



Modern Slavery and Human Trafficking Statement 2019

The following statement has been prepared to comply with the requirements of Section 54 of the United Kingdom Modern Slavery Act 2015.

The statement has been prepared on a group basis and covers the following UK companies:

- First State Investments (UK Holdings) Limited
- First State Investment Services (UK) Limited
- First State Investment Management (UK) Limited
- First State Investments International Limited
- First State Investments (UK) Limited

The statement was approved by the Boards of those companies on 9 December 2019.

Signed:

A handwritten signature in blue ink, appearing to read "Chris Turpin".

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Chris Turpin
Director

Modern Slavery and Human Trafficking Statement 2019

This statement outlines the actions taken by the Commonwealth Bank of Australia Group (the Group) to identify and mitigate slavery and human trafficking in our business and supply chains, over the year ending 30 June 2019. This statement has been prepared to comply with the requirements of Section 54 of the United Kingdom Modern Slavery Act 2015.

Our business

The Group is Australia's leading provider of integrated financial services including retail banking, private banking, business banking, institutional banking, superannuation, insurance, and sharebroking products and services. The Group services more than 17 million customers globally, and has a presence throughout Australia, New Zealand, Asia, North America and Europe.

This statement has been produced to comply with Section 54 of the United Kingdom's Modern Slavery Act 2015. We have expanded on the scope of this statement to reflect some of the work that has been undertaken in the course of the reporting year to assist us with reporting against the requirements set out in the *Modern Slavery Act 2018 (Cth)* for the period ending 30 June 2020.

Our position

We believe that conducting our business in a responsible manner and making meaningful contributions to the communities in which we operate is critical to delivering balanced and sustainable stakeholder outcomes. Our approach to human rights is guided by our Group Environmental and Social Policy, which outlines the Group's approach and commitment to managing the environmental and social impacts of our business activities and operations and the governance and oversight in place to support these commitments.

We understand that slavery can occur in many forms, such as forced labour, child labour, domestic servitude, sex trafficking, and human trafficking. In this statement we refer to 'modern slavery' as defined by the Modern Slavery Act 2018 (Cth).

Our commitment to human rights

Respect for human rights underpins the way we do business. We respect human rights, as set out in the International Bill of Human Rights, International Labour Organisation Declaration on Fundamental Principles and Rights at Work, and at a minimum, abide by the human rights-related laws of the countries where we operate.

Our commitment to respect human rights is guided by the United Nations Guiding Principles on Business and Human Rights. According to these principles, governments possess the primary duty to protect human rights; our responsibility is to respect human rights.

We constantly strive to understand and improve human rights impacts throughout our broader value chain and not purely where we have operational control. However, given our scale and diversity we are always at risk of indirect exposure to human rights impacts, particularly via our investment and procurement activities where more than one party may stand between us and the rights holders affected. Accordingly, we seek to understand

our impacts and exercise influence where possible, including through the support and advice of specialised third parties.

Our approach to respecting human rights is detailed in the relevant internal policies and summarised in our **Environmental and Social Framework**.

Our Policies, processes and procedures

Our purpose and values are integral to the way we operate our business. Our commitment to human rights is supported by policies and processes that identify, assess and mitigate risks of modern slavery and human trafficking. These include, but are not limited to our:

- Code of Conduct;
- Environmental and Social Policy;
- Supplier Code of Conduct;
- Outsourcing Policy;
- Supplier Lifecycle Framework;
- Workplace Conduct Policy;
- Remuneration Policy;
- Anti-Money Laundering and Counter-Terrorism Financing Policy; and
- Whistleblower Policy.

Our relevant processes and procedures include, but are not limited to the following:

- We monitor and review the effectiveness of relevant internal policies and how these have been implemented across our business areas.
- We undertake supplier risk assessments and due diligence on proposed suppliers.
- We assess all potential Institutional Bank loans, as well as large loans in other business units, for Environmental, Social and Governance (ESG) risks based on country of operations and covering more than 500 industry sectors.
- We have a range of policies and implement programs to support an inclusive workplace with freedom of association.
- Our employees and our suppliers have access to the Group's SpeakUP hotline, an external telephone and email service staffed by independent consultants, providing an avenue for our employees, or our suppliers and their employees, to anonymously report or raise any concerns or suspected unethical or corrupt behaviour.

