

# Modern Slavery and Human Trafficking Statement 2020

This Statement is prepared on behalf of the Commonwealth Bank of Australia (CBA or the Bank, together with its controlled entities) (the Group) and the other reporting entities listed in Appendix 1. This Statement outlines the actions taken by the Group to identify and mitigate slavery and human trafficking in our business and supply chains, over the financial year ending 30 June 2020 (FY20). This Statement has been prepared to comply with the reporting requirements of both Section 14 of the *Modern Slavery Act 2018 (Cth)* and Section 54 of the *United Kingdom Modern Slavery Act 2015*.

## Introduction

We recognise that a global, coordinated, and strategic response is needed from governments, the international community, non-government organisations and businesses alike to tackle the challenge of modern slavery.

Given the nature of our business operations and locations in which we operate, we acknowledge the risk of being linked to human rights impacts, including via our customers, investments and procurement activities.

Accordingly, we seek to understand our impacts and exercise influence where possible, including through the support and advice of specialised third parties.

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)* (MSA) and the *UK Modern Slavery Act 2015*.

In 2019 the Group established a program of work to action potential gaps in managing modern slavery risks.

Our initial analysis of key clients and suppliers indicated that modern slavery risks exist, to varying degrees, in our business lending and general banking services, investments and wealth management services, and in our supply chains.

We continue to be focussed on increasing the awareness and capabilities of our people to help address and mitigate modern slavery risks in the course of our interactions with customers and suppliers.

To progress our Group-wide human rights commitments and to fulfil the reporting requirements of the MSA, we have further enhanced our approach to identifying and mitigating modern slavery risks in our operations.

This Statement reflects our progress on meeting the requirements of the MSA mandatory criteria for modern slavery statements, with a key focus on:

- identification of modern slavery risks internal to our business and in our supply chains;
- mitigation actions for modern slavery risks; and
- assessment of the effectiveness of these actions.

## About us

The Group is a leading provider of integrated financial services, including retail, business and institutional banking, superannuation, insurance, investment and share-broking products and services. Our brands include some of the best known names in financial services in Australia and New Zealand: Commonwealth Bank, CommSec, ASB, Colonial First State and Bankwest. The Group's head office is located in Sydney, Australia.

The Group employs more than 43,500 fulltime equivalent employees, with more than 41,400 based in Australia or New Zealand.

Relative to our Australia and New Zealand-based operations, the Group has a smaller presence in Asia, North America, and Europe. In Asia, we have offices or branches in Indonesia, Japan, Singapore, mainland

China, Hong Kong, India and Vietnam, and we offer a range of financial services to both Australian clients with interests in Asia and clients within the region who have business interests in Australia. Our offices in New York, London, Amsterdam and Malta provide services that may include products and services to financial institutions, non-bank financial institutions, corporates and multinationals.

Key elements of our operations covered in this Statement include:

<b>Institutional Banking and Markets (IB&amp;M)</b>	IB&M is responsible for managing the Group's relationships with major corporate and government clients and institutional investors, and provides a full range of capital raising, transactional and risk management products and services across the Group.
<b>Business Banking (BB)</b>	BB serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions. We also provide Australia's leading equities trading and margin lending services through our CommSec business.
<b>Retail Banking Services (RBS)</b>	RBS provides simple, convenient and affordable banking and general insurance products to personal customers.
<b>Bankwest</b>	Bankwest is a wholly owned subsidiary of the Group, and provides retail and business banking products and services.
<b>Colonial First State (CFS)</b>	CFS is our superannuation and Investment business, and includes Colonial First State Investments Limited (CFSIL) and Avanteos Investments Limited (AIL).
<b>ASB Bank (ASB)</b>	ASB is a wholly owned subsidiary of the Group, based in New Zealand, and provides retail and business banking products and services, as well as investment products.

During FY20, due to the complete or partial sale, we now consider the following businesses as discontinued operations for financial disclosures: Colonial First State Global Asset Management; CFS; CommInsure Life; BoCommLife; and PT Commonwealth Life. These businesses are included in this Statement, up until when their sale was completed.

## Our commitment

We recognise 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.

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 in which we operate.

## Progress over the 2020 financial year

In the course of the reporting period (1 July 2019 to 30 June 2020), we continued to embed our commitment to human rights and to mitigate the risks of modern slavery in our operations and supply chains.

This year, in particular, we worked to embed our Code of Conduct into our processes to deliver improved customer and risk outcomes. More than 46,000<sup>1</sup> employees completed the mandatory training on the Code of Conduct, with a 92.7% completion rate for the training in the reporting period<sup>2</sup>.

Our commitment is articulated in our policies and frameworks which outline the minimum standards.

