

2021/22 Modern Slavery Statement – Reserve Bank of Australia and Note Printing Australia Limited

1. Introduction

This Modern Slavery Statement for the 2021/22 financial year is a joint statement given by two reporting entities, being the Reserve Bank of Australia (the Bank) and its wholly-owned subsidiary Note Printing Australia Limited (NPA). This Statement has been approved by the principal governing body of each of the Bank and NPA. Attachment 1 sets out the mandatory reporting criteria under the Commonwealth *Modern Slavery Act 2018* (the Act) and how the criteria have been met in this Statement.

2. About our structure, operations and supply chains

2.1 What we do

The Bank is Australia's central bank and derives its functions and powers from the *Reserve Bank Act 1959*. The Bank has the following five key objectives¹. NPA is integrally involved in the fifth of these objectives:

1. Price stability and full employment. The Bank conducts monetary policy to meet an agreed medium-term inflation target. The Bank manages Australia's gold and foreign exchange reserves and operates in domestic financial markets to implement monetary policy.
2. Stability of the financial system. The Bank works with other regulatory bodies to foster financial stability.
3. Secure, stable and efficient payments system. The Bank promotes efficiency and competition in the payments system, and the overall stability of the financial system. The Bank oversees Australia's high-value payments system, supervises central counterparties and securities settlement facilities and owns and manages the Reserve Bank Information and Transfer System (including the Fast Settlement Service).
4. Delivery of efficient and effective banking services to the Australian Government. The Bank provides selected banking services to a range of Australian Government agencies and banking and registry services to a number of central banks and overseas official institutions.
5. The provision of secure and reliable banknotes. The Bank is responsible for the issue, reissue and cancellation of Australian banknotes. The Bank works with NPA to design and produce Australian banknotes. NPA also prints banknotes for foreign customers and prints and assembles passports for the Department of Foreign Affairs and Trade and one other foreign customer.

2.2 Our operations

The Bank operates and is staffed to achieve its five key objectives. The predominant components of the Bank's core operations are human capital and information. The Bank's operations, at their most basic level, include the storage, processing, analysis and distribution of information by the Bank's own staff. As at 30 June 2022, the Bank had 1,470 staff, 99 per cent of whom work in Australia and of whom 272 commenced during the 2021/22 year.²

1 For more information on our objectives, strategic focus areas and activities see the Bank's Corporate Plan: www.rba.gov.au/about-rba/corporate-plan.html

2 A small number of staff are located at the Bank's New York, London and Beijing Representative Offices.

NPA's core operations are more diverse from the perspective of modern slavery risk as they perform research and design work, manage security printing equipment lines and conduct quality management in supplying high-security banknotes and passports. As at 30 June 2022, NPA had 237 staff, all of whom work in Australia, and of whom 27 commenced during the 2021/22 year.

2.3 Our supply chains

The supply chains of the Bank and NPA reflect the nature of our operations. The Bank requires a range of goods and services to support its activities. In 2021/22, the largest categories of suppliers by expenditure are in IT hardware and software; facilities management, construction services and security services; professional services and labour hire. As a manufacturer, NPA's key suppliers provide the inputs to production, including consumables (such as banknote substrate, passport paper, polycarbonate, inks, foils, and printing plates) and equipment (such as printing machinery). The majority of the Bank's suppliers, both based on volume and expenditure, are based in Australia, whereas, NPA's suppliers are more geographically diverse with some key manufacturing inputs being sourced from companies incorporated in Europe.³

3. The risks of modern slavery at the Bank and NPA

In previous years, the potential or perceived risks of modern slavery of our suppliers were evaluated based upon:

- Risks associated with geography – including levels of corruption, the population's skill or education levels, rule of law and strength of human rights or labour laws.
- Industry or sector-specific risks – such as whether it has predominantly base-skilled or migrant workers, industries where a high proportion of businesses utilise labour-hire, outsourcing or third party contracting arrangements and the nature of the product or service.

