

KPMG Australia's

MODERN SLAVERY STATEMENT FY21

KPMG

Message from the Chairman and Chief Executive Officer

KPMG Australia is proud to report on our ongoing action to understand, identify and address the risk of modern slavery in our operations and supply chains for our 2021 reporting period.

KPMG Australia recognises the significant impact that the COVID-19 pandemic has had on the lives and livelihoods of people around the world. We are particularly aware of the increased vulnerability of workers in global supply chains. Increased demand pressures coupled with factory shutdowns, order cancellations and workforce reductions have disproportionately affected supply chain workers and increased their exposure to modern slavery and other forms of exploitation and harm.

We have worked closely with our critical strategic suppliers over the reporting period to support them meaningfully through the COVID-19 pandemic as highlighted in this statement, while continuing to take important steps to mature our response to modern slavery.

While KPMG Australia has not identified any specific instances of modern slavery harm, we have continued to apply our robust methodology to review areas in our operations and supply chain where risk factors of modern slavery may exist and coalesce. In this reporting period, following extensive consultation, we have identified additional risk areas to guide our prioritisation and mitigation actions.

We have refreshed our [Human Rights Policy](#), endorsed a firm wide risk appetite statement, included modern slavery awareness in firm wide training, and scoped an impact measurement framework to track our progress against key performance indicators. While we acknowledge that this is necessarily an ongoing program of work, we are pleased with the progress we have made in this reporting period and have set ambitious goals for the next reporting period.

We are committed to the long term change we can all make if we act to prevent modern slavery and we welcome the global leadership role taken by the Australian Government in combating modern slavery through the establishment of the *Modern Slavery Act 2018*.



Alison Kitchen
Chairman of the Board



Andrew Yates
Chief Executive Officer

The Modern Slavery Statement is approved by the National Executive Committee and Board of KPMG Australia.

At a glance

KPMG is an Australian partnership. This statement is made on behalf of KPMG and its Associated Entities (KPMG Australia) including KPMG Financial Advisory Services (Australia) Pty Ltd, KPMG Holdings (Australia) Pty Ltd and KPMG Australian Services Pty Ltd as trustee for the KPMG Australian Service Trust.

Below is a high-level summary of KPMG Australia's FY21 modern slavery approach and how we are tracking. The subsequent sections align with the mandatory reporting criteria and provide detailed information about our modern slavery response. The identified risks and controls in place or actions taken apply to each of the above named entities.

Our commitment

In our second modern slavery statement made in fulfilment of the requirements of the Modern Slavery Act 2018 (Cth), we are pleased to be able demonstrate a further maturing of our response to modern slavery risk management. A critical development in our modern slavery response over the past year has been our finalisation of KPMG Australia's Modern Slavery Risk Appetite Statement (MS-RAS). The MS-RAS supports the effective identification and management of the risk of harm to people in KPMG Australia's operations and supply chain, including our business, investment and alliance partners. KPMG Australia will look to embed the MS-RAS into operational processes to ensure that we are taking all reasonable steps to fulfil our corporate responsibility to respect human rights by preventing, mitigating and addressing modern slavery related harm. Critically, it empowers our staff and partners to make decisions that place the risk of harm to people as a result of modern slavery practices at the centre of our considerations.

Vulnerability in the context of the coronavirus (COVID-19) global pandemic

As we make this statement, in September 2021, the world continues to deal with the coronavirus (COVID-19) global pandemic, including vaccine rollouts, surges of third and fourth waves, and prolonged impacts of the ongoing crisis. This has influenced our approach to managing modern slavery risks throughout the FY21 reporting period. In this statement, we highlight the considerations we have put in place, including for our suppliers, and how we are raising awareness of the enhanced vulnerability of workers to exploitative labour practices, and breaches of human rights that may give rise to situations where modern slavery practices occur.

We continue to work with and support our suppliers, associated entities and clients through the challenges they have experienced during the pandemic and send our thoughts and best wishes to our colleagues in parts of the world who have been suffering through additional waves of COVID-19.

Our risks: understanding modern slavery

The risk of modern slavery taking place is elevated when vulnerable populations, high-risk business models, high-risk categories, and high-risk geographies coalesce. In this Modern Slavery Statement, we set out how we have assessed our risk areas and describe them in detail. While KPMG Australia has again not yet identified any specific instances of modern slavery harm in this statement period, we have reviewed our potential risk areas in our operations and supply chain (refer to page 10). In this year's statement we report on additional risk areas following extensive consultation across the firm. These include our alliances, acquisitions, e-waste and branded goods. We will continue to review and report on our risks as they evolve over time.

Our actions: how are we tracking?

KPMG Australia is committed to transparently reporting on our actions and their effectiveness. We encourage others to do the same to improve our response and open a dialogue about effective measures in addressing modern slavery. For us, there are two aspects to reporting on and evaluating our actions: continuous improvement and measuring our impact over time.

Continuous improvement of our policies, systems and controls

First, as part of our continuous improvement approach, we have assessed the maturity of our policies and frameworks, systems and controls and remediation mechanisms. This is in line with the international minimum standards for human rights due diligence set out in the *United Nations Guiding Principles on Business and Human Rights*.

KPMG modern slavery maturity tracking and FY21 actions

Progressive
tracking of maturity (FY21)



Progressive
tracking of maturity (FY20)



Baseline
modern slavery diagnostic assessment (FY19)



- Optimised** Processes at this level are focused on continuous improvement of the organisational response to the same events through both incremental changes and innovation, and are recognised as high value add function of the organisation.
- Managed** Processes at this level have a common and consistent understanding, having been formalised and subject to continuous improvement. These processes provide consistent practices and outcomes in response to the same events. Such processes are typically integrated within wider organisational processes.
- Defined** Processes at this level are, in some key functions, standard processes that may be subject to some infrequent degree of improvement over time. These processes provide mostly consistent practices and outcomes in response to the same events.
- Informal** Processes at this level are unlikely to be rigorous, however, processes are informally established and understood, providing some consistency in response to the same event.
- Ad hoc** Processes at this level are in a state of dynamic change, tending to be driven in an ad hoc and reactive manner, providing an inconsistent response to the same events.

