

# AFCA Modern Slavery Statement

For the financial year ended 30 June 2024

This Modern Slavery Statement is made pursuant to the *Modern Slavery Act 2018* (Cth) (the Act) by the Australian Financial Complaints Authority Limited (ACN 38 620 494 340) (AFCA). AFCA is a single reporting entity under section 5 and for the purpose of section 13 of the Act. AFCA is the sole member of Compensation Scheme of Last Resort Ltd (ABN 17 669 477 052) (CSLR) a public company limited by guarantee which commenced operations on 2 April 2024. However, as per AASB 10: Consolidated Financial Statements, it has been independently deemed that there exist no controls by AFCA over the management and operation of CSLR. As such, subsection 295(3A)(a) of the *Corporations Act 2001* does not apply to AFCA as AFCA is not required to prepare consolidated financial statements by Australian Accounting Standards. Accordingly, CSLR is not included in this statement.

## About AFCA

### Structure

AFCA is a not-for-profit company limited by guarantee, with its principal activity being the external dispute resolution (EDR) provider for the financial services industry in Australia.

AFCA is Australia based, operating out of Sydney and Melbourne. We employ over 1,100 employees across the country.

### Operations

AFCA's purpose is to provide fair, independent, and effective solutions for financial disputes. We are Australia's financial industry ombudsman. Our service is offered as an alternative to tribunals and courts, to resolve complaints that consumers and small businesses have with their financial firm over issues such as banking, credit, general insurance, financial advice, investments, life insurance and superannuation.

Our role is to assist consumers and small businesses to reach agreements with financial firms about their complaints. We are impartial and independent. We do not act for either party, or advocate for their position.

AFCA also provides administrative support services for the Code Compliance Committees, which are independent committees that monitor compliance with, and provide guidance on, industry codes for different sectors of the financial services industry.

### Supply chains

AFCA has approximately 403 vendors, with 30 vendors accounting for 82% of AFCA's total expenditure across the following sectors:

- Real Estate (including Facilities Management),
- Professional services (including Consulting),
- Financial Services (including Insurance),
- Technology, and
- Travel.

Of the above, 97% have operational offices and ABN registrations in Australia. Referencing the Global Slavery Index by the Walk Free Foundation, Within Asia and the Pacific, Australia is ranked 26 out of 27 countries in terms of prevalence of modern slavery (with 1 being the highest), and 149 out of 160 countries globally. Australia is second only to Japan in terms of least prevalent amongst Asia and the Pacific.

# AFCA's modern slavery risk

AFCA, as a values-based organisation, considers it a crucial responsibility to ensure that we identify and address any incidents of modern slavery in an appropriate and timely manner.

We have identified two key areas with risk of exposure to modern slavery in AFCA: employment practices and vendors. AFCA considers both to be low risk in our direct business operations.

## Employment practices

All AFCA employees are based in Australia with appropriate work rights and pathways to raise concerns, including an external whistleblower service.

Whilst our employment practices risk is low due to our highly specialised workforce, our contingent workforce presents an elevated risk of modern slavery. Although minimal, we employ some workers who undertake more basic-skilled work that is administrative or clerical in nature. These workers may be more vulnerable, and less aware of their rights.

As a predominantly people-based service organisation, there is also the risk of overtime or excessive hours. AFCA requires timesheets to be completed from our contractors to minimise the risk of contractors working excessive hours.

## Vendors

AFCA primarily contracts with vendors based in Australia; however, we acknowledge the possible lack of visibility of downstream vendors and supply chains, and the elevated risk of modern slavery this presents.

We have assessed and identified the following higher risk areas in our supply contracts:

- Real estate management (including cleaning services),
- Enterprise technology,
- Professional Services (including surge workforce),
- Event catering, and
- Provision of office furniture, office supplies and promotional materials.

To manage the increased workflow in AFCA's core business, we have been engaging several world-renowned employment organisations to assist with our surge workforces. Known for their adherence to ethical standards and labour regulations, AFCA explicitly outlines these requirements within our agreements to ensure the vendors are acknowledging and committing to their modern's slavery necessities at a contractual level. The roles procured via this surge workforce require individuals to be qualified, ensuring that all personnel meet the necessary professional standards.

Additionally, AFCA acknowledges that several of our suppliers work with subcontractors, such as cleaning staff, who indirectly support AFCA. In these cases, we mandate that these organisations ensure all employees and subcontractors are vetted for modern slavery and are contractually bound to comply with these standards.