During 2021/22, the Bank and NPA built on the initial assessment of supplier geography and industry completed in previous years, which confirmed the focus areas in our supply chains (discussed below). The Bank commenced analysis of a range of risks associated with a selection of significant first-tier suppliers, which included an assessment of modern slavery risks. This analysis highlighted some emerging risks associated with the Bank's increasing integration with more mobile and more global labour markets. For example, many managed services that were once based in Australia now have staff distributed in different countries that are paid different wage rates and have different working conditions. While in the Bank's case most of these workers are highly skilled and specialised, this poses additional risks from a modern slavery perspective, and as such will be an emerging area for analysis in future Statements.

3.1 Focus areas in our supply chains

Our Tier 1 suppliers (i.e. suppliers engaged by the Bank's Australian offices and NPA):

- are predominantly based in Australia and other geographies that are considered to have lower modern slavery risks;
- employ highly-skilled staff (who are generally less vulnerable to modern slavery) to supply the Bank with services and NPA with highly specialised production components, skills and machinery.

While our analysis has not identified any instances of modern slavery, there are some areas of the Bank and NPA's supply chains where workers may be at some risk of modern slavery. In particular, the risk focus areas identified were:

³ Supplier geography has been defined as the location of the entity with which the Bank and NPA has the direct contractual relationship, albeit the supplier may have global operations.

- **Textiles, Clothing and Footwear** – Instances of modern slavery practices in the textile, clothing and footwear industries have been widely documented. The Bank and NPA's supply chains include suppliers of uniforms or workwear, and NPA also uses rag services in manufacturing.
- **Stationery and Paper Products** – Stationery products carry potential risks in their manufacture. Similarly, paper products carry risks of worker exploitation, including through illegal logging practices. The Bank and NPA both utilise office stationery and paper products, and additionally NPA utilises paper products to package its products.
- **IT Hardware and Software** – Some IT hardware products utilised by the Bank and NPA (such as laptops, computers and mobile phones), as well as IT support services (particularly where suppliers utilise call centres outside of Australia) are considered to be at higher risk of modern slavery.
- **Property and Hospitality Services** – This includes a number of services utilised by the Bank and NPA (such as cleaning, laundry, security, office fit-out and catering services) that employ lower-skilled workers or workers that have been associated with reduced understanding and reduced ability to exert their labour rights.
- **Waste Services** – Waste services have been reported as being difficult to track and poor work practices may not be as visible. These services are particularly important to NPA as a goods manufacturer to manage waste products resulting from its production processes.

3.2 Analysis of our operations

During 2021/22, there have been no material changes to the staffing arrangements at our organisations and the risks associated with the Bank's investment activities.

3.2.1 Our staff

We do not engage in practices that would contribute to making our staff vulnerable to modern slavery (such as confiscating identity documents or paying below minimum wages). Workers engaged as part of managed services, professional services or labour hire arrangements are typically identified as being at greater risk of modern slavery. However, any workers we engage under these types of arrangements tend to be highly skilled specialists that provide professional services or banknote production expertise and would therefore be considered less vulnerable to modern slavery.

3.2.2 The Bank's investment activities

The Bank's investment activities comprise:

- Domestic market operations to implement monetary policy and to facilitate the smooth functioning of the payments system.
- International market operations, which include providing foreign exchange services to the Australian Government and investments in foreign currency assets.
- Holdings of gold as part of Australia's official reserve assets.

Overall, the risks of modern slavery associated with these investment activities are considered low, due to the types of assets held and the nature of the Bank's counterparties.

Domestic Portfolio

The domestic portfolio consists of both securities purchased outright and securities held under open and fixed-term repurchase agreements (repos). The Bank only holds Australian Government securities and semi-government securities outright. Securities eligible to be held under repo include Australian Government securities and semi-government securities, securities issued by authorised-deposit taking institutions (ADIs), securities issued by supranational organisations (such as the Asian Development Bank, European Investment Bank and International Bank for Reconstruction and Development), investment-grade non-ADI corporate securities, and asset backed securities (ABS). The vast majority of collateral held under repo as at 30 June 2021 was self-securitised residential mortgage-backed securities.