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Our progress over 2018 - 2019

In the course of the reporting period, we continued to embed our commitment to human rights and to mitigate the risks of modern slavery in our operations and supply chains in the following ways.

Conduct, culture and speaking up

This year, we clarified what we expect of our people through our updated purpose and values, and a new Code of Conduct. The new Code of Conduct brings together the policies and standards of behaviour that help us deliver better outcomes for all stakeholders. A core principle contained in our new Code of Conduct is to ensure we do the right thing by our customers by asking 'Should We?' when making decisions.

Compliance with the Code of Conduct is mandatory for all Group employees and the 'Should We?' test is being embedded in key processes across the Group, such as product development and review processes. Conduct is an essential and embedded part of the disciplined control environment supporting our business decisions. Training on the Code of Conduct is also mandatory and completion rates for this training were 96.7% for the reporting period.¹

Our Code of Conduct outlines our revised Values Expectations, which are:

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

Our Code of Conduct and Values Expectations support the Group's commitment to identifying and mitigating the risks of modern slavery in our operations and supply chains. Disciplinary action may be taken against individuals who breach our Value Expectations or internal policies.

Speaking up

We encourage third parties, such as suppliers or service providers, to report concerns they may see in their interactions with the Group and, at the same time, encourage reporting the conduct of these third parties. These issues include suspicions or known instances of modern slavery and human trafficking through our SpeakUp hotline.

Procurement

This year, we partnered with more than 5,000 suppliers in Australia to procure over \$4.3 billion of products and services. Our supplier governance processes, supplier engagement, and Supplier Code of Conduct (the Supplier Code) help us minimise ESG risks in our supply chain.

The Supplier Code sets our expectations regarding forced, bonded or involuntary labour, and human trafficking. We require all suppliers to review and comply with the Supplier Code and the relevant laws and regulatory standards. Under the Supplier Code, suppliers must ensure all people directly or indirectly engaged across the Group's supply chain are protected from the risks of human rights abuses related to modern slavery.

This year, we established a Responsible Procurement team within our broader Enterprise Procurement and Partnerships team. The Responsible Procurement team oversees a supply chain project stream for the Group's Modern Slavery program. This working

group is governed by the Supplier Governance Council and includes representatives from Risk, Procurement Category Managers, Policy Managers and the Responsible Procurement team.

Modern slavery program of work

In preparation for compliance with new Australian modern slavery legislation, we have commenced a program of work to start embedding the legislated requirements into the Supplier Lifecycle Framework, incorporating policy, procedure, people, process and technology considerations. Over the year we sought human rights expertise to assist with the mapping of current state against the new legislative requirements, and to provide advice on opportunities for improvement for the 2020 financial year.

In addition to this, our Responsible Procurement team oversaw a pilot questionnaire which was sent out to 30 suppliers to gauge levels of awareness around new modern slavery legislation. We found that awareness amongst smaller companies was lower compared to larger ones, and differed across industries, indicating that different types and levels of communication, support and engagement may be needed for our suppliers.

We raised internal awareness of modern slavery through a modern slavery workshop with representatives from Procurement, relevant Risk and Compliance teams, the Supplier Lifecycle Transformation program, and by attending the Supplier Governance Working Group and Council. Information covered the prevalence of modern slavery, ways of identifying, managing and mitigating the risks of modern slavery, and the new reporting requirements. The workshop helped define Procurement's twelve month action plan and the key milestones for the FY20 period.

Lending

Assessing potential transactions for Environmental, Social and Governance (ESG) risks is a key step in our due diligence process. All Institutional Bank loans, as well as larger loans in other business units, are evaluated through the Bank's compulsory ESG risk assessment process which completes an initial assessment based on country of operations and more than 500 industry sectors. Our ESG assessment criteria includes labour conditions and human rights, and we review our industry sector risk ratings every year. Additional due diligence is required for transactions with a medium or high ESG risk profile. All project finance loans follow the Equator Principles' comprehensive environmental and social risk management process.