# AFCA's actions to assess and address modern slavery risk

## Employment practices

AFCA is a people-based organisation, with strong controls in place to limit the risk of modern slavery in our employment practices. We respect the rights of our people and are committed to operating a workplace that is fair and inclusive and where our people feel comfortable to raise issues via confidential grievance mechanisms. In FY2023-24, key actions to address this risk included:

- continuing to ensure all employee work rights are verified prior to appointment and background checks completed,
- ensuring that all new contingent labour providers contractually agreed to verify employee work rights and complete AFCA's required background checks,
- continuing to progress contingent labour providers to AFCA's standardised terms of business that address modern slavery obligations,
- publishing updated minimum salary ranges above National Employment Standards (NES) and modern award requirements within the AFCA Remuneration policy,
- continuing annual salary review increases and checks to ensure all salaries are more than applicable modern award rates,
- Senior Leaders and Executive General Managers approving overtime based on operational requirements,
- reviewing and updating the AFCA employment agreements and policies in line with legislative changes,
- revising the Whistleblower Policy and Procedures, including an independent whistleblower service for anonymous reporting,
- updating the procedures and channels to raise any grievance or concerns,
- enhancing reporting on employee and HR compliance against AFCA's risk management framework through the Audit and Risk Committee and the Board, and
- reviewing People and Culture policies and procedures to assess modern slavery risks and to confirm our key organisational operating units have adequate controls and compliance arrangements to meet our modern slavery compliance commitments.

## Vendors

To limit the risk of modern slavery in our procurement activity, AFCA uses the Australian Government's modern slavery procurement toolkit vendor questionnaire annually with our top 30 vendors (identified by spend) to identify, manage and monitor modern slavery risks.

This improves our understanding of supply chain management, with a focus on modern slavery risk practices. The toolkit supports us to uncover:

- the vendor's reporting status under the *Modern Slavery Act 2018* (Cth),
- their level of visibility over their supply chain, and
- how they gain visibility, screen, and implement policies to support mitigation of risk in their supply chain.

In this financial year, we analysed the top 30 vendors that account for 82% of our spend. Through this, we mapped our vendors against the following risk factors:

- Industry / sector,
- category, and
- geographic.

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This analysis concluded that the vendors demonstrated a satisfactory level of compliance to the Modern Slavery Act. This included submitting evidence of structured policies and providing staff access to resourcing and processes to identify, assess, and respond to any associated risks.

We also incorporated modern slavery into our tender evaluations and contract terms and conditions for all new arrangements.

To manage the risks associated with procuring technology, a high-risk industry, AFCA has partnered with reputable resellers and restricted purchasing to well-known more reputable brands. Additionally, AFCA is implementing a responsible disposal of laptops policy. At the end of their life AFCA is repurposing and donating laptops to non-profit organisations. This approach not only extends the usability of the devices and supports community initiatives but also reduces the environmental impact and the potential impact that industry could pose on modern slavery. Recently, AFCA's Internal Community Engagement Team delivered 10 repurposed laptops to a non-profit organisation in Sydney.

# Assessing effectiveness and AFCA’s planned actions

Assessing effectiveness of action in 2023-24 FY	Planned action for 2024-25 FY
<div><input checked="" type="checkbox"/> AFCA’s understanding of modern slavery risk along AFCA’s supply chain, evaluating potential vulnerabilities, ongoing monitoring and in collaboration with suppliers.</div> <div><input checked="" type="checkbox"/> Ongoing administration of modern slavery policies and enhancement of contracts to ensure legal compliance.</div>	<div><input type="checkbox"/> Strengthen Vendor assurance and due diligence by expanding the total vendors assessed.</div> <div><input type="checkbox"/> Review and refine policies and procedures including the potential to employ a centralised ESG management platform, aligning with the broader ESG strategy.</div> <div><input type="checkbox"/> Enhance education and awareness initiatives targeting at senior employees and leadership.</div>

Assessing effectiveness of action in 2023-24 financial year

**Mandatory criterion 5 – s16(1)(e)**

In our 2023 Modern Slavery Statement, AFCA affirmed its commitment to deepen our understanding of modern slavery risks within our supply chain and ensure vendor compliance. Additionally, AFCA also pledged to form a working group to promote education and awareness of modern slavery throughout our operations.

**AFCA’s understanding of modern slavery risks in our supply chain**

AFCA employs the Australian Government’s modern slavery procurement toolkit vendor questionnaire with our top 30 vendors, selected based on spend, to identify, manage, and monitor modern slavery risks.