The Bank's domestic counterparties are primarily ADIs, other APRA-regulated entities, a limited number of Australian Financial Services Licence holders, clearing and settlement facilities regulated by the Bank, and Commonwealth, state or territory government institutions.

None of the issuers and counterparties are considered to be associated with high modern slavery risks as the Australian Government, ADIs and other large corporates must manage their own modern slavery risks under the *Modern Slavery Act 2018* and supranational organisations promote economic and social development in their member countries. Additionally, although the Bank is the legal owner of the security for the length of the repo, the Bank has no control over the actions of the issuers of securities it accepts under repo.

Foreign Portfolio

The Bank's foreign currency portfolio is largely comprised of US dollar, Euro, Japanese yen, Canadian dollar, Chinese renminbi, UK pound sterling and South Korean won investments. The vast majority of the Bank's investments in these currencies are limited to deposits at official institutions (such as central banks) and debt instruments issued by sovereign entities, central banks and supranational organisations.

The Bank's counterparties are generally large banks and financial service firms, which are subject to regulation in their respective jurisdictions and must meet the Bank's eligibility criteria for counterparties, including minimum credit rating requirements and compliance with the Bank's Sanctions Policy.

Overall, given the nature of the debt securities held by the Bank and the counterparties it deals with, the risks of modern slavery in the foreign reserves portfolio are considered low. The Bank does not have any control over the staffing or supply chain decisions of sovereign entities overseas or of financial counterparties more generally.

Gold

The Bank has [committed](#) to conducting its activities in the gold market in a manner consistent with the principles of the London Bullion Market Association's (LBMA's) [Global Precious Metals Code](#) ('Code'), which promotes striving for the highest ethical standards. The Bank only transacts in the gold market with LBMA members that have also publicly committed to adhering to the Code's principles.

The Bank holds 80 tonnes of gold (including gold that is on loan) as part of Australia's official reserve assets. Almost the entirety of the Bank's physical gold holdings (99.9 per cent) is stored in the United Kingdom at the Bank of England (BoE).

Settlement of the Bank's transactions in the gold market is effected by a book-entry transfer of gold bars between the Bank's allocated account at the BoE and another allocated account at the BoE. Gold bars that are delivered into the Bank's account must meet the standards for 'Good Delivery' set by the LBMA, which include rules requiring the responsible sourcing of precious metals. The LBMA's Good Delivery List Rules and Responsible Sourcing Programme allow for an incident review process to be invoked by the LBMA to address concerns raised about responsible sourcing or other matters.

4. Actions to assess and address modern slavery risks

The Bank and NPA are taking a targeted, risk-based approach to assessing and addressing the modern slavery risks described in Section 3. This approach allows the Bank and NPA to focus their actions on assessing and addressing modern slavery risks on the highest risk areas.

4.1 Assessment methodology

Our operations and supply chains have been thematically assessed at a high level based on risk factors identified in the 'Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities' (the Guidance) and other commonly cited public resources. Our focus continues to be on our Tier 1 suppliers engaged domestically, which covers the bulk of our suppliers (by volume and spend).

As described in Section 3, three broad factors were used to assess supplier modern slavery risks: sector/industry, product/service, and geography. Our assessment of sector/industry and product/service

risks was based on expenditure analysis, with expenditure grouped into categories of goods/services with common characteristics (i.e. common sector/industry). Each category was analysed using information from a range of sources about the risks of modern slavery within particular sectors/industries, products/services and geographies.

