

Colonial First State Joint Modern Slavery Statement

(1 July 2022 – 30 June 2023)



Acknowledgement of Country

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

About this Artwork

A proud Aboriginal artist and Kalkadoon woman, Chern'ee Sutton, from the emu foot province around the Mount Isa area in North West Queensland has created an artwork to reflect the reconciliation journey of CFS.

The artwork includes symbols to represent CFS, our employees and our customers as well as the four areas of our Reconciliation Action Plan: Relationships, Respect, Opportunities and Governance.

The CFS purpose of 'Financial Freedom' was the main inspiration of the artwork – both the freedom to do what you love and the financial freedom to live a fulfilling life. These ideas are reflected through traditional Aboriginal designs and symbolise how CFS provides support and guidance to customers through connection, service and financial freedom.

This Joint Modern Slavery Statement is prepared and issued by Colonial First State (CFS) to comply with the Australian Modern Slavery Act 2018 (the Act) for the financial year ending 30 June 2023.

This Joint Modern Slavery Statement covers the following entities that meet the definition of reporting entities in the Act. Together, these entities may be described as 'Colonial First State' or 'the Group'.

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

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A message from the Executive Chairman

I'm pleased to present Colonial First State's Joint Modern Slavery Statement for the 2023 financial year.

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

As one of Australia's leading superannuation and investment businesses, with 1,530 employees, over 940,000 members and \$147.4 billion in funds under management, we recognise the need to report, identify and manage modern slavery risk within our direct business operations, supply chains and investments.

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

Key outcomes achieved in the 2023 financial year included:

- implementing a third party modern slavery risk framework for suppliers;
- continuing a modern slavery working group with representation across key business units;
- extending our partnership with FairSupply to review both our Australian share portfolio and supplier base, with the data used to engage with companies identified as high risk;
- continuing our partnership with EOS at Federated Hermes to engage with our global equity investments on our behalf, including on modern slavery and human rights;
- continuing to engage and share learnings with peers through collaborative groups, including the Responsible Investment Association Australasia's (RIAA) Human Rights Working Group and Investors Against Slavery and Trafficking APAC (IAST APAC); and
- engaging our people through modern slavery awareness and targeted training.

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



Rob Coombe
Executive Chairman, Colonial First State



Our business and structure

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

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

Our flagship FirstChoice product is designed to provide members with a wide range of investment choice to enable them to choose an investment strategy that most suits their financial needs and objectives and which best aligns with their values. More than 200 investment options are available through FirstChoice, which are managed by leading domestic and international fund managers, who themselves have offices across the globe.

Through CFS' FirstWrap and CFS Edge platforms, customers can make direct investments into over 500 investment products, including listed securities, unlisted funds as well as CFS' FirstChoice products, all wrapped into a single account.

We have over 940,000 members who choose CFS for their superannuation or investment savings. Across Australia, we employ 1,530 people and 323 contractors either in our Head Office, which is located in Sydney, or in our smaller offices in Melbourne, Queensland, Western Australia, Canberra and South Australia.

We also engage approximately 400 service providers across information technology, professional services, business services and market data. While these suppliers are primarily located in Australia, some of our technology providers have resources located in India and the Philippines.



940,000
members



208 superannuation
and investment
products on
FirstChoice



89 investment
managers



1,530 employees
in Australia



323 contractors



400 suppliers
in ten countries







\$147.4 billion
funds under
administration (FUA)

Note: all figures are as at 30 June 2023.

CFS' FirstWrap and CFS Edge platforms are administration services that offer an extensive menu of investments wrapped into a single account, enabling members to make direct investments in hundreds of listed and unlisted funds and securities. Due to the nature of the investment structure, CFS has limited visibility over the supply chains of these investments.

Our risks of modern slavery

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

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

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

Investments

Risk factors present:



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

Investee companies’ exposure to modern slavery risk will be heightened at the intersection of two risk factors considered by CFS, for example, vulnerable populations and high-risk sectors. This exposure extends beyond an investees’ own operations and into its supply chains. Detail about how CFS analyses its investment portfolios for modern slavery risk is included on pages 8 and 9.

