

2021 MODERN SLAVERY STATEMENT

LGSS Pty Limited as Trustee for Active Super
December 2021

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Introduction

As a leader in responsible investment, Active Super believes modern slavery practices are a violation of human rights. We have a zero-tolerance approach and we are committed to eliminating modern slavery throughout our operations, investments and supply chains.

Purpose

This statement describes the policies, procedures and programs we have in place to identify and address modern slavery in the investments held by the Fund, and also at a corporate level in the day-to-day running of our business. It is our second statement published in accordance with the *Modern Slavery Act 2018* (Cth.)

This statement is prepared and issued by LGSS Pty Limited (ABN 68 078 003 497) (the Trustee) for Local Government Super, which trades as Active Super (ABN 28 901 371 321) (**Active Super** or the **Fund**), with registered address is Level 12, 28 Margaret Street, Sydney NSW 2000.

It covers the period from 1 July 2020 to 30 June 2021.

What is modern slavery?

Modern slavery includes human trafficking, slavery, servitude, forced labour, debt bondage, child labour, forced marriage and deceptive recruiting for labour or services. These practices cause grave abuses of human rights to victims and are serious crimes.

Our structure

Active Super was formerly known as Local Government Super and was established as a profit-to-member industry superannuation scheme under a trust deed on 30 June 1997 (**Trust Deed**). The Fund adopted the name Active Super on 25 May 2021, in order to broaden its appeal to the public and grow its membership beyond the local government sector.

The Trustee is solely responsible for the management and control of Active Super's operations, including its investments in accordance with the Trust Deed and superannuation law. As a registrable superannuation entity, Active Super is regulated by Australian Prudential Regulatory Authority under the *Superannuation Industry (Supervision) Act 1993* (Cth).

The Trustee is also regulated by the Australian Securities and Investment Commission as a company registered under the *Corporations Act 2001* (Cth) and the holder of an Australian Financial Services Licence.

In addition, the Trustee is the sole shareholder of LIF Pty Limited, a company registered under the *Corporations Act 2001* (Cth). LIF Pty Limited is also the trustee for the Local Government

Property Fund (trading as **Active Super Property**) which owns and operates a portfolio of eight high quality assets located throughout NSW, including four office buildings, three retail centres and one multi-unit industrial estate. The Fund is the sole unitholder of Active Super Property, and the Trustee's specialist in-house property team manages the Active Super Property portfolio under a management services agreement. The property team is committed to responsible management practices that minimise the environmental impact of our properties and make a positive contribution to society.

About Active Super's operations

Active Super provides superannuation and pension products and services to around 80,000 members, with approximately \$14 billion in funds under management.

We also provide financial planning and general member inquiry services to our members across a number of regional locations, including:

- Newcastle
- Wollongong
- Ballina (serviced office)
- Orange (serviced office)
- Wagga Wagga (serviced office)
- Parramatta (serviced office) and
- Tamworth (serviced office).

In total, Active Super has approximately 100 staff, led by an executive team that includes the Chief Executive Officer, Deputy CEO, Chief Investment Officer, Chief Financial & Commercial Officer, Chief Experience Officer, Chief Risk Officer and Chief Digital & Marketing Officer.

Our supply chains

As a superannuation fund, we appoint a range of external service providers to assist with our legal obligations, including our administrator, custodian, group life insurer and investment managers. We also engage external providers to provide actuarial, consulting, accounting, legal, auditing and other services as well as furniture, cleaning services, technology vendors, stationery and marketing merchandise providers.

A full list of our major service providers can be found at activesuper.com.au/fund-details

Any suppliers or service providers are subject to a rigorous procurement process which includes specific service level agreements. For example, when sourcing marketing merchandise, Active Super looks for sustainably sourced products from trusted suppliers, requiring compliance certificates from all providers. We also use local manufacturers where possible, further reducing the risk.

Supply chains within our investments

Externally managed investments

Active Super's investment portfolio includes investments in Australian & international equities (both listed and unlisted), fixed income, infrastructure, and property. The portfolio is principally managed by external fund managers with stringent oversight from the Active Super Investment team.

