



Modern Slavery Statement

for the financial year
ended 30 June 2021



lucrf.com.au

LUCRF
super
Working for a better future



What's inside

- 03** Message from our CEO
- 04** COVID-19
- 04** About LUCRF Super
- 05** Structure, operations and supply chain
- 07** Modern slavery risk identification
- 08** Actions to assess and address risk
- 09** Assessing effectiveness
- 10** Partnerships for impact
- 11** Way forward



Message from our CEO

LUCRF Super has had a long-standing belief that all people deserve fair treatment in the workplace and dignity in their retirement.

L.U.C.R.F. Pty Ltd (**LUCRF Super**) and the Labour Union Co-Operative Retirement Fund (**the Fund**) were founded in 1978, at a time when most Australian workers were not universally entitled to superannuation. LUCRF Super has had a long-standing belief that all people deserve fair treatment in the workplace and dignity in their retirement.

In line with this belief, LUCRF Super continues to support actions that address systemic exploitation in Australian workplaces and business, which undermine the principles of decent work and economic growth. This includes standing against human rights abuses including, without limitation, modern slavery, forced labour and any form of labour exploitation.

LUCRF Super continues to support and adhere to the Australian *Modern Slavery Act 2018 (Cth)* (**the Act**). When conducting business dealings, LUCRF Super recognises there is a risk that LUCRF Super may indirectly contribute or be linked to modern slavery through the purchasing of products or services, including the procurement of investment management activities. Enhancing awareness and understanding modern slavery risks has improved LUCRF Super's practices and behaviours, such as sourcing from ethical suppliers and/or investing in entities that employ appropriate safeguards against worker exploitation in their businesses.

LUCRF Super is a reporting entity for the purposes of the Act for the financial year ending 30 June 2021. LUCRF Super has developed this Modern Slavery Statement to outline the actions taken to address modern slavery risk within the Fund's operations and supply chain for 1 July 2020 to 30 June 2021 (**FY2021**), in line with the Act. This statement outlines the activities that LUCRF Super has completed during FY2021 and those planned for the next period, FY2022

LUCRF Super also acknowledges the continuing impact the COVID-19 pandemic is having on victims and survivors of modern slavery, vulnerable people in society, including those in the Fund's member base, and the organisations that support them.



Charlie Donnelly
CEO

Approved by the Board on: 09 December 2021



COVID-19

COVID-19 continued to have an impact on the Australian and global economy throughout FY2021, and LUCRF Super recognises that this has the potential to create poor living and financial conditions for vulnerable communities. Throughout the year, LUCRF Super monitored and enacted the advice of state and federal governments to prioritise the safety of employees, members, and the community.

As part of its response to the impacts of COVID-19, LUCRF Super adopted a flexible workplace approach to support its staff by implementing remote working. When there was the potential to reopen offices, LUCRF Super reviewed its OHS strategy and implemented a COVID-19-safe protocol. This ensured measures were in place for workers to return to the office as guided by the relevant health official requirements, ensuring a hygienic environment, and abiding by social distancing regulations.

LUCRF Super maintained supplier contracts where the goods and services provided met the Fund's expectations and could be conducted safely in line with COVID-19 restrictions. This approach recognised the negative impact that terminating contracts could have on suppliers' employees and the casual workforce, which could increase their vulnerability to exploitation.

During the numerous COVID-19 lockdown periods in FY2021, LUCRF Super did not conduct any supplier site visits or conduct any in-person interviews or training. These visits represented, at the time, an unnecessary health risk for employees and third parties.

About LUCRF Super

This Modern Slavery Statement (Statement) is prepared by L.U.C.R.F. Pty Ltd ABN 18 005 502 090 AFSL 258481 as the trustee for Labour Union Co-Operative Retirement Fund ABN 26 382 680 883. This Statement is prepared by LUCRF Super on behalf of the Fund, a reporting entity under the Act.

The Act requires entities over the \$100 million annual consolidated revenue threshold that are either classed as an Australian entity, or a foreign entity conducting business in Australia during the FY2021 reporting period to publish a statement on actions taken to identify and manage modern slavery risk.

Although LUCRF Super, as an Australian entity, did not meet the annual consolidated threshold test during FY2020, it did however draft and publish its inaugural Modern Slavery statement of information on our website.

