

Modern Slavery Statement FY21

Introduction from Chairman, Dr Don Russell & Chief Executive, Paul Schroder



Modern slavery is a systemic issue. There are an estimated 40 million victims of modern slavery globally¹ with women and children the most impacted. While modern slavery is more prevalent in developing countries, it also occurs in developed countries.

The human costs of modern slavery are severe and require a co-ordinated effort from governments, companies, investors and broader society to address. AustralianSuper supports the UN Sustainable Development Goal (SDG) of eradicating forced labour, modern slavery and human trafficking by 2030. As a co-founder of the Sustainable Development Investments Asset Owner Platform (SDI-AOP), we see the SDGs as the business plan for a sustainable, long-term economy and a foundation for creating long-term value for members.

With members' assets of more than \$233 billion, AustralianSuper is a significant investor in Australian and international markets. We acknowledge the risk modern slavery presents as a trustee investing on behalf of 2.4 million members, and the importance of addressing this risk in our operations and supply chains.

Beyond the clear ethical issues, business models and value chains that rely on underpaid workers, weak regulation or illegal activities such as forced labour and other forms of modern slavery create unsustainable earnings. Modern slavery and poor workforce practices can materially impact company reputations, disrupt operations, divert resources and create legal liabilities all of which can negatively impact investment value.

While assessing the risk to value is an important part of the Fund's investment approach, this statement focuses on modern slavery from a 'risk to people' perspective. This looks to determine where modern slavery risks are likely to be most prevalent in terms of their impact on individuals, rather than investment value, level of expenditure or impact to the business.

By actively addressing modern slavery and collaborating with other investors and civil society, we are seeking to contribute to the mitigation of modern slavery risk for some of the most vulnerable people globally.

Highlights from our work in FY21 include:

- › Continuation of a comprehensive company engagement program prioritising increased disclosure of how businesses are addressing modern slavery risks and gaining an in-depth understanding of company supply chains and supplier relationships.

- › Expanded assessment of the Fund's listed and unlisted portfolios by independent service provider Fair Supply, identifying the countries, companies and sectors that pose the highest modern slavery risks for the portfolio, through an in-depth examination of their supply chains.
- › Becoming a founding member of Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC), which is creating a consistent framework and coordinated engagement program to encourage companies to adopt best practice approaches to identifying and mitigating modern slavery risk in company supply chains.
- › Continued involvement in and Board membership of the Cleaning Accountability Framework (CAF) to improve labour practices for workers in the high-risk cleaning industry.
- › Our continued membership of the Australian Council of Superannuation Investors (ACSI) and the Responsible Investment Association Australasia (RIAA) Human Rights Working Group.
- › Ongoing assessment of modern slavery policies and approaches of the Fund's external investment managers.
- › Establishment of a centre-led procurement function to develop and implement a Third Party Management Framework to standardise our approach to supply chain risks, including those relating to labour practices, human rights abuses and modern slavery.

These actions build on our long-standing program of integrating labour force and human rights considerations into our investment decision making process and stewardship activities.

AustralianSuper is a leading responsible investor² and top performing super fund over the long term. We are ranked as the number one performing Fund over 7, 10, 15 and 20 years.³

This statement was approved by the Board of AustralianSuper on 15 December 2021.

Dr Don Russell
Chair

Paul Schroder
Chief Executive

1. ILO and Walk Free, Global Estimates of Modern Slavery, 2017.

2. AustralianSuper is recognised as a Responsible Investment Leader 2021 by the Responsible Investment Association Australasia (RIAA).

3. Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, periods to 30 June 2021.

About us

AustralianSuper is the fund for all Australians. The largest superannuation fund in Australia and one of the largest in the world,⁴ more than one in ten working Australians trust AustralianSuper with their retirement savings. With members at the centre of everything we do, our purpose is to help members achieve their best financial position in retirement.

As a large, global investor we invest in a mix of quality assets to grow members' savings over time. AustralianSuper manages more than \$233 billion in assets on behalf of over 2.4 million members, with over \$110 billion invested in Australian companies and assets.

We offer super and pension accounts as well as transition to retirement (TTR) options. Members can choose from 11 different investment options.

More information about who we are and how we are working to deliver for members is available in our [FY21 Annual Report](#).

Fund structure

AustralianSuper Pty Ltd is the trustee of AustralianSuper, a public offer superannuation fund, and manages the Fund's operations and investment activity on behalf of members. The Trustee holds an RSE Licence from the Australian Prudential Regulation Authority (APRA) which authorises it to act as the trustee of AustralianSuper.

In addition, AustralianSuper Pty Ltd has established a number of wholly owned and controlled investment vehicles also known as separate legal entities (SLEs), usually in the form of unit trusts with proprietary limited trustee companies. These SLEs have been established for the purpose of holding specific property, infrastructure and private equity investments in the investment portfolio. No staff are employed by any of these SLEs and they are governed by AustralianSuper Pty Ltd's policies and procedures. We consulted with these entities, particularly through the Company Secretary of these entities, on the preparation of this statement.

