

First Super Modern Slavery Statement 2020



Introduction

With the passing of the Commonwealth's *Modern Slavery Act 2018*, First Super acknowledges its expanded obligations to report on modern slavery in its operations (including investment activities) and supply chains.

First Super recognises not only its responsibilities under the *Act*, but also its opportunity as a business leader to help transform industry practices and more effectively combat modern slavery in all its forms. First Super will strive to work with our suppliers, investors and employees to enhance our knowledge of modern slavery risks across our operations and supply chains.

For the purposes of defining modern slavery, we refer to the *Act* itself, which describes situations where offenders “use coercion, threats or deception to exploit victims and undermine their freedom”. It lists eight practices that can constitute modern slavery, including: human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, forced marriage and the worst forms of child labour.

This statement sets out First Super's actions to identify and address modern slavery risks arising from our operations. It further outlines the steps we have already taken, such as introducing a Modern Slavery Policy, and that we intend to take in future to maintain responsible and transparent supply chains across our organisation.

About First Super

First Super Pty Limited (ABN: 42053498472) as The Trustee for First Super (ABN 46 286 625 181) [the Fund].

First Super was founded in July 2008 following the merger of three industry super funds. As the industry fund for employees in the timber, pulp and paper, and furniture and joinery industries, our products and services are designed to meet the needs of these members, employers and communities, as well as being suitable for our broader membership.

The Trustee for First Super owns 100% of Super Benefits Administration (the Fund's administrator) as a private equity investment. First Super's shareholders include the Timber Trade Industrial Association (TTIA), Forest Industries Association of Tasmania Limited (FIAT), Australian Cabinet Furniture Association Inc (ACFA), Furnishing Industry Association of Australia Limited (FIAA), ACN 117 909 127 Pty Ltd (Construction, Forestry, Maritime, Mining and Energy Union) and the Victorian Association of Forest Industries (VAFI).

Structure, operation, and supply chains

Organisational structure and business

First Super operates as a Trust, and the Trustee Board is obliged to prudently invest funds and ensure First Super is managed in the best interests of members.

First Super's board is made up of 12 directors: five directors nominated by the Construction Forestry Maritime Mining and Energy Union, five nominated by employer associations, and two independent directors. Directors are appointed by the Board based on skills, qualifications and suitability, and are obliged by law and our own governing policies to act in the best interests of all First Super members.

First Super's board has established committees to deal with all areas of the Fund's management. These committees make recommendations to the Board, helping it to discharge its duties.

First Super employs 17 permanent employees and works with a range of independent advisors, consultants and service providers who assist in the daily running of its operations.

In addition, First Super engages with external suppliers and organisations to provide catering, accommodation and other supporting administrative functions.

For its investments function, First Super invests in a range of asset classes using both Australian and international investment managers.

Advisors and service providers are appointed following due diligence processes and may change from time to time.

Our operations

In the 2019/20 financial year, First Super had 46,645 members and \$3.13 billion in funds under management.

To achieve our purpose of building members' retirement savings, First Super manages a large investment portfolio spanning Australian and international equity markets, direct property, infrastructure, fixed interest, cash and private equity investments.

We recognise that certain sectors and geographies pose greater risks for modern slavery (such as property development) and we have engaged with our investment managers to better understand the processes they have in place to guard against this.

Further information on our approach to investing can be found in our **Annual Report** and **Product Disclosure Statement**, both available on the First Super website.

Our supply chain

First Super is dedicated to working alongside its suppliers to eliminate the practice of modern slavery within its supply chain. First Super's supply chain includes a wide range of both material and non-material service providers.

The main material service providers we use include administration, financial planning, legal advice, asset consulting and group insurance. Our non-material service providers include, among other things, marketing services, strategy research and analysis, and telecommunications. It is the position of the Trustee that wherever possible Australian-manufactured and ethical suppliers are engaged in the first instance. Mandated fund managers are all Australian-based.

Over the past year we have carefully assessed the scope of our supply chain and from there identified the areas at greatest risk of modern slavery.

Building on this internal research – which suggests the high-risk areas for financial services supply chains include IT procurement, logistics and property, and building services such as facilities management, utilities, cleaning, waste management and security, and print and promotional goods – we have identified certain elements of our supply chain that carry greater risk. We have also sought to understand geographic and sector risks in relation to our investments.

Reducing Modern Slavery Risks

First Super has taken the following steps to mitigate modern slavery risks:

1. Identify broad operations and our supply chain.
2. Assess which sectors involve high modern slavery risks.
3. Identify any areas of our operations where there is limited visibility and determine whether those areas carry modern slavery risks.

Because the task of identifying risks in the supply chain may be overwhelming, the UN Guiding Principles suggest focusing on the areas of *greatest risk*, which means those which would *cause the greatest harm to people*, the *greatest impact* or *where risks are large-scale* (a significant number of people are affected).