Overview of FY21 actions

This year we have shifted the dial by advancing our maturity in nine key areas, while also maintaining our program of work in other elements. By finalising KPMG's Modern Slavery Risk Appetite Statement (MS-RAS) we aim to ensure all reasonable steps are taken to respect human rights by preventing, mitigating and addressing modern slavery related harm, and move our efforts beyond compliance to meaningful change.

In FY21 we have continued to evolve our modern slavery risk management measures across our operations and supply chain, identified emerging new risks, and reviewed our Human Rights Policy.

Measuring our impact over time

We recognise the critical importance of measuring the outcomes of our efforts and evaluating effectiveness and long-term impact. That's why in FY21 we have defined the impact we want to have and scoped a Measurement and Evaluation (M&E) Framework which will enable us to track the effectiveness of our due diligence actions in line with good practice. Implementing the M&E framework will be a key focus in FY22.

Our forward commitments

We want to take a leading approach to managing modern slavery risk, so we are committed to a sequential, phased approach. Last year, we committed that in five years, our ambition is to be recognised as a leader for our:

- innovative approaches to managing modern slavery and human rights risks;
- human rights and modern slavery impact measurement;
- collaboration with rights-holders (being people whose rights may be potentially affected); and
- commitment to meaningful remediation of harm (if identified).

FY21 Actions

Each year we intend to honestly and transparently set out the actions we have completed and critically consider the effectiveness of our efforts. This year, we have taken action across a range of key areas to mature our response to managing modern slavery related risks. These actions are outlined in detail at the section *Our actions in detail to assess and address modern slavery risks*.



Human rights commitment

- ✓ Completed first scheduled review of our Human Rights Policy
- ✓ Finalisation of KPMG Australia's Modern Slavery Risk Appetite Statement (MS-RAS)
- ✓ Formalised a new Contingent Workforce Policy that considers modern slavery risk

Grievance mechanisms and remediation

- ✓ Finalised and published our Human Rights Remediation Policy

Management systems and controls

- ✓ Modern slavery risk identification process identified an additional four risk areas
- ✓ Client risk assessment and engagement risk assessment processes now incorporate human rights and modern slavery data points
- ✓ Streamlined alliance due diligence and embedded explicit modern slavery risks into how we engage with and onboard alliance partners
- ✓ All high-risk vendors are either in the process of being assessed or have been assessed for modern slavery related risks
- ✓ Brought our hospitality services management under our central Supplier Risk Management Framework to ensure modern slavery risk is assessed
- ✓ Risk-based alignment plans for high-risk suppliers and workflows have been streamlined and embedded in procurement business as usual practices
- ✓ Formalised and embedded a supplier capability building approach for procurement
- ✓ Smaller suppliers were trained by the Head of Procurement on modern slavery, how it might affect their businesses, our Supplier Risk Assessment Framework and related expectations
- ✓ Content on modern slavery has been incorporated into our mandatory whole of firm 'Acting with Integrity' training module
- ✓ The procurement approach to monitoring of supplier alignment plans and tracking of suppliers has been formalised
- ✓ Scoped a Measurement and Evaluation framework to evaluate the effectiveness and long-term impact of KPMG's modern slavery program
- ✓ Undertook consultation with KPMG PNG to assist it to understand and manage its potential modern slavery risk

Our structure, operations and supply chain

For completeness, where our structure, operations and supply chain have remained the same over the reporting period, we have re-stated the same information in this statement.

About Us

KPMG is a global network of professional firms providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world.

Services provided are different in every country but at KPMG Australia our service areas are:

- Audit, Assurance & Risk Consulting
- Deals, Tax & Legal
- Management Consulting
- and our mid-market practice, KPMG Enterprise.

In Australia, KPMG has a long tradition of professionalism and integrity, combined with our dynamic approach to advising clients in a digital-driven world. We employ almost 10,000 people and partners in Australia, with offices around the country.

Our deep expertise has seen us work with renowned companies to help them solve complex challenges, steer change, disrupt sectors and grow. Collaboration and innovation are ingrained in our approach, with our people aiming to provide genuine, sustainable value for our clients.

How you grow matters

KPMG Australia is dedicated to helping our clients grow – sustainably, collaboratively, resiliently and compassionately.

We believe that growth shouldn't come at all costs, and our growth should better us all, beyond today.

Our [values](#) integrity, excellence, courage, together, for better – guide everything we do. Doing what is right and doing what matters is core to how we operate.

As well as working with our clients, we contribute in voluntary and pro bono capacities to build stronger and more resilient communities. We work with community partners to help solve challenges with a core focus on Indigenous Reconciliation and Climate Action through our [Reconciliation Action Plan](#) and Climate Action Plan. We value inclusion and diversity, fostering a positive and encouraging culture. As a result we attract passionate individuals who share a common purpose of '[Inspiring Confidence and Empowering Change](#)'.

KPMG is also committed to positive impact and delivering purpose-led services that help our clients respond to their Environmental Social and Governance risks. This is critical as our clients seek to understand social risk and respond to an emerging global regulatory landscape increasingly requiring mandatory human rights due diligence. KPMG Australia has an experienced, dedicated business and human rights consultancy, KPMG Banarra. Our human rights specialists work with business, government and not-for-profit organisations to identify the risk of harm to people, build internal capability to understand that harm, design practical solutions to address it, and, where appropriate, give our clients confidence that their approaches are effective.

KPMG Australia leads KPMG's Global Business and Human Rights Network, convening human rights, social impact and sustainability professionals from across our global network. KPMG Australia has embedded our human rights specialists in our business-led response, drawing on their expertise to inform our approach.

Responding to the risk of modern slavery in our operations and supply chain is not a once off, tick-and-flick exercise. To make a meaningful difference we know we must take a sequenced and structured approach, strive for continuous improvement, and constantly refer to our commitment to the Ten Principles of the United Nations Global Compact as well as the United Nations Sustainable Development Goals.