For the purposes of the *Modern Slavery Act 2018* (Cth), a number of these entities were classified as legal reporting entities for the 2021 financial year.

FY21 reporting separate legal entities (SLEs)	ABN
AS Infrastructure No. 1 (Holding) Pty Ltd as trustee for AS Infrastructure No. 1 (Holding) Trust	97 829 937 789
AS Infrastructure No. 2 (Holding) Pty Ltd as trustee for AS Infrastructure No. 2 (Holding) Trust	42 643 099 427
AS Infrastructure No. 3 (Holding) Pty Ltd as trustee for AS Infrastructure No. 3 (Holding) Trust	89 979 226 084
AS Infrastructure No. 3 (Operating) Pty Ltd as trustee for AS Infrastructure No. 3 (Operating) Trust	61 195 183 925
AustralianSuper Investments Pty Ltd as trustee for AustralianSuper Investments Fund No. 2	52 933 108 120
AustralianSuper Investments Pty Ltd as trustee for AustralianSuper Investments Fund No. 3	27 817 108 058
AS Infra PP Pty Ltd as trustee for AS Infra PP Trust	81 416 260 166

As they are wholly owned entities, governed by the same policies and procedures as AustralianSuper Pty Ltd, all content in this statement should be read as applying to the above entities.

Fund operations and supply chain

AustralianSuper directly employs 981 team members at 30 June 2021⁵. Headquartered in Melbourne, Australia, we also have offices in Adelaide, Brisbane, Canberra, Darwin, Hobart, Perth, Sydney, Beijing, London, and New York.

The Fund's main focus is the day-to-day running of the investment portfolio and member-related functions. We procure a range of goods and services from external providers to undertake our operations.

In FY21, we worked with more than 900 suppliers from 22 countries across our operational and investment activities. Our top 40 suppliers made up 80% of our spend.

By country, more than 90% of our spend were with suppliers based in Australia, 4% based in the United States and 2% based in the United Kingdom.

By category, business process outsourcing represented 36% of our total spend, property and facilities services and technology services each represented 14%, and people, professional and consulting services represented 10%.

4. Willis Towers Watson Thinking Ahead Institute and Pensions & Investment joint study, September 2021, AustralianSuper ranked 22nd out of 300 global funds.

5. Includes 10 day rate contract and 62 maximum term contract colleagues.

Our investment capability

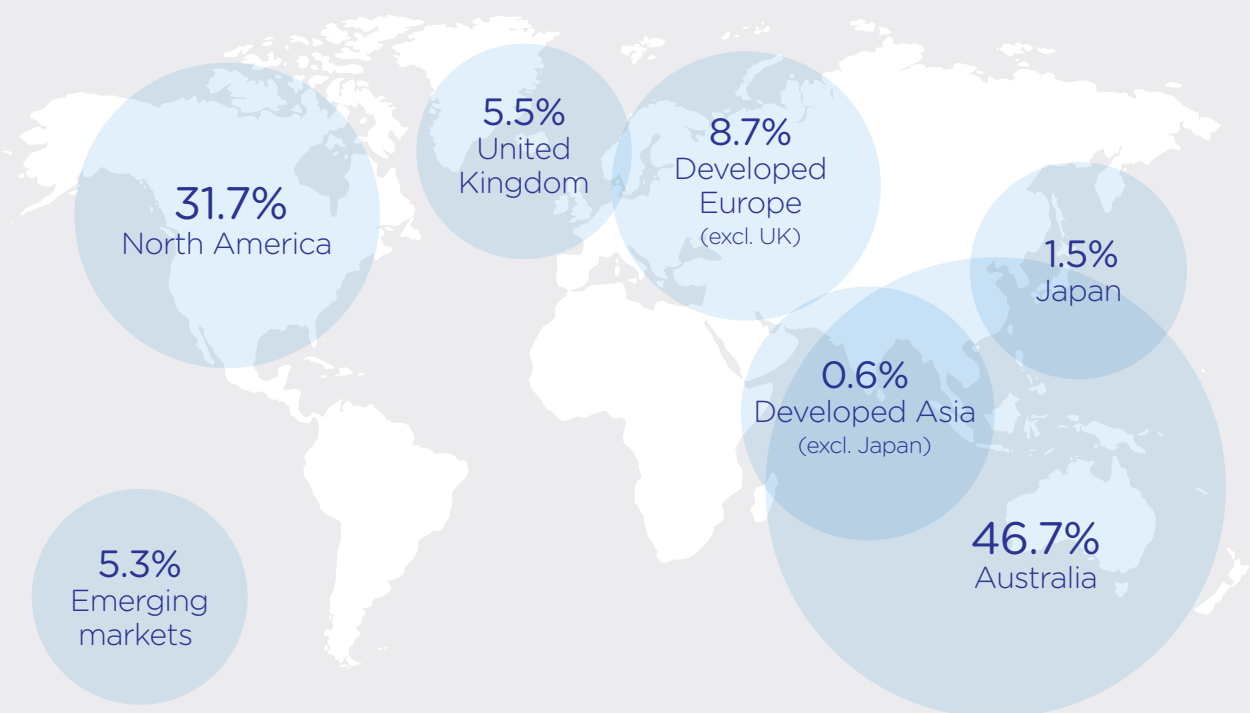
AustralianSuper invests across a variety of asset classes and geographies. We invest both internally through our in-house investment capability and externally through investment managers who run discrete portfolios on behalf of AustralianSuper or pooled investment vehicles.

