uplifted. We are currently finalising which suppliers to prioritise for a Supplier Improvement Plan.

Insights gained from our responding suppliers include:

- 36% disclosed that they operate in countries with higher risk of human rights issues, and their locations are shown on the global map on the next page.
- 61% advised that they do not have vulnerable workers in their workforce.
- 49% stated that they were in-scope to report under the MSA.
- 39% told us that they have implemented a plan to prevent modern slavery in both their operations and supply chain, with a further 13% intending to do so within the next 12 months.



### Location of high-risk suppliers within our supply chain

Geographical location is one of the data points that we leverage to identify and assess modern slavery risk in our supply chain.





### Potential incidents

Through adverse media checks conducted as part of the risk assessment process, and responses to our modern slavery questionnaire, we have identified seven (7) potential incidents of modern slavery within our supply chain. These potential incidents were raised at our Supplier Governance Forum, they were investigated and we have documented how these suppliers have addressed the issues. The following table details the potential issues and what further action we must take.

Potential issue	Actions
A uniform manufacturer and its parent company identified an issue with underpaying past and current employees. The supplier has remediated current employees and we will seek confirmation that the matter has been resolved for past employees.	The supplier is reviewing the impact on former employees and we will track to resolution.
Two technology suppliers disclosed issues in their supply chains where agencies had charged migrant workers with recruitment fees and have reported that they have completed remediation.	No further action required.
A technology supplier disclosed that they conducted a special investigation into forced labour claims, working environment and migrant workers. Supplier visits in early 2020 and due diligence with the responsible business alliance did not identify issues with forced labour.	No further action required.
A hotel chain was facing a lawsuit claiming they were complicit in child exploitation, however, the supplier has since been removed from the lawsuit.	No further action required.
A software supplier faced allegations of underpayment but judgement was made in favour of the supplier.	No further action required.

Potential issue	Actions
A technology supplier disclosed practices similar to bonded labour within their supply chain, identified via an on-site audit. A follow-up audit found that all requirements had been met.	No further action required.

Where we become aware that any suppliers are identified as operating outside the law, or do not meet our requirements, we will engage with those suppliers and take appropriate action in accordance with our [E&S Framework](#).

### ASB's supply chain

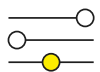
ASB's supply chain risk assessment identified construction, security, manufacturing, catering and technology as potential high-risk suppliers, and these suppliers comprised 21% of ASB's total procurement spend in FY21.

We also identified two industries classified as very high-risk sectors: cleaning services and uniform manufacturing.

During FY21, ASB launched an environment and social self-assessment questionnaire for suppliers. The aim of the questionnaire is to gain an understanding of the policies and processes suppliers have in place to address modern slavery risk in their own operations and supply chain.

The questionnaire is issued to all new suppliers at the time of on-boarding. The questionnaire was sent to 120 existing suppliers identified as critical or high value.

ASB will continue to issue the questionnaire to all new suppliers in FY22 and will follow-up with existing suppliers to build a more comprehensive baseline of modern slavery risk in the supply chain.



# Actions that mitigate modern slavery risks

Whilst we continue to improve our understanding of where modern slavery risks exist, we rely on a range of mitigation measures to reduce these risks. Our mitigation solutions include governance, policies, training and awareness, due diligence and monitoring, grievance mechanisms, and collaboration with industry associations and NGOs.

## For our people

### *Policies and processes*

We specifically address modern slavery in our E&S Policy, which sets the Group's approach and commitments to managing the environmental and social impacts, including human rights, of our business activities and operations, and applies to the Group, Directors, Employees, Secondees and Contractors. We also have other policies that set expectations on workplace behaviour, managing financial crime and speaking up on misconduct. These policies and frameworks include those listed in the adjacent table.

In FY21, we conducted a review of the E&S Policy and Framework. This review identified opportunities to enhance the identification, measurement and reporting of our environmental and social risk exposures. Updates included a public commitment that acknowledges our people's right to freedom of association, which supports their decision to join, or not join, a union. Local laws where we operate allow for freedom of association, and now we expressly acknowledge this in our policy framework.



Actions that mitigate modern slavery risks



Policy	Description
<u>Code of Conduct</u>	Sets the Group's expectations on how employees act, solve problems and make decisions. It applies to the Board, all employees and contractors.
<u>Workplace Conduct Policy</u>	Details our commitment to eliminate all forms of unlawful discrimination, harassment, bullying and victimisation of people in the workplace, as well as other unacceptable conduct. Applies to everyone who carries out work for the Group.
<u>Remuneration Policy</u>	Sets principles that guide the design of the Group's remuneration arrangements, including that they align to the Group's purpose, values and strategy. Applies to the Group and its Directors, Employees and any other individuals specified in the Policy.
<u>Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Policy</u>	Sets out the AML/CTF principles, which apply to all entities of the Group and its subsidiaries, including identification and mitigation of risk, governance, due diligence and training and awareness.
<u>Whistleblower Protection Policy</u>	Supports people to raise concerns of Reportable Conduct and protects them from retaliation and victimisation. Applies to the Group, Directors, Employees, secondees and Whistleblowers.