We encourage our clients, suppliers, and other businesses to join us in our commitment. We invite government and civil society to partner with us in driving accountability as we learn together.

Where we operate

The global KPMG network consists of separate independent firms that individually provide Audit, Tax, and Advisory services to a wide variety of public and private sector organisations. KPMG in Australia is a member firm of the KPMG organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Further details about KPMG International and its business, including our relationship with it, are available in the [2020 KPMG International Transparency Report](#).

KPMG Australia's primary focus is to serve clients based in Australia. KPMG operates in Australia through the KPMG Partnership (Australian Partnership) and other associated entities, including KPMG Financial Advisory Services (Australia) Pty Ltd, KPMG Holdings (Australia) Pty Ltd and the KPMG Australian Services Pty Ltd as trustee for the KPMG Australian Service Trust. KPMG Australia has offices in Adelaide, Brisbane, Canberra, Darwin, Gold Coast, Hobart, Karratha, Melbourne, Newcastle, Parramatta, Penrith, Perth, Rhodes, Sydney, and Wollongong.

KPMG Australia opened a Newcastle office this year in response to the dynamic and growing regional economy of the Hunter region, comprising Newcastle, Port Stephens and the Hunter Valley.

The Australian firm also has two other KPMG practices sublicensed to use the name KPMG: KPMG Papua New Guinea (which is ultimately controlled by KPMG Australia) and KPMG Fiji Islands which became controlled by KPMG Australia effective from 1 July 2021. Both are known as "Sublicensees." The Australian Partnership and the Sublicensees are separate partnerships. Under the terms of the Sublicense Agreement, the Sublicensees agree to conduct their affairs in a manner consistent with the objectives, policies, standards, and procedures adopted by the Australian firm, which seeks to maintain the prestige and high professional standards associated with the KPMG name.

KPMG Australia holds a small number of minority shareholder interests in entities based in Australia. KPMG Australia also holds a very small number of minority shareholder interests in overseas operations, which we co-own with other KPMG firms and which we do not control. These include an entity based in Hungary that provides taxation services to KPMG clients globally, as well as entities associated with the regional and global KPMG network that do not provide client services. These minority stakeholder interests have not changed materially over the reporting period.

KPMG Australia also trades in New Zealand as a result of the acquisition of KPMG First Point Global, a cyber-security firm. This entity largely provides services from Australia but there continues to be a presence in New Zealand.

KPMG Australia is proud of the valuable contribution these overseas operations make to our clients and our business. We recognise that overseas operations can create a perception of an elevated risk of modern slavery. We explain below how we have considered the level of risk as well as our risk management steps.

COVID-19

One unexpected COVID-19 impact has been the shift from actual secondments from KPMG member firms in other jurisdictions to support capacity during audit season, to virtual secondments. To support work that may be co-delivered by KPMG Global Services (KGS) in India, we are working with member firms including KPMG Singapore, Malaysia, Philippines, New Zealand and South Africa to build out capacity. We have entered into an agreement to utilise auditors via virtual secondment from KPMG international member firms to manage demand. The shortage of auditors across Australia has been well documented, with the Australian Public Policy Committee (APPC) recently making a submission to the Joint Standing Committee on Migration requesting that external auditors be urgently added to the Priority Migration Skilled Occupation List (PMSOL). The submission looks at the impact of audit skills shortages on capital markets, as well as the challenges around accounting firms' recruitment and retention efforts. The Federal Government recently announced the addition of 22 occupations to the PMSOL, including external and internal auditors, which is welcome news. We have assessed the virtual secondments as low risk for modern slavery related harm. We rely on member firm's adherence to local laws and regulations and consider auditors to be a low risk profession for modern slavery related harm.

Where we source

The majority of goods and services that we procure come from suppliers and contractors based in Australia.

Our major categories of procurement include:



Human Resources



IT & Technology



Marketing



Professional Services



Hospitality



Property & Operations



Global Mobility & Travel

FY21 source locations

KPMG Australia's direct overseas supply chain includes seven offshore vendors, the majority of which are in India, with the others in the Philippines and Vietnam. These vendors provide outsourced IT and tax-related services to KPMG Australia. Some of these vendors are owned by one or more KPMG member firms (not including Australia) that operate within a global KPMG delivery network.