## Our policies, processes and procedures

Our work on modern slavery is supported by Group policies that include, but are not limited to:

- Code of Conduct
- Environmental and Social Policy
- Supplier Code of Conduct
- Workplace Conduct Policy
- Supplier Lifecycle Policy
- Remuneration Policy
- Anti-Money Laundering and Counter-Terrorism Financing Policy
- Whistleblower Protection Policy

1 Code of Conduct training numbers are higher than FTE as the training is assigned annually and to new employees.

2 The training completion rates are not 100% as allocated training may be scheduled for completion after 30 June, or training may be overdue. There are remuneration consequences for employees who do not meet their training obligations.

## Culture and conduct

Our Code of Conduct incorporates our Purpose and Values, sets expectations on how our people should act, and supports our commitment to identify and mitigate the risk of modern slavery. It includes the 'Should We?' test to encourage our people to do the right thing by our customers and the community.

Our Code of Conduct supports our Purpose of improving the financial wellbeing of our customers and communities, and our Values, which are:

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# Care

We care about our customers and each other – we serve with humility and transparency;

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# Courage

We have the courage to step in, speak up and lead by example; and

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# Commitment

We are unwavering in our commitment – we do what's right and together we find a way.

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## Environmental and Social Policy

The Group Environmental and Social Policy (E&S Policy) in particular outlines the minimum standards we seek to abide by, including with respect to human rights and modern slavery, and the governance and oversight that support these standards. Our Policy is expressed externally in our Environmental & Social Framework (E&S Framework).

Our leaders promote and champion the environmental and social considerations outlined in the E&S Policy through their decisions and interactions.

## Whistleblower Protection Policy

This year, we enhanced our Whistleblower Protection Policy to meet the requirements of ASIC Regulatory Guide 270 and provided additional avenues for our people to raise concerns, including the introduction of an anonymous online channel.

The Policy was also expanded to include spouses, dependants and relatives of employees, in addition to current and former employees, contractors, consultants and suppliers.

## Monitoring

To assist the embedding of commitments, we monitor and review the effectiveness of relevant internal policies and how these have been implemented across our business areas.

## Our consultation process

We use a collaborative approach within the Group to identify and manage modern slavery risk, with business and support units sharing information and tools.

The Group's Modern Slavery Working Group, which consists of representatives from each business unit and support unit, meets regularly to discuss the modern slavery program of work, progress by business units and support units and the preparation of this Statement.

Reporting entities were consulted, and contributed during the preparation of this Statement. Business unit leadership approved the content in the Statement before it was tabled with the Group's Executive Leadership Team and then the Board for approval.

## Group assessment of potential modern slavery risks: FY20 Focus

More than 95% of our employees are based in Australia and New Zealand, and more than 99% of them are permanent or part-time workers. All of our people are qualified or skilled in financial services or support functions: this and our supporting employee policies, ensure that there is a low risk to our employees of modern slavery occurring in our branches and offices.

In the reporting period, we conducted a scoping exercise for the modern slavery program of work, and business input enabled us to identify key areas for FY20, namely (i) supply chain, (ii) financial crime and (iii) customers and clients.

Each of these areas is addressed in detail beginning on the next page.

# I. Supply chain management

## Overview

The Group partners with more than 7,200 Australian and international suppliers of products and services. Our Enterprise Procurement and Partnerships (EPP) team assists the business to manage risks through partnerships with CBA and Bankwest business and support units, suppliers and stakeholders.

The nature of our operations means that our supply chain is diverse, covering raw materials, manufacturing, processors and wholesale suppliers.

Based on value, the three largest categories of direct supplier spend by the Group are in the information technology and software; professional services; and real estate and property services<sup>3</sup> industries. Other supply chain relationships include, but are not limited to, business process offshoring; marketing; print and promotional goods; fleet management; office supplies; and corporate wardrobe.

When measured by value, the majority of our direct supplier spend is incurred by businesses based in Australia and New Zealand, which are lower risk relative to most other countries<sup>4</sup>.

We seek to engage with suppliers in a collaborative manner, through our Supplier Lifecycle Transformation Program, and strive to build long-term relationships by working in an open and transparent manner. This approach underpins the way in which we work and communicate with suppliers to address modern slavery and improve human rights practices across our supply chain.

We are expanding our engagement with suppliers and expect them to develop their own supplier management practices and mapping. Modern slavery risks are likely to exist in our indirect suppliers and our focus is to use tools such as contract clauses and the Supplier Code of Conduct to require that our suppliers and their third parties adhere to our standards.

We continually review best practice and work closely with UN Global Compact, external legal experts, and not-for-profit partners, Mekong Club and Be Slavery Free, to continue to improve our understanding and management of modern slavery risks in our supply chain.

### **Actions undertaken to improve identification and management of modern slavery risks**

We recognise that many of the companies we purchase goods and services from domestically may source internationally.