At First Super, we are aware that forced labour and other forms of modern slavery are a devastating reality, but we are committed to playing our role in reducing these practices in Australia and overseas.

Investments held by First Super

First Super invests in a range of asset classes handled by leading Australian and international investment managers. These are listed overleaf.

In 2020 the Fund has focused on investigating its investment portfolio to ascertain whether our investment managers have appropriate structures, processes, policies and procedures in place to combat modern slavery.

Regarding current investments, First Super has 36 suppliers based in three jurisdictions and operating in over 77 countries.

Investments held by First Super at 30 June 2020

	30 June 2020 \$
Australian Equities	
Eley Griffiths Aust Equities Small Companies Mandate	70,704,572
IFM Enhanced Index Aust Equity Mandate*	242,843,772
Allan Gray Australian Equity Fund	112,710,476
Perpetual Australian Equity Mandate*	189,815,268
Total Australian Equities	616,074,088
Australian Infrastructure	
IFM Australian Infrastructure Fund	153,053,195
Utilities Trust of Australia	58,207,604
Total Australian Infrastructure	211,260,799
Australian Private Equity	
First Trust Portfolio	106,621,685
Frontier Advisors Pty Ltd	370,616
ME Bank Ltd	45,996,099
Industry Super Holdings	36,708,033
ROC Partners Trust 3	212,587
ROC Partners Trust IV	3,003,084
Stafford Private Equity 3	1,098,837
Stafford Private Equity 4	748,432
Super Benefits Administration	3,565,547
Total Australian Private Equity	198,324,922
Cash and Capital Guaranteed	
IFM Transaction Cash Fund	34,435,773
Short Term Cash Account (Term Deposit)*	228,457,196
Cash	133,679,467
Total Cash	396,572,436

	30 June 2020 \$
Fixed Interest	
IFM Specialised Credit Fund*	175,597,162
Blackrock Aus Bond Index Fund	125,793,229
Blackrock Global Bond Index Fund	55,870,276
IFM Aus Credit Opportunities Mandate	2,395,743
PIMCO Global Bond Fund	126,061,822
PIMCO Target Return Fund	103,160,375
ME Super Loans Trust	449,061
Westbourne Infrastructure Debt Fund 2	33,992,400
Total Fixed Interest	623,320,068
International Equities (Unhedged)	
Blackrock International Equities	71,729,021
Capital Group Global Equity Fund	154,877,320
Orbis Global Equity Fund	135,098,726
C Worldwide Global Equity Fund*	157,272,205
Total International Equities (Unhedged)	518,977,271
International Equities (Hedged)	
Blackrock International Index Fund Hedged	86,029,993
Total International Equities (Hedged)	86,029,993
International Infrastructure	
IFM International Infrastructure*	175,464,540
Total International Infrastructure	175,464,540
International Private Equity	
IFM International Private Equity 1	352,191
Wilshire Private Markets LPs (formerly Pooled Superannuation Trust)	3,540,086
Total International Private Equity	3,892,277
Property	
ISPT Core Fund*	221,813,530
Franklin International Real Estate 2	43,558
QIC Property Fund	81,452,556
Total Property	303,309,644

* These assets represent 5% or more of the Fund

Total investments

\$3,133,226,038

Risk assessment framework and process

First Super has a risk assessment framework in place across every department which aims to evaluate risks and achieve optimal outcomes. Once a risk has been identified the relevant employee will make the business aware of that risk and the organisation will then determine the most appropriate response.

As part of this process flow there are efficient reporting mechanisms in place to ensure the swift identification of and response to risks. First Super recognises risks relating to certain sectors, industries, products and services, as well as geographic regions. Potential risks are dealt with through our Modern Slavery Policy and staff training.

As part of its risk assessment process, First Super conducted a desktop review of all material and non-material service providers and vendors.

Material providers are responsible for areas such as administration, asset consulting, auditing, legal advice and group insurance. Non-material service providers include actuaries, marketing, telecommunications and strategy, research and analysis. By identifying all the organisations we are associated with, we have a platform for assessing the risk each of these supply chain elements may pose of modern slavery.

First Super is committed to open and transparent business practices and aims to ensure that our approach to modern slavery adheres to the requirements of the *Modern Slavery Act* and associated legislation. We expect our investors, suppliers, and business partners to adhere to these same standards.

Human rights analysis already forms part of our process for integrating environment, social and governance factors into our investment decision-making.

The risk processes we utilise include an assessment of high-risk geographies, services and products, and we are planning additional work to identify how these procedures can be enhanced to integrate risk assessment specific to modern slavery.

