

# Modern Slavery Act Statement

30 June 2020

## Introduction

Modern slavery is a term used to describe serious exploitation<sup>1</sup> that impacts men, women and children who are forced to work against their will under threat or who are living in a forced marriage they did not agree to. It has been estimated that, in 2016, 40.3 million people were victims of modern slavery around the world<sup>2</sup>.

The management and employees of TelstraSuper and TelstraSuper Financial Planning believe there is no place for modern slavery in our workplace or supply chains. We aspire to address this in the way we interact with the supply chains of all companies we partner with. We are committed to making a difference by addressing the impact of any instances of modern slavery that we identify in our supply chains.

<sup>1</sup> Australian Government Department of Home Affairs, Modern slavery, Overview

<sup>2</sup> The 2017 Global Estimates of Modern Slavery are the result of a collaborative effort between the International Labour Organization (ILO) and the Walk Free Foundation

This statement is made pursuant to the Modern Slavery Act 2018 (Cth) and constitutes the statement on behalf of Telstra Super Pty Ltd (ABN 86 007 422 522, AFSL 236709) as trustee for the Telstra Superannuation Scheme (ABN 85 502 108 833) and Telstra Super Financial Planning Pty Ltd (ABN 74 097 777 725, AFSL 218705) for the year ended 30 June 2020, and has been approved by the respective Boards.

# 01

## Organisational Structure and Operations

The Telstra Superannuation Scheme (TelstraSuper) is Australia's largest corporate, profit-to-member superannuation fund with more than AUD \$20 billion combined internal and external funds under management. It employs more than 200 people. Fund membership is open to current and former employees of Telstra Corporation Limited including approved employers and their eligible family members. As at 30 June 2020, TelstraSuper controls 12 entities (including TelstraSuper Financial Planning (TSFP)).

Telstra Super Pty Ltd is the Trustee of TelstraSuper (**Trustee**). The Trustee's board of directors is ultimately responsible for the sound and prudent management of TelstraSuper's business operations.

The board of directors undertakes to perform its duties and exercise its powers in the best interests of its members and beneficiaries and to act honestly, fairly, diligently and impartially in accordance with TelstraSuper's Constitution, Trust Deed, policies and the relevant law.

### **The board is assisted in its role by the following committees:**

- Investment Committee
- Audit Committee
- Risk Committee
- Governance & Remuneration Committee, and
- Member Experience Committee.

The board and each committee has a charter that sets out its duties and responsibilities.

The board consists of four Employer Representative Directors, four Member Representative Directors and one Independent Director who acts as Chair.

All Employer Representative Directors are nominated by the principal employer, Telstra Corporation Limited. All Member Representative Directors are nominated by the Australian Council of Trade Unions (ACTU). The Independent Director is appointed by the Board.

TelstraSuper's Executive Management Team is responsible for the day-to-day administration and management of TelstraSuper. All Executive Managers lead a business unit and are responsible and accountable for specific areas of TelstraSuper's business operations.

TSFP is wholly owned by TelstraSuper and has been engaged to provide financial planning services to TelstraSuper members and their eligible family members.

TSFP employs more than 60 people across Australia and is governed through its own board of directors and related committees. The TSFP Management team is responsible for the day-to-day implementation of TSFP's activities.

The Trustee has also established special purpose investment vehicles (**SPVs**) in the form of Trusts (**the Trusts**). A trustee has been appointed to each Trust to facilitate the Fund's investment into external investments within the broader investment market. Whilst none of the SPVs meet the reporting requirements in their own right, they are deemed to be controlled entities of TelstraSuper and have been included in this statement.

Other than the SPVs and TSFP, there are no other TelstraSuper controlled entities which meet the reporting entity criteria under the *Modern Slavery Act 2018* (Cth).

## Organisation Structure



### 1.1 Operations – Risk Assessment and Due Diligence

Given the industry in which both TelstraSuper and TSFP operate, (Financial Services), and the geographical location of their offices, (Australia), it has been deemed both organisations have a low risk of modern slavery.