### ***Training and awareness***

We ensure that our people know how they should behave, and how to raise an issue, through our mandatory learning programs for Code of Conduct, workplace conduct, financial crime, privacy, whistleblowing, and health, safety and wellbeing.

We have a program of work underway to review the Group-wide capability training requirements for environmental and social issues. We expect that this review will deliver new training materials, which will also cover modern slavery, and will include impact measurement of the training.

## **For our customers and clients**

### **As a lender**

#### ***Policies and processes***

In FY21, we continued to perform ESG risk assessments of commercial borrowings greater than \$30 million, while also creating a solution for borrowings greater than \$1 million. On 1 July 2021, we implemented our ESG risk assessment solution for borrowings greater than \$1 million, further enhancing our ability to evaluate our clients in alignment with our E&S Framework. The assessment process requires further due diligence when a transaction involves an industry pre-assessed to have inherently higher risk of modern slavery. Due diligence considers known controversies, country of operation and supply chains.

### ***Case Study: Using the "Should We?" test***

When reviewing a potential transaction to a customer, our financial crimes team identified that the United States government was in the process of sanctioning the parent company, of the company sending the funds, for human rights abuses.

The sanctions process permits an exemption period to allow financial transactions to be completed. The exemptions allowed us to process the transaction, however the financial crimes team applied the "Should We?" test from our Code of Conduct, in conjunction with the human rights commitments in our E&S Policy.

Based on this, we blocked the transaction and advised our customer.

### ***Due diligence and monitoring***

In FY21, ASB introduced an attestation form for agricultural and horticultural customers with loans of more than \$1 million to capture information about labour practices and workplace conditions. The form asks several questions of rural customers including whether they employ casual staff (directly or through agencies), the wages paid to staff, whether they are indebted to employers, and standard of any provided accommodation.

By the end of June 2021, 26% of eligible ASB Rural customers had completed the attestation form. This highlighted two instances where staff were indebted to the employer and two instances where workers' accommodation was below standard. When ASB staff obtained further information on these cases in one instance, a farmer had lent working capital to contract milkers to enable them to get started. In the second case, the business owner had provided a loan to a staff member to support their family, which was being repaid through regular wage deductions. In the





cases of sub-standard accommodation, both farmers were repairing or upgrading properties to bring them up to standard.

The Rural attestation form is used at the time of customers' annual review, if not before. After 12 months in use, ASB anticipates almost full coverage of its Rural customers with borrowing over \$1m.

### **Training and awareness**

To elevate the management of modern slavery risks in our business, we have continued to embed ESG risk assessment capability across our business-lending portfolio. For example, in FY21 IB&M and BB staff completed annual ESG training, which includes modern slavery content and delivered modern slavery-specific training to BB staff.

## **As a provider of banking services**

### **Policy and processes**

In the Group, the Financial Crime Operations (FCO) team performs transaction monitoring and analysis to identify money laundering and terrorism financing activities and the Financial Crime and Intelligence Unit (FCIU) provides advice and risk management on potential and confirmed financial crime risk.

All of our employees have an obligation to be alert to, and report, unusual customer activities or transactions. This allows the Group to quickly and confidentially investigate and report the matters to the relevant regulators if required.

The Group uses a library of red flags and typologies to identify potential money laundering, terrorism financing and other financial crime offences. Red flags relate to behaviours by customers, in accounts, loans, use of cash and participation of third parties. We update our source documents regularly, based on guidance from regulators, authorities, industry bodies and NGOs.

Red flags that could relate to modern slavery activity, or other exploitation, include cash payments to accounts with the description of "wages" and then the quick transfer of most of those funds back to the original account, or payments involving high-risk industries, including labour hire and agriculture.

## **Case Study: Collab+ Project**

A group of data analysts from our different business and support units conducted a project to understand transaction typologies that possibly relate to modern slavery in the agricultural industry.

The team initially reviewed public research, engaged with Financial Crime Compliance and interviewed NGOs such as the Mekong Club and Be Slavery Free. They also looked into investigative media reports and Fair Work Ombudsman reports.

The team considered the three main indicators in red flags and typologies, including behavioural, transactional and demographic considerations, focusing on the latter two. They then identified 12 potential transactional red flags, including deposit and withdrawal trends, and seven demographic red flags, including high number of unrelated individuals living at the same address.

Analysis of transaction data showed that 1-2% of customers triggered at least one red flag a month, although one red flag alone does not represent suspect behaviour. One business triggered a red flag 34 times in nine months, whilst another case showed an individual triggering a red flag 20 times. We shared this analysis with the relevant business units for further investigation.

We used the findings to refine our red flags. We also presented these insights to the ABA Modern Slavery Working Group, and back to the Mekong Club and Be Slavery Free to expand their knowledge.

Our employees submit Unusual Matter Reports (UMR) to raise issues that they detect through interactions with customers or non-customers, such as unusual behaviour, applications and transactions. We investigate reported matters, which allows us to provide critical information to our regulators, the police and other law enforcement agencies to investigate potential criminal activities.