Over the year, we undertook a project to improve our understanding of the locations of our material and business critical suppliers to support our assessment of the modern slavery risks in our supply chains.

We therefore conducted an assessment of approximately 5,000 of our suppliers and identified suppliers with higher risk for modern slavery based on their category and/or country of operation, e.g. countries in South East Asia, including Thailand, Vietnam and Malaysia. There may be a heightened risk of modern slavery for local suppliers in those locations.

Of around \$5 billion that the Group spends with suppliers each year, \$676 million (13%) is with suppliers that have a higher risk of modern slavery in their operations or supply chains.

Suppliers at higher risk of Modern Slavery are included in the categories of infrastructure (incl. information technology), facilities management (incl. cleaners, security, maintenance and catering), telecommunications, corporate wardrobe, promotional materials and construction.



**Infrastructure**



**Facilities management**



**Telecommunications**



**Corporate wardrobe**



**Promotional materials**



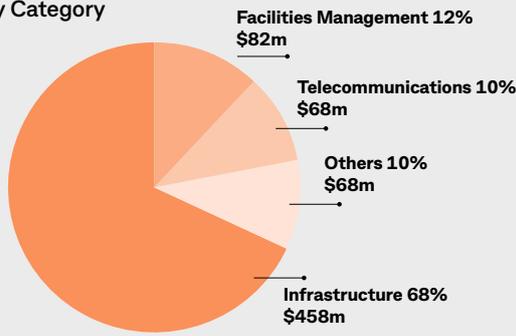
**Construction**

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<sup>3</sup> For example, Facilities Management, Utilities, Cleaning, Construction, Catering, Waste Management, and Security

<sup>4</sup> Based on Walk Free Foundation [Global Slavery Index 2018](#) and [ILO Global Estimates of Modern Slavery](#) (page 27) but excluding the risk that their operations and supply chains are outside these jurisdictions.

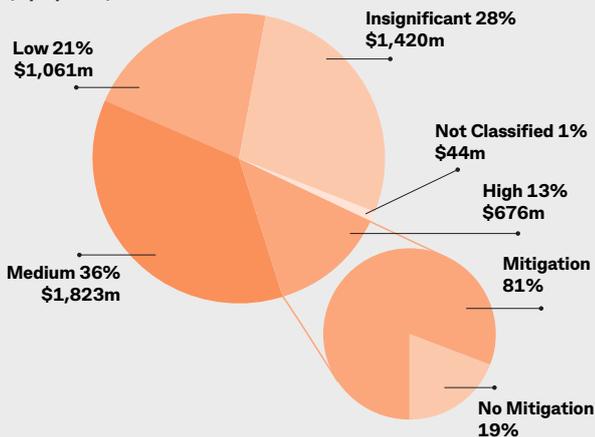
**Potential High Risk Supplier Spend by Category**



As the majority of our total spend is in Australia, 94% of our high risk spend was also in Australia.

We estimate that 81% of our supplier spend within high risk modern slavery categories has some mitigation measures in place, including: targeted capability building in our suppliers (seminar/webinar and toolkit), deep dive risk assessments and addressing this risk in governance meetings.

**Procurement Category Risk Ratings and Mitigation (by spend)**



**Our approach to supplier due diligence at time of tender**

We assess the environmental and social risks of our material and business critical suppliers at the tender stage through our sustainability schedule questionnaire which includes specific questions on modern slavery and labour rights, among other human rights considerations. The questionnaire helps us identify any material areas of concern at the outset of the relationship.

**Risk assessments**

We categorise all suppliers by low, medium, high and very high risk according to country of operations and industry category to further inform the type of

engagement and targeted due diligence needed. The Group's Supplier Governance Council has oversight of the modern slavery risk ratings assigned to our suppliers. Mitigation actions are prioritised based on risk.

**Residual risk assessments**

As part of our phased modern slavery program of work, we have issued a detailed supplier self-assessment questionnaire to a selection of our potentially higher risk suppliers, as classified in the risk assessment process. The questionnaire assesses suppliers on modern slavery policy, governance, supplier oversight, labour arrangements and remediation and requires the supplier to provide evidence.

The risk assessment outcomes will help identify specific red flags and therefore what actions, if any, are needed.

**Program of work to close gaps**

In 2019 the Group established a program of work to action potential gaps in managing modern slavery risks, which is ongoing. This program of work focussed on enhancing due diligence processes, increasing supplier and client engagement, launching targeted training and awareness for our people, and collaborating with non-governmental organisations (NGOs) and industry bodies.

To support the identification, assessment and to address the potential modern slavery risks in our operations, the Group engaged external legal consultants to undertake a comprehensive gap analysis of our modern slavery risks.