LUCRF Super, in its capacity as trustee of the Fund, meets the revenue thresholds required for mandatory reporting that apply under the Act for FY2021. LUCRF Super is publishing this statement on behalf of the Fund on its website and has presented this statement to the Department of Home Affairs. The purpose of the Statement is to provide our members and the Australian Public with detailed information on how LUCRF Super has managed modern slavery and how it suggests to strategically manage the issue of modern slavery through its supply chain going forward.

Structure, operations and supply chain

Structure

LUCRF Super operates solely as the trustee of the Fund, an Australian regulated superannuation fund. LUCRF Super is a private company, limited by shares, that was established in 1978 by the Federated Storemen and Packers' Union, now the United Workers Union.

LUCRF Super's head office is located in Melbourne Docklands, with regional offices in New South Wales, Queensland, and South Australia.

LUCRF Super does not own or control any subsidiaries or business entities for day-to-day business purposes. It does own certain special purpose investment vehicles (**SPVs**) such as unit trusts or limited partnerships, which have been established for investment structure, holding and tax purposes in respect to assets of the Fund. LUCRF Super's SPVs are managed by fund managers in accordance with their respective agreed investment mandates. LUCRF Super's Investment Team consults regularly with fund managers concerning the operation and investments of SPVs as part of the Fund's ongoing investment monitoring and review processes.

Operations

LUCRF Super delivers superannuation products and services to over 128,800 members across Australia. To ensure the efficient administration and management of the Fund's \$7.4bn in assets under management (as at 30 June 2021), LUCRF Super employs 117 staff across the following seven operational business units, all located in Australia:

- Investments – Facilitates external fund manager relations and performance evaluation.
- Technology – Procures and maintains hardware and online platforms as well as evaluates products to meet standards set by the Australian Prudential Regulation Authority (**APRA**).
- Brand & Experience – Facilitates member engagement and improves services.
- Corporate Services – Conducts core administrative and financial functions.
- Distribution – Facilitates employer relations and member engagement.
- Risk, Compliance & Governance – Monitors LUCRF Super's internal conduct, governance, and compliance with legislation.
- Strategy & Performance – Plans, implements, and evaluates LUCRF Super's key objectives such as, but not limited to business, investments, and people and culture.

Supply chain

In addition to its employees, LUCRF Super also enlists suppliers and investment fund managers (**fund managers**) to support the Fund in the delivery of products and services to its members. In FY2021, LUCRF Super had relationships with a total of 205 active suppliers.

LUCRF Super continues to analyse its supplier relationships, which consists of its general suppliers and fund managers (collectively known as Tier 1 suppliers). Fund managers were analysed separately given their investment function on behalf of LUCRF Super and the potential for positive global impact on efforts against modern slavery through this function.

In FY2021, LUCRF Super's Tier 1 supply chain consisted of 165 direct suppliers and 40 fund managers that provided various support services across a range of investment asset classes.

Fund managers

A subset of the Fund's Tier 1 supply chain is its fund managers. Fund managers are unique in that they are not general suppliers but rather specialist suppliers that are allocated a portion of the Fund's assets to invest in, in order to generate value on behalf of our members. As of 30 June 2021, the Fund's investment portfolio consisted of over 7,000 investments across 81 countries, which are managed by 40 fund managers that are in Australia, Canada, the United Kingdom and the United States, with select branch offices or divisions operating in other foreign jurisdictions. Many of LUCRF Super's agreements with fund managers are negotiated through bilateral contracts, which provide an opportunity to negotiate and address Environment, Social and Governance (**ESG**) and standards through agreed key contractual clauses, including investment screens, specific investment restrictions and guidelines.

LUCRF Super's Tier 1 suppliers (189) are largely located in Australia with only a small number of fund managers located outside Australia: Canada (1), the United Kingdom (4) and the United States (11).

