

# ENERGY SUPER MODERN SLAVERY STATEMENT 2019/20



This Modern Slavery Statement (Statement) is made for the purposes of and in accordance with the requirements of the *Modern Slavery Act 2018 (the Act)*. The Statement covers the financial year 1/07/2019 to 30/06/2020 and addresses the seven mandatory criteria as set out in the Act.

This Statement is a joint statement from Electricity Supply Industry Superannuation (Qld) Ltd in its capacity as the Trustee of Energy Super, as well as ESI Financial Services Pty Ltd (**ESIFS**), which is a wholly-owned entity of Energy Super, collectively referred to as the 'ESI Group' throughout this Statement.<sup>1</sup>

This Statement was approved by the Trustee Board on 22nd March 2021 and has been signed by the Chair for and on behalf of the Board.

**Richard Flanagan-Chair**  
Energy Super Board

## STRUCTURE, OPERATIONS AND SUPPLY CHAIN

### OUR STRUCTURE

Energy Super is an industry super fund that was established in 1978 with a primary focus on providing retirement superannuation benefits to employees working in the energy industry. It also became a public offer fund in 2009 and now welcomes contributions from individuals and from employers across a wide range of industries. As at 30 June 2020, Energy Super had more than 48,000 members and managed around \$7.58 billion in members' savings.

Energy Super is constituted as a trust and is managed by Electricity Supply Industry Superannuation (Qld) Ltd (ABN 30 069 634 439; AFSL 336567) as trustee for the Fund. The Trustee Board is responsible for managing Energy Super for the benefit of all members, in accordance with the Trust Deed and relevant legislation. The Trustee is an RSE Licensee with the Australian Prudential Regulation Authority (APRA), which authorises it to act as the trustee of Energy Super. As a trustee of an industry superannuation fund, net profits are generated for the benefit of members. The Trustee's registered office is located in Brisbane, Queensland, and staff also operate from branch offices located in Gladstone and Townsville in Queensland and Perth in Western Australia.

ESI Financial Services Pty Ltd (**ESIFS**) (ABN 93 101 428 782; AFSL 224952), as a wholly owned entity of Energy Super, provides Energy Super's contact centre operations, financial advisory services and member education services.<sup>2</sup>

### OUR OPERATIONS

Energy Super's primary business objective is the investment of members' funds for the benefit of members in their retirement. Additionally, we provide ancillary life insurance and financial advice services to our members. In addition to outsourcing a number of our key business operations to external service providers, we also employ staff who are directly involved in a number of key aspects of operating our business.

<sup>1</sup> This Statement has been approved by the Trustee Board on behalf of both entities, on the basis of the delegation from the ESIFS Board to the Trustee Board.

<sup>2</sup> While ESIFS is not a reporting entity for the purposes of the Act, under Australian Accounting Standards it is under the 'control' of Energy Super and therefore captured in this Statement.

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Energy Super staff are employed by ESIFS and as at 30 June 2020, ESIFS employed 84 staff, all based in Australia. Key activities undertaken by ESIFS staff include:

- Marketing and communications;
- Contact centre operations;
- Investments;
- People and culture;
- Finance;
- Legal, risk and compliance;
- Information, education and financial advisory and other services to members and contributing employers;
- Information technology;
- General and personal financial advice;
- Sponsorships; and
- Facilities management services (including the procurement of office supplies and information technology products and service).

## OUR SUPPLY CHAINS

Energy Super also operates its business through supply chains extending across Australia and overseas. This includes outsourcing some material business functions to organisations based in Australia and overseas. The following material outsourced service providers form part of our tier one supply chain:

- External investment managers, based within Australia as well as globally, who assist our internal investment team in the implementation of the investment strategy across investment options;
- Investment consultant, JANA Investment Advisers, who we work closely with to formulate and implement our investment strategy, and who advises us on all investment matters;
- Custodian (National Australia Bank Ltd);
- Fund administrator (Australian Administration Services Pty Ltd);
- Life insurer (OnePath Life Limited);
- Professional advisors (including internal and external auditors, actuary, tax and legal);
- Property and facilities managers;
- Other facilities-related suppliers providing stationery, catering, food and beverage;
- Information technology products and services, which are in most cases procured from multinational suppliers under standard term agreements; and
- Providers of branded clothing, promotional material and office and stationery supplies.