The following charts provide a breakdown of the investment portfolio by asset class and geographic region.

We offer a choice of investment options, with a majority of members investing in our default Balanced option.

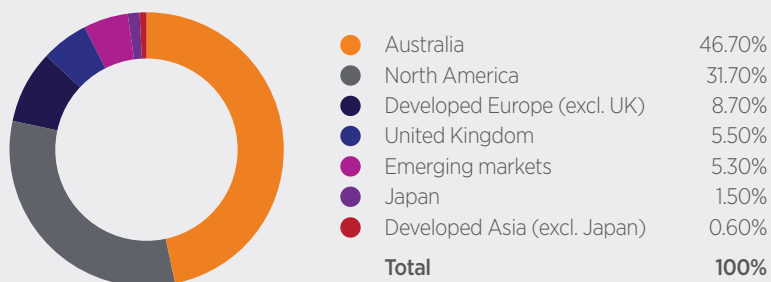
Total member assets by geographic region

Effective 30 June 2021



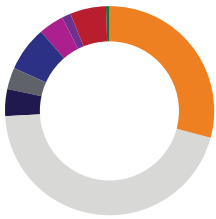
Total Fund exposure

as at 30 June 2021



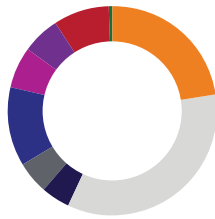
Asset allocation of AustralianSuper investment options as at 30 June 2021

High Growth



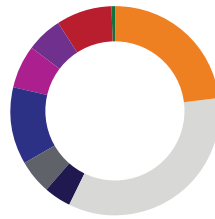
- Australian shares 29.4%
- International shares 44.9%
- Private equity 4.3%
- Listed property 0%
- Direct property 3.3%
- Infrastructure 6.8%
- Credit 3.8%
- Fixed interest 1.5%
- Cash 5.5%
- Other assets 0.5%

Balanced



- Australian shares 22.6%
- International shares 34.5%
- Private equity 4.3%
- Listed property 0%
- Direct property 5.1%
- Infrastructure 12.0%
- Credit 6.5%
- Fixed interest 5.9%
- Cash 8.5%
- Other assets 0.5%

Socially Aware



- Australian shares 23.1%
- International shares 34.2%
- Private equity 4.2%
- Listed property 0%
- Direct property 5.3%
- Infrastructure 12.0%
- Credit 6.5%
- Fixed interest 5.8%
- Cash 8.4%
- Other assets 0.5%

Indexed Diversified



- Australian shares 27.9%
- International shares 42.2%
- Listed property 0%
- Fixed interest 22.0%
- Cash 7.9%

Conservative Balanced



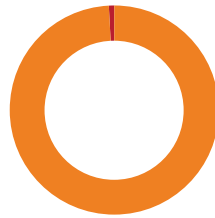
- Australian shares 15.7%
- International shares 23.9%
- Private equity 4.1%
- Listed property 0%
- Direct property 4.4%
- Infrastructure 9.7%
- Credit 7.0%
- Fixed interest 21.1%
- Cash 14.0%
- Other assets 0%

Stable



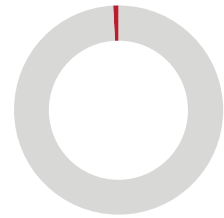
- Australian shares 8.5%
- International shares 12.9%
- Private equity 1.2%
- Listed property 0%
- Direct property 5.4%
- Infrastructure 10.8%
- Credit 7.1%
- Fixed interest 27.5%
- Cash 26.7%
- Other assets 0%

Australian Shares



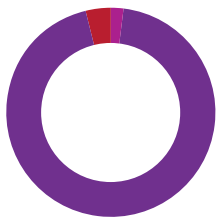
- Australian shares 99.3%
- Cash 0.7%

International Shares



- International shares 99.3%
- Cash 0.7%

Diversified Fixed Interest



- Credit 2%
- Fixed Interest 94.3%
- Cash 3.7%

Cash



- Cash 100%

In FY21, we continued our internalisation strategy and expansion of our internal investment capability. By expanding our internal investment capability, we contribute to better investment performance outcomes by improving our ability to oversee and efficiently manage the portfolio. It also improves our ability to integrate modern slavery risks in investment decision-making and manage modern slavery risks throughout the time the asset is in the portfolio. 44%⁶ of member assets are now managed directly by our internal investing teams. We expect this to grow to over 60% over the medium term.

We value transparency in our investment activities and believe it's important for members to understand what they are invested in. AustralianSuper publishes a full list of the holdings in each investment option twice a year, which is accessible [on our website](#). Our FY21 Annual Report also contains a full list of our investment managers at 30 June 2021.