*"We just wanted to thank you for reaching out to us to discuss and feedback on your supplier self-assessment questionnaire. We are very encouraged and excited to see the great work that CBA are doing in the anti-slavery space. It is a very important yet often challenging topic, and you've done a very good job in pulling together a comprehensive questionnaire for suppliers, which specifically tackles key modern slavery drivers and indicators. It's a very well thought out piece of work."*

**—Matt Friedman**  
CEO of the Mekong Club

A Hong-Kong based not-for-profit specialising in Modern Slavery, with whom we engaged to review our risk assessment process.

## Our supply chain

### Mitigating actions

In 2018, the Group launched a Supplier Lifecycle Transformation Program. This program has delivered a range of improvements to the supplier lifecycle process that span people, process and technology, and is providing a platform to better identify and manage modern slavery risks across our supply chain.

In FY20, EPP developed an action plan to improve our response to modern slavery risks in our supply chains with measurable outcomes and deadlines.

Our procurement teams are addressing practices that may contribute to modern slavery, including:

- becoming a signatory to the Australian Supplier Payment Code. This code aims to ensure small business suppliers are paid within 30 days from receipt of an invoice and enabling better cash flow for suppliers which may translate into late or underpayment of workers. In FY20, the average payment time of an invoice was 11 days. During the COVID-19 pandemic, these payments were changed to immediate.
- ensuring incentives for procurement personnel do not drive poor standards: the procurement team uses the same mechanisms as the rest of the Group to assess employee performance and remuneration, including:
  - Key Performance Indicators (as cascaded through the business units);
  - risk (Group Mandatory Learning & Group Policy); and
  - purpose and values.

### **Improving awareness around modern slavery for our people and suppliers**

We believe training and awareness raising among our people and suppliers is a critical component of assisting them to understand and identify modern slavery risks, and for the Group to address these risks within our supply chains. We have taken a number of steps including launching an eLearning module for employees, and running a series of awareness sessions and webinars for approximately 200 Business Owners, procurement managers, supplier relationship managers, risk, and governance team members. We have also delivered broader communications across the Group on the role we play when procuring goods and services.

This complements our ongoing efforts to communicate our expectations to suppliers, including by ensuring modern slavery issues are specifically

addressed in supplier contracts, prequalification, supplier meetings, and our Supplier Code of Conduct.

We have supported our suppliers to understand modern slavery through introductory webinars, a specific workshop for property suppliers (who are considered potentially higher risk), and distributing a Supplier Modern Slavery Toolkit, which explains modern slavery, our expectations and gives practical steps for suppliers to take.

## A new human rights contract clause

In FY20, EPP rolled out a new human rights compliance clause for inclusion in our new supplier contracts, which sets out our expectations of suppliers identifying, managing, remedying, and reporting modern slavery and human rights issues. The clause also requires suppliers to comply with any applicable legislation and take appropriate steps to meet international standards around modern slavery.

The clause is further supported by our Supplier Code of Conduct, which has been included in our supplier contracts for a number of years. The contract clause will be included in new and re-negotiated Group supplier contracts.

Human rights and modern slavery clauses are still fairly new and we recognise that suppliers may need to adjust to the new contractual obligations and what they mean in practice. We expect such clauses will become more commonplace over time, as businesses enhance their approach to tackling modern slavery. As such, we welcome supplier engagement with the clauses but expect that suppliers are meaningfully addressing their modern slavery risks and communicating with us in a transparent way, where issues arise.

### **CFS: Wealth/Investment Activity Supply Chain**

CFS adopted the updated Supplier Code of Conduct and Group Supplier Lifecycle Policy. New and renewed supplier contract templates have been updated to include the human rights compliance clause. CFS reviewed its business and identified suppliers and third parties in its operations and supply chain that are managed outside of EPP's remit. These include investment managers, advisors, brokers, dealer groups and employer-sponsors.

CFS conducted an assessment to identify and describe the potential risk of modern slavery attached to these suppliers and third parties. Based on this assessment, it was determined that the majority of these suppliers and third parties require well trained, professional staff to provide their services to CFS, and operate mostly in Australia or other countries that are rated low for prevalence of modern slavery as per the Global Slavery Index.

For CFS investment managers, surveys were sent out which included modern slavery specific questions to allow CFS to identify, describe and assess the risk of modern slavery through each investment manager. Responses were received by 30 June 2020 and have been analysed. All investment managers are based in low risk countries, and are developing processes to manage modern slavery risks.

CFS is also mapping its portfolio holdings by country and industry to identify and assess the risk of modern slavery.

### **ASB: New Zealand**

ASB has worked with the Group to assess potential modern slavery risk in its operations and supply chain, and to review and improve processes to address this risk. ASB has carried out assessments of potential modern slavery risk across existing corporate and business customers, suppliers and managed funds. To do this, it used the modern slavery risk heat map applied across the Group that classifies labour rights and modern slavery risk by ANZSIC code using an impact/likelihood matrix.