Our process to complete UMR and report unusual matters is an expansion of our previous process of Suspect Transaction Reporting (STR). Whilst the use of STRs to identify and report potential financial crime was effective and allowed us to meet our reporting obligations, the change to UMR broadens the type of activity that should be reported and highlights that a transaction does not need to occur before submitting a UMR. We now only need to recognise if the behaviour is unusual or out of the ordinary and report it.

The FCO also provides an Enhanced Customer Due Diligence (ECDD) for collecting and analysing additional due diligence information on a customer where they pose a high risk to the bank. We take a risk-based approach to identifying, mitigating and managing money laundering and terrorism financing risk in compliance with all relevant legislation.

The FCIU also investigates customers (personal and business) who have triggered red flags and deliver intelligence briefings and recommendations for the business to act upon.

### Case Study: Customer engaged in exit trafficking of spouse

Exit trafficking occurs where someone uses threats, coercion or deception to force another person to leave the country.

The Australian Federal Police investigated and charged a CBA customer with trafficking his spouse, by forcing her to leave Australia. The FCIU investigated the customer after he was charged, focusing on four red flags, including cash-related activity and fraudulent transactions and reported information to authorities. Notes made by frontline staff were also useful indicators of coercion behaviour.

The transaction monitoring team within ASB's Financial Crime Operations team are trained in human slavery and trafficking as a typology. They may submit a 'suspicious activity' report to the NZ Police Financial Intelligence Unit, irrespective of whether evidence of offending has been established.

During the 12 months to June 2021, one risk referral was submitted for concerns of human slavery and six for concerns of illegal labour. In addition to mandatory financial crimes training, which includes examples of modern slavery and human trafficking, 70% of the team have also completed non-mandatory training in modern slavery, provided by the Association of Certified Anti-Money Laundering Specialists (ACAMS).

#### Training and awareness

A critical action to combating financial crime is ensuring that we train all of our employees to identify financial crimes issues and that they understand the correct process for reporting unusual matters.

Our Financial Crime Curriculum is a suite of compulsory knowledge and skills development modules aimed at building the capability to fulfil our financial crime and regulatory obligations in detecting, deterring and disrupting financial crime. We based the design of the curriculum on extensive group-wide training needs analysis and consultation that identified the common capability gaps across the Group.

The training covers all elements of financial crime, Know Your Customer processes, sanctions, reporting and responsibilities and includes specific examples that relate to human trafficking. The training includes an assessment to measure understanding of the training.

#### Collaboration

We, along with peers and authorities, continue to partner with AUSTRAC in the Fintel Alliance. The Fintel Alliance has adopted an innovative approach to combatting complex and emerging crimes, and has been instrumental in protecting the Australian community from serious and organised crime. The Alliance has worked on a range of crime types and various operations and adapted effectively to changing circumstances.



## As an investor

With CFS's planned separation from the Group, CFS has recognised the need to develop a tailored modern slavery risk management framework that is appropriate for CFS as a standalone business, and which is aligned to good practice human rights due diligence.

With the support of business and human rights specialists, we have:

- Conducted industry benchmarking, to understand current state and analyse the core elements practice of ten (10) superannuation industry peers, based on publicly available information.
- Enhanced modern slavery risk identification, to provide specialist insights on the key risk areas for CFS.
- Assessed policies, systems and controls, to identify practical steps to strengthen our existing risk management across procurement, investment and core operational activities. This assessed the maturity of CFS risk management against 12 elements of internationally recognised good practice, in line with the Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities issued by Australian Border Force.

We have now created an action plan to develop a robust, and good practice-aligned, risk management framework for modern slavery. A working session on this action plan assigned key stakeholders and determined key accountabilities across the business to operationalise risk management actions.

## Investments

This year we focused on building awareness among our managers on the human rights issue of modern slavery, through manager meetings. The responses to the modern slavery questionnaire guides our engagement with our managers, and we seek to understand how the fund manager is working with companies to improve human rights practices and policies, gain greater transparency over supply chains, and rectify and remediate issues when they occur.

We worked with investment managers that held companies we had identified as being at a higher risk of modern slavery to gain greater understanding of the managers' approach and processes in place to mitigate modern slavery risks. Our managers provided us detailed insights into the company, and their own assessment of the respective companies' management systems and controls. CFS will use this information to inform our actions, including further engagement with companies if deemed necessary.

## ASB Group Investments

All five of ASB's external fund managers responded to our annual due diligence questionnaire, outlining how they assess and manage modern slavery risks both in their own business operations and in the companies in which they invest. All managers confirmed that they capture modern slavery risk in their ESG investment processes.

Where ASB's fund managers have an index-tracking mandate, the options they use to address modern slavery risk are engagement or stewardship. If they have a wider mandate, they can also divest of holdings in companies of concern. Under ASB's Framework for Excluded Investments, companies with serious modern slavery concerns may be specified as excluded investments.

## Collaboration

CFS signed the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) statement in November 2020, which called on Australian investee companies to meet their reporting obligations under the MSA and to go beyond compliance with the legislation by pursuing 'real action to combat modern slavery'.