6. As at 30 June 2021

Identifying modern slavery risks

What is modern slavery risk – taking a risk to people approach

The term modern slavery describes situations where coercion, threats or deception are used to severely exploit victims and undermine their freedom⁷. While modern slavery manifests in different ways, the eight types of serious exploitation that are of focus for the *Modern Slavery Act 2018* (Cth) and AustralianSuper are: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour⁸.

When looking to assess modern slavery risk, it is important to take a ‘risk to people’ approach. This means that we are looking at the severity of modern slavery practices, the likelihood of them occurring, as well as the extent of the risk in terms of the number of people affected and over what time period.

For AustralianSuper, this means that our risk analysis does not necessarily focus on the most material parts of our business or the risk to AustralianSuper’s business. Rather, we are focussing on areas of the business, supply chain and investments where the risk is highest for individuals to be subjected to modern slavery practices, even if they are small in terms of spend or impact to the business.

When looking to understand modern slavery risk, we also need to progressively address risks deeper in our operations and supply chain. Supply chains are often discussed by describing ‘tiers’ or layers to the supply chain. The below shows an example of a superannuation fund supply chain and the different tiers.

Figure 1: Example of a superannuation fund supply chain



7. Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities.

8. As defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999.

Identifying modern slavery risks cont.

Procurement

We have continued our work on identifying where the risks lie in both our procurement activities and investment portfolio, and have begun work on standardising our practices to manage these risks.

In FY20, we revised our contract templates for goods and services to include modern slavery obligations for our suppliers. These obligations include requirements to implement policies and procedures to ensure compliance with modern slavery laws, report identified modern slavery risks or events to AustralianSuper, keep records in relation to the supplier's modern slavery practices and providing AustralianSuper with that information.

We also developed a modern slavery questionnaire to help assess the modern slavery risk profile of existing and new suppliers. The questionnaire includes questions relating to the supplier's modern slavery policies and procedures, site/facility locations, supply chain management, known modern slavery risk and other risk factors.

To further mature our procurement and third party management practices, the Fund established a centre-led procurement function in FY21. The purpose of the procurement function is to provide strategic sourcing, purchasing and supplier relationship management support across the entire Fund to:

- › better leverage and control our group-wide expenditure;
- › maximise value for our members; and
- › strengthen our governance and oversight on supply chain risks.

Whilst initial focus was to establish and build the function, a key deliverable in FY21 for the procurement function was developing the Fund's Third Party Management Framework (TPMF). The purpose of the TPMF is to define the policies, standards, systems, processes and people required for a holistic approach to supplier management. By setting out the minimum rules and requirements that all colleagues must follow when engaging and/or dealing with suppliers, the TPMF will help the Fund ensure there are effective and efficient risk identification, management and monitoring processes in place over the entire end-to-end procurement lifecycle.

Work has been underway to develop procedures, tools, templates and guidance to support our Fund colleagues to meet the requirements of the TPMF. This includes the development of a tool to help identify inherent risks associated with their supplier arrangements (Inherent Risk Profile Tool). The Inherent Risk Profile Tool will leverage the following indicators to help identify if labour practices, human rights abuses and modern slavery are inherent risks in a supplier arrangement:

- › **High risk business models:** Business models that rely on unskilled, temporary or seasonal workers or any offshore workers.
- › **High risk industry sectors:** Products and services regarded as having more significant inherent modern slavery risk - including industries that rely heavily on low-skilled labour and/or involve dangerous work.
- › **High risk countries:** Countries which are known to have higher human rights (and modern slavery) risks.

Based on the indicators, the Inherent Risk Profile Tool will inform the level of due diligence and assessment required as part of the supplier selection and engagement process.

Identifying modern slavery risks cont.

Investment portfolio

In the investment portfolio we seek to identify modern slavery risks as part of our responsible investment approach by integrating environmental, social and governance (ESG) factors in the investment process. This includes analysing material social or 'S' factors including supply chain, labour and modern slavery risks. We assess modern slavery risks for our most material investments prior to buying the assets and on an ongoing basis throughout the ownership phase.

As part of our 'S' factor assessments, we take into consideration the geographic location of the investment, industry exposure and the nature of the business' workforce to identify potential risks. Our assessment of these areas has been informed by such guiding frameworks as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Global Slavery Index, and UN Guiding Principles on Business and Human Rights. Based on these factors and further information gathered in due diligence, we identify key modern slavery and labour risks for the investment which informs the asset class teams' decision to invest in the asset or via the investment manager.

Listed shares modern slavery risk assessment

In FY21, AustralianSuper engaged service provider Fair Supply to update the independent modern slavery risk assessment of the Fund's Australian and international listed shares portfolios. This risk assessment analysed both portfolios' absolute modern slavery risk down to tier 10 of the supply chain and covered both internally and externally managed shares exposures.

The assessment indicates the absolute risk of modern slavery occurring throughout the listed shares portfolios, including deep into investee companies' supply chains, and enabled us to identify top modern slavery risks by geography and industry. While this analysis reveals where the Fund's modern slavery risk lies, it may not be indicative of modern slavery risk occurring in a company in the portfolio. Rather, it is indicative of risks that could possibly emerge from deep within that company's supply chain.