Most ASB suppliers are New Zealand-based, thereby reducing jurisdictional risk. The inherent risk assessment has provided a view of where risk may be located in the supply chain.

This year, ASB became a Living Wage NZ Accredited employer. As such ASB requires suppliers to ensure all contractors and subcontractors that provide services at ASB sites (such as security and cleaning) are paid at least the living wage. This is set at a level higher than the minimum wage to better mitigate against potential modern slavery conditions as well as improve communities and the economy.

In addition:

- the ASB Supplier Code of Conduct was updated during FY20 with the expectation that all suppliers will take steps to assess and address modern slavery risk. ASB developed a detailed ESG question set for suppliers that will collect information on modern slavery risk once the new supplier management

system is operational in early FY21. ASB held a modern slavery webinar for procurement staff, which covered risk in global supply chains; and

- ASB Wealth sought information on modern slavery policies from a limited number of outsourced investment managers. We have worked to extend that engagement with a process to seek detailed information from all investment partners.

### **RBS: General Insurance**

Our General Insurance business in RBS has a preferred panel of suppliers that provide repair and replacement services for home and motor insurance customers.

Leveraging the work of the Group procurement function, these suppliers were issued with the Supplier Code of Conduct and the Supplier Modern Slavery Toolkit. The new human rights compliance clause has also been included in new or renewed contracts with these suppliers.

## **Case Study: Managing known supplier risks**

The Group uses cleaners, hospitality, and security services in our property operations for our corporate offices and branch network across Australia. They provide valuable services ensuring our premises are safe, clean and secure for our people and customers.

### **Risks**

Modern slavery and exploitation is a recognised issue in these industries due to a number of factors including the:

- labour intensive nature of the work coupled with low barriers to entry;
- proportionally higher rates of vulnerable communities employed; and
- use of labour hire firms and subcontractors.

These factors contribute to the risk of worker exploitation through low wages and creating a situation of workers debt.

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## Mitigating actions

To mitigate this risk the Group has enhanced its contractual arrangements with these suppliers and increased awareness of our expectations through education seminars and on boarding processes.

The Group's contracts with these specific suppliers are designed to help mitigate this risk by:

- separating the profit margin for suppliers from wages for employees;
- ensuring transparency over wage rates, with a base of up to 20% expected over minimum wage;
- contractually requiring the same clauses for any supplier subcontractors;
- building in the "right to audit" and the expectation that our suppliers audit their subcontractors; and
- seeking StaffSure certification for some of our suppliers, a scheme which assures the integrity of business and helps prevent the exploitation of workers.

This year we focussed on building awareness among our suppliers, on the human rights issue of modern slavery, and hosted a seminar for our cleaning, hospitality and security services suppliers in collaboration with the Australian not-for-profit Be Slavery Free.

As a result of this training, these suppliers should better understand the typical modern slavery drivers, how to identify the risks, and the importance of remediation where impacts have been identified. We also enhanced our occupational health and safety induction to include modern slavery awareness for every service provider that comes on to our sites.

## Assessing effectiveness

This year we focussed on reviewing and further building upon a strong foundation. This has improved previous practices and added layers of due diligence which will better allow us to identify red flags and address modern slavery.

For FY20, the effectiveness of our supply chain mitigation action was assessed:



### Internal collaboration and learning

Formation of a cross-functional modern slavery working group to effectively guide and align implementation of our activities and share knowledge on the topic across the Group, including our controlled entities Bankwest, ASB and CFS. The Supplier Governance Council regularly reviews our response to modern slavery and reports to the Non-Financial Risk Committees. More than 200 staff completed modern slavery training;



### Technology and processes

Throughout the year we obtained stakeholder feedback on our strategy and tools. Stakeholders, including external legal experts and the Mekong Club, undertook independent reviews of our actions and risk assessment questionnaire respectively;



### Coverage, receptiveness and response

Our inherent risk assessment provides a modern slavery risk heat map for 99% of supplier spend; and



### Identifying and closing out issues

No issues were identified through SpeakUP – our Group Whistleblower hotline. We identified three potential issues through monitoring of public information, e.g. through media, and addressed these through governance meetings with suppliers.

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## II. Financial Crime

Financial crime can be linked to many criminal activities, including modern slavery. The risk of financial crime is addressed through the Group's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) policy framework.

### Mitigating actions

Recognising the crucial role the Group plays in fighting financial crime, including crimes linked to modern slavery, we continue to strengthen and invest in our financial crime capabilities and our Risk Management Framework, including our financial crime policies, standards and controls, and improving our Know Your Customer operational practices.

During COVID-19 we applied alternative customer verification processes, including the use of video calls, to maintain robust processes which might otherwise have been impacted by social distancing restrictions.