RISKS	ACTIONS	EFFECTIVENESS
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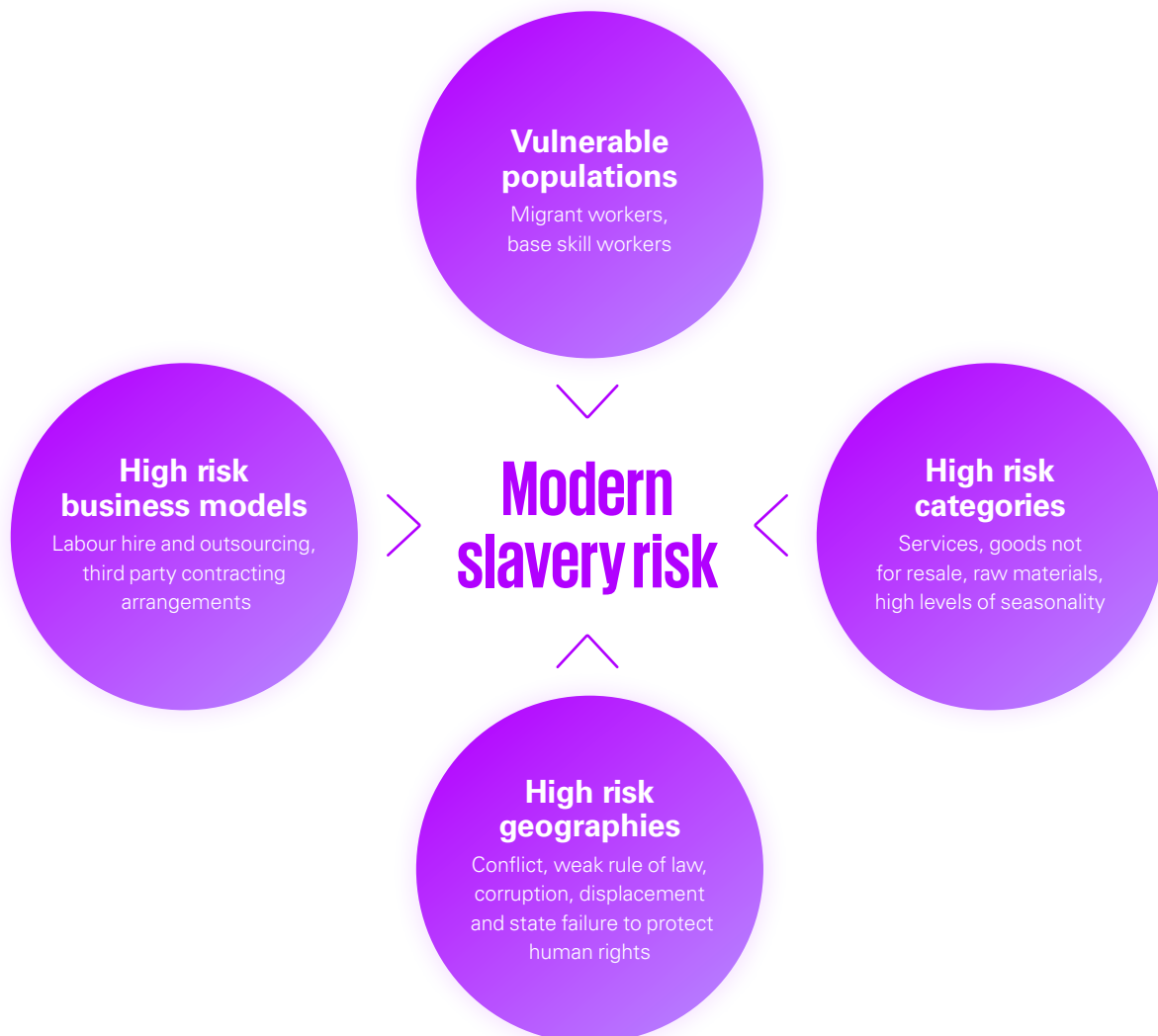
Our modern slavery risk areas

The behaviours and practices which constitute modern slavery are serious human rights violations. Modern slavery practices include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.

KPMG Australia understands modern slavery risk refers to the potential adverse impact an organisation can have on labour-related rights.

The presence of modern slavery can also be linked to broader human rights impacts and challenges.

To identify areas of higher risk, KPMG Australia considered four key factors that elevate the risk of, or the perception of, the potential for modern slavery. These four key factors have remained the same from our last statement but will continue to be reviewed annually. This reporting period we specifically considered how COVID-19 may have made some cohorts more vulnerable.