At Active Super our responsible investment strategy is applied across all asset classes of the fund. We manage long-term risk and return by analysing companies' environmental, social and governance (ESG) performance. In other words, investments are assessed not only for their ability to deliver returns, but also for the ESG risk to the world. This assessment is applied when on-boarding new managers and reviewed annually for all existing managers.

Further information about our responsible investment approach is available on our website at activesuper.com.au/making-a-difference

When assessing ESG risk, modern slavery is one of the things we look for. This means companies which engage in human rights abuses or modern slavery in their supply chains will be screened out of our portfolios.

As universal asset owners, Active Super is able to use its voice and its vote to engage with companies on any modern slavery or human rights concerns. We take our role of 'active owner' seriously and apply a range of strategies to apply pressure or provide support to influence positive outcomes in the companies that we invest in.

Furthermore, when selecting asset managers, we make sure that their approach to active ownership activities is aligned with our own, and that they continue to make independent, well-informed voting decisions.

Finally, as an industry leader in responsible investment, Active Super also collaborates with groups such as the Principles of Responsible Investment (PRI), Australian Council of Superannuation Investors (ACSI) and Responsible Investment Association Australasia (RIAA) to address issues associated with modern slavery and ensure we are adopting best practice in meeting legislative requirements.

Direct property investments

Through our direct property portfolio in the Active Super Property Fund, we also manage several office, retail and business park properties in NSW. Modern slavery is included as part

of the ESG considerations that we feed into our agreements with property suppliers and our external property managers.

Risk Assessment Process

When identifying and assessing the risk of Modern Slavery, Active Super adopts the same methodology and approach documented in its Risk Management Framework (RMF).

Risk in our Operations

Active Super operates in the heavily-regulated Australian financial services environment, with extensive frameworks and procedures in place in relation to employment practices, employees' conduct, governance and risk management, whistleblowing and due diligence. Our employees are primarily skilled white-collar professionals and therefore the risk of modern slavery in our operations has been assessed as low.

Risk in our Supply Chain

Active Super's supply chains are generally related to professional services, corporate and operational procurement such as custody services, administration services, banking, actuarial, legal and tax advisors, marketing, travel, telecommunication, catering, information technology, cleaning, stationery and couriers.

We have reviewed and updated our risk assessment of our tier 1 suppliers based on their geographic risk, product risk, sector risk and entity risk. As part of onboarding of new suppliers, we have analysed their self-assessment questionnaires and reviewed information about their modern slavery risk identification and mitigation frameworks.

Overall, the risk in our supply chain remains low, based on the fact that the majority of our suppliers are located in Australia and involved in high-skilled and professional industries with low labour-related risks. Nearly all of our biggest suppliers are required to issue modern slavery statements. Only a small number of suppliers were identified as medium or higher risk, and we are taking steps to investigate these further.

Our framework

Active Super currently has the following policies in place to foster good employee conduct and decision-making, including:

- Sustainable and Responsible Investment Policy
- Active Ownership Policy
- Investment Due Diligence Policy
- Outsourcing & Procurement Policy
- Code of Ethics
- Whistleblowing Policy
- Incident and Breach Reporting.

We have reviewed these documents to ensure that employees are cognisant of the risks of slavery and human trafficking in our operations and supply chains and that there are appropriate systems and channels in place to identify, assess and take action on those risks.

Any suppliers or service providers appointed are subject to a rigorous procurement process that may include the establishment of a procurement committee, due diligence process and the assessment of the supplier's corporate values and principles, including ESG considerations.

The relationships we have with our suppliers are based on trust and integrity. Our supplier selection and onboarding procedure includes due diligence of the supplier's reputation including any misconduct risk, respect for the law, and compliance with ESG standards. For our more significant engagements such as our administrator, custodian, group insurer and IT provider, this extends to an annual program of due diligence monitoring.