Property and facilities services

Risk factors present:



Property and facilities management is known for its exposure to multiple modern slavery risk factors in Australia. Services such as cleaning, maintenance and security are often outsourced to small service providers and often include third-party labour hire arrangements.

Facilities management services can employ base-skilled workers from migrant backgrounds who present a higher risk of forced labour.

Corporate goods and services

(IT hardware, marketing materials)

Risk factors present:



IT hardware manufacturing relies on sourcing metal components, often from high risk or conflict-prone geographies.

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



Assessing and addressing modern slavery risk

Actions that we have taken to assess and address modern slavery risks focuses on four key areas: policies; systems and controls; grievance mechanisms and remediation; and employee training and awareness.

Policies

In FY23, we assessed our organisational policies and made amendments to ensure that human rights and modern slavery risk was captured in our governance processes. Below are the key policies that incorporate our management of modern slavery risk.

CFS Procurement and Outsourcing Policy and Third Party Code of Conduct

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

The CFS Procurement and Outsourcing Policy and Third Party Code of Conduct is designed to ensure that all third parties are appropriately and effectively sourced, contracted, managed and off-boarded through the third party lifecycle. Modern slavery is referenced as a specific area of focus, and the Policy and Code of Conduct require third parties to comply with applicable employment standards, labour, non-discrimination and human rights legislation. Additionally, CFS third party contracts contain clauses that ensure suppliers adhere to modern slavery regulations and work to eliminate modern slavery risk within their operations and supply chains.

CFSIL Responsible Investment Policy and AIL Responsible Investment Policy

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

Systems and controls

Investments

Portfolio analysis

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

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

Australian equities

Through using an external provider, FairSupply, CFS analysed the risk of modern slavery in our Australian equity holdings deep into their supply chain, down to tier 10 suppliers. However, we discovered that the majority of our risk appears in the first three tiers of the supply chain and so it is there that we focus our work.

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

Global equities and fixed income

In FY23, our focus was primarily on domestic holdings. For global shares and fixed income, CFS uses the Responsible Investment Association of Australasia (RIAA) toolkit, International Labour Organisation and Global Slavery Index lists to analyse and identify high risk holdings. Once high-risk holdings had been identified, CFS works with our investment managers to gain greater understanding of the managers' approach, company engagement and what processes are in place to mitigate modern slavery risk.

However, our analysis led us to believe it would be more useful to shift to thematic engagements rather than investigating specific companies. Our industries of focus are food and beverage, communication services and energy.

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

Engagement

In FY23, CFS continued to use the services of EOS at Federated Hermes, a leading global stewardship provider, to provide engagement and voting recommendations for its global equity investments.

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

Manager engagement

CFS' Responsible Investment team regularly engages with its 89 investment managers. This engagement includes a focus on modern slavery risk to understand how investment managers identify, assess and mitigate modern slavery within their investments, operations and supply chains. Through an investment manager survey and subsequent manager meetings, CFS confirmed that:

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

To advance awareness of modern slavery with our investment managers, our Responsible Investment team, as part of due diligence when assessing new investment managers, ensure that modern slavery is discussed and assessed. This is particularly important for those jurisdictions that are yet to pass legislation. Despite not all fund managers being required to complete modern slavery statements, in FY23, over 80% of our managers had either officially lodged a statement or provided us with a copy of their human rights position.

Procurement and supplier governance

In FY23, CFS established its own Procurement team which has adopted the underlying principles of prudent and diligent modern slavery management with suppliers, previously applied by CBA on CFS' behalf.

CFS has also created a Supplier Governance function who manage supplier on-boarding including assessing suppliers' modern slavery risk. This process now uses quantitative data, supplemented by FairSupply information, aligned to CFS's risk appetite. For suppliers identified as high-risk, CFS engages with these companies through governance meetings to understand their approach to managing and mitigating modern slavery risk in their supply chain. This approach is aligned to the monitoring of suppliers under our Third Party Modern Slavery Risk Framework, as outlined below.

