

CPA AUSTRALIA

2020

MODERN SLAVERY
STATEMENT

CONTENTS

Foreword	4
1. About this statement	6
2. Our structure, operations and supply chains	8
3. Our modern slavery risks	16
4. Our actions to assess and address modern slavery risks in our operations and supply chains	20
5. Member engagement and collaboration	26
6. Assessing the effectiveness of our actions and our future plans	30
7. How we consulted with our controlled entities to prepare this statement	32
Appendix	34

FOREWORD

CPA Australia is proud to publish its first modern slavery statement (statement).

We have long recognised the devastating impact of modern slavery on individuals, many of whom are the most vulnerable in society. The UN estimates there are over 40 million modern slavery victims globally, including 16 million in private sector supply chains. Critically, the impacts of COVID-19 have further exacerbated modern slavery risks around the world.

Business action to combat modern slavery is more important than ever. Since 2016, we have been actively engaged with modern slavery reporting law reforms through detailed and supportive submissions to Australian Government consultations. We fully support the reporting requirements under the Modern Slavery Act 2018 (Cth).

We are committed to combatting modern slavery. Although we are a smaller reporting entity, we recognise that every organisation, irrespective of size, has a role to play.



As a member-based organisation, we drive action on modern slavery in our own operations and supply chains and provide tools to members to support them to combat modern slavery. As accountants, members play an important role in helping entities recognise modern slavery risks to individuals and financial risks to business. Members can contribute to business risk assessments, and help assure business actions to mitigate the risks of modern slavery.



We acknowledge that – like many entities – this is our first statement and we are starting our journey to identify and mitigate our modern slavery risks.

Our key achievements in 2020 included:

- **strengthening our policies and governance processes to address modern slavery, including establishing a cross-functional Modern Slavery and Human Rights Working Group to drive our response;**
- **mapping key aspects of our Tier One supply chain and undertaking risk assessments for 62 per cent of our procurement spend; and**
- **acting on our risk assessment findings through supplier engagement and the development of new tools and resources, including contract clauses, a training module and embedding modern slavery risk considerations into all major procurement activities.**

We are committed to ongoing improvement in future years and will be establishing a three-year roadmap for continuous improvement.

This statement was approved by the Board of CPA Australia Ltd on 31 May 2021 and is signed by the President and Chairman of the Board of CPA Australia.

Merran H Kelsall FCPA
President and Chairman of the Board, CPA Australia Ltd
31 May 2021

1

ABOUT THIS STATEMENT

CPA Australia is one of the world's largest accounting bodies, with a global membership of more than 168,000 members in over 100 countries and regions. We work to partner with members to prepare for today and tomorrow in a globally connected world and advance trusted and valued accounting and business professionals who enhance their communities.

This statement is made on behalf of CPA Australia Ltd (ABN 64 008 392 452) **(CPA Australia, we, our, us)** and sets out our efforts to prevent and address any involvement we may have in modern slavery over the 2020 calendar year. As required by the Modern Slavery Act 2018 (Cth) **(MSA)**, this statement also addresses modern slavery risks and actions in relation to our three subsidiaries, which are not individual reporting entities for the purposes of the MSA. Further information about our corporate structure is set out in **section 2** of this statement.

As CPA Australia and our subsidiaries share similar business models and supply chains, this statement describes our modern slavery risks and our responses to these risks across our corporate structure on a consolidated basis. The boards of all our controlled entities must act in accordance with all standards and policies that have been adopted and promoted by CPA Australia, including those relating to human rights matters, such as modern slavery.

CPA Australia Ltd is registered as a foreign corporation in the UK. We have produced this statement to meet the requirements of both the Australian MSA and the Modern Slavery Act 2015 (UK). We engaged a specialist business and human rights advisory firm, Pillar Two, to collaborate with us to develop our statement.

Our response to modern slavery is guided by three key principles:

- (i) the risk to individuals is paramount to all other risk considerations;**
- (ii) we actively seek to identify the risk of modern slavery in our operations and supply chains even if we do not find instances of modern slavery; and**
- (iii) assessing modern slavery risk and taking actions to address those risks is the right thing to do, and drives commercial and social value for CPA Australia, which results in value for members.**

This statement highlights how we have applied these principles to assess and address modern slavery risks in our operations and supply chains.



2

OUR STRUCTURE, OPERATIONS AND SUPPLY CHAINS

This section of our statement describes the structure, operations and supply chains of CPA Australia.

Our structure

CPA Australia Ltd is a company limited by guarantee incorporated in Australia. We are governed by a board appointed by the Appointments Council, made up of members. Our governance structure is set out on **page 9**. Our registered office is located in Melbourne, Australia.

A key brand associated with our business is INTHEBLACK magazine. Published monthly, it covers the issues and people shaping business around the world. We also publish the Australian Accounting Review, a peer-reviewed journal published four times a year.

CPA Australia Ltd ultimately controls the following entities:

- **CPA Australia Advice Pty Ltd (ABN 21 606 084 806) a private company incorporated in Australia;**
- **CPA Australia (M) Sdn. Bhd. a private company incorporated in Malaysia to facilitate the provision of services to members in Malaysia; and**
- **CPA Australia (Shanghai) Co. Ltd. a private company incorporated in China to facilitate the provision of services to members in China.**

In the past, CPA Australia Advice Pty Ltd provided financial advice. In 2018, CPA Australia Ltd announced its decision to exit the business of CPA Australia Advice Pty Ltd. In 2020, CPA Australia Advice Pty Ltd did not have any outward facing operations or undertake external procurement. The intention is to wind up CPA Australia Advice Pty Ltd in 2021.