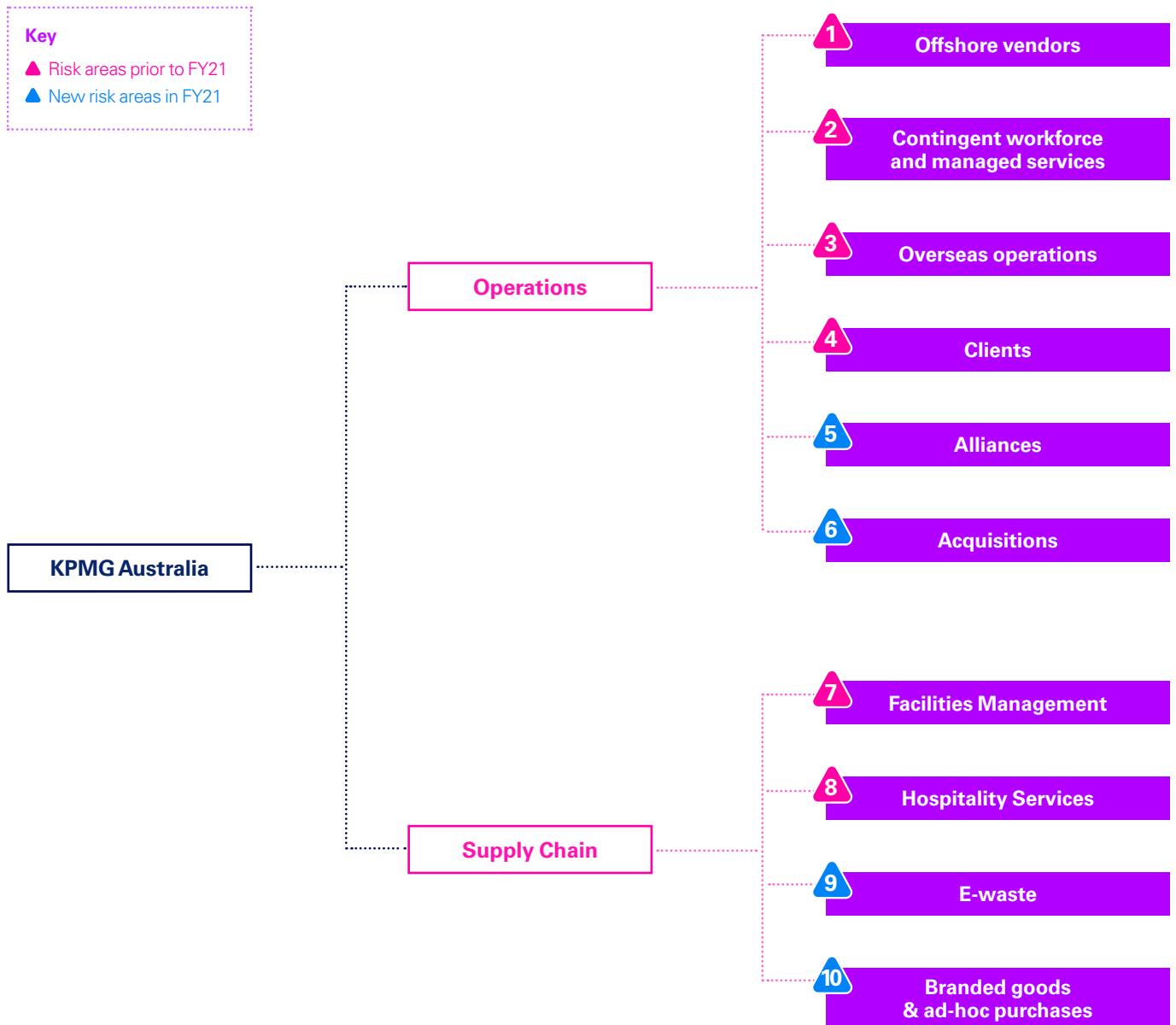


RISKS	ACTIONS	EFFECTIVENESS
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Where multiple modern slavery risk factors co-exist there is a higher potential or likelihood of actual harm being experienced. KPMG Australia has not yet identified any specific instances of modern slavery harm. We have, however, identified the following risk areas in our operations and supply chain where the perception of or potential for risk factors of modern slavery exist. These have been reviewed and refined over the reporting period and an additional four risk areas have been added: alliances, acquisitions, e-waste and branded goods.

Identification and review of our risk areas has helped KPMG Australia focus our efforts on where there is more likely to be the risk of harm to people, while at the same time enhancing our overall modern slavery risk management approach. Where we have sought to address modern slavery in our risk areas by adding additional measures and controls, we have called this out in the action section of this statement.

KPMG Australia FY21 risk areas



RISKS	ACTIONS	EFFECTIVENESS
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1 Risk Area

Offshore vendors

The Asia-Pacific region has the largest concentration of people in slavery-like conditions. KPMG Australia has seven offshore vendors, most of which are located in India, with others in the Philippines and Vietnam. These vendors provide outsourced IT and tax-related services to KPMG Australia. In the future, some off-shore vendors will be governed by a globally managed KPMG Delivery Network. KPMG Australia has identified that some of the countries in which our offshore vendors operate are at a higher risk of potential modern slavery practices on the basis of their geography.

3 Risk Area

Overseas operations

KPMG Australia interacts with several overseas jurisdictions, by virtue of the particular offshore entities within its own corporate structure as well as the external vendors previously described. The level of influence that KPMG Australia has over its group operations varies significantly, and it is acknowledged that there could exist perceptions of higher risk of modern slavery practices occurring because these operations exist in higher risk geographies.

5 Risk Area

Alliances

Strategic alliances can provide great benefit, allowing KPMG Australia to pool knowledge and resources with another business in a manner which is less binding than a joint venture and retains its independence. The companies that KPMG allies itself with could bring with them processes and practices that are not aligned with good practice in relation to identifying and managing modern slavery risk.

2 Risk Area

Contingent workforce and managed services

KPMG Australia's contingent workforce continues to grow. KPMG Australia's contingent workforce has traditionally comprised highly skilled specialists engaged to provide professional services at times of high demand. Recent developments in client requirements have seen the workforce supplemented by base-skilled workers, who perform repeatable administrative and clerical services as part of managed service offerings. Base-skilled workers can be at a higher risk of modern slavery, particularly where there is an intersection with offshore vendors.

4 Risk Area

Clients

KPMG Australia's core business is the provision of professional services to clients. If any of our clients were associated with slavery-like practices we could be inadvertently linked to such practices through the provision of our services.

There is also a risk of a relationship with individuals or entities that may be implicated in modern slavery practices in their operations or supply chain, particularly in cases where we may have limited visibility of an entity's model of business.

6 Risk Area

Acquisitions

Corporate acquisitions form a key part of KPMG Australia's growth agenda. The companies that KPMG Australia acquires could bring with them processes and practices that are not aligned with good practice in relation to identifying and managing modern slavery risk.

RISKS	ACTIONS	EFFECTIVENESS
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7 Risk Area

Facilities management

KPMG Australia's facilities management team procures various categories of services including cleaning, mechanical, hydraulics, electrical, information technology, hygiene specialists, commercial kitchen appliances, and installation and maintenance services in relation to carpets, sliding doors, plants, and general maintenance. The workers in the facilities management supply chain can be from vulnerable populations, including base-skilled workers and workers from migrant, low socioeconomic, or culturally and linguistically diverse backgrounds. This elevates the risk of potential modern slavery practices if not managed appropriately.

9 Risk Area

E-waste

The disposal of e-waste is notoriously difficult to track. Companies in the professional services sector often contract third parties to dispose of their e-waste such as computer monitors and printers. Most of these companies try and refurbish the e-waste. However, e-waste that cannot be refurbished is usually sent to another recycler.

There is evidence that some Australia-based third-party recyclers transport the hazardous e-waste out of Australia, despite it being illegal to do so. The illegal e-waste market has reported frequent human rights breaches including the use of child labour and hazardous work conditions.

8 Risk Area

Hospitality services

KPMG Australia values all the people who provide services to us. We have identified that where we must rely on third party labour hire, such as in the provision of our Australian hospitality services, this increases the potential for poor practices if we lose visibility over how that labour relationship is managed. This risk may be heightened if workers come from vulnerable backgrounds, which can be the case in hospitality. This risk is significantly mitigated in the current financial year due to additional controls and the reduced use of hospitality services as a result of COVID-19.

10 Risk Area

Branded goods & ad-hoc purchases

KPMG Australia will often procure promotional or marketing goods for corporate functions and/or internal use in a decentralised manner by individuals and teams. Such goods can often be mass produced at low cost, and where appropriate due diligence on the vendors is not completed there is potential for poor labour practices which are not visible to us. This risk is heightened because such goods may be sourced from countries identified as high-risk of modern slavery and produced by workers from vulnerable backgrounds. An example of this is the ad-hoc purchase of face masks and hand sanitiser in response to the COVID-19 pandemic.

RISKS	ACTIONS	EFFECTIVENESS
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Continuing to work with our supply chains to manage COVID-19 modern slavery risk

During a period of global uncertainty impacting lives and livelihoods due to the COVID-19 pandemic, KPMG Australia recognises the changing risk profile of supply chains across the world due to factory shutdowns, order cancellations and workforce reductions disproportionately affecting vulnerable workers and increasing their exposure to modern slavery and other forms of exploitation.