We continue to provide ESG risk refresher training to our client relationship, risk, and product team members. As part of our annual ESG refresher training update, we have included additional modern slavery case studies and questions to reflect the importance of human rights-related risks in our ESG assessments.

Alongside Procurement, our Institutional and Business banking division also engaged external human rights expertise to undertake gap analysis on modern slavery risk assessments, policies, procedures, and education and training. The analysis has helped us understand how our existing approach can be improved to more effectively identify and mitigate the risks of modern slavery in our lending and banking activities.

We continue to be an active member of the Mekong Club, a not-for-profit association that engages, inspires and supports the private sector to lead the fight against slavery in Asia. As a member of the working group, we have delivered awareness

¹ Please note that some employees were not able to complete mandatory Code of Conduct training over the reporting period, for reasons that include being on long service leave, parental leave and career break.

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sessions on the issue of modern slavery to our people in Sydney and Hong Kong, and have provided in-kind support to the association.

Investing

The Group's Responsible Investing Framework integrates ESG factors across investment processes, with the aim of delivering sustainable long-term investment outcomes for our customers. The framework is supported by an ESG training module, which outlines the importance of labour and human rights considerations in the investment decision-making process, along with the risks associated with overlooking these factors.

Our wealth management and private banking divisions have also been engaged on the modern slavery program of work and gap analysis over the year. As a result, we have identified a number of uplifts were needed to more effectively identify, manage and mitigate the risks of modern slavery in our third party relationships and investment activities. To assist with this work, we have engaged with an external ESG investments research provider to help undertake research, and discuss the management of ESG risks with investment managers.

From an investments perspective, Colonial First State Global Asset Management (CFSGAM)² aims to influence corporate behaviour through direct engagement with company directors and management, collaborative engagement with other investors on human rights issues, and proxy voting on resolutions relating to human rights. As part of its human rights commitments, in 2016, CFSGAM developed a Human Rights Toolkit with a five-stage process designed to help minimise human rights risks in investment portfolios. The Human Rights Toolkit continues to be used as a point of reference by various investment teams across CFSGAM.

Moreover, during the reporting period, CFSGAM facilitated a workshop with a modern slavery non-governmental organisation (NGO) to seek feedback from various Australian businesses on the drafted modern slavery legislation and the development of business guidance. The feedback was then collated by the NGO and shared with the Department of Home Affairs as part of their submission during the consultation process.

Financial Crime Compliance

We have invested significantly in training and education across the Group on anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption over the year. Our Group-wide Disrupting Financial Crime Awareness campaign has also sought to raise awareness amongst our people on the linkages between financial crime and human trafficking and modern slavery as predicate crimes.

As part of our program to highlight the impacts of financial crime, for our inaugural Disrupting Financial Crime Awareness Week, we worked with the Mekong Club to deliver a keynote speech and 'masterclass' sessions on financial crime linkages to modern slavery and human trafficking. Our people learnt how to spot the red flag behaviours associated with modern slavery and human trafficking, and how they can use our formal reporting channels to report suspicious and unusual behaviour.

Following on from our Disrupting Financial Crime Awareness Week, we delivered a roadshow across 16 locations throughout Australia and reached approximately 2,100 of our people. The roadshow included an augmented reality activity which people could access and explore modern slavery scenarios, along with an interactive pop-up display to illustrate how financial crimes typically comprise various layers of criminal activity.

To further this work, in 2019, we contributed to a toolkit published by the Mekong Club and the Thomson Reuters Foundation designed to enhance the ability of financial institutions to identify and mitigate the risk of modern slavery. The Asia Pacific Bankers Alliance Against Modern Slavery paper uses slavery indicators tailored to the Asia-Pacific region and builds upon the work conducted by the United States Banks Alliance (USBA) and the European Banks Alliance (EBA) Against Human Trafficking.

This statement will be reviewed and updated annually.

This statement has been endorsed by the Board of the Commonwealth Bank of Australia.

C. B. Livingstone

Catherine Livingstone AO
Chairman

² CFSGAM exited the Group on 2 August 2019 but were included in this reporting period.