Following on from this, we have chosen to collaborate in engagement with an ASX100 company in the Food & Beverage industry. Together IAST APAC members plan to use these activities as leverage to improve supply chain practices, responsibly remove the risk in their portfolios, and to model a robust investor engagement strategy for other regions.

CFS has participated in the RIAA Human Rights Working Group since 2019, and have been actively involved in the RIAA Asset Owner-Asset Manager Modern Slavery



Reporting Due Diligence sub-group set up in 2019. The sub-group was established to prepare a due diligence questionnaire for asset owners and their external managers to assist asset owners with meeting their obligations under the Act's reporting requirements and to minimise duplication of reporting effort on the part of Asset Managers.

## For our supply chains

Identifying where people may be at risk in our supply chain is only one part of our modern slavery program. We must work with our own people and our suppliers to mitigate these risks and ensure that there are remedies available to anyone impacted.

### Governance

In FY21, a restructure resulted in the procurement function moving into Group Corporate Services – consolidating the sustainability and modern slavery teams – and providing executive sponsorship and advocacy to drive all of the E&S work across our supply chain.

During the year, Group Corporate Services formed an executive-led Project Management Group (PMG), with subject matter experts from procurement, property, risk, legal and corporate affairs, to oversee and increase the pace of the modern slavery program of work for procurement. The PMG have reviewed, provided feedback, challenged and endorsed actions on due diligence processes, risk assessments, gaps, systems improvements, education and training, supplier engagement, monitoring and reporting.

An early decision by the PMG led to the engagement of KPMG Banarra (Human Rights and Social Impacts Services Team) to evaluate our modern slavery risk assessment questionnaire against best practice and provide guidance on risk assessment and supplier engagement.

Group Corporate Services, which engages with and manages many of our potentially high-risk suppliers in cleaning and security, introduced a Modern Slavery Advocacy Group to oversee the development of initiatives such as - creating a catalogue that tracks the environmental and social impacts of produce sourced for our corporate kitchens; and expanding the already established open-book price negotiations

with high risk suppliers, to achieve visibility of base labour rates with medium risk suppliers. The forum also acts as a central point to educate our people and suppliers in those industries.

### Supplier's policies and contractual controls

Our Supplier Code of Conduct (SCOC) sets our minimum requirements and principles for the behaviour and business practices that we expect our suppliers to adhere to in their own operations and supply chains. Our SCOC sets expectations for human rights, labour practices, health and safety, diversity and inclusion, environmental practices, and compliance and governance.

The SCOC requires that our suppliers ensure that there is no forced or bonded labour in their operations and supply chain and that they cannot use, benefit from or contribute to modern slavery.

As we work to understand the risks associated with our higher risk suppliers, and collaborate with them to improve their response, we will create more robust processes; invest in enabling technology; and build the capability of our people, which will enable us to better identify modern slavery risk and implement a more consistent approach across our supply chain. We will continue to work closely with our suppliers and experts on these issues to evolve our approach.

An important way to continue to set clear expectations on modern slavery is by incorporating our human rights compliance clause into our supplier contracts – which we began to do in FY20. The purpose of this clause is to expand our engagement with our suppliers; gain a deeper understanding of our supply chain (which includes any organisation or individual involved in the chain of production and provision of particular goods and services to that supplier's business); and set expectations of our suppliers to develop their own supplier management practices.

The clause requires suppliers to comply with human rights laws and our SCOC, and importantly, to put in place adequate policies, controls and procedures to identify, mitigate and remedy adverse human rights impacts in their operations and supply chains. Suppliers must also notify the Group of any actual, alleged or suspected adverse human rights impacts. It is from this engagement that both our suppliers and the Group can continue to strengthen our approach.



### **Training and awareness**

Our people are pivotal in making business decisions that reduce the risk of harm to people.

To raise awareness and support our people’s education on modern slavery, we launched an eLearning module focused on supply chains, and identified more than 1,000 employees who should complete this training, such as - procurement professionals and Business Owners who are all accountable for the engagement of suppliers. We achieved a 100% completion rate in FY21, which demonstrates the high level of engagement on this issue by our people.

We have also focussed on raising awareness of modern slavery flags, contract clauses and risk assessments with the Category and Relationship Managers that interact with our business critical suppliers every day. The governance materials for these suppliers has also been uplifted to improve the modern slavery content, which is driving conversations about risks and continuous improvement.

To increase supplier awareness and education, we also issued a Supplier Tool Kit and Risk Assessment FAQ pack to all the suppliers that we asked to complete the risk assessment questionnaire on modern slavery.

### **ASB’s supply chain**

Managing its own supply chain, ASB considered high inherent risk profiles before selecting property suppliers (including industries such as construction and cleaning services) as the first sector for targeted engagement. ASB delivered a specific modern slavery information session to staff who manage ASB’s property and construction supplier relationships and sent a subsequent introductory information pack on modern slavery to all 50 property-related suppliers. Walk Free and World Vision New Zealand provided support information for this pack.