## RISK OF EXPOSURE TO MODERN SLAVERY RISK

At Energy Super, we take the risk of modern slavery seriously and do not want to be complicit or aid in perpetuating modern slavery. During 2019/20 Energy Super undertook a high-level assessment of our direct operations and tier one suppliers with the goal of identifying areas where there could be a risk of Energy Super causing, contributing to or being directly linked to modern slavery.

Our direct workforce consists of skilled professional staff who are employed in accordance with Australian employment law. We maintain rigorous hiring practices and maintain full transparency with respect to our employment practices. Further, any suspected instances, cases or identified risks of modern slavery are encouraged to be reported through the Fund's independent whistleblower hotline, 'Halo', which is externally managed by Deloitte and which is available on Energy Super's website. We therefore consider the risk of modern slavery matters within our direct workforce to be low.

However, we acknowledge and accept that there is a risk of being directly or indirectly linked to modern slavery and other human rights risks through our supply chains. Our analysis has identified the following key areas within the Fund's supply chain to pose the greatest risk of modern slavery:

## INVESTMENT PORTFOLIO

The investment portfolio covers a number of asset classes, including (but not limited to) Australian and international equities, fixed income, property, infrastructure, alternative assets and cash. The underlying assets are primarily listed on major stock exchanges but our strategic asset allocation also includes an allocation to private assets such as infrastructure and private equity. The spread of these investments is across Australia, USA, Europe, Asia and Emerging Markets.

As such, there are several areas within our investment portfolio where we identified potential sources of modern slavery risk:

- Investment in high risk sectors and industries (apparel, agriculture, manufacturing).
- Investment in assets located in high risk jurisdictions (emerging markets).
- Investment in unlisted assets where we have ownership but rely on one or more investment partners for implementation.

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## INFORMATION TECHNOLOGY PRODUCTS

We procure information technology (IT) products and equipment for use by our staff, which are in most cases procured from multinational suppliers under standard term agreements. We do recognise that there may be modern slavery risks deep within the supply chain: for example, in the mining and extraction of materials required for the production of electronic and IT products. If Energy Super were to identify an instance of modern slavery in our IT products sourcing within the supply chain, we would consider discussing the risk with the affected supplier or sub-supplier and changing suppliers, if necessary.

## FACILITIES MANAGEMENT AND CLEANING

The procurement of building services (security and maintenance) and cleaning services can involve a high modern slavery risk as these services often rely on low-skilled labour. Energy Super has contracts with various landlords and providers (locally based) relating to the maintenance and cleaning of office premises. While all of those contracts are with Australian providers, we recognise the risk that modern slavery can exist in their supply chains.

## ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISK

Energy Super has a zero tolerance approach to modern slavery in all forms, and is committed to using best endeavours to ensure that modern slavery does not occur nor is taking place in any part of our business or supply chains. For our first Modern Slavery Statement, Energy Super has focused on increasing our understanding of modern slavery risks in our operations and tier one supply chain, with a particular focus on our externally-managed investment portfolio.

## INVESTMENT PORTFOLIO

Energy Super's rigorous investment manager due diligence processes around selection and monitoring of investment managers ensures effective management of the risk of modern slavery within this supply chain. The Trustee places a high priority on Environmental, Social and Governance (ESG) issues and consequently ESG is explicitly considered when we are making investment decisions, which has been integrated across all of our portfolios where possible. We believe this will significantly reduce the likelihood of exposure to a high level of modern slavery risk.

Additionally we have implemented a Shared Values Framework and an ESG Policy which incorporate all investment decisions likely to affect modern slavery. We believe that the ESG focus not only assists us to optimise our returns for our members, but also reduces financial and non-financial risks to the portfolio from modern slavery risk exposures and other ESG issues.

Across asset classes, Energy Super requires its external investment managers to apply a rigorous integration of ESG factors into their investment processes. We believe that labour-related issues, such as occupational health and safety and fair pay, are a key part of the 'social' aspect of the ESG principles considered in the investment decision-making process and expect managers to consider these in investment decisions. We conducted due diligence on the majority of our investment portfolio (~75% by Funds under Management) across all asset classes (equities, infrastructure, private markets, fixed income) to assist us in the understanding of the risks which are outlined above. Investment managers were sent out a survey and required to answer a detailed questionnaire outlining their management of modern slavery risks within their supply chain, and also importantly within their investment portfolios and investment processes. Responses were received from all investment managers surveyed and detailed analysis was conducted to identify where risks are likely to exist. This included an assessment of where each manager was at in terms of employing best practice principles relating to modern slavery.