There are a variety of reasons why some workers may be more vulnerable to modern slavery. Loss of income or fear of loss of income, low awareness of workplace rights, requirements to work excessive overtime to cover capacity gaps, increased demand due to supply chain shortages or the inability to work in a safe environment, free of illness, or safely return to home countries. We have worked closely with our suppliers over the reporting period to support them through the COVID-19 pandemic while also taking important steps along our journey to mature our response to modern slavery.

On the whole, KPMG Australia has not had any material impact on its operations due to COVID-19. Critical vendors tend to be technology providers and these vendors are managed centrally and have contingency plans in place if vendors are impacted. Much like other businesses across the world, orders of laptops and other critical IT infrastructure have been delayed due to a global increase in demand and supply issues caused by shipping disruption and a shortage of critical inputs. At the beginning of the pandemic there were challenges in accessing hand sanitiser and PPE, although this was quickly resolved due to an increase in national supply.

KPMG Global Services (KGS) is one of our most strategic offshore relationships and is utilised by several countries in the KPMG network. While we have continued to engage with KGS to enhance their modern slavery response as identified in the last reporting period, we have also been mindful of the impact of COVID-19 on the workforce in India.

To support KGS and help reduce risk of modern slavery on vulnerable workers we have implemented several measures over the reporting period:

Work From Home (WFH) measures

We have collaborated with KGS to rapidly allow employees to work from home to minimise the risk of infection. All KGS team members were provided with the necessary equipment and support, including 24-hour IT assistance and shifting performance management and team correspondence processes to online platforms to ensure that team members are able to consistently and efficiently work from home. This has been accompanied by a 1:1 counselling helpline being made available to team members to support them as well as frequent communications including updates regarding COVID-19 and relevant safety guidelines. Moreover, KGS team members have been given additional days of paid leave to give them time and space to rest and recharge.

Returning to Work & Vaccines

Throughout the COVID-19 pandemic, we have been closely monitoring the situation in India and in constant communication with our KGS colleagues. Whilst we remain cautious of employees returning to office locations, we are supporting KGS in making the necessary preparations for a safe return of workers at an appropriate time and in practical locations. Working From Home arrangements are expected to continue while the severity of the impact on our employees is present. These preparations include extensive measures to optimise hygiene standards in offices, including increased frequency and intensity of cleaning, fumigation of offices and provision of additional alcohol-based hand sanitisers, as well as the KGS Leadership Team having daily meetings to discuss developments and implement new practices on an ad-hoc basis. KPMG in India has also partnered with hospitals to encourage and facilitate vaccinations of our workers and their dependents – at the end of the reporting period we are aware of approximately 12,000 doses that have been administered, with a further 3,000 underway.

RISKS	ACTIONS	EFFECTIVENESS
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Workforce Contingency Planning

We have been proactive in responding to the constraints caused by COVID-19 in order to limit pressure on our employees while ensuring that our overall performance remains strong. A key part of this approach has been our contingency planning to respond to staff shortages ahead of the audit 'busy season' by seconding resources from other KPMG Member Firms. We are in the process of rapidly recruiting, onboarding and training approximately 100 team members from 10 different KPMG Member Firms to support our onshore audit teams. By leveraging our wide network of Member Firms we have been able to increase our pool of audit resources, thus allowing for a responsible approach to COVID-19 without placing excessive stress on those affected by the crisis.

In addition to working with our critical technology vendors, KPMG has implemented several measures across our entire supplier base to help reduce COVID-19 related modern slavery risk.

These include:

- Conducting a whole of firm review of our small business payment terms – reducing 30 day payment terms to between 14 to 21 days to assist with financial viability and cashflow;
- Avoiding the varying of contracts unreasonably or seeking discounts from suppliers to help ensure their viability and impact on vulnerable workers;
- To ensure the safety of our contracted cleaning staff, we identified high COVID-19 risk areas and contracted this work at a premium to cover the cost of PPE equipment required to keep staff safe. We have also had conversations with these vendors to ensure their staff safety is maintained;
- Recognising that some of our service suppliers have been significantly impacted by COVID-19, we have worked with them to improve payment times and extended contracts to maintain sustainability; and
- We have continued existing supplier due diligence processes and adjusted these processes where necessary to ensure risks linked to evolving supply chains and changing workforce structures are identified and addressed.

Our continued journey with Soho Property Service

An example of these practices in action is our response to our cleaning contract in Sydney with Soho Property Services (Soho). In FY20 we profiled our engagement with Soho, who have sought to mature their modern slavery response as a result of our engagement with them. Given the temporary office closure in Sydney in FY21, the need for cleaning services decreased over this period. We continued to work with Soho as Sydney opened again and provided them with employment opportunities, whilst our traditional office cleaning scope was reduced. We also worked closely with all our cleaning providers on deep cleaning and sanitising which provided employment opportunities as office patronage was reduced.

We also understand the impact of COVID-19 on the travel industry in general and have extended all travel related agreements at pre-COVID-19 rates and not looked to negotiate discounts.

RISKS

ACTIONS

EFFECTIVENESS

Our actions in detail to assess and address modern slavery risks

KPMG Australia's modern slavery response is informed by the *United Nations Guiding Principles on Business and Human Rights*. We understand that human rights due diligence is an ongoing process – one which is most effective when it is embedded in the risk and procurement processes of our business.

As such, we are continuing to put into place appropriate systems and controls to identify and assess our modern slavery risks and integrate those findings to manage them effectively. As a result of our policy commitments, the focus of our implementation is on the human rights that are most relevant to our operations and supply chain, which includes modern slavery as a priority area.

FY21 Actions – in detail

Human rights commitment

✓ Policy review

KPMG Australia completed its first scheduled review of the Board and Executive approved Human Rights policy, updating it to reflect key developments in its policy and processes in relation to Indigenous rights.

The Human Rights policy reaffirms KPMG's commitment and guide our approach to human rights and modern slavery.