The assessment is useful in identifying the portfolio's modern slavery risks but also aids in determining what actions are most suitable in mitigating those risks and, where the risk is relatively elevated, what escalation actions could be warranted with regards to addressing those risks.

International shares

Figure 2: Top industry modern slavery risks international share portfolio

Top industry modern slavery risks
Indian Thrifts and Mortgage Finance
Indian Oil and Gas Refining and Marketing
Irish Construction Materials
US Automobile Manufacturers
Korean Technology Hardware, Storage and Peripherals

Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2020.

Australian shares

In addition to industry risk assessments, the analysis also produced a supply chain exposure for the Australian listed shares portfolio.

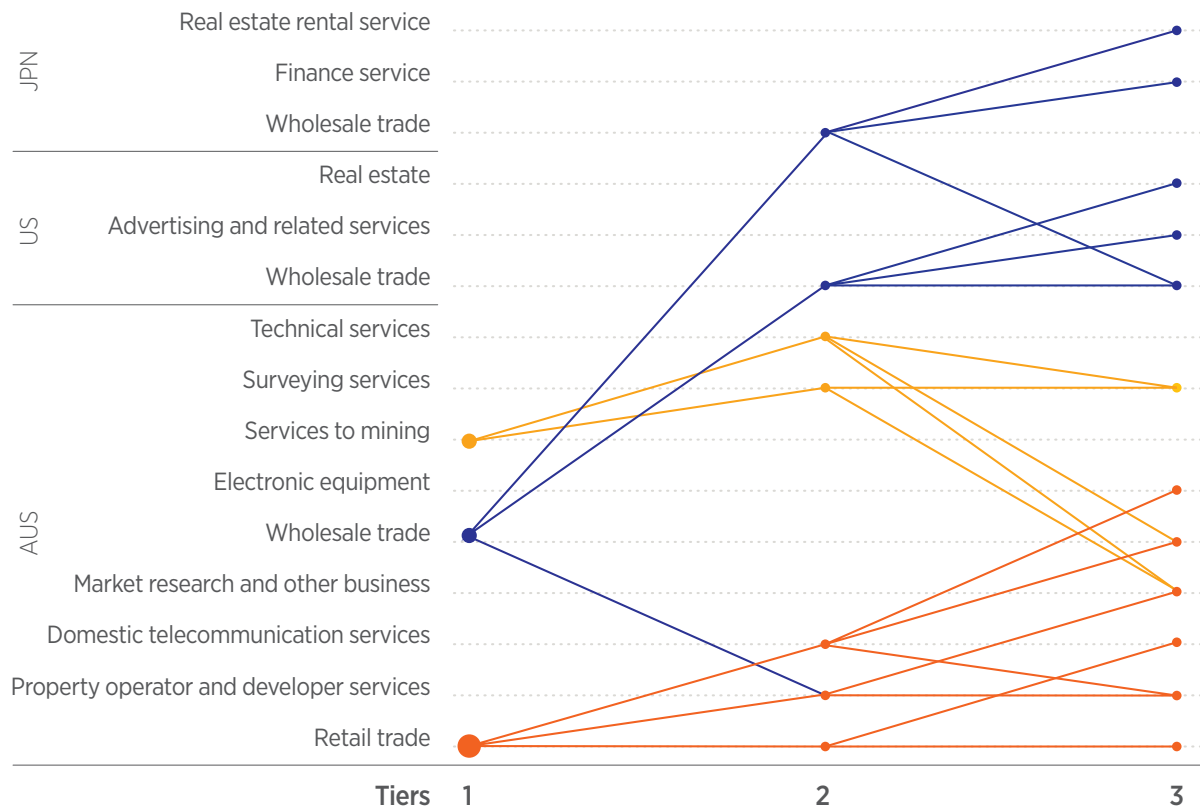
Figure 3: Top industry modern slavery risk Australian share portfolio

Top industry modern slavery risks
Australian Diversified Metals and Mining
Australian Food Retail
Australian General Merchandise Stores
Australian Highways and Rail
Australian Casinos and Gaming

Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2020.

Identifying modern slavery risks cont.

Figure 4: Australian listed shares portfolio supply chain exposure



Source: Fair Supply Modern Slavery Risk Analysis. Portfolio data at 31 December 2020.

Figure 4 shows the largest industries the Australian shares portfolio is invested in and the related industries in the supply chain that pose the largest modern slavery risk. This year, the figure also illustrates the international nature of supply chains. One of the largest Tier 1 industry exposures in AustralianSuper's Australian equities portfolio is wholesale trade (the purple dot in Tier 1). If we follow that supply chain through Tiers 2 and 3, we see not only the related industries that we are exposed to but also the jurisdictions we are exposed to, specifically the US and Japan. The supply chain's exposure to these countries means that our approach to combating modern slavery risk will need to be guided by the industry and how those geographies seek to monitor and combat modern slavery as well. This demonstrates the importance of taking a multi-dimensional approach to assessing modern slavery risk.