Financial Crime Compliance has implemented a two-year program to improve the Group's financial crime awareness and capabilities to systematically disrupt financial crime.

Some of the activities during FY20 included:

- Retail Banking Regional Roadshows: Targeted regional roadshows to increase awareness of the impacts of financial crime and the role our frontline staff can play;
- Financial Crime Awareness eLearning Modules: The implementation of Disrupting Financial Crime Awareness eLearning modules targeted at RBS frontline. Modules included Modern Slavery and Forced Labour; Anti-bribery & Corruption; Cash and Money Laundering;
- Financial Crime Hub: Centralised access to the latest information for all staff, a collection of learning materials designed to upskill our staff; and
- Financial Crime Leadership: Endorsed leadership campaign, initially scheduled to commence with a leadership awareness forum in March 2020, and rebuilt as a digital-only delivery due to COVID-19.

## Assessment of effectiveness

Education and awareness is a priority for managing the risk of financial crime.



### Leadership

Rebuild of the 2020 leadership awareness forum to meet COVID-19 requirements for a digital-only approach. Launch package included leader dilemmas, micro-learning videos, transfer from Suspect Transaction Reporting to Unusual Matter Reporting, leader coaching guides and capability level metrics;



### Education and awareness

Within a month of launching the financial crime awareness eLearning modules, more than 80% of the 12,500 frontline and support staff in Retail Banking completed the modules. Final completion rate was 92%; and



### Evaluation of learning

Following the endorsement of behavioural-based learning standards, more than 100 employees participated in a Group-wide financial crime training needs and gap analysis.

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### III. Our customers and clients

We know that we can also be linked to modern slavery risks through our banking services and lending.

This section of this Statement details the way in which different parts of the business are addressing modern slavery risks based on the types of customers and clients that they have.

#### IB&M

##### Mitigating actions

We introduced a new "Labour Rights & Modern Slavery" focus area in our ESG Risk Assessment Tool in FY20 to allow greater focus and due diligence to be conducted in assessing modern slavery risks in our clients' operations. This included a review of the key global research and literature sources available on modern slavery, such as Transparency International, Australian Government guidance and the Mekong Club.

With the introduction of the new Labour Rights & Modern Slavery focus area in the ESG Risk Assessment Tool, IB&M also undertook a comprehensive risk mapping exercise with the Mekong Club, which analysed more than 500 industry sectors and their underlying modern slavery risk rating. IB&M and BB also conducted a further review on the Modern Slavery ratings with EY (co-creators of the ESG Risk Assessment Tool) and integrated these changes into the ESG risk rating tool that benefits both businesses.

The underlying ESG risk ratings for each industry sector in the ESG Risk Assessment Tool are reviewed at least annually by key stakeholders within the Group and EY.

All updates to the ESG Risk Assessment Tool benefit the business units that use it, including IB&M, BB, Bankwest and ASB.

Each year, we provide refresher training modules on ESG risks to our client relationship and risk teams. We update this training annually to capture new developments in ESG risks.

Additionally, in FY20, we have updated and implemented the help text and guidance prompts that assist our users in completing an ESG assessment of our client's operations.

IB&M have also designed and rolled out a "Modern Slavery and Business Finance" eLearning module in FY20 with more than 1,000 IB&M employees (from both the business and IB&M credit risk teams) having completed the module. Apart from this dedicated module, modern slavery is also a component of our ongoing ESG training that is made available to IB&M

staff. Additionally, a specific Education Series learning session was delivered by one of our large diversified clients from the retail industry, which was attended by more than 200 people from across the business.

We are a signatory of the Equator Principles and relevant IB&M project finance loans are assessed against their comprehensive environmental and social risk standards.

##### Assessment of effectiveness

We continue to improve our systems, tools and awareness of modern slavery risks and we have introduced tangible measures within IB&M to educate our business on the potential modern slavery risks in our clients' operations and supply chains.

Our mitigation actions help IB&M to better identify modern slavery risks, understand how to respond, and learn how to manage and mitigate these risks.

Throughout FY20 we have been collaborating closely with the Mekong Club to develop capability in addressing and managing modern slavery risks in our lending portfolio.

For FY20, the effectiveness of IB&M's mitigation actions are considered through:



##### Internal collaboration

Productive engagement with other business units within the Group to share insights and knowledge in regards to modern slavery risk. For example, we have shared the underlying data and information behind the ESG Risk Assessment Tool and eLearning modules for other parts of the Group (such as Procurement) to leverage;



##### Education and awareness

This year more than 1,000 employees completed ESG and modern slavery training. Refresher training will continue to be delivered annually;



##### Technology and processes

The completion of the ESG Risk Assessment Tool update to separate out a "Labour Rights & Modern Slavery" focus area, and provision of specific guidance prompts; and



##### Coverage, receptiveness and response

Achieving our goal of reviewing all IB&M loans through the ESG Risk Assessment Tool.