The policy is based on a number of international recognised laws, declarations, principles, and voluntary codes. These include the *United Nations Universal Declaration of Human Rights*, the *International Covenant on Civil and Political Rights*, the *International Covenant on Economic, Social and Cultural Rights*, the eight ILO fundamental conventions encompassed by the *Declaration on Fundamental Principles and Rights at Work*, the *United Nations Guiding Principles on Business and Human Rights*, and the *United Nations Global Compact*.

Management systems and controls

✓ Modern slavery risk identification

KPMG conducted a comprehensive modern slavery risk area review over the reporting period to better understand our existing and emerging risk areas. Having completed a review of current international human rights frameworks and the latest trends and data on modern slavery risk, interviews were undertaken with 19 participants across the business and almost 40 documents were reviewed to validate and enhance interviewee responses. The findings were compiled into a detailed report which included insights into areas of improvement for the coming reporting period.

The risk area review identified an additional four risk areas where modern slavery risk can exist: alliances, acquisitions, branded goods and e-waste, as well as processes to be implemented to manage risk.

RISKS	ACTIONS	EFFECTIVENESS
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✓ Due diligence: supply chain

In line with our risk appetite statement, KPMG Australia has no appetite for establishing or maintaining relationships with suppliers or business partners who are not committed to implementing appropriate measures to prevent, mitigate, address or remediate modern slavery related harm.

In FY20 we developed and piloted a Supplier Risk Assessment Framework and process to systematically identify and manage the risks of modern slavery in our supply chain. This year, our public [Supplier Code of Conduct](#) has been updated and tailored to include specific modern slavery related expectations. All our suppliers have received communications regarding our revised Supplier Code of Conduct. Our National Procurement Team follows a formalised process to communicate and socialise our expectations, and to monitor supplier adherence with those expectations.

KPMG Australia has risk-assessed the full list of vendors across the Firm. Vendors have been classified as either high risk, high to medium risk, medium risk and low risk. Overall we have approximately 1,200 vendors with the majority assessed as low risk. Over the reporting period we have:

- risk assessed 70 new vendors through our vendor onboarding process;
- vendors identified as **high risk** have commenced or completed our Supplier Risk Assessment Framework which is a significant step forward in our modern slavery risk management this reporting period;
- 135 vendors identified as **high to medium risk**, have been risk assessed with the remaining vendors in this category due to be risk assessed over the next 12 months; and
- a program of work has been established within the procurement team to ensure that **medium-risk** vendors are risk assessed across FY21 into FY22.

Approximately 30 percent of our vendors are on alignment plans, which is the next step in the due diligence process once the risk level is identified.

The procurement team checks in with these suppliers within 12 months from the original assessment. The initial vendors we assessed as part of phase one have implemented the processes we have flagged as required. An example being Soho Property services which implemented our recommendations within four weeks of our original request.

In addition to risk assessment, KPMG's procurement team continues to look at ways to engage with vendors on modern slavery risk. As part of our investment in building the capability of our suppliers, the Head of Procurement trained smaller suppliers on how modern slavery might affect their businesses and KPMG, our Supplier Risk Assessment Framework and related expectations.

The risk area review identified an additional risk area in the procurement of branded goods and other ad-hoc purchases. To mitigate this risk, further improvements are being considered, including streamlining purchasing and training all staff who make ad-hoc purchasing decisions on relevant risk considerations.

Lastly, our hospitality services management now forms part of the newly established Supplier Risk Assessment Framework under the Procurement Team. Moving hospitality services management under the Supplier Risk Assessment Framework which involves completing the Supplier Due Diligence Questionnaire ensures that our hospitality related vendors adhere to the same modern slavery risk management approaches as our larger vendors. This is appropriate given the heightened risk hospitality workers face given they often engage in base-level work.

KPMG Australia expects its suppliers to be taking action towards meeting or exceeding the requirements set out in KPMG Australia's Supplier Code of Conduct. In the first instance, suppliers are able to demonstrate they are taking action by engaging with KPMG procurement staff and producing documented evidence of what they are doing to manage human rights and modern slavery risks. KPMG Australia will continue to monitor and engage with our suppliers and ask for evidence of what they are doing to manage their modern slavery risk and seek alignment with our expectations.

RISKS	ACTIONS	EFFECTIVENESS
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✓ **Human rights due diligence: operations**

In line with our risk appetite statement, KPMG Australia has no appetite for establishing or maintaining relationships with clients where there is evidence, or a credible allegation, of modern slavery and the client is not taking steps to implement appropriate measures which will mitigate, address, remediate, or prevent future modern slavery related harm.

KPMG Australia has a comprehensive client and engagement risk assessment process in place that screens each client and each engagement. The Client Risk Assessment and the Engagement Risk Assessment are overseen by KPMG Australia's Risk Management function and are conducted through the KPMG Australia Client Relationship Management system.

Over the reporting period guidance was developed on how to interpret and apply the data points within the Client Risk Assessment and the Engagement Risk Assessment, and an escalation channel was established to ensure decision-making consistency.

Over the reporting period we have begun work to incorporate explicit human rights and modern slavery considerations into our Know Your Client processes. We recognise that building the capability of our staff to understand the questions and relevant inputs is critical to achieving effective implementation. The next step in improving our Know Your Client (KYC) process is to train relevant decision makers on how to consistently interpret and apply the human rights and modern slavery data points in the KYC checks.

✓ **Due diligence: Alliances and Acquisitions**

In FY21, KPMG Australia has taken foundational steps to streamline alliance due diligence and embed explicit modern slavery related risk assessment into how we engage with and onboard alliance partners.

New alliances are subject to a standardised process that involves a check for audit independence issues as well as following the Third-Party Risk Assessment (TPRA) process. The TPRA process includes specific modern slavery related questions and standardised modern slavery clauses, similar to the approach we take with suppliers.

When we undertake an engagement with a current alliance partner, the alliance partner is added as an engaging party for the Client Risk Assessment (CRA) and Engagement Risk Assessment (ERA) process which include specific modern slavery related questions.

In addition, KPMG Australia has worked to develop a culture of acquisition due diligence which explicitly embeds modern slavery related considerations into how we assess and bring across acquired entities, their staff and other elements.