During FY21, ASB has updated its purchasing terms that cover most suppliers with engagements of \$200,000 or less. From 30 June 2021, suppliers on these terms are bound by a requirement to use reasonable endeavours to ensure their personnel and suppliers comply with modern slavery laws and to notify ASB promptly of any suspected instances of slavery. They emailed the new terms with information about the change and the rationale to 1,474 suppliers. Suppliers are alerted to the strengthened terms and conditions whenever a new purchase order is generated by ASB’s ‘procure to pay’ system.

ASB is also working towards modern slavery clauses in its template agreements for facilities management and construction-related services.

### **Case Study: Hearing from the experts**

On 2 December 2020, Group Corporate Services hosted an event for ‘International Day for Abolition of Slavery’. Employees attended the event virtually and in person to hear Fuzz Kitto, co-founder of Be Slavery Free, share insights and experiences from the work his group are doing to tackle modern slavery.

The event highlighted how modern slavery can be present in corporate supply chains, and attendees were educated on how they can make a difference through the decisions they make at both work and home.



## Case Study: Risk in retail staff uniforms

ASB identified uniform manufacturing as a very high-risk sector within its supply chain. In FY21 ASB embarked on the redesign and manufacturing of the Retail staff uniform. Management of modern slavery risk was a key consideration in the selection of supplier for this work. Prior to engagement, the incumbent uniform supplier was required to provide information into how they address modern slavery.

The supplier confirmed they had robust mechanisms in place to manage modern slavery risk, including third-party audits of manufacturing to international standards. ASB confirmed the supplier was managing modern slavery risk in line with industry best practice, including:

- Actively engaging with their supply chain to ensure they are aware of/ comply with business requirements consistent with the MSA.
- Regularly auditing their factories using third party auditors to global standards (e.g. Business Social Compliance Initiative, Sedex Members Ethical Trade Audit, or Worldwide Responsible Accredited Production).
- Ensuring they do not source cotton from regions with high risk of exploiting local populations. The supplier does this through engagement with different factories and processes, but also includes confirmation of cotton source to the farm, certifications, and factory declarations.

ASB is developing a case study and internal communications on this supplier, and their business practices, which will be used in staff training and to raise awareness of ethical standards in the garment industry.

## Grievance mechanisms and remedy

The Group has a number of grievance mechanisms in place, through which an employee, customer or supplier may elect to make a modern slavery related report.

We have completed a preliminary review of our grievance mechanisms and are working with relevant teams to finalise and implement improvements, which include communication of mechanisms and training for staff.

### **SpeakUP Program**

The SpeakUP Program is our formal whistleblowing process that ensures that there are safe channels in place to enable our people, and external partners, to speak up. Our formal reporting channels such as the SpeakUP Hotline and SpeakUP Online, as well as the Group Whistleblower Policy, underpin the SpeakUP Program.

Concerns can be raised by an individual who is, or has been, a Director, employee, secondee, contractor, consultant, supplier, service provider (or their employee or subcontractor), volunteer, licensee (or its authorised representative or their employee), broker or auditor of, or working with, the Group. Relatives or dependents of these people (or of their spouse) are also eligible to raise concerns through our formal channels.

Any concerns impacting an employees' role, their wellbeing at work, or the Group can be raised. This may include general concerns that employees are not comfortable raising internally, or more serious issues that would constitute Reportable Conduct, as defined in the Group Whistleblower Policy.

Reportable Conduct includes conduct that is considered dishonest, fraudulent, corrupt, illegal, unethical, a breach of internal policy, dangerous or any breach of law.

Contractors who work on-site at our offices and branches are able to raise an issue through our SpeakUP hotline.



## Case Study: Raising awareness for contractors working on our sites

Contractors that work in our offices and branches must complete induction through our Avetta contractor management system. These workers can include low-skilled workers and people who may be more vulnerable to exploitation and modern slavery

We included information on modern slavery in the induction in February 2021, and since then more than 2,700 contractors have completed the induction and were informed that they can raise issues through the SpeakUP hotline.

Ahead of its separation from CBA, CFS has developed a draft Whistleblower Policy for affected stakeholders to report concerns. As part of the assessment facilitated by business and human rights specialists, CFS will be reviewing this policy to ensure it is accessible and fit-for-purpose for victims of modern slavery in our operations and supply chains.

### Workplace Grievance Review

The CBA Group has avenues for employees to raise workplace concerns, including concerns regarding inappropriate behaviour, treatment, discrimination, harassment, work hours, treatment or modern slavery. The Group's Workplace Grievance Review Procedure details the steps an employee can take to raise their concerns.

The Procedure details three steps to raising a concern. The first step is to raise the concern by directly speaking with the people involved. If that is not appropriate or the employee feels uncomfortable to do so, the second step is for the employee to raise concerns with their manager, manager once removed or senior manager, whoever they feel most comfortable with.

The third step allows a review by an impartial party if the employee wishes to escalate the outcome passed at stage 2. Stage 3 also allows an impartial party to conduct the investigation if there were no appropriate managers to resolve the grievance at stage 2. The Workplace Relations team supports people managers with investigating grievances at stage 2; their purpose is to advise leaders on a fair investigation process and support reasonable outcomes.