TelstraSuper and TSFP have policies in place that assist in assessing and addressing modern slavery risks in their respective operations. These include:

#### A. Employee Code of Conduct and Employee Values

- The principles within the Code of Conduct and Employee Values aim to ensure consistency in acting in the best interest of members, clients and employees.

#### B. Internal policies including the Employment Policy, Remuneration Policy, Recruitment Policy and Whistleblower Policy

- Internal employment practices are governed by policies that establish working conditions, including fair pay. These policies ensure compliance with all relevant employment legislation, as well as Fair Work and the relevant Modern Awards.
- The Whistleblower Policy gives employees a safe and confidential grievance mechanism to report any suspected modern slavery instances or raise concerns about a supplier.

#### C. Mandatory training requirements

- All employees are required to complete mandatory compliance training as part of their onboarding as well as on an ongoing basis (generally once every two years). Modules that have relevance to the Act include:
  - Anti-Money Laundering and Counter Terrorism Financing
  - Whistleblower Policy
  - Equal Employment Opportunity
  - Fraud and Corruption Awareness and Prevention
  - Risk Management Awareness

### 1.2 TelstraSuper Financial Planning

Many of the Policies and Procedures are consistent between TelstraSuper and TSFP. TSFP adheres to the activities as outlined within this statement, with the exception of TelstraSuper's investment processes which are unique to the Trustee's activities as they relate to managing the investments of the scheme.

### 1.3 TelstraSuper Special Purpose Vehicles (SPVs)

The trustees of each of these SPVs are assessed in line with the supply chain principles applied to all vendors, as outlined in Section 3 of this statement.

### 1.4 Responding to COVID-19

TelstraSuper and TSFP understand that the COVID-19 pandemic has increased the vulnerability of their staff. Both organisations have sought to support staff and their managers to understand the stresses and strains COVID-19 has brought about and have created ways they can all support each other. Management has sought regular feedback from staff regarding their wellbeing to identify potential risks and ensure corrective actions are in place. These actions will continue going forward.

# 02

## Investments

TelstraSuper's investment portfolio spans Australian and international equity markets, property, infrastructure, fixed income, foreign currency, and private market investments. The investment portfolio is invested in more than 30 countries in a broad range of sectors including energy, IT, materials, financial services, property, healthcare and telecommunications.

Further information on our approach to investing is set out on **the website**.

TelstraSuper considers investment management part of its operations and supply chain and has mandates with external investment managers to manage approximately 80 per cent of our investment portfolio. These external investment managers are considered part of the supply chain. TelstraSuper manages a portion of its Australian Equities, Cash, Fixed Income, Property, Infrastructure and Derivatives internally. This internal investment management activity is considered part of the operations.

### 2.1 Risk Assessment and Due Diligence

TelstraSuper believes in investing responsibly by integrating material Environmental, Social and Corporate Governance (ESG) issues into investment decisions. These issues play a vital role in managing risk within the investment portfolio and providing members with better risk-adjusted returns. Human rights, including modern slavery and labour rights, are social issues which have been prioritised by TelstraSuper's internal and external investment managers for a long time.

In accordance with TelstraSuper's **Sustainable Investment Policy**, the sustainable investment strategy applies to all the assets in which the Fund invests, whether this is via portfolios run by TelstraSuper Investment Management or by external managers. Management endeavours to ensure that investment mandates, incentive structures and monitoring frameworks are established in a manner consistent with this Policy. TelstraSuper has processes in place to assess and monitor how potential or existing managers are addressing sustainable investment. ESG factors, including a manager's approach to considering the risk of modern slavery, are considered when conducting due diligence on external managers.

Once appointed, external investment managers should incorporate ESG considerations into their research, security selection, and ongoing monitoring processes. This includes assessing human rights and modern slavery considerations. As the direct security selection and asset class portfolio management functions are outsourced to these external investment managers, manager selection and monitoring processes are integral to the achievement of investment goals and objectives.

