

Modern Slavery Statement 2020



Introduction

This modern slavery statement (**Statement**) is prepared and issued LGSS Pty Limited (ABN 68 078 003 497) (the **Trustee**) whose registered address is Level 12, 28 Margaret Street, Sydney NSW 2000, for Local Government Super (ABN 28 901 371 321) (**LGS** or the **Fund**). It covers the period from 1 July 2019 to 30 June 2020.

This Statement is published in accordance with the Modern Slavery Act 2018 (Cth) (**Act**). It sets out to identify, describe and remediate modern slavery risks across our operations and supply chain. We believe that modern slavery practices are a violation of human rights and the Trustee has a zero-tolerance approach to modern slavery practices and is fully committed to reducing slavery and human trafficking in our operations and supply chains.

Who we are

LGS is a trust that was established in 1997 as the superannuation fund for NSW local government employees. It is now a public offer fund and provides responsible and sustainable investments for its members. LGS is a registrable superannuation entity (**RSE**) that is regulated under the Superannuation Industry (Supervision) Act 1993 (Cth). The Trustee is solely responsible for the management and control of LGS, ensuring it operates in accordance with the LGS Trust Deed and superannuation law.

The Trustee is a company registered under the Corporations Act 2001 (Cth), and is the RSE licensee for

LGS and manages all aspects of the Fund's operations, including its investments.

In addition, the Trustee is the sole shareholder of LIF Pty Limited, a company registered under the Corporations Act 2001 (Cth) who is the trustee for a trust called the Local Government Property Fund (**LGPF**). LGPF owns and operates a portfolio of commercial and retail real estate assets across NSW. The sole investor in LGPF is LGS, whose members are the ultimate beneficiaries of LGPF. The Trustee manages LGPF under an agreement with LIF Pty Limited.

Our business

LGS provides the following benefits to its members: accumulation products, an account based pension product and, for eligible members, a defined benefit scheme and hybrid scheme that are closed to new members. The Trustee manages approximately \$13 billion in funds for around 80,000 members of LGS.

The Trustee also provides financial planning and general member inquiry services to LGS 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 addition to LGS, the Trustee also manages LGPF under an agreement with LIF Pty Limited. Management of LGPF is the responsibility of the Trustee's Property team, who report to the Trustee's Chief Investment Officer. The Property team was closely involved with the preparation of this Statement as it relates to the Trustee's management of LGPF.

The Trustee has approximately 100 personnel under the leadership of an executive team comprising of the Chief Executive Officer, Deputy CEO, Chief Investment Officer, Chief Financial & Commercial Officer, Chief Experience Officer, Chief Risk Officer and Chief Digital & Marketing Officer. The Trustee's registered office is located at 28 Margaret Street, Sydney, with a number of other offices across NSW.

We address modern slavery as it relates to investments held within the fund, and at the corporate level which refers to the day to day operations of LGS and LGPF.

Our supply chains

Many of the business operations of the Trustee, LGS and LGPF have been outsourced to external service providers under various service agreements. Key among these are our administrator, custodian, group insurer and investment managers, and we have also engaged external providers to provide actuarial, consulting, accounting, legal, auditing and other services to assist with our obligations.

For the full list of our major service providers please visit our website lgsuper.com.au/about-us/fund-details/

As management of our investments makes up a significant proportion of our supply chains, these are addressed separately below.

Our investments

LGS' investment portfolio includes investments in Australian & international equities (listed and unlisted), fixed income, infrastructure, and property. The portfolio is principally managed by external fund managers with oversight from the Trustee's Investment team, with the notable exception of the direct property portfolio within LGPF.

Our investment approach – externally managed investments

At LGS our responsible investment (RI) 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.

Our approach reflects a combination of both ESG integration and Active Ownership. For further information regarding our investment approach please see our [RI website page](#), [Sustainable and Responsible Investment Policy](#) and [Active Ownership Policy](#).

Modern slavery considerations are addressed for each fund manager as part of our assessment of ESG integration. This is applied when on-boarding new managers and reviewed annually for all existing managers.

Mapping supply chains within investment portfolios establishes a baseline for identifying risk. We continue to work with our fund managers to ensure that modern slavery is considered in our investee companies.