CORPORATE GOVERNANCE STRUCTURE

MEMBERS

- Branch and Divisional Councils
- Council of Presidents
- Appointments Council

Members are governed by the professional requirements of CPA Australia and the Constitution and By-Laws of the organisation. They elect Divisional Councillors, and through the Appointments Council, the Board. Divisional Councils are Committees established under the CPA Australia Constitution.

The Council of Presidents advises the Board on strategic issues and opportunities, drawing on the views of the members. The responsibility of the Council of Presidents includes two-way engagement with Divisional Councils and the Board. The Appointments Council is responsible for appointing the CPA Australia Board.

THE BOARD — BOARD COMMITTEES

- Audit, Risk and Compliance
- Finance and Policy
- Member Engagement
- People, Remuneration and Culture
- Nomination

The Board approves the organisation's strategy, oversees execution and implements the Constitution having regard to the corporations law. Ultimately, the Board is responsible for managing CPA Australia's response to modern slavery with the support of relevant business functions.

Board committees assist the Board in its decision-making and policy processes. As of 1 January 2021, the new Board committees are Nomination; Audit, Risk and Compliance; Finance and Investment; Member Engagement and Culture; and Education, Policy and Innovation.

ADVISORY COMMITTEES

- Professional Qualifications
- Public Practice

Advisory committees advise the Board in their areas of expertise.

COMPLIANCE COMMITTEES

- Disciplinary Panel
- Quality Review

Compliance committees are created by the Board to review and evaluate the professional conduct of members.

Our operations

CPA Australia is one of the world's largest accounting bodies, with a global presence.

The operations of CPA Australia and our subsidiaries are primarily focused on the provision of services to members in Australia and globally. Our vision is to partner with members to prepare for today and tomorrow in a globally connected world. In doing so, we help to advance trusted and valued accounting and business professionals who enhance their communities. This means regularly engaging with members, employers, academia, government, regulators, standard setters and the community to ensure we understand the current and future needs of the profession. This enables us to develop strategies, content, products and services to deliver an experience that meets member needs and goals throughout each stage of the member journey.

Services

Our core services include education, training, technical support and advocacy. We provide these services through a range of channels, including our website and digital magazine, face-to-face and online events in Australia and overseas, six Centres of Excellence focused on key policy issues, and a dedicated member contact centre located in Melbourne. In 2020, we delivered approximately 1418 member events, including CPA Congress, forums and roundtables, discussion groups and information sessions. Due to COVID-19 most of these were run virtually.

Our employees and members also work together with local and international bodies to represent the views and concerns of the profession to governments, regulators, standard setters, industries, academia and the general public.

Investments

As part of our operations, we invest funds in equities, equity funds, property funds, and bonds among other investments, in line with our Cash and Investment Policy. These investments are managed by an external investment manager. We recognise that entities can be exposed to modern slavery risks through their investments and will undertake additional work in 2021 to further assess modern slavery risks in our portfolio.

A key element of our operations is the delivery of the CPA Program, which we provide through distance-learning. A CPA is a finance, accounting and business professional with a specific qualification.

The CPA Program is recognised internationally and has a strong focus on the practical application of knowledge within a real-world setting. It provides members with more than just a technical accounting focus, going beyond the numbers to teach the skills members need to reach the next level in leadership, strategy and business. This includes:

- commercial awareness;
- emotional intelligence;
- communication and collaboration skills;
- a technically-skilled and solution-driven approach to problem solving; and
- awareness of the social impacts of accounting.



INTHEBLACK ARTICLE ON MODERN SLAVERY: ENGAGEMENT AND COLLABORATION WITH MEMBERS, INDUSTRY, GOVERNMENT AND CIVIL SOCIETY

In July 2020, we published a feature article on modern slavery in INTHEBLACK. The magazine issue had a print circulation of approximately 120,000 copies and is also available to **read online**. The article by Megan Breen focused on how accountants can play a lead role in supply chain management and identifying modern slavery.

It defined modern slavery for readers and then outlined the reporting requirements under the Australian Modern Slavery Act and the role of finance professionals in identifying and addressing modern slavery risks.

To develop this INTHEBLACK article, we interviewed and sought comment from various individuals with significant expertise in this field, including Dr Katherine Christ CPA, Lecturer in Accounting at the University of South Australia; Dr Leeora Black; Vanessa Zimmerman, CEO of business and human rights advisory firm Pillar Two; Shaeron Yapp, Human Rights Principal at South32; and Deepen Somaiya, Sustainable Procurement Manager at Transurban.

We recognise the expertise and insight these individuals possess and the value they added to this INTHEBLACK article.

The article is a helpful resource for members and the wider business community. We believe that by producing such content, we can help support members to address modern slavery risk.

CPA AUSTRALIA OFFICE LOCATIONS

Employees and office locations

CPA Australia and its controlled entities have more than 560 employees located in nine countries and regions. Over 450 employees are based in Australia (with the majority in Melbourne) and more than 110 are based in other locations, primarily Hong Kong, Kuala Lumpur, Malaysia and Singapore.