It is recognised that the importance of ESG integration, and the assessment of human rights and modern slavery risks, can vary by asset class and style of investment management. All asset classes have a manager selection and review process which involves:

- Requesting and reviewing a manager's adopted policies which may include, among other things, ESG, modern slavery and conduct policies
- Incorporating ESG questions into TelstraSuper's Investment Due Diligence questionnaires
- Completion of a modern slavery questionnaire to identify processes, geographic and industry risks
- Factoring ESG considerations into the manager evaluation process and the appointment decision.

Investment Management Agreements (IMAs) executed with successful managers have ESG requirements which are appropriate to the asset class, portfolio, and style of management. Under these agreements, managers agree to comply with TelstraSuper's Sustainable Investment Policy and incorporate consideration of ESG factors into the investment process. In some circumstances, due to the size and complexity of the investment arrangements, some investment strategies are accessed through collective vehicles where there is limited ownership and/or influence. The aim in those instances is to apply the principles outlined in the Sustainable Investment Policy in the assessment and selection of collective vehicles, to the maximum extent practicable.

Incumbent managers are reviewed periodically for performance and compliance with IMA terms including ESG risk assessment and integration in the investment process. Commencing 2020/21 all incumbent managers will complete a modern slavery questionnaire to provide greater risk profiling of process, industry and geographic exposure.

TelstraSuper is a signatory to the Australian Asset Owner Stewardship Code. Information is disclosed according to the provisions of the Code, which includes providing an overview of how stewardship responsibilities are discharged, links to policies, and the approach to engagement with investee companies.

In 2020 TelstraSuper formalised an ESG Integration Approach for its internal Australian equities management team that includes the requirement to assess human rights and modern slavery risks as part of investment decision making. To undertake this assessment, TelstraSuper uses a range of tools to evaluate the portfolios from an ESG perspective. There is comprehensive ESG data available for most of our equity holdings. Data sources include specialist ESG research providers, commissioned analysis from responsible investment specialists and peer networks.

During the year ended 30 June 2020, TelstraSuper identified that Australian investee companies with operations and supply chains in Asia have a greater risk of engaging in modern slavery. Accordingly, direct engagement was undertaken with several of the largest portfolio companies across the telecommunication, aviation, banking and consumer sectors to understand how these companies identify and manage the risk of modern slavery in their own operations and supply chains. TelstraSuper will continue to assess the portfolio and identify future companies for engagement prioritisation.

### **Collaborative approach to engagement with Australian companies on modern slavery**

TelstraSuper is an active member of the Australian Council of Superannuation Investors (ACSI) which has provided a strong, collective voice on ESG issues on behalf of its members for almost 20 years. ACSI's members include 37 Australian and international asset owners and institutional investors which collectively own an average of 10 percent of every ASX200 company.

ACSI conducts a year-round engagement program with company boards on material ESG issues and pursues a priority work program. In the year to 30 June 2020, it held 272 meetings with 191 ASX300 companies. ACSI's priority themes include workforce issues, incorporating modern slavery and supply chains. It has adopted a risk-based approach, using both sectoral and geographic exposures of ASX-listed companies, to derive a list of priority companies in respect of modern slavery.

### **How ACSI approaches modern slavery risk**

For companies with predominantly Australian-based businesses, ACSI's core focus has been on companies with either direct or indirect connections to the horticulture and fresh food supply chains. Modern slavery risks in these sectors have been well documented, including cases where seasonal workers have been underpaid or exploited. ACSI has also been monitoring a group of listed companies on their oversight of the labour practices of their franchisee operations. In both cases, vulnerable workers are frequently at risk.

ACSI seeks to understand how companies manage the risks, and influence outcomes. For example, ACSI encourages companies to implement audit processes to ensure they have a good understanding of their risks and can take action to manage deficiencies. In all cases, ACSI seeks greater transparency from these companies on how they are managing these risks, including disclosure of incidents, investigations and outcomes so investors can evaluate the appropriateness of their approach and influence change where necessary.