LUCRF Super Tier 1 supplier (including fund manager) locations FY2021

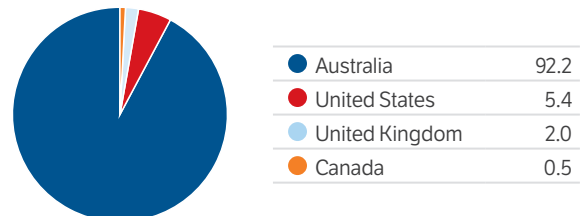


Figure 1: LUCRF Super Tier 1 supplier (including fund manager) locations FY2021.

Structure, operations and supply chain

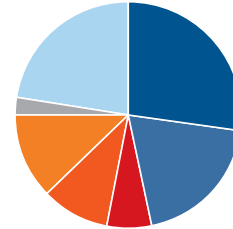
Categories of procurement

As well as external fund managers, LUCRF Super procures the following goods and services:

- *Professional services* includes LUCRF Super's auditors, tax advisors, providers of legal advice, marketing services and consultants. These suppliers are engaged under bilateral contracts either on a fixed-term or ad-hoc basis depending on the circumstances.
- *Insurance* is the largest spend on a single supplier. OnePath Life Limited is LUCRF Super's group life insurer and implements the Fund's insurance services.
- *Financial services* include financial institutions the Fund engages to hold cash assets and provide specific advice on financial trends. Bank deposits and investment advisors engaged outside of fund managers are examples of this spend group. They are often contracted on a fixed-term bilateral contract.
- *Industry groups and government compliance* spend includes memberships in industry associations, organisations or forums in the financial services industry. It also captures any regulatory payments LUCRF Super makes to federal or state government.
- *Communication services and electronics* form a vital part of LUCRF Super's customer engagement platform, internal information technology capacity, and flexible working arrangements. This includes contracts with internet, information technology and telecommunication service providers for our locations. This is reflected in the communication services and electronics spend.
- *General office maintenance* includes commercial cleaning, property fit outs, and repairs.

Figure 2 shows the categories of LUCRF Super's Tier 1 (including fund manager) procurement:

LUCRF Super's Tier 1 supplier (including fund manager) procurement categories



● Communication services and electronics	27.3%
● External fund managers	19.6%
● Financial services	6.3%
● General office maintenance	9.8%
● Industry groups and government compliance	12.2%
● Insurance	2.4%
● Professional services	22.4%

Figure 2:

LUCRF Super's Tier 1 supplier (including fund manager) procurement categories FY2021

Modern slavery risk identification

LUCRF Super is committed to discussing and promoting its ESG standards with its stakeholders. In FY2020, LUCRF Super undertook a substantive desktop risk assessment of modern slavery risk as it related to the strategic objectives and supplier dependencies of the trustee in partnership with an external consultant. This desktop risk assessment was conducted in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs). This has enabled LUCRF Super to prioritise the identified modern slavery risks for FY2021.

LUCRF Super internal operations

Overall, the results of the desktop review of the internal operations of LUCRF Super itself as an entity, and the operations of the broader Fund, recognised that the office-based professional workforce as assessed as a lower exposure to modern slavery (low risk). As such, LUCRF Super provided modern slavery awareness training to management during FY2021. This enabled management to understand, assess, identify, and respond to modern slavery risks within their operations, with suppliers and their communities.

Tier 1 suppliers (outside of fund managers)

The result of this desktop risk assessment performed in FY2020 confirmed that Tier 1 suppliers were classified as having a low to medium modern slavery risk exposure. The continuing factors of the lower exposure was due to suppliers being classified as either Australian businesses or the Australian domestic branch of an international group or franchise, which significantly reduces the overall modern slavery risk.

During FY2021, LUCRF Super engaged with Tier 1 suppliers who were assessed as medium risk. Each supplier was requested to complete a set of questions to understand their actions on the prevention of modern slavery and provide supporting commentary and documentation to demonstrate their organisation's approach towards modern slavery.

LUCRF Super has reviewed and assessed each supplier's responses with no material exposure being identified. However, LUCRF Super has identified opportunities to assist a small number of suppliers in their maturity of modern slavery management. This work will continue with these suppliers during FY2022.

Fund managers and investments

In FY2020, LUCRF Super reviewed all equities and a portion of bonds held to better understand the prevalence of modern slavery risk within the Fund's assessed investment portfolio. Based on an initial assessment against the data available (Global Slavery Index and socio-economic and political indicators of modern slavery vulnerability), LUCRF Super has determined that the following investment sectors contain an elevated risk of modern slavery:

- **Textiles and apparel** – Textiles and apparel made up less than 1% of the Fund's assessed investment portfolio. However, the Fund recognises the heightened risks of exploitation and modern slavery across global markets.