Unlisted assets - infrastructure and property

In FY21, we engaged Fair Supply to also conduct a modern slavery risk analysis of the Fund's largest directly-held infrastructure and property assets. The results of this analysis will be integrated into our approach to 'S' factor due diligence and ongoing asset assessments in FY22.

Assessing and addressing modern slavery risks

Policy framework

AustralianSuper is governed by a suite of policies which allow for modern slavery risk management in our operations and investment portfolio. The Fund's Code of Conduct, Outsourcing Policy and Framework and **ESG and Stewardship Policy** set out mechanisms by which safe and compliant labour practices occur in the organisation and are assessed in our investment decision-making.

In addition, the Fund's Whistleblower Policy provides mechanisms to allow workforce grievances, including instances of modern slavery, to be escalated and addressed through the proper governance mechanisms at the Fund. Our **Whistleblower Policy** applies to staff, contractors and suppliers, helping to ensure that we capture and escalate grievances throughout our supply chain.

In FY21, the Fund introduced a Consequence Management Policy that outlines how the Fund responds to misconduct and related contraventions of the Fund's policies, frameworks and business processes in a predictable, consistent and proportional manner. Breaches of the Fund's policies in FY21, including the Code of Conduct, were managed in accordance with the Consequence Management Policy.

From an operational perspective, considering the nature of our workforce, geographic exposure and the policies the Fund has in place, we assess our risk of directly causing or contributing modern slavery as low. AustralianSuper's offices are mainly located in developed markets (Australia, UK, US) with largely professional, office-based, permanent staff. All full-time or part-time permanent employees and maximum term contract staff are covered by an enterprise agreement that also sets out labour entitlements that further mitigate the risk of modern slavery occurring in our operations.

Responsible procurement

The Procurement function has been working towards a standardised and consistent risk-weighted approach to supply chain risk assessment and management. The target approach, to be defined in a Third Party Management Policy and Standard, involves the segmentation of our suppliers, consideration of inherent risks in supplier arrangements and management actions to assess and mitigate those risks.

Where labour practices, human rights abuses and modern slavery is identified as an inherent risk to a supplier arrangement, our Fund colleagues will be required to:

- › conduct appropriate levels of due diligence to ensure suppliers have appropriate management system in place to manage labour, human rights and modern slavery risks associated with their operations;
- › ensure supplier contracts include appropriate terms and conditions which sets out obligations relating to the management of labour practices, human rights and modern slavery risks; and
- › monitor and manage labour practices, human rights and modern slavery risk over the life of the contract.

In FY22, we will work on operationalising the TPMF and training our Fund colleagues on its requirements.

Investments

Unlisted assets

The aforementioned 'S' factor ESG due diligence process provides a good basis by which we identify modern slavery risks in the Fund's unlisted assets, and we seek to manage these risks through ongoing asset management practices.

Once we own an asset, we conduct periodic ESG specific reviews as part of our asset management approach. During these reviews, AustralianSuper engages directly with the management teams of the asset and specifically addresses how they're tackling modern slavery risks in their operations. In these engagements we also seek to articulate best practice and our expectations for ongoing enhanced performance in identifying and addressing modern slavery risks.

Assessing and addressing modern slavery risks cont.

Listed companies

With listed companies, we have a direct engagement program where we discuss the company's approach to ESG. Modern slavery and labour standards are priority areas of our direct engagement program. We held 83 direct engagement meetings with ASX300 companies and have addressed modern slavery in 33% of our direct engagements in FY21, a 9% increase from FY20. Our company engagements are informed by the findings of our initial 'S' factor assessments, industry and country modern slavery risks identified by the Fair Supply analysis and other information we have ascertained from the company's disclosure or previous engagement activities. Ongoing engagement with these companies, therefore, will focus on enhancing performance in the priority areas we've identified with regards to modern slavery. These priorities may include enhancing modern slavery statement disclosure, deepening relationships with suppliers to effectively enhance auditing practices, and building processes and procedures around remediation when issues are found.

If the company response to our engagement on modern slavery does not result in sufficient progress, we will use our shareholder right of voting at company meetings to support the mitigation of modern slavery risk. In FY21, we voted in favour of a number of shareholder resolutions on labour and modern slavery issues to highlight our expectation that companies must be effectively identifying and managing this risk and that it does pose significant long-term investment impact. The full voting record, including votes on different modern slavery related company resolutions, can be found on [our website](#).

External investment managers

AustralianSuper invests a proportion of members' super through external investment managers. While AustralianSuper is not making the individual investment decisions in these circumstances, it is important to ensure the Fund's external investment managers consider modern slavery, supply chain and labour aspects in their investment processes.

In the investment manager appointment and annual compliance organisational due diligence process for all external managers, we assess how investment managers address ESG as part of their investment approach. During the reporting period, we enhanced these processes by implementing additional modern slavery specific questions for our equities, fixed income, private equity and infrastructure manager appointments.