### Customer complaints

We expect all employees to be able to recognise, respond and resolve customer complaints no matter if they interact with internal or external customers. The majority of the customer complaints that the Group receives are resolved by frontline staff and within the business.

Group Customer Relations (GCR) is CBA's primary escalation point for customer feedback, with a particular responsibility for resolving complaints, which range from the simple to the extremely complex. GCR manages complaints that are raised directly with the team, which are escalated by the business or are referred to the business by an external dispute resolution agency.

The Critical and Complex team handles the most complex cases that are raised with GCR, and these include cases involving vulnerable customers, including those experiencing domestic and family violence, and financial abuse. Although the customer complaints process is not formally identified as a grievance mechanism for modern slavery, there is a risk that a vulnerable customer may be exploited or a victim of modern slavery.



# Measuring the effectiveness of our actions

As we mature our methodology to identify and mitigate the risk of exposing people to modern slavery, we also continue to develop how we measure the effectiveness of our mitigating actions.

The Group's governance of environmental and social matters is previously covered on page 4 of the Statement, and includes details on the responsibilities of the Board and relevant committees and working groups.

## Training and awareness

Our training curriculum includes mandatory and non-mandatory learning modules. Effectiveness of some of these programs will be measured in future by tracking capability uplift of participants through assessment or post-completion survey.

Training program – Completion (#) or Completion Rate (%)	Progress
Code of Conduct (#)	48,873
Code of Conduct (%) <sup>4</sup>	99.5%
Modern Slavery eLearning for Procurement (%)	100%
Modern Slavery eLearning for Procurement (#)	1,000
ESG Training (including modern slavery content) (#)	6,240
Modern Slavery and Business Finance (#)	4,288
ASB ESG Learning (#)	919
<b>Total ESG and modern slavery training</b>	<b>12,447</b>

<sup>4</sup> In FY21, methodology changed to include employees who have been assigned 'Code of Conduct' learning with a due date after 30 June



## Supplier engagement

We have achieved a high response rate to our modern slavery risk assessments which indicates well managed relationships and good communications with our suppliers; and a thoughtfully-designed, user-friendly process.

Effectiveness measure	Progress
Supplier response rate to modern slavery questionnaire	100%
Implementation of Supplier Improvement Plans – Planned for FY22	>10

Whilst response rates were high, the process of assessment for suppliers and evaluation for the procurement team was time intensive. We are therefore looking at ways to improve effectiveness by streamlining the process. For instance, we are working towards implementing a technology solution to uplift the quality of the data we collect; to improve the consistency of evaluations via automation; and to enable dynamic reporting, the drawing of insights and tracking of remediation actions.

## Capability

We understood early on that Modern Slavery risk differs to other types of risk that we manage, so KPMG Banarra were engaged to assess the effectiveness of our endeavours to protect people from harm. They conducted a review of our modern slavery risk assessment questionnaire and confirmed that it was fit for purpose – and provided detailed recommendations on improvements to content and scoring methodology. KPMG have also provided guidance on creating a robust, scalable risk assessment process, supported by technology and education. Our next steps are to sequence roll out over the coming years.

Leveraging expert advice has been invaluable in refining our approach – which has led us to understand that these skills and experience are critical to have in-house to ensure the effectiveness of our ongoing work. We therefore continue to build our team of E&S experts.



## Case Study: Switching our approach to risk assessments – focusing on risk to people

A key action during the year was the risk assessment evaluation conducted on the suppliers that responded to our risk assessment questionnaire.

The team evaluating the responses was following risk assessment approaches that are embedded in the Group, focusing on impacts to the business (i.e. reputational and financial impacts) when identifying inherent and residual risks.

The Modern Slavery Risk Committee reviewed the risk assessment process, and identified an improvement to the process by considering risk to people. In response to this, the Supplier Improvement Plan prioritisation will now focus on suppliers with higher risk workforces, e.g. using migrant or contract labour, and inadequate controls for minimising risk to people within their operations.

We can now concentrate on introducing Supplier Improvement Plans where they are needed the most.

## Peer engagement

Given the complexity around modern slavery, we have reached out across industries to understand how other organisations manage the risk to people in their operations and supply chains and to collaborate with them –on how to help those at risk of, or subjected to modern slavery. We gained valuable insights from meeting with one of our large property landlords on their due diligence process and approach to remediation, and from two of our cleaning service providers who presented to us on the challenges they are facing and their roadmap to improvements.

## Client due diligence and engagement

We are working to improve our measurement of the impact of our client due diligence processes and currently measure the following:

Effectiveness measure	Progress
ASB Business Banking loans assessed (>\$30 million)	170
ASB Business Banking loans with high residual risk for modern slavery (>\$30 million)	0
Investment Manager meetings including modern slavery discussions	53

CFS has prepared for becoming a standalone entity by setting foundations to develop a sustainable monitoring program, which allow measurement of the effectiveness of actions in future reporting periods. CFS invested in management engagement to gather information on the progress and understand the journey ahead as a standalone entity.