Our analysis has noted a moderate risk in the form of an Emerging Market Equities (EME) investment and relates to potential investment in regions and industries regarded as high risk. Mitigating this risk, the Investment Manager has a solid, repeatable ESG integration approach which includes a specific assessment of modern slavery risks. Additionally, the EME team has focused ESG efforts on these risks. They engage with companies early on in regards to three objectives: (1) to help the company recognise that unmitigated risks are larger than they realise, (2) to enhance the company's understanding of broader supply chain risks, and (3) to assist the company in formalising a supply chain management process that enables them to find and resolve risks on their own.

Importantly, in 2019 one of our external investment managers became a signatory of KnowTheChain's investor statement, formalising their commitment to engage in human rights due diligence to address modern slavery risks. They engaged with companies under the framework over the last twelve months to reduce the risk of modern slavery within their supply chain.

KnowTheChain benchmarks current corporate practices, develops insights, and provides practical resources that inform investor decisions and enable companies to comply with growing legal obligations while operating more transparently and responsibly. This provided a framework for the manager to utilise and benchmark its potential and current investments against.

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The analysis noted that the remaining managers were lower risk due to their investment universe combined with their embedded ESG integration. Managers also regularly review and reassess the robustness of the due diligence process related to modern slavery. To further reduce risks, the internal investment team supported by Energy Super's Risk and Compliance team conducts on-going ESG due diligence annually on each external investment manager.

Energy Super recognises that we do not have total transparency and are reliant on look-through data provided by the investment managers. While analysis and tracking of indirect exposures can be difficult as it relies on disclosures by the underlying companies, we consider that investment managers who have made a concerted attempt to identify exposures and risks assists in their ability to manage, quantify and mitigate any potential risks going forward.

Importantly, our investment managers consider risks within their own supply chains to be 'low'. Some of our managers have sustainable procurement principles integrated into their processes and, in almost all cases, their vendors are required to meet the requirements of policies aimed to combat and prevent slavery and human trafficking.

#### **FACILITIES MANAGEMENT AND CLEANING**

We have prioritised our understanding of the risk of modern slavery in our supply chain, in particular by ensuring that our Head Office landlord adequately manages modern slavery risks in its supply chain. We are acutely aware that the real estate sector has the potential to expose Energy Super to high risk of modern slavery and as such are working with our Head Office landlord to ensure this risk in its supply chain is mitigated. Our landlord has a detailed modern slavery statement which we have reviewed and identified that they consider the risk of exposure to modern slavery practices in their supply chain is greater than within their own operations, particularly in their construction, development and property management supply chains. To date, they have undertaken significant activities to obtain a greater understanding of these potential exposures in order to undertake more targeted supplier risk assessments across its supply chain. They have stated that they set and expect high standards and will

work with our suppliers to ensure they understand our requirements and can meet them on an ongoing basis. We will continue to conduct due diligence on our landlords on a yearly basis.

#### **REMEDIATION**

If Energy Super were to become aware of circumstances indicating that one of its material outsourced suppliers or any suppliers for that matter, including external investment managers, may have engaged in or is invested in modern slavery practices, appropriate steps will be taken to investigate and, if substantiated, treated as a compliance incident in accordance with our Compliance Management Framework. The matter will then be escalated to the Board to ensure appropriate oversight and remedial action is taken on a proportionate and case-by-case basis. This might include working with the supplier or investment manager to remedy the issue or alternatively Energy Super would consider terminating its relationship with that supplier or investment manager.

#### **ASSESSING THE EFFECTIVENESS OF OUR ACTIONS**

Energy Super is dedicated to conducting its business in an ethical and transparent manner. The work that has been undertaken during 2019/20 has been aimed at developing an understanding of our operations and supply chains, and the inherent risks of modern slavery within our business. Energy Super is committed to maturing our understanding and management of modern slavery risks within our business operations and supply chains, and we will continue to adopt a 'continuous improvement' approach as we and the general business community learn more about the modern slavery risks.

#### **CONSULTATION WITH ESIFS AS AN ENTITY CONTROLLED BY ENERGY SUPER**

As the direct operations of Energy Super are carried out by staff employed by ESIFS, the modern slavery risks with respect to both Energy Super and its wholly-controlled entity, ESIFS, were considered simultaneously and therefore no separate formal consultation with ESIFS was required.

**We're here to help – Call 1300 436 374**

**Email [info@energysuper.com.au](mailto:info@energysuper.com.au) or visit [energysuper.com.au](http://energysuper.com.au)**