CPA Australia (Shanghai) Co. Ltd. has staffed branch offices in Shanghai and Guangzhou, China.

CPA Australia Ltd operates as a registered foreign corporation in the UK, Indonesia, New Zealand, Singapore, Malaysia, and Hong Kong, and has offices in each of these countries/regions.

CPA Australia Ltd has staffed regional representative offices in China (Beijing), Vietnam (Hanoi and Ho Chi Minh City) and Indonesia (Jakarta). We have unstaffed representative offices in the UAE (Dubai and Abu Dhabi) and unstaffed liaison offices in Macau and Taiwan.

CPA Australia Advice Pty Ltd operates in Melbourne, Australia.



- Melbourne, Australia
- Canberra, Australia
- Sydney, Australia
- Brisbane, Australia
- Adelaide, Australia
- Hobart, Australia

- Perth, Australia
- Darwin, Australia
- London, UK
- Beijing, China
- Guangzhou, China
- Shanghai, China

- Hong Kong
- Kuala Lumpur, Malaysia
- Auckland, New Zealand
- Singapore
- Jakarta, Indonesia
- Hanoi, Vietnam
- Ho Chi Minh City, Vietnam

567
Employees globally

448
Employees based in Australia

119
Employees based in other locations

OUR SUPPLY CHAINS

Procurement for CPA Australia and our controlled entities is undertaken by our business units and managed by a centralised procurement team based in Melbourne.

This team oversees key procurement activities and maintains and implements our procurement policies and processes. In 2020, we mapped our supply chains to identify our direct (Tier One) suppliers for the 2019 calendar year.

We assessed that

our
AUD \$91.4M

annual spend across global supply chains
 as at 31 December 2019

covered more than
1,000

Tier One suppliers of goods or services.

CPA Australia supply chain

Of these suppliers, our top industries for procurement of our goods and services, based on spend, were:



FINANCIAL SERVICES



EDUCATION CONTENT



MEDIA AND MARKETING



RECRUITMENT



ICT
 (HARDWARE, SOFTWARE AND TELECOMMUNICATIONS)



CONSTRUCTION



HOSPITALITY



CLEANING, FACILITIES MANAGEMENT AND SECURITY

Each sector of spend may have potential exposure to modern slavery and the risks of modern slavery in our supply chains are set out in detail in the following section.

An initial analysis of 62 per cent of our 2019 procurement spend showed that almost all of the Tier One suppliers analysed were based in Australia, Singapore, the US or the UK, with the vast majority of our spend occurring in Australia.

We recognise that our Tier One suppliers' country of location may not be an indicator of supply chain risk. This is because the production and delivery of products and services procured by us may take place outside of these countries.

We also acknowledge that procurement expenditure does not correlate to level of modern slavery risk and that we may also be exposed to modern slavery risks through smaller or once-off procurements in other categories not identified above.

3

OUR MODERN SLAVERY RISKS

This section of our statement describes the modern slavery risks we have identified in the operations and supply chains of CPA Australia and its controlled entities.

We recognise that the modern slavery risks identified in this section may change and evolve over time, so we are committed to regularly reviewing our risk profile.

Modern slavery

Modern slavery describes situations where 'coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom'¹. It involves serious exploitation and grave abuses of human rights. As defined in the MSA, modern slavery practices include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour (situations where children are subjected to slavery or similar practices, or engaged in hazardous work) and deceptive recruiting for labour or services. Modern slavery can occur in all sectors and can happen in Australia as well as overseas.

How modern slavery risks may be present in our operations and supply chains

We have a responsibility to respect human rights in all our business activities and relationships under the **UN Guiding Principles on Business and Human Rights (UNGPs)**. This includes the human right to freedom from slavery. The UNGPs are the recognised global standard for preventing and addressing human rights harm by businesses. They provide an important framework to help us, and other businesses, understand and respond to modern slavery risks. We have applied the UNGPs in our modern slavery risk assessment to identify how we may cause, contribute to or be directly linked to modern slavery, and the appropriate actions to take in response. Our risk assessment is described in **section 4** of this statement.

Modern slavery risks may be present in our operations and supply chains due to a range of factors, including:

- **procurement of products or services from high risk countries or sectors;**
- **use of third-party recruitment providers, including where providers are used by suppliers to recruit labour in countries with a high prevalence of modern slavery; and**
- **our investment activities, which could lead to us holding equities in other businesses that may have high modern slavery risks.**

Based on our risk assessment and other analysis, we believe that our most significant modern slavery risks are likely to be present in our supply chains, rather than our operations. This reflects the member-based nature of our operations, which can present less scope for modern slavery conduct to occur than other sectors and business models. However, we recognise that accounting professionals may face a range of modern slavery risks through the businesses they work for. This is because members provide accounting advice and other professional services for and within a wide range of businesses and organisations, including those in high risk sectors and geographic areas. We are committed to supporting them and equipping them with the tools they need to respond to modern slavery risks they may encounter through the provision of accounting advice and services. More information about our engagement with members is set out in **section 5**.

Consistent with the UNGPs, we consider our most significant modern slavery risks to be those that would cause the most severe harm to people rather than our business. These risks are described below.