During 2021/22, this thematic industry and geography analysis was expanded upon for a selection of Tier 1 suppliers. It is intended that the risk assessment of suppliers will continue to be incorporated into the Bank's third-party vendor management framework for strategic suppliers. A modern slavery risk supplier screening tool was used to assess each supplier. The other key factors assessed included the supplier's delivery (approach to logistics), payment (method), performance monitoring (formality), timeframe (duration), contract type, organisational impact. The framework offers a strong foundation for contract and supplier management activity.

4.2 Addressing modern slavery risks

The Bank and NPA have, and continue to develop, arrangements that reduce the risks of modern slavery arising within our supply chains and to protect staff within our own operations.

4.2.1 Our supply chain

Our modern slavery framework aims to support staff by providing them with educational materials, tools and templates that will help to assess and address the risks of modern slavery within our supply chains. Key aspects of this framework includes:

- setting goals, actions and a work program on modern slavery and developing the tools to track progress and effectiveness over time
- providing educational materials on modern slavery and guidance documents for staff involved in procurement activities that outline the process of identifying high-risk suppliers
- updating procurement processes to include a mandatory compliance check on modern slavery as part of supplier procurement processes
- developing and implementing a modern slavery screening tool as part of an integrated supplier and contract management framework
- including modern slavery self-attestation questions as part of tender processes
- using a supplier questionnaire to identify high-risk suppliers based on risk indicators identified in section 4.1
- including modern slavery clauses in standard contract templates and NPA's terms and conditions for suppliers.

During 2021/22, we enhanced our framework for managing modern slavery risks by applying a more holistic approach to sustainable procurement and responsible vendor management. Many of the actions that assist with reducing modern slavery risks are common to reducing other similar risks through the whole vendor lifecycle. Specifically, during 2021/22 more in-depth analysis of the risks (including modern slavery risks) associated with a selection of Tier 1 suppliers was undertaken by the procurement teams and contract managers, and for significant suppliers that were found to be higher over the range of risks, vendor management plans were put in place. Our long-standing vendor management practices also contribute towards reducing modern slavery risks, such as our policy to make payments on time and consistent with contracted terms and the Bank's compliance with the Commonwealth Procurement Rules.

4.2.2 Our operations and staff

The risks of modern slavery arising within the Bank and NPA's operations are reduced and addressed through a number of practices including:

- The [Code of Conduct for Reserve Bank Staff](#), which includes the core values of integrity and respect, and sets out the requirements for staff to conduct themselves with a high degree of professionalism

and with courtesy for others, and to the highest ethical standards. NPA's core values similarly include respect, caring, integrity, commitment and excellence.

- Well-established staff grievance mechanisms. For example, both the Bank and NPA's staff and service providers may report unethical behaviour to the Integrity Reporting Service ([Fair Call](#)).
- Recognising worker's rights to freedom association and collective bargaining through engaging with staff and unions when negotiating wages and conditions in workplace agreements.
- Setting staff remuneration structures based on relative market data including external benchmarking to comparable industries and professions. This year, the Bank also published remuneration entry points for all levels at the Bank to provide greater transparency on our remuneration structure.

4.3 Assessing effectiveness

We continue to assess the effectiveness of our actions to assess and address modern slavery risks over time by:

- Incorporating the assessment of modern slavery risks in the Bank's procurement processes, including the selection of suppliers and ongoing vendor management to assess supplier performance against a range of agreed metrics, including modern slavery.
- Maintaining cross-functional teams (including risk and compliance and procurement staff) to understand and respond to modern slavery risks, as well as consulting with the Bank's internal legal and audit functions.
- Implementing a work program which includes key goals and detailed actions being undertaken in relation to modern slavery. The work program is tracked against key milestones and desired outcomes or metrics for success.
- Engaging with and benchmarking against comparable organisations. This includes attending modern slavery workshops or presentations made by the Department of Home Affairs and subject matter experts.
- Analysing the effectiveness of our actions to assess and address modern slavery, and the effectiveness of our reporting in our statement based upon the recommendations and findings of research including by the Human Rights Law Centre⁴ and Monash University⁵.