On top of these assessments, AustralianSuper also conducts annual deep-dive ESG reviews of its external listed equities managers. As part of these reviews, we seek to understand how the manager considers ESG factors in the investment process and more specifically, how they consider labour and supply chain factors as part of investment decision-making. In FY20 we developed a modern slavery specific section to the process which includes deeper analysis into how the manager considers modern slavery in their investment decision making. In FY21, we implemented this part of the process by assessing our listed equities managers on their approaches to modern slavery risk assessment and mitigation in their operations and the investment portfolios managed on the Fund's behalf. This resulted in a modern slavery assessment score which fed into the overall ESG score for the Fund's listed equities managers. These scores feed into our external equities team's annual manager review process where it is determined whether to retain the manager.

Collaboration is key

Building partnerships and contributing to improved understanding of modern slavery

At AustralianSuper, we also understand the importance of contributing to and supporting initiatives that help peers, businesses and society better identify and mitigate modern slavery risk.

In FY21, we continued our work with the Cleaning Accountability Framework.

Cleaning Accountability Framework

AustralianSuper is a founding partner and contributor to the Cleaning Accountability Framework (CAF).

The global pandemic has highlighted the vital work cleaners do in protecting the health of the community and keeping essential services operating. As front-line workers, the cleaning workforce has been exposed to increased health and safety risks during the pandemic. Workers in the cleaning industry also remain highly vulnerable to exploitation.

Historically, the cleaning sector is one of the highest-risk sectors for modern slavery. Cleaners have often been susceptible to wage theft, lack of legally-mandated entitlements (like the payment of superannuation and leave), income insecurity, poor working conditions and unethical contracting approaches.

Understanding the need to address these issues for the long-term positive outcome of members, many of whom are in the cleaning industry, AustralianSuper sought a collaborative solution and in 2012, jointly founded CAF.

CAF's mission is to improve labour practices across the cleaning supply chain. CAF works with cleaners, tenants, contractors, property owners, facility managers, and investors across the cleaning supply chain to ensure ethical labour practices through certification of commercial real estate assets in line

with their 3 Star Standard. The CAF 3 Star Standard takes a multi-stakeholder approach to ensuring that all cleaning staff are compensated according to law and the best labour practices are upheld. There are now around 7,000 cleaners who are part of the CAF universe as part of CAF Prequalification.

With 89,000 AustralianSuper members employed in the cleaning industry, CAF is an important initiative for AustralianSuper. It is helping to improve the working conditions and environment for thousands of AustralianSuper members and other workers in the high-risk cleaning industry.

Our continued involvement with CAF helps ensure members in the high-risk cleaning industry are paid their due compensation, including their superannuation guarantee and are treated in an ethical manner. As a large investor in the Australian property market, CAF certification indicates that properties are operating ethically when it comes to their labour practices, helping mitigate modern slavery risks and protecting investment value and members' outcomes in the long term.

Collaboration is key cont.

AustralianSuper remains a signatory to the Workforce Disclosure Initiative, a global initiative designed to improve corporate transparency and accountability on workforce issues and provide companies and investors with comprehensive and comparable data on workforce issues. Collaborating with investors globally for better disclosure on workforce factors provides us with a better sense of where modern slavery risks are as well as highlighting early warning signs of risks that could lead to modern slavery.

We also partner with like-minded investors to collaboratively tackle modern slavery risks in the Fund's investment portfolios. We do so through our membership in investor forums such as The Australian Council of Superannuation Investors (ACSI) and RIAA's Human Rights Working Group. In FY21 we also partnered with a number of investors in our region to launch Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC).

Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)

IAST APAC was launched in 2020 as an investor initiative to promote effective action by companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

IAST APAC was launched in late 2020 as an investor initiative to promote effective action by companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

AustralianSuper is one of the founders of the initiative, which is open to investors across the APAC region for membership. The secretariat of the initiative is provided by Walk Free in partnership with the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST). IAST APAC represents \$7.6 trillion (US\$5.7 trillion) in funds under management across 33 members⁹.

The initiative is divided into two work streams. The first work stream centres on an investor statement on modern slavery. This statement outlined investors' expectations and encouraged companies to go over and beyond the legal requirements of the *Modern Slavery Act 2018* (Cth). It also suggests and encourages companies to take a number of specific actions based on best practice to combat slavery effectively. The investor statement was initially sent to all the companies listed in the ASX100 in late 2020. Of the responses, 33% acknowledged the investor statement and, in the majority of those responses, companies welcomed further engagement with the initiative. In 2021, in conjunction with the end of Australian Financial Year deadline for the reporting requirement under the Modern Slavery Act, an updated investor letter was sent to the ASX100 companies that did not reply and to the remaining 100 companies listed in the ASX200.

Many of the specific points raised in the investor statement are linked to the second work stream, which focuses on collaborative engagements with specific companies. Twenty-three companies were selected from four sectors – Consumer Discretionary, Consumer Staples, Technology, and Healthcare – as engagement priorities. Work has begun on those engagements, including establishment of engagement plans with specific objectives and milestone targets and, in some cases, engagement with the companies has started. AustralianSuper serves as the co-chair of this stream of work.