- **Agriculture** – The production of grains, fruit, vegetables and meat products are an ongoing sector of interest for LUCRF Super. Less than 3% of the Fund's assessed investment portfolio is connected to agriculture and food production.
- **Manufacturing** – The manufacturing sector presents challenges as the sector's work involves excessive hours, dangerous conditions and low pay. Manufacturing produces a range of products, including machinery and pharmaceutical goods, and early estimates show that manufacturing made up more than 11% of the Fund's assessed investment portfolio.
- **Electronics** – Workers in manufacturing sites can often include vulnerable migrant populations who may be particularly exposed to exploitation. Raw materials and commodities at the 'bottom' of the supply chain also carry a high risk for human rights abuses, including the worst forms of child labour. Approximately 10% of the Fund's assessed investment portfolio is associated with electronics production and distribution.
- **Metals and mining** – The extractives sector have historically been recognised as a high-risk profession, characterized by hazardous working conditions and a history of serious accidents. During the reporting period, the mining of metals, coal, and iron made up 6.5% of the Fund's assessed investment portfolio.
- **Chemical products, plastics and rubber** – Depending on the location, workers may experience long working hours, physically demanding and hazardous conditions, wage deductions, penalties for failing to meet quotas, and sub-standard living conditions. Chemical, plastic, and rubber assets made up little more than 1.5% of the Fund's assessed investment portfolio.

During FY2021, LUCRF Super's fund managers completed a modern slavery questionnaire which enabled the Fund to assess the approach and actions managers have undertaken to manage and address modern slavery risks within their investment process.

LUCRF Super also engaged with its fund managers to include obligations of commitment in Investment Management Agreements to ensure fund managers consider modern slavery diligence activities in the due diligence of their operations and supply chains.

The assessment and engagement with fund managers will continue into FY2022. The outcomes of these ongoing activities will filter back into our reporting cycles to encourage continuous improvement of the management of our modern slavery risk.

LUCRF Super will continue to focus on using its sphere of influence to promote modern slavery awareness with our industry peers and contracted fund managers.

Actions to assess and address risk

Enhanced modern slavery internal governance and policy reviews were the focus of LUCRF Super in FY2021.

Governance Improvements

During FY2021, LUCRF Super established a cross-functional Modern Slavery Working Group (**Working Group**). The Working Group is educated to understand the key modern slavery regulatory concepts and assist key LUCRF Super staff on the process of modern slavery risk assessment. The Working Group is empowered to advocate against modern slavery across all Tier 1 direct suppliers and fund managers, request and receive annual attestations, and assess modern slavery performance to drive continuous improvement.

In addition, LUCRF Super's senior management and executives have modern slavery responsibilities to encourage conversation and report concerns of modern slavery.

LUCRF Super has updated its template contracts to contain adequate terms relating to modern slavery. LUCRF Super has progressed with its review of current contracts with both Tier 1 suppliers and fund managers and has added these conditions to all contracts. This process included the re-negotiation of terms to clearly state its modern slavery expectations and clauses to improve modern slavery accountability.

LUCRF Super also updated its member complaint procedure and has a Whistle-blower Policy for reports of any criminal or unethical behaviour. Furthermore, it understands the importance of grievance mechanisms to detect modern slavery and provide a voice to victims, survivors, and its stakeholders, including some of its members. Enhancements to existing complaint processes have developed clear response plans based on whether LUCRF Super has directly contributed to, and/or LUCRF Super has been directly linked to, a case of modern slavery.

Due diligence

LUCRF Super embeds and complies with mandatory prudential standards and additional guidance set by Australian regulators, such as APRA and the Australian Securities and Investments Commission (**ASIC**), that inform its third-party supplier engagements and arrangements. LUCRF Super undertakes due diligence and evaluation screening of all potential suppliers to ensure it is achieving and will continue to achieve appropriate professional standards, including identifying and addressing modern slavery and ESG risks.