The impact of COVID-19

We recognise that the scope and severity of modern slavery risks in our supply chains is likely to have increased throughout 2020 due to the impact of COVID-19. It caused significant disruption to global supply chains and has increased the vulnerability of workers throughout supply chains to modern slavery. We will continue to monitor the impacts of COVID-19 on global supply chains, including potential changes to modern slavery risks due to COVID-19 in key sectors we procure from.

Due to the member-based nature of our operations, our business activities were not impacted by the pandemic to the same extent as other sectors, such as manufacturing, travel and tourism or extractives. However, many members work in these sectors and we have provided them with additional support, including **resources to support them and their clients at every stage of the COVID-19 crisis**.

Due to our pivot to home-based working during the pandemic, we were not required to procure significant amounts of personal protective equipment (PPE). We recognise that PPE can involve high modern slavery risks and we will consider these risks in future procurement of PPE as appropriate.

¹Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities (p. 8).

Modern slavery risks in our supply chains

We seek to engage suppliers with proven values, ethics and business practices, including those related to human rights and modern slavery. We believe that we can also work with suppliers to positively influence their response to modern slavery risks.

Based on an analysis of approximately 62 per cent of our 2019 procurement spend, we have identified the below modern slavery risks in Tier One of our supply chain.



A medium to high risk that we could be directly linked to modern slavery by procuring goods and services from the ICT and telecommunications industries that are produced or delivered using modern slavery.

Why is this a risk area?

We procure a range of electronic products like laptops, computers and mobile phones to support our business activities. These products can involve high modern slavery risks, including the use of exploited labour in overseas factories where these products are manufactured, and the use of conflict minerals in components, which may be mined or processed by victims of modern slavery. There may also be modern slavery risks associated with the provision of support services for these products, including through offshore call centres, which may be located in countries with weaker enforcement of labour laws, creating more vulnerability to modern slavery risks.



A medium to high risk that we could contribute to or be directly linked to modern slavery by procuring goods and services from the cleaning, property management, maintenance and construction industries that are produced or delivered using modern slavery.

Why is this a risk area?

We rely on cleaning, property management, maintenance and construction services to operate all our offices globally. These services can involve high modern slavery risks, including risks associated with the widespread use of unskilled migrant labour and unauthorised subcontracting, which have been reported to be more vulnerable to modern slavery. Modern slavery in these sectors can occur in Australia, as well as overseas. However, modern slavery risks associated with these products and services may be greater in some high-risk countries where modern slavery is more prevalent.



A medium to high risk we could contribute to or be directly linked to modern slavery through procuring hospitality services (including labour and food and beverage products) that are produced or delivered using modern slavery.

Why is this a risk area?

We hosted 426 in-person events globally in 2020. For many of our events, we rely on labour hire delivered by third party suppliers within the hospitality industry. The hospitality sector is a high-risk sector for modern slavery in Australia and overseas, due to the use of short-term unskilled labour. There is also a risk that some food and beverage products provided during our events may involve modern slavery. Modern slavery risks associated with these products and services may be greater in some high-risk countries where modern slavery is more prevalent.

Modern slavery risks in our operations

Our operations primarily involve the provision of services to members. We have identified that the modern slavery risks in our operations include:



A medium risk that we may contribute to or be directly linked to modern slavery through hiring arrangements for employees and contingent workers for our overseas offices and operations.

Why is this a risk area?

In some circumstances, we recruit employees and contingent workers overseas, including through third-party recruitment firms. Generally, these recruitment processes are for professional, office-based roles which generally carry a lower modern slavery risk.

Recruitment processes can involve high levels of modern slavery risk, especially when recruiting for lower-skilled or temporary positions in countries where the use of recruitment fees is widespread. In some circumstances, recruitment fees can be used to hold victims in debt bondage, a form of modern slavery.



A medium to high risk that we may be directly linked to modern slavery through our investment activities and portfolios.

Why is this a risk area?

We invest funds in diverse equities, equity funds, property funds, and bonds, among other investments. These investments are managed by an external investment manager. There is a risk that we may be directly linked to modern slavery through these investments. For example, we may invest in equities from a company that is found to have modern slavery in its operations or supply chains.

4

OUR ACTIONS TO ASSESS AND ADDRESS MODERN SLAVERY RISKS IN OUR OPERATIONS AND SUPPLY CHAINS

This section outlines our actions to assess and address modern slavery risks in our operations and supply chains, including those of our controlled entities.

Modern slavery risks

During 2020, we worked to build our response to modern slavery risks and create a strong foundation for future action. Further information about our plans to strengthen our response over 2021 and beyond is set out in **section 6**.

In 2020, no modern slavery was identified in our supply chains and operations. We are also not aware of any current or pending legal action against us regarding the breach of a modern slavery or other human rights law. However, we recognise that modern slavery may be hidden in our operations and supply chains. We will continue to take action to assess and address our modern slavery risks and equip ourselves to respond to any future cases of modern slavery that we may identify in our operations or supply chains.

Our key actions to assess and address our modern slavery risks are outlined in this section.



A. STRENGTHENING OUR POLICIES AND GOVERNANCE PROCESSES

Our key policy documents and governance processes clearly express and reflect our commitment to combating modern slavery and apply to CPA Australia and our controlled entities. During 2020, we strengthened our policy and governance frameworks by:

Updating our Procurement Policy

We revised the policy to outline our commitment throughout the procurement process to verify compliance with requirements relating to human rights and employment rights.