Within our top 30 vendors not all are required to report under the *Modern Slavery Act 2018* (Cth), and therefore some elected not to respond particularly given resource constraints. As a result, AFCA engaged directly and undertook an independently run assessment to evaluate their compliance and identify any indirect controls that can effectively manage their risk exposure. To date, AFCA has been satisfied with their responses and the responses of all vendors who contributed to the questionnaire showed evidence of compliance.

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## Continuation of modern slavery administration

AFCA remains dedicated to managing and identifying areas for improvement in our daily operations. This includes enhancing our early assessment of a vendor's commitment to modern slavery practices before awarding contracts, as well as maintaining contractual requirements that ensure adherence to these standards.

We made advancements in developing our foundations and processes through the establishment of the Modern Slavery working group within AFCA, to further assist identifying and quantifying modern slavery risks across all areas within AFCA. Moving forward, we will keep evaluating AFCA's tail spend exposure, industry risks, and new conditions arising from the establishment of the CSLR.

We maintain that our efforts have established a strong foundation for AFCA to continue to identify and manage modern slavery risks. We have assessed and reported on the effectiveness of our employment practices and vendor risk controls, which have been rated as effective in recent evaluations. These insights will continue to guide improvements in AFCA's approach to modern slavery.

## Planned action for FY2024-25

### Mandatory criterion 7 – s16(1)(g)

AFCA is committed to progressing the journey towards understanding, mitigating, and remediating modern slavery risk, domestically and within its supply chain.

The following actions are planned for the next financial year:

### Continuation of Vendor assurance and due diligence

- annual vendor questionnaires and evaluation of their adherence to modern slavery, including vendor management plans to address any concerns,
- maintain clear modern slavery compliance statements in the updated terms and conditions of purchase, and
- enhance process management through the implementation of a vendor and contract management platform as a medium-term goal. This initiative will encompass the automation of due diligence reports, thereby facilitating the tracking of vendor milestones for due diligence.

### Policies and procedures

- regularly review and update all applicable policies and procedures, including the Code of Conduct, to ensure AFCA is up to date with current requirements and applying the appropriate controls, and
- implement Supplier segmentation as a short-term goal, the Procurement Department is exploring best practise methodologies, included in consideration the Kraljic matrix. Intent is to identify external strategic partners, to strengthen partnership, including collaboration with regard to modern slavery risk.

### Education and awareness

- review current whistleblowing services and procedures to ensure they clearly facilitate the reporting of modern slavery,
- review existing Employment Relations complaint-handling procedures and reporting to ensure they accommodate investigations of modern slavery reports,
- mandate education for any employee with financial delegation, focusing on regulatory compliance training on modern slavery, and
- support AFCA's broader ESG strategy over the next 2-3 years to implement a single ESG management platform to cover all policies and resources in relation to carbon emission management, modern slavery, employee wellbeing, inclusion, and diversity.

# Consultation process

A Modern Slavery Working Group was established with senior executives from AFCA, reflecting the operational structure of the organisation, to actively engage, consult and contribute to the development of this Statement.

This Working Group has reported to the Audit and Risk Committee of the AFCA Board to ensure that it is updated and has had governance oversight of the assessment of the effectiveness of actions undertaken in the previous reporting period and the proposed initiatives included in this Statement.

This Statement has also been presented to the AFCA Board, with input being provided, prior to its execution.

Furthermore, given the existence of a Shared Services Agreement with CSLR, the Working Group has also actively engaged with key executives within CSLR to ensure transparency within each organisation's supply chain and to mutually support each organisation's commitment to respecting human rights and is taking meaningful action to address the global human rights issue of modern slavery.

This Statement was approved by the Board of the Australian Financial Complaints Authority Limited on 20 November 2024.

This Statement is signed by John Pollaers in his role as Independent Chair of the AFCA Board.



John Pollaers | Independent Chair

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26 November 2024

# Appendix

The table below outlines how this statement complies with the mandatory reporting criteria:

Mandatory reporting criteria under section 16(1) of the <i>Modern Slavery Act 2018</i> (Cth)	Statement page
a) Identify the reporting entity	1
b) Describe the structure, operations and supply chains of the reporting entity	1
c) 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	2
d) Describe the actions taken by the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	3-4
e) Describe how the reporting entity assesses the effectiveness of such actions	5-6
f) Describe the process of consultation with any entities that the reporting entity owns or controls	7
In the case of a reporting entity covered by a statement under section 14 – the entity giving the statement	N/A
g) Include any other information that the reporting entity, or the entity giving the statement, considers relevant	6