The fund managers that LUCRF Super appoints to invest on behalf of the Fund undergo a thorough process of due diligence, evaluation and ongoing monitoring to ensure they meet, and continue to meet, LUCRF Super's commercial, financial, probity, security, compliance, and ESG standards. This process is primarily detailed in the *Asset & Manager Selection/Deselection Policy*, *Vendor Management Framework and Guidelines* and the *Outsourcing Policy*.

During FY2022, the Fund will continue to work with suppliers to enhance their understanding and responsiveness to modern slavery risk. LUCRF Super will continue to implement improved processes and oversight to help monitor, detect, and respond to modern slavery. LUCRF Super will also continue to engage fund managers who confirm their modern slavery approach through its responsible investment strategy.

Training

LUCRF Super believes the Fund's best line of defence is to empower staff to understand, proactively engage with, and respond to modern slavery risk. Therefore, LUCRF Super will continue to conduct modern slavery awareness training for all staff including training for all new staff, which is part of LUCRF Super's onboarding process.

Assessing effectiveness

LUCRF Super has created a robust risk-based modern slavery framework (**framework**) to ensure that LUCRF Super meets its legal requirements under the *Modern Slavery Act 2018*, and ethical obligations to improve the working conditions of the communities we serve.

The framework ensures that a system of due diligence and remediation is in place when procuring and managing vendors as well as training and awareness of staff of the importance of modern slavery. It includes a due diligence toolkit, supplier self-assessment questionnaire and guidance on how to assess answers received. It also provides guidance on how to implement corrective action plans to respond to any modern slavery event, or the identification of heightened modern slavery risk exposure.

LUCRF Super will continuously review this framework to address any new regulatory requirements and adopt better practices to improve the identification of modern slavery. LUCRF Super expects to take a phased approach in improving its framework and further developing its risk identification activities.

Following the assessment performed in FY2021, which focused on identifying actions and outcomes, LUCRF Super will leverage the data gathered to identify an appropriate baseline assessment to facilitate continuous improvement. LUCRF Super plans to assess effectiveness through developing on-going effective performance metrics in collaboration with its Tier 1 general suppliers and fund managers.



Partnerships for impact

LUCRF Super is committed to advocate and work with the Australian superannuation, financial and business community to promote accountability, cooperation, and transparency. To this end, LUCRF Super has engaged with the Australian Council of Superannuation Investors (ACSI), and the Australasian Corporate Centre for Responsibility (ACCR) to address modern slavery in Australia.

ACSI

ACSI is a forum that provides a collective voice for asset owners like the Fund on ESG matters and other sector relevant issues. During FY2021, ACSI prioritised engagement with companies directly or indirectly to enhance their understanding of ESG principles. ACSI has been a standard-bearer of this message for some time, highlighting the importance of corporate governance and appropriate management of ESG issues – including reputation, profitability, sustainability and social licence to operate.

ACCR

LUCRF Super is a sponsor of the ACCR's three-year Workers' Rights Program. The program is focussed on addressing decent work, living wages, modern slavery, and other forms of labour exploitation in Australia.

In FY2021, ACCR's Workers' Rights Program of work, led by Dr Katie Hepworth, has focused on the business and operational risks associated with different employment relationships. ACCR is engaging with companies in sectors that have significant exposure to risks associated with outsourcing and indirect employment, including horticulture, commercial cleaning, mining construction, large scale solar and warehousing. These sectors may be exposed to significant outsourcing risks due to the percentage of the workforce that is employed via third-party agencies, or the severity of the risks associated with the outsourcing of labour (up to and including modern slavery).





Way forward

Looking forward, LUCRF Super is committed to demonstrating ongoing improvement every year, and will continue to:

- collaborate with the trustees of other superannuation funds and the wider financial services sector on human rights issues within appropriate forums.
- work with renewed focus on the financial sector's role in combatting modern slavery and promoting better business practices through investment.

Contact us

Email

mypartner@lucrf.com.au or complaints@lucrf.com.au

Visit

www.lucrf.com.au/complaints

 **1300 130 780**

 **lucrf.com.au**

 **mypartner@lucrf.com.au**

 **PO Box 211 North Melbourne VIC 3051**

LUCRF
super
Working for a better future