For those companies with international operations and supply chains, ACSI's engagement has focused on companies that are either running, or sourcing from, operations in countries with poor labour conditions or governance.

## ACSI engagement focus in 2020

During the year to 30 June 2020, ACSI's engagement prioritised 10 high-risk ASX300 companies in the consumer staples, consumer discretionary and transportation sectors, and included meetings with executives or board members. Beyond the focused group of high-risk companies with known issues, ACSI has begun engaging with a much larger group of ASX300 companies on their progress in identifying and addressing modern slavery risk.

Issues covered with companies include underpayments of staff, supply chain monitoring, particularly in the horticulture sector, audit outcomes and disclosure. Investor engagement has resulted in improvements including:

- More structured oversight and reporting of employee conditions in franchising companies,
- Supermarket chains raising the bar for their horticultural suppliers by setting clear expectations on the use of labour-hire providers, and
- The introduction of regular auditing programs and improved whistleblowing systems to support ongoing compliance.

In addition, many companies which source manufactured goods from offshore are now publicly disclosing the origin of their goods. This includes, in some cases, factory names and locations as well as details of audits of those suppliers and consequences for non-compliance.

## Impact of COVID-19 on modern slavery

The 2020 COVID-19 pandemic has presented unique challenges and raised the risk for vulnerable workers. These issues have been raised by ACSI in engagement meetings.

As an example, ACSI met with one listed company following negative reports on the poor standard of accommodation provided for some of its seasonal workforce, many of whom are foreign nationals with a long work history with the company. ACSI highlighted the reputational and potential financial risks and expressed its disappointment that the incidents had not been discussed in the company's annual reporting, given they occurred only shortly after the end of its financial year. The company has now overhauled its policy on accommodation standards for workers, and committed to reconsider its disclosures. While international travel bans restricted the workers' ability to return home, in a mutually beneficial outcome, the company re-deployed those workers to address labour shortages in other states.

# 03

## Supply Chain

In the financial year ending 30 June 2020, TelstraSuper and TSFP engaged directly with approximately 260 suppliers. Approximately 80 per cent of the total spend was with 22 suppliers, excluding TelstraSuper's Investment Managers.

Details of TelstraSuper's material service providers<sup>3</sup> are published on the [website](#).

### 3.1 Risk Assessment and Due Diligence

TelstraSuper and TSFP have taken a risk-based approach to identify areas of greatest risk in their operations and supply chains. Both organisations are guided by external research<sup>4</sup> that suggests high risk areas include IT hardware, logistics and building services such as facilities management, utilities, cleaning, waste management and security, and print and promotional goods.

In respect of TelstraSuper, the largest category of spend is on Professional Services (consulting and advisory) which are predominantly provided in Australia. Offshoring requires pre-approval from the prudential regulator, APRA.

TelstraSuper and TSFP supplier due diligence considers and assesses suppliers that support the businesses against a range of factors including sector, geography and business complexity. This will be used to further develop and target the modern slavery policies, procedures and practices of both organisations.

Initially a risk assessment of the supplier is undertaken as part of the supplier selection and then the supplier is reviewed through the life of the contract using a supplier questionnaire and documentary reviews.

The supplier questionnaire looks at:

- A. Business information – including corporate structure, financial strength, capability and industry relationships.
- B. Business plans and certification – including business roadmaps, business continuity planning and disaster recovery planning, response to modern slavery, bribery and corruption.
- C. Data management and security – including data sovereignty, security controls and penetration testing and data breach management.

In March 2020 a Supplier Governance Framework was launched. This provides a guideline on ongoing management of 'material' and 'strategic' suppliers. It has introduced processes designed to identify and assess potential risk areas to the supply chain. Risks are monitored and mitigated accordingly ensuring whistleblowers who identify any non-compliance with such systems and processes are protected.

Both organisations work with their suppliers to assess whether the suppliers are meeting the required standards. Many of the suppliers have processes in place for managing their own risks and are open to working to meet the minimum standards required.