Based on the results of these processes we will adapt and strengthen our actions to continually improve our response to modern slavery.

4.4 Consultation between the Bank and NPA

The Bank and NPA have worked closely together to assess and address modern slavery risks across both organisations. Over 2021/22, this included regular meetings between the Bank and NPA's risk and procurement teams, to exchange ideas and share information related to managing modern slavery risks in supply chains.

The aim of our consultation has been to align the modern slavery framework and actions across the Bank and NPA as much as practicable, while taking into account the different supply chains and risk profiles of each entity. This included use of the same assessment methodologies and aligning key tools and resources to ensure that they are fit for purpose for both organisations.

4 Sinclair A and Dinshaw F (2022), 'Paper Promises? Evaluating the early impact of Australia's Modern Slavery Act', available at <https://static1.squarespace.com/static/580025f66b8f5b2dabbe4291/t/6200d3d9db51c63088d0e8e1/1644221419125/Paper+Promises+Australia+Modern+Slavery+Act+7+FEB.pdf>

5 Pham N, Cui B and Ruthbah U (2021), 'Measuring Disclosure Quality of Modern Slavery Statements', Monash University White Paper – No. 3/2021, available at https://www.monash.edu/data/assets/pdf_file/0011/2781281/MSD-White-paper-ASX300-WITH-COLOUR-KEY.pdf

This collaboration is facilitated through a modern slavery coordination group, which includes staff from the risk management and procurement areas of the Bank and NPA. In 2021/22 the group consulted with the Bank's legal and audit functions as required. NPA also consulted with its legal advisor on specific aspects identified by the working group.

4.5 Governance

This Statement was written by Bank and NPA staff on the coordination group. It has been endorsed by the Bank's Risk Management Committee and NPA's Audit and Risk Committee, and approved by the principal governing body of each reporting entity – the Bank's Governor and the NPA Board.



Philip Lowe
Governor
Reserve Bank of Australia
Date: 29.11.22



Susan Woods
Chair
Note Printing Australia Limited
Date: 29/11/22

Attachment 1 – Mandatory reporting criteria under the Act

The Act specifies seven mandatory criteria that a reporting entity under the Act must cover in its modern slavery statement. Table A1 below outlines the mandatory reporting criteria under the Act in relation to the 2021/22 reporting period and how the criteria have been met in the joint Bank/NPA Statement.

Table A1: Reporting criteria

Reporting Criteria	How has the criteria been met in the Statement?
1. Identify each reporting entity	The Bank and NPA have been identified as the reporting entities throughout the Statement
2. Describe each reporting entity's structure, operations and supply chains	Section 2 describes the structure, operations and supply chains of the Bank and NPA.
3. Describe the risks of modern slavery practices in the operations and supply chains of each reporting entity and any entities it owns or controls	Section 3 describes the risks of modern slavery associated with the Bank and NPA's supply chains. It also outlines the risks involved in our operations, including an analysis of our staffing arrangements and the Bank's investment activities. The only entity the Bank owns or controls is NPA and NPA does not own or control any entity.
4. Describe the actions taken by each reporting entity and any entities it owns or controls to assess and address those risks, including due diligence and remediation processes	Section 4 describes the actions taken by the Bank and NPA during the reporting period. This primarily consisted of the assessment of risks of modern slavery in the operations and supply chains of the Bank and NPA, and the initial steps taken to develop a modern slavery framework.
5. Describe how each reporting entity assesses the effectiveness of such actions	Section 4.3 outlines the approach to measuring the effectiveness of our actions over time.
6. Describe the process of consultation with any entities the reporting entity owns or controls	Section 4.4 outlines the consultation process between the Bank and NPA during 2021/22 and the ongoing approach for future periods.
7. Include any other information that either reporting entity considers relevant	Other information, such as the consultation between the Bank, NPA and other institutions has been included through the Statement.