Updating our Fraud and Corruption Policy

We amended the policy to specifically include modern slavery as an example of corrupt conduct. This policy extends to all employees in Australia and overseas. We have a zero-tolerance stance in relation to fraud and corruption and modern slavery. We know that fraud and corruption is linked to modern slavery and it is important our responses to these issues are aligned.

Updating our Recruitment Policy, Remuneration Policy and Equal Opportunity Policy to address modern slavery risks

These three updated policies cover our commitment to ensuring we do not engage in conduct that causes, contributes to, or directly links us to modern slavery. They also strictly prohibit recruitment practices linked to modern slavery and illegal underage labour.

The updated policies recognise the risks of recruitment debts (debt bondage) when dealing with third-party recruiters and make it clear that employees, contractors and those engaged for labour hire, should never be required to leave cash deposits, passports, visas or bank cards in order to engage in work.

The policies also recognise that employees and contractors may be at a higher risk of modern slavery if they are younger, female, based in high-risk geographies or have a migrant status or disability.

Establishing a Modern Slavery and Human Rights Working Group

During 2020, we established a Modern Slavery and Human Rights Working Group with representatives from various business units including Procurement, Policy and Advocacy, People and Culture, Company Secretariat, Finance and Legal. A number of working group members also have responsibilities in relation to our controlled entities. The working group is tasked with identifying modern slavery risks in our operations and supply chains and then taking actions to assess and address these risks, including the establishment of due diligence and remediation processes.

Through the working group, we developed a project plan outlining our modern slavery compliance program and actions. It was prepared in accordance with an academic report that we commissioned and sponsored titled **Modern Slavery Compass – a new tool to point business in the right direction (2020)**, authored by Dr Katherine Christ CPA and Professor Roger Burritt FCPA (further information on this report is provided on **page 29**).

Establishing a governance framework to provide accountability for our response

Good governance and clear internal accountability are key elements of our response to modern slavery. The Board of Directors is the governing body of CPA Australia and sets and approves our strategy, direction and financial objectives, including those relating to modern slavery risk identification and mitigation. The oversight and governance of our modern slavery work involves the whole organisation. The modern slavery work of senior management and the executive is reviewed and considered by the Audit Risk and Compliance Committee (ARCC), and approved by the Board. These individuals have received briefings relating to our modern slavery response throughout 2020. The ARCC is a crucial stakeholder in the governance of our modern slavery response.

For more information about our corporate governance framework please see pages 30-32 of our **2020 Integrated Report**.



B. IDENTIFYING AND ASSESSING OUR MODERN SLAVERY RISKS

We are working to understand our modern slavery risk profile by:

Undertaking supply chains mapping and a desktop assessment of certain suppliers to identify modern slavery risk

During 2020, our Procurement Team developed a tool to assess the risk of modern slavery in our supply chains. When using the tool, they considered a range of risk factors, including:

- the geographic location of the supplier, including known import or export locations;
- the category of the product or service being procured (e.g. financial services, recruitment services);
- the use of labour hire in the delivery of the goods and services (including the employment of vulnerable people); and
- whether the supplier has any public evidence of compliance with human rights and modern slavery laws (e.g. a published modern slavery statement or human rights policy).

After considering these factors, our Procurement Team undertook an initial assessment of the overall risk level of our procurement in relation to modern slavery. Using this tool, we analysed more than \$56 million, or approximately 62 per cent of our 2019 procurement spend (Tier One of our supply chains only), to assess modern slavery risk in relation to these suppliers.

We developed our risk assessment tool with reference to key international indices, including the **Global Slavery Index** and official **Australian Government guidance material**. We will continue to undertake risk assessments of our Tier One suppliers to ensure we identify changes to our modern slavery risk profile.

Engaging with suppliers rated medium and high risk (based on the results of the supply chains mapping and desktop assessment)

In 2020, we wrote to our Tier One suppliers who were assessed as medium and high risk and advised them that we were commencing work to identify and understand the risks of modern slavery in our operations and supply chains. We issued these suppliers with a questionnaire designed to:

- support the identification of modern slavery risks in our supply chains;
- work with suppliers to address these risks;
- improve transparency;
- identify areas for further due diligence; and
- allow both parties to begin working together to address and remediate any identified risk factors in the supply chain.

This is our first instance of engaging suppliers on such matters and we intend to continue it throughout 2021. By engaging with the suppliers we spend the most with, we can have greater leverage to effect change. However, we recognise that the amount of spend on goods and services does not always correlate with modern slavery risk and that once-off suppliers and smaller suppliers may also have high modern slavery risks. We plan to expand and refine our supplier engagement in ways such as engaging low-spend suppliers with other high-risk factors, for example, geographic or industry risk.

Writing to the external manager of our investments to outline the expectation that our investments and portfolios are not causing or contributing to modern slavery and that risks are being addressed

This engagement helps us understand the approach our external manager takes in relation to modern slavery risk. We will continue to monitor whether our external manager reports on modern slavery risks, both as a supplier and in relation to the managed investment assets, and the quality of these reports, including under the MSA. Our portfolio assets and companies must not be causing or contributing to modern slavery.