<sup>3</sup> As defined by APRA in Prudential Standard SPS231, Prudential-Standard-CPS-231-Outsourcing

<sup>4</sup> Page 17 and 18 of ACSI Report titled "Modern slavery reporting—Guide for investors"

## 04

### Assessing the effectiveness of actions to assess and address modern slavery risks

TelstraSuper and TSFP will monitor the effectiveness of the processes and procedures to address the risks that the respective business causes, contributes to, or is directly linked to modern slavery. This may be through operations and supply chains. Both organisations will endeavour to take all necessary steps to ensure that the processes and procedures are appropriate.

Both organisations take a continuous improvement approach to the assessment of modern slavery in their supply chains and will be seeking to enhance the assessment and actions year on year.

TelstraSuper and TSFP are committed to:

- A. Re-assessing the risks of modern slavery in their businesses and supply chains and their approach to such risks on an on-going basis
- B. Reviewing and updating policies for modern slavery consideration
- C. Enhancing staff awareness of modern slavery
- D. Identifying those standards against which to assess progress on slavery and human trafficking issues.

Over subsequent reporting periods, both organisations intend to take the findings of these reviews and determine the appropriate measures to further enhance their risk and compliance frameworks.

## 05

### Process of consultation

This statement has been prepared by TelstraSuper and TSFP in a collaborative manner and has been approved by both the Trustee and the TSFP board.

TSFP and the Trustee have developed Policies and Procedures in consultation with each other. This ongoing consultation process will include further enhancement of policies and procedures to identify, assess and address actions that need to be taken with respect to modern slavery issues.

Due to the relationship between the Trustee and the SPVs, a consultation process with the SPVs was not required. The only function of the SPVs is to facilitate external investments, whereas the Trustee retains all control over the decisions of those investments. There are no other entities that are owned or controlled by the Trustee and TSFP.

## 06

### Future commitments

Over the next year, both TelstraSuper and TSFP will focus on:

- Continuing to develop the maturity of their supplier due diligence programs and assessing their practices against the requirements of the Modern Slavery Act 2018 (Cth) to ensure continuous improvement with future modern slavery statements.



Chris Davies  
**Chief Executive Officer**

## Appendix 1

This statement was prepared to meet the mandatory reporting criteria set out under the Modern Slavery Act. The table below identifies where each criterion is disclosed within the different sections of the statement.

Modern Slavery Act Criteria	Modern Slavery Act Statement 2020
Identify the reporting entity	<ul style="list-style-type: none"> <li>• Organisation Structure and Operations (pg. 2)</li> </ul>
Describe the reporting entity's structure, operations and supply chains	<ul style="list-style-type: none"> <li>• Organisation Structure and Operations (pg. 2-3)</li> <li>• Investments (pg. 4)</li> <li>• Supply Chain (pg. 7)</li> </ul>
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or control	<ul style="list-style-type: none"> <li>• Operations - Risk Assessment and Due Diligence (pg. 3)</li> <li>• Investments - Risk Assessment and Due Diligence (pg. 4)</li> <li>• Supply Chain - Risk Assessment and Due Diligence (pg. 7)</li> </ul>
Describe the actions taken by the reporting entity and any entity it owns or controls to assess and address those risks, including due diligence and remediation processes	<ul style="list-style-type: none"> <li>• Operations - Risk Assessment and Due Diligence (pg. 3)</li> <li>• Investments - Risk Assessment and Due Diligence (pg. 4)</li> <li>• Supply Chain - Risk Assessment and Due Diligence (pg. 7)</li> </ul>
Describe how the reporting entity assesses the effectiveness of these actions	<ul style="list-style-type: none"> <li>• Assessing the effectiveness of actions to assess and address modern slavery risks (pg. 8)</li> </ul>
Describe the process of consultation with any entities that the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)	<ul style="list-style-type: none"> <li>• Process of consultation (pg. 8)</li> </ul>
Provide any other relevant information	<ul style="list-style-type: none"> <li>• Introduction (pg. 1)</li> <li>• Future commitments (pg. 8)</li> </ul>

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