CFS, supported by a business and human rights specialist, facilitated a number of workshops with senior stakeholders across key areas of the business to inform the risk validation and diagnostic assessment and provide an actionable roadmap. These workshops had full attendance and high engagement from stakeholders.



# Collaboration, Consultation and Next Steps

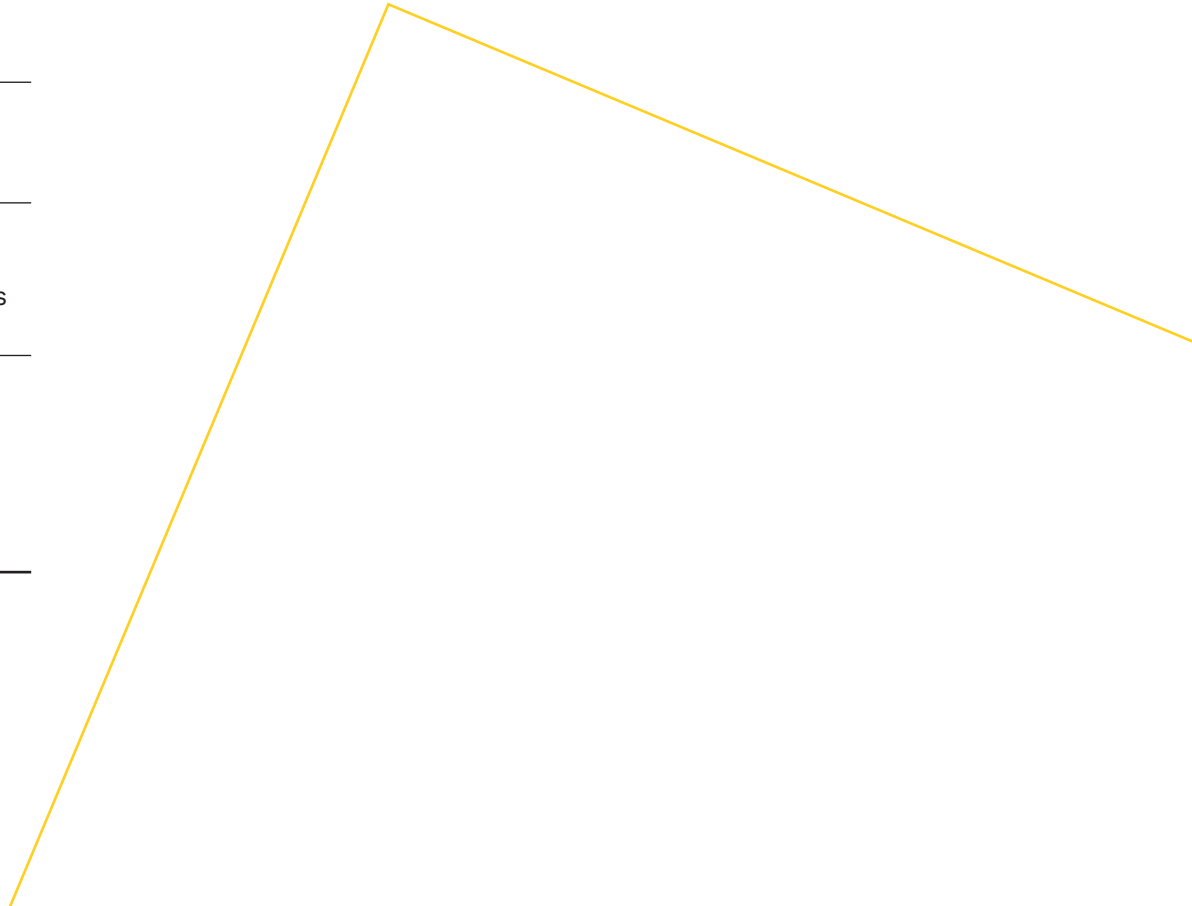
## Collaboration

One company alone cannot significantly reduce the risk of modern slavery to an estimated 40 million people globally and businesses, industry associations and NGOs are most effective when working together. We are active participants in the following industry and NGO groups:

<b>Australian Banking Association Modern Slavery Working Group</b>	We contributed to this group, which has focused on reviewing industry-wide modern slavery red flags and typologies in banking. We presented our own research on red flags and typologies to the group.
<b>Fintel Alliance</b>	We are a partner in the Fintel Alliance, a public-private partnership, which works to address the risk of criminal exploitation through the finance sector.
<b>Mekong Club</b>	The Mekong Club is an NGO that works with business to try to stop slavery. We are a member of the Mekong Club Banking Group, and presented our red flags and typologies research to the group.
<b>Walk Free</b>	In March 2021, ASB joined around 100 New Zealand companies in signing an open letter in support of local modern slavery legislation. The letter, organised by advocacy organisations Trade Aid, Walk Free and World Vision, calls for an inquiry into a modern slavery act for New Zealand.

## Consultation

This Statement was prepared in consultation with all reporting entities listed in Appendix 1, where stakeholders have provided information on their program of work to identify and mitigate modern slavery risks. Executive leadership, including Group Executives with oversight of reporting entities, approved the Statement through the E&S Committee, before submitting it to Board for approval.