C. INTEGRATING AND ACTING ON OUR FINDINGS

We are taking steps to integrate and act on our risk assessment findings, by:

Changing our procurement process to embed modern slavery risk considerations into our major procurement and sourcing projects valued over AUD\$250,000

We developed modern slavery questions to be included in all tender/request for proposal (RFP) documents issued by CPA Australia. This includes up to five questions depending on the nature of the procurement. Since May 2020, every tender/RFP document issued by us to potential suppliers has included at least one modern slavery question. This allows us to assess modern slavery risk and undertake further due diligence and assessments prior to engaging a supplier. For example, in 2020 we issued a RFP document for ICT services to replace our core technology systems. This sector can involve high modern slavery risks and we included modern slavery questions in the RFP document and assessed all responses.

Making modern slavery risk considerations mandatory for all procurement valued over AUD\$25,000

Since April 2020, every employee (including those in our controlled entities) who manages a new contract with a supplier valued over \$25,000, must first complete an internal Approval to Proceed (ATP) form. The form asks the contract manager to indicate whether modern slavery risks have been identified before engaging the supplier and provides practical examples of modern slavery risks, such as high-risk industries, products or location of the supplier. If any risks are identified, the contract manager must contact our Procurement Team to obtain a supplier risk-assessment questionnaire and guidance regarding modern slavery in the procurement process. We estimate that this action could result in modern slavery risk considerations in the procurement and/or renewal process for approximately 300 suppliers between April 2020 and April 2022.

Updating template contracts for the supply of goods and services to include modern slavery clauses

We have developed a set of contract clauses which, among other things, require suppliers to acknowledge that CPA Australia is committed to complying with the principles in the MSA, and to warrant that the supplier has no knowledge of any risk of modern slavery offences within its organisation or supply chains and is taking reasonable steps to prevent the occurrence of modern slavery.

We have published our **short-form master services agreement** on our website so that future suppliers can clearly understand our expectations in relation to modern slavery.

If a supplier's performance relating to modern slavery is below standard during the term of an engagement, we would prefer to engage positively with the supplier and use our leverage as a customer to address the issue, prior to considering termination rights.

Providing training to Board Directors, employees and contingent workers on the MSA and modern slavery risks

We are working to ensure all our employees are aware of the key concepts relating to business and human rights, including modern slavery. This training module includes content relevant to the Australian MSA. In 2020, 97 per cent of employees and contingent workers (in Australia and overseas) completed this training.

Our Legal Team also provided additional bespoke training to employees in our International, People and Culture and Procurement Teams, including employees at our controlled entities.

We believe that these business units require additional knowledge of modern slavery risks in their day-to-day work and must understand when to escalate any modern slavery matters to our Executive Management Team.



D. TRACKING THE EFFECTIVENESS OF OUR ACTIONS

We are tracking the effectiveness of our response to monitor how the steps we are taking are impacting our risks, by:

Holding regular meetings of our Modern Slavery and Human Rights Working Group

Our Modern Slavery and Human Rights Working Group is the primary way we track the effectiveness of our response to modern slavery risks. During 2020, the working group met regularly to drive action, and track and review our progress. Further information about how we measure the effectiveness of our actions to assess and address modern slavery risks is set out in **section 6**.



E. COMMUNICATING OUR PROGRESS

We are sharing our progress and actions with members and the public to ensure we remain accountable for how we address our modern slavery risks, by:

Developing and publishing our first modern slavery statement

This is our first modern slavery statement and will be the primary tool we use to communicate with members and the public about the steps we are taking to combat modern slavery.



F. REMEDIATION

We are equipping ourselves to respond to, and – where appropriate – remediate cases of modern slavery we may identify in the future. This is by:

Updating our Whistleblower Policy to specifically include modern slavery as an example of reportable conduct

Our Whistleblower Policy sets out the framework for receiving, investigating and addressing allegations of reportable conduct (including modern slavery) where it concerns the activities of CPA Australia or current and former directors, officers, agents, employees and contractors. A whistleblower is anyone who makes or attempts to make a report of reportable conduct under the Whistleblower Policy, and is, or has previously been, an officer, employee, supplier of goods or services or an associate of CPA Australia or is a relative or dependent of such persons.

This policy is a key component of our risk governance and corporate governance framework.

If a whistleblower is uncomfortable or unable to report misconduct internally, they can make a report anonymously via CPA Australia’s external and independent whistleblowing service provider **Your Call**, which allows for a clear, safe way for individuals to lodge a reportable conduct complaint on modern slavery.

There were no modern slavery concerns identified through our whistleblower program in 2020

In 2020, 97 per cent of all Board Directors, employees and contingent workers completed whistleblower awareness training to ensure they are aware of their rights and obligations under the policy and the law. In addition, we implemented role-specific whistleblower training for the Board, Executive Management Team and senior managers.



5

MEMBER ENGAGEMENT AND COLLABORATION

Collaboration is the key to addressing modern slavery risk because it promotes best practice and the sharing of ideas.

As a member-based organisation, we are committed to supporting and equipping members with the tools to take action to address modern slavery. Accountants have a key role to play in supporting businesses to combat modern slavery. They must be able to recognise it as a risk to businesses' financial sustainability, support the identification and mitigation of modern slavery risks linked to procurement spend, and assure businesses' modern slavery responses.