Third Party Modern Slavery Risk Framework and risk screening

CFS has developed a Third Party Modern Slavery Risk Framework to guide its approach to monitoring, managing, and mitigating modern slavery risk in its supply chain. This framework has been implemented during this review period and applies to all third parties engaged by CFS to provide products and services, including outsourced and offshored business functions. This framework complements the CFS Procurement and Outsourcing Policy and Third Party Code of Conduct and outlines the level and frequency of monitoring required for third parties based on the level of modern slavery risk present.

As part of our supplier onboarding and risk screening, where applicable, we review a supplier's modern slavery statement to help us assess their modern slavery risk profile.

Grievance mechanisms and remediation

Grievance mechanisms provide a direct channel of communication between individuals adversely impacted, and CFS. They provide a way for CFS to monitor whether its activities are causing, contributing, or directly linked to worker exploitation, and to address such adverse impacts if they are identified. These mechanisms are available to employees in the event they were to identify modern slavery risk, or have concerns about the way CFS manages third party modern slavery risk.

CFS Workplace Grievance Review Procedure

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

Whistleblower Policy

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

FairCall Hotline

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

Training and employee awareness

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

CFS communicates with people leaders and employees using various communication channels and includes content to raise awareness of modern slavery risks and expectations of third parties. Information and tools related to modern slavery risks are also available to all employees via a readily accessible intranet site.







All new employees receive a compulsory playbook as part of their orientation program, which contains modern slavery awareness information. In addition, CFS undertakes role/function specific training on modern slavery risks.

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



Assessing effectiveness

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

Element	Metric	FY23 result
Employee learning and awareness 	Number of employees engaging with Code of Conduct and modern slavery training.	<ul style="list-style-type: none"> 100% of employees completed Code of Conduct training. Employee communications included content to build awareness of modern slavery risks and expectations of third parties, with a link on where to find additional resources. 10 Procurement and Supplier Governance employees completed training on modern slavery risks.
Supplier due diligence 	Completion of modern slavery questionnaire.	<ul style="list-style-type: none"> 100% of CFS suppliers completed the modern slavery questionnaire.
Investment manager engagement 	Understanding the extent to which investment managers are aware of the <i>Modern Slavery Act 2018</i> , as well as how many investment managers completed modern slavery statements.	<ul style="list-style-type: none"> The number of CFS investment managers who produced a modern slavery statement rose from 48% last reporting period to 66%. 100% of new investment managers had a modern slavery discussion with CFS.
Portfolio analysis – Australian shares 	Companies engaged with via investment managers, leveraging the FairSupply analysis.	<ul style="list-style-type: none"> CFS focused on the top three tiers of the supply chain in analysis of our holdings using FairSupply data. Twelve companies have been identified as high risk using the FairSupply analysis. CFS focused on three companies that appeared in the top ten most at risk for modern slavery and engaged with our managers who held these companies. In concentrating on these companies, we are looking at holdings that are both high in modern slavery risk and large positions within our portfolio.
Portfolio analysis – global shares 	Companies engaged with via investment managers.	<ul style="list-style-type: none"> We shifted focus from the previous company names towards themes, in order to allow for a long-term view rather than looking at holdings that may change over time. Industries of focus are food and beverage, communication services and energy.
Collaboration 	Collaborating with investment managers, peers and industry associations to increase our knowledge and influence.	<ul style="list-style-type: none"> During discussions with investment managers, CFS helped to spread awareness and knowledge of collaborations with organisations such as IAST. We continued to encourage our investment managers to become involved in these collaborations. Continued involvement with RIAA through being a member of their Human Rights Working Group. We became an endorser of the PRI initiative, Advance, which aims to use stewardship by institutional investors to take action on human rights and social issues. The first phase is focusing on companies across the metals and mining industry.



Other relevant information and approval processes

Stakeholder engagement and collaboration

Collaboration with industry groups and associations continued to build a positive framework to mitigate modern slavery risks at CFS in FY23.

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

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

Consultation

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

Members of the CFS Executive Leadership Team were also consulted, including reviewing, and approving this Statement.

Approval process

This Statement was reviewed and approved by the AIL, CFSIL, HoldCo and ServiceCo Boards and these Boards will continue to review and approve this Statement on an annual basis.

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