First Super recognises that, as with all businesses, there is a risk that modern slavery exists within our organisation or supply chain – for example, in cleaning, travel, catering, construction and geographically emerging markets. We are committed to taking action to address these modern slavery risks.

Actions taken to assess and address risks

Governing policies and staff training

Following the passage of the *Modern Slavery Act*, First Super developed a Modern Slavery Policy to address these new requirements. This policy builds on our existing Environment, Sustainability and Governance (ESG) Policy and Code of Conduct, which articulates high standards of behaviour and communicates a zero-tolerance approach to the maltreatment of

workers. Elements of the policy inform our Whistleblowing Policy, procurement strategy and recruitment and selection process, as well as employee training.

First Super has an established Vendor Code of Conduct with which suppliers are bound to comply. Its guiding principles include prohibitions against the practice of child labour, forced labour and mandates regarding working hours, payments and an injunction against discrimination and corruption.

In addition, First Super provides training through online learning and development modules to ensure all staff have a concise understanding and awareness of the risks of modern slavery within the organisation and its supply chain.

Due diligence, remediation, and reporting

When engaging new suppliers First Super undertakes rigorous due diligence to avoid negative impacts and enhance positive outcomes. We have open lines of communication with existing shareholders, investors, and suppliers so we can continually assess, understand and limit the risks and impacts of modern slavery in these supply chains. Additionally, First Super has an established avenue for remedying any concerns with its suppliers through documented grievance procedures.

An enhanced due diligence regime has been implemented following a scoping exercise to identify the breadth of organisations and suppliers associated with First Super and assess any links to modern slavery.

A desktop risk assessment was performed by contacting First Super's suppliers and enquiring about their mechanisms and processes for guarding against the practice of modern slavery and human rights violations generally (this included investigation into the suppliers' directors and related companies). New suppliers were subjected to heightened scrutiny and any engagement was pre-empted by contractual requirements requiring their compliance with the *Modern Slavery Act*.

First Super has also developed a reporting process whereby employees can anonymously and confidentially report actual or suspected breaches of the company's Modern Slavery Policy and Code of Conduct, as well as the *Modern Slavery Act*. Any disclosures are investigated and reported to the appropriate manager. This system ensures that all reports are managed in an efficient, fair and timely manner.

First Super recognises the dedicated role it can play in employing its reputation and industry position to leverage for broader systemic change. First Super strives to demonstrate a level of compliance with the *Act* that serves as a beacon to other sectors of the industry and businesses in general. As part of this role, First Super has engaged in advocacy actions, joining with civil society and industry bodies to push for improvement in at-risk sectors and in geographic regions that pose a substantial modern slavery risk.

How First Super assesses the effectiveness of these actions

First Super understands it will take time and a collective effort to effectively mitigate and eventually eliminate the practice of modern slavery. We believe that incremental change by numerous bodies is the most effective means of transforming and enhancing both national and global awareness of these issues. We are committed to the objectives set out in this statement and to the ongoing assessment of the efficacy of our actions.

Through consistent monitoring and assessment, the Fund reviews and evaluates the success of our modern slavery risk control measures. All employees receive training around modern slavery and we regularly review our dedicated internal policy.

Our key performance indicators for these actions are:

- 100% compliance of material service providers through the supply chain assessment undertaking and attestation.
- Greater than 90% pass rate when assessing procurement strategies and their adherence to the requirements of the *Modern Slavery Act*.

Looking ahead

First Super understands the importance of continually enhancing its understanding, monitoring and management of modern slavery risks within its organisation and supply chain. First Super is committed to deepening its capacity to identify, evaluate and respond to modern slavery risks, including ongoing continuous assessment and enhancement of due diligence procedures and policies.

As part of our commitment to continuous improvement, First Super will undertake the following measures:

- **Continuous policy assessment and evaluation.** Analyse and examine the current policy and determine which areas require action or amendment.
- **Training.** Continue to provide up-to-date training for all employees to ensure they are capable of assessing risks of modern slavery and cognisant of the mechanisms for reporting grievances.
- **Engagement with suppliers.** Continue to work alongside suppliers to ensure that all new and existing suppliers are aware of First Super's policy towards modern slavery and, where appropriate, have their own processes and procedures in place.
- **Collaboration with civil society and industry bodies.** Engage with its civil society and industry bodies including the Australian Institute of Superannuation Trustees, Department of Home Affairs, Australian Institute of Company Directors and the Australian Shareholders Association. First Super aims to be an industry leader in the elimination of modern slavery.

Approval of First Super's Modern Slavery Statement

Two specific requirements are necessary for this statement to be approved.

- the statement must be approved by the Trustee Board, and
- the statement must be signed by the CEO.

This statement was endorsed and approved by the First Super Board at its meeting on 8 December 2020.



Bill Watson
Chief Executive Officer