As part of ESG integration, LGS adopts negative screening so that we may limit exposure to companies in sectors where there is high ESG risk. This means companies which engage in human rights abuses or modern slavery in their supply chains will be screened out of our portfolios.

Active ownership activities include direct company engagement and voting at annual general meetings. As universal asset owners, LGS engages with companies on modern slavery and human rights practices.

As we employ asset managers for the majority of our investments, when selecting and appointing managers, we assess their approach to active ownership activities to ensure alignment with LGS' policies. We engage with our asset managers to ensure they are addressing modern slavery in making independent, well informed voting decisions.

LGS also collaborates with industry groups such as UNPRI, ACSI and RIAA to address issues associated with modern slavery and to ensure we are adopting best practice in meeting legislative requirements.

Our management approach – direct Australian property

Through our direct property portfolio in LGPF, the Trustee manages several retail shopping centres, office and commercial properties. We address modern slavery as part of the ESG considerations that we feed into our agreements with property suppliers and property managers.

Our risk assessment

Risk in our Operations

LGS operates in a heavily regulated Australian financial services environment and has 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 the risk of modern slavery in our operations has therefore been assessed as low.

Risk in our Supply Chain

LGS' supply chains generally include those 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 conducted a risk assessment of our supply chain by adopting a methodology based on analysis of geographic risk, product risk, sector risk and entity risk. We have also requested and analysed our suppliers' self-assessment questionnaires, providing information about their modern slavery risk identification and mitigation frameworks.

Generally, the risk in our supply chain is considered to be low, based on the fact that the majority of our suppliers are based in Australia and relate to high-skilled and professional industries with low labour-related risks. Only a small number of suppliers were identified as medium or higher risk, and we will take steps to further assess these risks.

Our strategies to address identified Modern Slavery risks

LGS currently has the following policies in place to drive employee conduct and decision-making, including:

- [Sustainable and Responsible Investment Policy](#)
- [Active Ownership Policy](#)
- Outsourcing & Expenditure Management Policy
- Code of Ethics
- Whistleblowing Policy

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

Any appointments for the provision of supply services and/or goods are subject to vigorous 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.

We establish a relationship of trust and integrity with all our suppliers. Our supplier selection and on-boarding 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.

The most recent due diligence reviews for the year ended 30 June 2020 included questioning those providers (most of whom are also reporting entities under the Act) on matters relating to modern slavery. We are pleased to confirm that no material risks of modern slavery were identified in those reviews, which will be continued in 2021 and beyond.

LGS 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 be a key negative factor against the engagement of that supplier; and
- where such risks are identified in a current supplier, LGS will engage with that supplier to implement improvements and additional controls to mitigate those risks and, failing that, seek other remedies and sanctions within the contractual framework (which may include termination or non-renewal of the agreement).

LGS has also established a Modern Slavery Working Group comprising employees from various divisions of the business including members from the Legal & Compliance, Risk and Investment teams.

Measuring how we're performing

LGS has created a program for FY20/21 and defined a set of key performance indicators and controls to combat modern slavery in our organisation and supply chain:

Action	KPIs
Strengthening the Modern Slavery framework	Updates to the LGS Code of Conduct and other relevant policies
Modern Slavery training to raise awareness	Mandatory training to all staff (100% compliance)
Modern slavery considerations as part of on-boarding of investment managers and annual ESG measurement of portfolio managers	<ul style="list-style-type: none"> ● Update the Due Diligence Policy and processes to articulate the Modern Slavery requirements ● Annual attestations from investment managers ● Annual ESG assessment
Ongoing development of the supplier due diligence program	<ul style="list-style-type: none"> ● Update the Outsourcing and Expenditure Management Policy to further articulate Modern Slavery requirements ● Supplier agreement updates to include a modern slavery clause ● Annual attestations from all suppliers via the Modern Slavery Supplier Questionnaire
Continuous monitoring and assessment of Modern Slavery Risks	<ul style="list-style-type: none"> ● Annual risk assessment based on new information ● Creation of a Modern Slavery Risk Register based on the outcome of the risk assessment process ● Engagement and monitoring of suppliers identified as higher risk

This statement was approved by the Board of LGSS Pty Ltd on 4 March 2021.



Kyle Loades

Chair

LGSS Pty Limited as Trustee for Local Government Super