Non-compliance with laws and regulations

The accounting profession is distinctive in its acceptance of the responsibility to act in the public interest. Formal recognition is given in APES 110 Code of Ethics for Professional Accountants (the Code), which clearly states that the responsibility and standard of behaviour required by every CPA Australia member in relation to each of the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, is not exclusively to satisfy the needs of an individual client or employing organisation. One of the most important manifestations of this responsibility towards the public interest is in relation to non-compliance with laws and regulations (NOCLAR). NOCLAR imposes ethical obligations on members with respect to acts or omissions which are contrary to prevailing laws and regulations that are encountered by a member in the course of carrying out professional activities, such as modern slavery. Aside from the consequences of fines and litigation for the employing organisation, the Code emphasises the wider public interest implication of such non-compliance with potential harm to investors, creditors, employees and the general public.

In 2020, we worked closely with members, the broader profession and the community to foster actions that combat modern slavery.

Key actions included:

- **engaging various experts for the development of our INTHEBLACK article on modern slavery (see page 11 for further information);**
- **working with academics from the University of South Australia and the Australian National University to publish an academic report on modern slavery and business (see page 29 for further information);**
- **consulting with the Australian Border Force to discuss our modern slavery response and the impact of the new reporting regime on members;**
- **developing environmental, social and governance (ESG) tools, templates and resources to support members' needs, including a resource for accountants to assist in companies' compliance with the MSA from external reporting and management accounting perspectives; and**
- **investing in two significant research projects relating to the Sustainable Development Goals (SDGs). These explore the utilisation of the SDGs in corporate reporting, and analyse governance and accounting practices affecting the prioritisation, implementation and reporting of the SDGs by Australian firms (undertaken in 2020 and due for finalisation in 2021). We will continue to ensure members are equipped to respond to SDG Target 8.7, which deals specifically with modern slavery and related forms of human rights abuse. Our membership of the UN Global Compact Network Australia (GCNA), part of the world's largest corporate sustainability initiative, is just one way we are doing this.**

While COVID-19 restricted our member engagement activities during 2020, we anticipate we will be able to broaden these opportunities as restrictions ease.

Our engagement on ESG matters

Our Policy and Advocacy business unit is primarily responsible for executing our strategic goal to impact policy and be active in community advocacy. This goal is pursued through a range of objectives, such as enhancing and increasing the policy and advocacy work undertaken for the benefit of members and the broader community. This includes modern slavery. Reflecting our public policy and public interest imperatives, along with the diverse representation of the membership, our policy and advocacy efforts extend into a broad range of subject matters under the heading 'ESG'.

Work in this area is coupled with a foundational emphasis on ethical behaviour and robust organisational governance, along with an enduring interest in emerging forms of non-financial (narrative) disclosure. We have been actively engaged in the development of the modern slavery reporting law reforms through detailed and supportive submissions to public consultations, including those of the **Standing Committee on Foreign Affairs, Defence and Trade** and **Attorney-General's Department**. Some of our senior staff also participated in workshops dealing with the legislative design.

We are actively supporting the implementation of the MSA through the initiatives outlined in this section. Our policy work on modern slavery is supported by our ESG Centre of Excellence, which consists of 11 members who advise management on policy and issues relating to corporate ESG matters, including modern slavery.

HOW CAN ACCOUNTANTS HELP TO ADDRESS MODERN SLAVERY?

Case 1

Jennifer is an accountant contracted to support a local abattoir to complete their financial reporting. When going over the business financial data, Jennifer realises that the abattoir appears to not be paying some of its workers. The manager tells Jennifer the workers are migrant labourers and their pay is being withheld to cover the costs of their travel to Australia and accommodation. Although the manager says the workers agreed to the arrangement, Jennifer is concerned and reports the situation to the authorities. Further investigations reveal the workers are being held in debt bondage (a form of modern slavery) and are being required to pay off significantly inflated debts relating to their travel and accommodation.

Case 2

Layla is an in-house accountant at a global fashion company. While assisting the procurement team with a review of supplier spend, she notices that one textiles supplier appears to have significantly lower costs than other similar suppliers used by the company. Layla flags this with her colleagues, who engage with the supplier and find evidence of significant worker underpayment (a red flag that modern slavery may also be occurring).

The businesses and individuals in these case studies are fictional.



PUBLICATION OF MODERN SLAVERY COMPASS – A TOOL TO POINT BUSINESS IN THE RIGHT DIRECTION

We funded and published the research report **Modern Slavery Compass – a tool to point business in the right direction** by Dr Katherine Christ CPA, University of South Australia, and Professor Roger Burritt FCPA, Australian National University.

The purpose of the Modern Slavery Compass and the report is to provide a tool that supports businesses grappling with the management and reporting requirements of the MSA.



Estimates suggest there are currently more than 40 million people enslaved worldwide, many of these in corporate supply chains. The economic value attributed to this activity is enormous with G20 countries importing \$354 billion of at-risk goods every year. These figures represent an uncomfortable truth and highlight the need for action.



Dr Christ and Professor Burritt

CPA Australia used the Modern Slavery Compass as we rolled out our 2020 modern slavery project plan. In doing so, we helped reduce various operational and supply chain risks.