## Next Steps

Our program of work is iterative, and we will continue to build on the foundations of the work we have conducted in recent years to address any gaps, and improve the efficiency and effectiveness of existing policies, programs, practices, awareness and reporting. Some of the actions we will consider and seek to implement during FY22 include:

### ***Our people***

- Complete review of environmental and social capability building and potential impact measurement.
- Complete review of grievance mechanisms and potential improvements.

### ***Customers and clients***

- Complete final priority training in the Financial Crime Learning Curriculum, delivering sound levels knowledge on anti-bribery and corruption, and sanctions.
- Embed commitments in updated Environmental and Social Policy.
- Embed performance of ESG risk assessment solution implemented on 1 July 2021 across business portfolio.
- Conduct a deep dive risk assessment for PT Bank Commonwealth in Indonesia.

### ***Supply chain***

- Agree to Supplier Improvement Plans with a selection of high-risk suppliers, based on vulnerable workforce and limited controls.
- Build upon supplier risk assessments, improving the process and expanding it to more suppliers.
- Continue to embed modern slavery (and ESG) into Supplier Risk Governance and supplier engagement.
- Improve measurement and reporting, focusing on impacts and outcomes.

This Statement will be reviewed and updated annually.

This Statement is approved by the Board of the Commonwealth Bank of Australia.



**Catherine Livingstone AO**

Chairman

6 December 2021

# Our Progress

Risk Identification	Pre-FY20	FY21	FY22+
Conducted supplier risk heat map	●	■	■
Commenced risk assessments on high risk suppliers		●	■
Complete ESG risk assessments when evaluating institutional bank loans and large business bank loans	■	■	■
Ongoing screening of transactions for unusual behaviours	■	■	■
Commenced risk assessment of Investment Managers and portfolios	●	■	■

Mitigation	Pre-FY20	FY21	FY22+
<b>Governance</b>			
Executive Leadership Team E&S Committee chaired by the CEO and supported by a Business Action Group meeting monthly		●	■
Executive-led PMG overseeing supply chain actions		●	■
Modern Slavery Working Group	●	■	▲

● Complete
■ Ongoing
▲ Review and revise
⬮ Future activity

<b>Policies and processes</b>			
Group E&S Policy and E&S Framework clarifying governance and commitments for respecting human rights	●	▲	
Issue Supplier Code of Conduct to suppliers	▲	■	■
Developed human rights compliance clause for supplier agreements	●	■	■
Review grievance mechanisms			⬮
<b>Due diligence and monitoring</b>			
Evolve our ESG Tool and expand methodology to include labour rights and modern slavery priority area	●	■	■
Invested in expanding our ability to perform ESG risk assessments across a greater portion of our business-lending portfolio		●	■
Introduced attestation form for ASB's agricultural and horticultural clients		●	■
<b>Training and awareness</b>			
Modern Slavery and Business Finance eLearning	●	■	▲
Deliver annual refresher ESG eLearning	■	■	■
Launch supply chain focused ESG eLearning		●	■
Deliver Financial Crime Curriculum	●	■	■
Review environmental and social capability program			⬮

# Appendix 1: Reporting Entities for the Group



## Legal Names of Reporting Entities

- Commonwealth Bank of Australia (ACN 123 123 124)
- ASB Bank Limited (NZCN 323 242 187)
- Medallion Trust Series 2008-1R
- Colonial First State Group Limited (ACN 813 342 348)
- ASB Holdings Limited (NZCN 580 789 184)
- Commonwealth Insurance Holdings Limited (ACN 088 327 959)
- Colonial Holding Company Limited (ACN 074 706 782)
- CBA Covered Bond Trust (ACN 954 593 219)
- Colonial First State Investments Limited (ACN 002 348 352)
- BWA Group Services Pty Ltd (ACN 111 209 440)
- Residential Mortgage Group Pty Ltd (ACN 152 378 133)
- Medallion NZ Series Tr 2009-1R
- Commonwealth International Holdings Pty Limited
- ASB Finance Limited
- AHL Holdings Pty Limited (ACN 105 266 073)
- Commonwealth Securities Limited (ACN 067 254 399)
- CMG Asia Pty Ltd (ACN 075 668 932)
- CMG Asia Life Holdings Limited
- Covered Bond Trust Limited

# Appendix 2: Mandatory Reporting Criteria



This Statement complies with the requirements of the UK Modern Slavery Act 2015 and the mandatory criteria for the Australian Modern Slavery Act 2018. The following table references the content in this Statement, which complies with Section 16 of the Australian legislation.

Modern Slavery Act Mandatory Criteria	Modern Slavery and Human Trafficking Statement 2021 Page Reference
Identify the reporting entity.	Page 1 and Appendix 1
Describe the structure, operations, and supply chains of the reporting entity.	Pages 5-6
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls.	Pages 7-13
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Pages 14-22
Describe how the reporting entity assesses the effectiveness of such actions.	Pages 23-24
Describe the process of consultation with any entities that the reporting entity owns or controls. In the case of a reporting entity covered by a statement under Section 14 – the entity giving the statement.	Page 25
Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	Pages 26-27