## BB

### Mitigating actions

Consistent with IB&M, BB has leveraged insights from the modern slavery risk gap analysis completed by external legal consultants, strengthening and extending its control framework through the year.

BB assesses transactions for ESG risks via the ESG Risk Assessment Tool utilised by IB&M. All loans in BB greater than \$30m are evaluated through this process with additional due diligence applied. This review is completed by the relationship executive and reviewed by the appropriate risk officer; medium and high ESG risk customers are subject to additional due diligence and escalated depending on the level of risk.

In addition, ESG risks are considered and documented in commercial lending applications for customers with turnover over \$3m via our commercial lending process and our customer relationship teams are invited to participate in "Modern Slavery and Business Finance" eLearning to support them to understand and mitigate Modern Slavery risks evident in their customer's business operations.

### Assessment of effectiveness

We will continue to build capability in identifying, assessing and mitigating modern slavery risks by focussing on selected higher-risk industries and jurisdictions and through ongoing refinement of the thresholds applied in the ESG Risk Assessment Tool. Combined with improved awareness and education, this will support the business to better identify modern slavery red flags, understand how to respond, and learn how to manage and mitigate these risks.



### Internal collaboration

Leveraging and supporting the work of IB&M to update the ESG Risk Assessment Tool and the rollout of ESG and Modern Slavery eLearning;



### Process simplification

Enhancing existing tools with user experience refinements and inclusion of prompts designed to make it easier for our people to understand our human rights obligations and apply them to lending decisions;



### Education and awareness

Deployment of ESG and Modern Slavery eLearning and Agribusiness Masterclasses to more than 300 frontline team members; and



### Risk appetite

Ongoing review of the results of the ESG Risk Assessment Tool.

We are considering opportunities to improve how we assess the effectiveness of our mitigation actions. We plan to expand upon disclosures for completion of training, outcomes from ESG assessments, and responses to issues identified by stakeholders, customers and other external sources.

The focus in FY20 has largely been in our client facing businesses and our main suppliers. Opportunities to expand the reach of our Modern Slavery Risk and Control Assessments will be considered in FY21.

## CFS

### Mitigating actions

The CFS investments team commenced assessing the risks of modern slavery through an extensive questionnaire sent to all the CFSIL external fund managers. Responses to the questionnaire guide the nature of its engagement with external fund managers and modern slavery due diligence. The approach taken by CFS is driven by the guiding principles laid out in the Responsible Investment Policy.

Periodically, the CFS investments team engages with its external fund managers to discuss their ESG research approach. For example, this includes questions on how the fund manager is working with companies to improve human rights practices and policies, gain greater transparency over supply chains, and rectify and remediate issues when they occur.

CFS is a signatory of the Principles of Responsible Investment (PRI) and follows the PRI's six principles, which include incorporating ESG issues into investment analysis and decision-making processes.

### Assessment of effectiveness

The actions undertaken to date are an improvement in identifying, assessing and addressing modern slavery risk, however, they recognise further work is required to identify, assess and address modern slavery risk in their supply chain and operations, and achieve greater effectiveness in mitigating modern slavery risks.

For FY20, the effectiveness of CFS' mitigation actions are considered through:



#### Internal collaboration

Adoption of EPP's policies and processes for managing supplier risks and implementation of human rights compliance clause in new and renewing supplier contracts;



#### Education and awareness

Roll-out of ESG and modern slavery training has been impacted by the Group's initial response to COVID-19, but refresher training will continue to be delivered annually; and



#### Coverage, receptiveness and response

The analysis of responses from Investment Managers surveyed issued in FY20 identified that 99% of investment managers are aware of the Australian modern slavery legislation, and 77% of them have, or are developing, policies or procedures to assess and manage modern slavery risks. The analysis of portfolio holdings across CFSIL will inform the conversations with their managers around the level of modern slavery risk involved.

## ASB

### Mitigating actions

ASB business customers' operations are primarily New Zealand-based, which provides a national context of strong labour legislation and employee protection, reducing risk when workers are employed directly. Modern slavery risk is most likely to be present and embedded in the supply chains of its business customers who source products or services globally.

ASB has aligned the Group's E&S Policy and Framework with the New Zealand context, reconfirming its commitment to identify and address modern slavery risk. ASB have convened a modern slavery working group with membership from Corporate Responsibility, Corporate and Business Credit Risk, Procurement, Wealth, Legal and Risk.

In its Corporate and Business Banking teams, all loans of \$30m and more must be evaluated through the Group ESG Risk Assessment Tool. This includes a specific labour rights and modern slavery screen.