Contingency

Active Super is committed to upholding human rights and labour standards within our business and supply chains. The presence of material risks of human rights violations or modern slavery practices will shape our business decisions. For example:

- the identification of such risks within a prospective supplier will count against the engagement of that supplier; and
- where such risks are identified in a current supplier, Active Super engages with that supplier to implement improvements and additional controls to mitigate those risks and, failing that, seeks other remedies and sanctions within the contractual framework (which may include termination or non-renewal of the agreement).

Active Super has also established a Modern Slavery Group comprising employees from various divisions of the business including members from Governance, Risk, Investments, Property and Client Relationship Managers who work with our employer partners. The Group examines issues relating to modern slavery risk in our operations and the supply chain and is responsible for ongoing monitoring and reporting to the Risk Committee.

Consultation with related entities

This Statement is made by the Trustee and covers all of its operations as a company and as trustee of Active Super. The business operations of Active Super Property form part of both:

- Active Super's investment activities, as Active Super is the sole investor in Active Super Property; and
- the Trustee's business operations to the extent that the Trustee is the investment manager of the Active Super Property portfolio.

The people responsible for managing the Active Super Property portfolio are employees of the Trustee and are part of the Active Super Investment team. They are required to comply with Active Super's policies in relation to ESG, investment and procurement, and are represented in the Modern Slavery Group which is responsible for monitoring, assessing, reporting on the modern slavery risks, and for the preparation of this Statement.

Effectiveness of our actions

The effectiveness of our anti-slavery actions is assessed in a number of ways, including:

- governance and risk reviews of policies that address modern slavery
- review and analysis of incident and breach reporting, and
- comparing our actions against our Key Performance Indicators (KPIs).

Active Super created a program to combat modern slavery in our organisation and supply chain with KPIs and controls. In FY2021, we completed the following:

ACTION	ACTION COMPLETED/UPDATE
Strengthening the Modern Slavery framework	<ul style="list-style-type: none"> • The Code of Conduct, Due Diligence Policy and Outsourcing Policy have been reviewed to include Active Super's position on Modern Slavery. • The Risk Committee was formally delegated with the authority to oversee and support the ongoing development of a framework of governance, processes and controls to ensure compliance with the provisions of the MS Act.
Modern Slavery training to raise awareness	<ul style="list-style-type: none"> • Training was provided to all directors during a Risk Workshop. • It was also provided to staff during a virtual Town Hall with compulsory access and also acknowledgement of the presentation materials.
Modern slavery considerations as part of on-boarding of investment managers and annual ESG measurement of portfolio managers	<ul style="list-style-type: none"> • The Due Diligence Policy and processes to articulate the Modern Slavery requirements have been updated. We have also incorporated Due Diligence into the existing Responsible Investment policy and outlined detail of processes in the existing Sustainable and Responsible Investment Policy. • All onboarding and annual ESG Manager reviews have been conducted.

Ongoing development of the supplier due diligence program

- The Outsourcing and Procurement Policy has been updated with new requirements relating to Modern Slavery risks.
- Clauses relating to modern slavery will be specifically included in agreements with those suppliers/sectors that are assessed as posing higher modern slavery risks.
- Ongoing monitoring of service providers now incorporates modern slavery as an area of assessment.

Continuous improvement

We have developed a two-year plan of continuous improvements to our framework. This will include the following areas of focus for FY22 and FY23:

ACTIONS

Formalising Terms of Reference for our Modern Slavery Group/Committee.

Incorporating Modern Slavery clauses into key supplier contracts to more specifically address modern slavery, including reporting obligations.

Creating an ongoing training and education program for directors and employees.

Looking deeper into our supplier chain; Risk Assessment beyond tier 1.

Formalising and centralising our Modern Slavery Framework.

Developing a tailored risk-based approach to negotiating modern slavery clauses into supplier contracts.

Sign Off

This statement was approved by Board of LGSS Pty Ltd on 2 December 2021.

A handwritten signature in black ink, appearing to read 'Kyle Loades', written in a cursive style.

Kyle Loades

Chair

On behalf LGSS Pty Limited