IAST APAC is strongly focused on industry collaboration – in the spirit of the Modern Slavery Act – including shared knowledge and tools to address risk, taking inspiration from the investor initiative 'Find it, Fix it, Prevent it' in the UK. It also engages with civil society, including Walk Free and FAST as well as investor briefings on specific risks by labour rights experts.

AustralianSuper understands the impact collaborative engagement can have on improving company performance on ESG aspects and we see our ongoing involvement in IAST APAC as an important mechanism by which we can work with other investors to engage with companies on enhancing disclosure and management of modern slavery risks.

9. As at 30 June 2021.

Measuring the effectiveness of our actions

The mechanisms already in place that allow us to assess effectiveness of our actions include:

- › Compliance with key AustralianSuper policies through auditing processes.
- › Using the internal Modern Slavery working group to share insights, learnings and drive improvements.
- › Periodic reviews of Fund policies, standards and procedures.
- › The use of grievance mechanisms and monitoring of effective and timely remediation.
- › The number of key suppliers under new modern slavery contracts and disclosure regimes and engagement with those suppliers.
- › The level of disclosure garnered from suppliers on their modern slavery approaches.
- › The effectiveness of our investment 'S' factor due diligence and improvement in performance on those factors through active asset management, leading to better long-term returns.
- › The impact of our direct engagement activity- including how investee companies have evolved their approaches and if there is no evolution, how AustralianSuper's voting activity has impacted the company's approach.
- › Active engagement with the Fund's external managers on their approach to modern slavery and how many of those managers are addressing modern slavery risks in their investment approach.

Responsible Investor Ratings

AustralianSuper utilises external responsible investment surveys to assist in assessing the effectiveness of our ESG and Stewardship program, including our approach to modern slavery. We report to the UN's Principles for Responsible Investment (PRI) and the Responsible Investment Association (RIAA) each year as part of our membership of these organisations.

A+

AustralianSuper is globally recognised as a leader in responsible investment with an A+ rating on its Overarching Approach to Responsible Investment Strategy and Governance and Listed Equity-Active Ownership in the PRI Assessment Report 2020.



AustralianSuper is recognised as a Responsible Investment Leader 2021 by the Responsible Investment Association Australasia (RIAA). This acknowledges our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making, our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved.

The year ahead

Much work initiated in FY20 continued through the Modern Slavery working group and throughout the Fund in FY21, building on years of existing work on our supply chain and labour rights. We will continue

to expand our approach, refining processes and procedures, working with more suppliers and continuing to evolve our responsible investment approach to further address modern slavery.

Evolving our approach to modern slavery in FY22

Policies and risk management

- › Continuing to formalise and evolve internal controls on modern slavery.
- › Evolve documentation around those key controls in the areas of People & Culture, Procurement and Investments.

Procurement

- › Finalise AustralianSuper's Third Party Management Framework, Policies and Standards.
- › Continue to develop and implement tools (such as the Inherent Risk Profile Tool), systems, processes, guidance and training to operationalise the TPMF and support our business.
- › Enhance our modern slavery due diligence questionnaire and assessment process.
- › Consider the use of an independent third-party monitoring or assurance program.
- › Continue to work with suppliers providing goods and services to AustralianSuper to raise awareness and mitigate any potential modern slavery risks in their supply chains.

Investments

- › Integrate findings of independent modern slavery risk assessments into unlisted portfolio 'S' factor assessments.
- › Review our 'S' factor assessments for ESG due diligence to assure alignment with best practice.
- › Continue to review responses to modern slavery specific questions in the investment manager appointment process and annual organisational due diligence process for external managers, to assess and benchmark performance.
- › Continue to evolve our approach to modern slavery with regards to overarching frameworks like the UN Sustainable Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights.

External collaboration

- › Continued collaboration with like-minded investors for enhanced modern slavery approaches at investee companies.
- › Continue to seize opportunities to advocate for advancement of modern slavery approaches in public forums.

Member feedback is important to us. To get in touch, you can contact us in a number of ways.

Email

Email us at australiansuper.com/email

Over-the-phone*

Call us on: **1300 300 273**

Overseas callers: **+ 61 3 9067 2108**

We're available 8am to 8pm weekdays AEST/AEDT

Messaging

You can message us 24/7 through our AustralianSuper Mobile App and Facebook Messenger and chat with ASH (AustralianSuper Helper Bot) and our contact centre agent staff.

Web Messaging is also available on our website through the contact us page (australiansuper.com/contact-us) between 8am and 8pm AEST/AEDT weekdays.

Translation services

We offer a free over-the-phone translation service in just about any language.

Our consultants can arrange for you, or a family member, to talk to someone about your super in the language you understand best.

Call us on **1300 300 273** between 8am and 8pm AEST/AEDT weekdays.

* The financial advice you receive will be provided under the Australian Financial Services Licence by a third party and is therefore not the responsibility of AustralianSuper. With your approval a fee may be charged if a Statement of Advice is produced.

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A Target Market Determination (TMD) is a document that outlines the target market a product has been designed for. Find the TMDs at australiansuper.com/tmd