An assessment of inherent modern slavery risk has been undertaken for the investment arm of ASB's Wealth unit. At a fund level, ASB has exposures to

some countries deemed to be high risk according to the Global Slavery Index (e.g. Philippines, Thailand and Malaysia). This reflects the geographic range of individual investments as well as the mainly index-tracking nature of our product sets.

Mandatory training on the ESG Risk Assessment Tool forms part of the induction process for all new starters in relevant business areas, with training rolled out annually. During FY20, ASB adapted the Group modern slavery eLearning module to include specific New Zealand content and rolled this out to key staff.

### Assessment of effectiveness

ASB's actions cover the three key areas of customers, suppliers and investment activities. We have focussed on identifying risk and building awareness.



### Collaboration

Internal and external collaboration is important to assessing the effectiveness of its client, supplier and investment mitigation actions. Including active participation in CBA Modern Slavery forums and through building relationships with not-for-profits and public entities that can advise on best practice;



### Education and awareness

Improved foundational knowledge and awareness among customer-facing, risk and credit staff. Inherent risk is better understood through training;



### Technology and processes

Strengthened internal systems to better understand modern slavery risk among suppliers, and increased awareness among staff. The clarity and usability of the ESG questions were tested with internal stakeholders and selected suppliers. ASB's Request for Proposals and annual due diligence questionnaires to investment managers and consultants, will require information about their policies relating to modern slavery; and



### Coverage, receptiveness and response

ASB leverages Group tools, and applied the ESG Risk Assessment Tool to all loans above the \$30m loan threshold. ASB will take a phased risk-based approach to increase coverage across the wider Corporate and Business portfolio.

## Next steps

Our program of work is iterative, and we will continue to build on the foundations of the work we have conducted in recent years to address any gaps, and improve the efficiency and effectiveness of existing policies, programs, practices, awareness and reporting.

Some of the actions we will consider and seek to implement during FY21 include:



### Culture and conduct

- Requirements for group-wide training and awareness on modern slavery.
- Re-issue existing ESG and modern slavery eLearning, which was previously impacted by COVID-19.



### Supply chain

- Expanding supplier risk assessments to more suppliers.
- Complete assessments of our highest risk suppliers and consider audits to target modern slavery.
- ASB to launch a new supplier life cycle management system 'SupplyRight' that requires ESG and modern slavery information from all existing and new suppliers.
- Leverage the results from the investment manager surveys to identify risks and any required mitigation.



### Financial Crime

- Design and delivery of a consolidated financial crime learning curriculum that aligns to priorities, and gaps identified in the training needs analysis.
- Embedding controls aligned to updating/creating, assigning, delivering and reporting on training to meet our financial crime obligations on an annual/triggered event basis.



### Customers and clients

- Review and update Environmental and Social Policy and consider requirements for further commitments.
- Review of \$30 million threshold for Business Banking to apply ESG Risk Assessment process.
- Continue the annual review and update of inherent risk levels in the ESG Risk Assessment Tool.

This Statement will be reviewed and updated annually.

This Statement is approved by the Board of the Commonwealth Bank of Australia.

**Catherine Livingstone AO**

Chairman

2 March 2021

# Appendix 1

## Reporting Entities for the Group

### Legal Names of Reporting Entities

- Commonwealth Bank of Australia
- ASB Bank Limited
- Medallion Trust Series 2008-1R
- Colonial First State Group Limited
- ASB Holdings Limited
- Commonwealth Insurance Holdings Limited
- Colonial Holding Company Limited
- CBA Covered Bond Trust
- Colonial First State Investments Limited
- BWA Group Services Pty Ltd
- Residential Mortgage Group Pty Ltd
- Medallion NZ Series Tr 2009-1R
- Commonwealth International Holdings Pty Limited
- ASB Finance Limited
- AHL Holdings Pty Limited
- Commonwealth Securities Limited
- CMG Asia Pty Ltd
- CMG Asia Life Holdings Limited
- Covered Bond Trust Limited

# Appendix 2

## Mandatory Reporting Criteria

This Statement complies with the requirements of the *UK Modern Slavery Act 2015* and the mandatory criteria for the *Australian Modern Slavery Act 2018 (Cth)*. The following table references the content in this Statement which complies with Section 16 of the Australian legislation.

Modern Slavery Act Mandatory Criteria	Modern Slavery and Human Trafficking Statement 2020 Page Reference
Identify the reporting entity.	Page 1 and Appendix 1
Describe the structure, operations, and supply chains of the reporting entity.	Pages 1, 2 and 4
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.	Pages 3 – 6, 8 and 9
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Pages 5, 6, 8 - 10
Describe how the reporting entity assesses the effectiveness of such actions.	Pages 7 - 11
Describe the process of consultation with any entities that the reporting entity owns or controls. In the case of a reporting entity covered by a statement under Section 14 – the entity giving the statement.	Page 3
Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	Page 12