This publication follows the 2019 publication of a report titled **Regulating transparency and disclosures on modern slavery in global supply chains** by Associate Professor Justine Nolan, Associate Professor Jolyon Ford, and Professor M. Azizul Islam. This was a research project supported by a grant under CPA Australia's Global Research and Perspectives Program.

We believe that by funding and publishing such reports, we can help support members to address modern slavery risk.

6

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS AND OUR FUTURE PLANS

Effectiveness of our actions

Tracking the impact of our actions to combat modern slavery risks is a key part of our response to modern slavery. This monitoring and assessment helps us to understand what works and where further action is needed.

We believe an effective response to modern slavery involves being able to accurately identify, understand and respond to our modern slavery risks, and remediate any instances where we have caused or contributed to modern slavery. As our modern slavery response expands and matures, we will continue to build in ways to assess the effectiveness of our actions.

Effectiveness

We currently assess the effectiveness of our actions through our Modern Slavery and Human Rights Working Group. The working group meets regularly and brings together representatives from key areas of the business. One of their key roles is to track the actions assigned to each business unit in our modern slavery project plan. Further detail about the working group is set out in [section 4](#).

Another way we assess the effectiveness of our actions is by regularly reviewing our modern slavery risk assessment for our supply chains to ensure it remains up to date. We also monitor compliance with our key policies relevant to modern slavery via:

- our internal auditor;
- whistleblowing reports;
- our suppliers' responses to procurement questionnaires; and
- Board Director, employee and contingent worker training completion.

Specific measures we have tracked during the year include:

- 97 per cent of our Board Directors, employees and contingent workers have undertaken online compliance training relating to modern slavery as of 31 December 2020;
- 100 per cent of procurement RFP documents released after May 2020 included modern slavery questions; and
- no reports of modern slavery were received through our whistleblowing channels.

Our internal auditor also completed a review of our Whistleblower Policy in 2020

We understand that these metrics may not always provide a complete picture of the effectiveness of our actions. For example, suppliers may respond to procurement questionnaires with incorrect or misleading information. Over 2021, we will work to expand and refine these indicators.

Our future plans

Our response to modern slavery is based on a continuous improvement approach.

In 2021, we will engage recognised business and human rights experts Pillar Two to collaborate with us on a Modern Slavery Gap Analysis project. This project will develop a future roadmap that guides our actions to combat modern slavery. As part of the gap analysis, we will review our key policies and processes that relate to modern slavery and interview employees from key areas of the business. This will help identify gaps between current policies and processes, and the MSA mandatory criteria and other human rights standards. This work will:

- result in a set of recommendations to strengthen our response and a three-year continuous improvement roadmap; and
- help us better track the effectiveness of our modern slavery response over the medium term.

The findings, recommendations and roadmap will be presented to our Executive Management Team and ARCC.

7

HOW WE CONSULTED WITH OUR CONTROLLED ENTITIES TO PREPARE THIS STATEMENT

We worked with our three owned and controlled entities to prepare this statement. The boards of these controlled entities understand our expectation that they act in accordance with our standards, policies and procedures, including those relating to modern slavery and human rights.

During the development of this statement, the CPA Australia Modern Slavery and Human Rights Working Group provided drafts to selected directors of each of these controlled entities, in order to seek their contributions and feedback.

Some of the board members of our controlled entities also have day-to-day management roles in CPA Australia. This means they have an operational understanding of the steps we are taking to reduce the risk of modern slavery in our operations and supply chains, and how these actions relate to our controlled entities.

For example:

- **the CPA Australia Advice Pty Ltd Company Secretary is also a Director and the General Counsel and Company Secretary of CPA Australia Ltd and is the Chair of our Modern Slavery and Human Rights Working Group;**
- **a CPA Australia Advice Pty Ltd Director is also the CFO of CPA Australia Ltd and is a member of our Modern Slavery and Human Rights Working Group;**
- **two directors of CPA Australia (Shanghai) Co. Ltd. are also members of the CPA Australia Executive Management Team and one of these directors is a member of our Modern Slavery and Human Rights Working Group.**



APPENDIX

Mandatory requirements under the Australian Modern Slavery Act 2018 (Cth) and the UK's Modern Slavery Act 2015.

Australia's Modern Slavery Act 2018 (Cth) mandatory reporting criteria	UK's Modern Slavery Act 2015 recommended reporting criteria	Statement section addressing this requirement
Mandatory criterion one: Identify the reporting entity.	Organisation's structure, business and supply chains.	Section 1: About this statement
Mandatory criterion two: Describe the structure, operations and supply chains of the reporting entity.		Section 2: Our structure, operations and supply chains
Mandatory criterion three: 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.	The parts of the organisation's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.	Section 3: Our modern slavery risks
Mandatory criterion four: 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.	Organisation's policies in relation to slavery and human trafficking; its due diligence processes in relation to slavery and human trafficking in its business and supply chains; and the training about slavery and human trafficking available to its staff.	Section 4: Our actions to assess and address modern slavery risks in our operations and supply chains
Mandatory criterion five: Describe how the reporting entity assesses the effectiveness of such actions.	Organisation's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate.	Section 6: Assessing the effectiveness of our actions and future plans
Mandatory criterion six: 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.	N/A	Section 7: How we consulted with our controlled entities to prepare this statement
Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	N/A	Section 5: Member engagement and collaboration Section 6: Assessing the effectiveness of our actions and future plans