KPMG Australia's acquisitions team have incorporated the Regulatory Risk Assessment process into the initial due diligence process, which includes consideration of modern slavery requirements. Once due diligence has been undertaken, engagements being onboarded from the acquired entity must go through the ERA/CRA process which includes specific modern slavery related questions.

RISKS	ACTIONS	EFFECTIVENESS
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✓ **Capability building**

Content on modern slavery has been incorporated into the mandatory whole of firm 'Acting with Integrity' training module. The modern slavery component includes:

- modern slavery legislative requirements
- the KPMG human rights and modern slavery policy commitment
- staff roles and responsibilities in relation to modern slavery risk identification and management.

This modern slavery training component is intended to raise awareness of the issue of modern slavery and KPMG's commitment to a human rights approach to modern slavery risk management.

This year, KPMG also worked with its business and human rights specialists to develop a standalone human rights and modern slavery e-learning module. The module content has been developed, and the roll-out of the module is planned for FY22. The module builds participant capability in understanding the corporate responsibility to respect human rights and identifying modern slavery risk in practice. The module is intended to be a practical supplement to the awareness raising content that has been incorporated into the Acting with Integrity training.

In addition, KPMG has communicated with our people throughout the year to build a culture of awareness around modern slavery. This includes using our internal communication channels to communicate key messages, live webinar events, and the launch of our first Modern Slavery Statement.

✓ **Monitoring and reporting**

Our modern slavery work is ongoing, and the Human Rights Working Group has continued to meet monthly over the reporting period. It continues to be supported by human rights specialists, the policy owners in Corporate Affairs and two executive sponsors – KPMG Australia's Chief Risk Officer and the Chief Operating Officer/Chief Financial Officer.

KPMG Australia has scoped a Measurement and Reporting (M&E) framework in the reporting period which will enable KPMG Australia to track the effectiveness of its due diligence actions and report on our impact. The M&E framework will be implemented in the next reporting period and will include a suite of indicators that track and measure the effectiveness of the key elements of KPMG's modern slavery response. The M&E framework will include short term indicators that can be implemented quickly and longer-term indicators as our approach matures over time.

Grievance mechanisms and remediation

In the last reporting period KPMG Australia conducted a comprehensive review and update of our [Whistleblower Policy](#) and established a rights-aligned interim process for the receipt of complaints and allegations. In our last Modern Slavery Statement, we committed to develop a remediation policy to facilitate the remediation of potential harm through a formal response framework.

Over the reporting period KPMG Australia finalised its remediation policy. The Remediation Policy appreciates the importance of individuals letting us know if our operations and supply chain have created or may create a risk to an individual's human rights and asks that concerns are raised with us. If a concern is raised with us, we will look into the matter and take appropriate remediation steps. Should we identify that we have caused or contributed to an adverse impact, we will cooperate with relevant parties and the authorities in seeking to remediate the impact and reflect our human rights commitments.

Our central concern will be to safeguard the rights and wellbeing of any person who has lodged, in good faith, a concern or grievance and we commit to not take any retaliatory action when concerns of human rights wrongdoing are shared with us.

We have also published our [Human Rights Remediation Policy](#) on the KPMG website.

RISKS

ACTIONS

EFFECTIVENESS

Case study

Supplier Code of Conduct

Price weighting in the procurement process

KPMG Australia continues to use a range of methods to ensure that our broader business and corporate strategy does not inadvertently contribute to modern slavery risks.

This is front of mind for our procurement team. We recognise that when procurement processes emphasise securing the lowest possible cost and rapid turnaround times without additional controls this may contribute to suppliers working excessive hours, making cost savings on labour hire or rapidly increasing workforce size or other modern slavery risks.

KPMG's Supplier Code of Conduct outlines our commitment to source goods and services in a responsible, fair and sustainable manner, and to work with suppliers to achieve this commitment.

There are a range of areas our Procurement team focus on when onboarding suppliers and monitor on an ongoing basis, including: governance and ethics; no forced and child labour; wages and working hours; freedom of association; work, health and safety; diversity and inclusion; environment sustainability; supplier diversity; and anti-bribery and corruption.

In most procurement assessments, pricing only represents one element of the evaluation scoring. At KPMG, we consider more than just price and have established criteria that considers a range of aspects, including promoting a sustainable and inclusive economy. We look to team with suppliers that are working toward similar values which include a commitment to gender equality, upholding human rights and protecting the environment.

A lower weighting on price alongside our Supplier Code of Conduct demonstrates KPMG's commitment to reducing the risk of modern slavery in our supply chains. We remain committed to identifying potential risks throughout our business processes and ensuring that our broader KPIs do not inadvertently contribute to modern slavery risks.

RISKS

ACTIONS

EFFECTIVENESS

Our approach to assessing effectiveness

KPMG Australia has committed to measure the outcomes of its efforts in order to evaluate effectiveness and long-term impact. In this reporting period, KPMG Australia has scoped a Monitoring and Evaluation framework (M&E framework) and recognise that developing a robust, effective, and sustainable monitoring program requires time and resources. We expect the M&E framework to be operationalised over FY22-23. We worked with our business and human rights specialists to scope the M&E framework, drawing on their deep experience in human rights impact assessment and social impact measurement.

In the interim, we are collecting data on suppliers who undertake self-assessment, and conducting engagement risk assessments that flag human rights related issues. We are monitoring client requests for information to understand trends and identify capability building needs.

Our governance model includes the Human Rights Working Group which meets on a monthly basis. We ensure that the modern slavery work streams are managed by a dedicated project management team, who track the implementation process of relevant policy commitments, due diligence processes, and frameworks. Specialist input supports the capability building of relevant staff as well as embedding key learnings from implementation pilots within ongoing programs of work.

We undertook three key steps to form the foundation of an effective Measurement and Evaluation Framework:

1

Track maturity

Continued to track maturity of KPMG Australia's policies, systems and controls and grievance mechanisms and remediation processes.

2

Set impact ambition

Established our long-term impact objectives and the outcomes we aim to achieve, which sits alongside our Modern Slavery Risk Appetite Statement and demonstrates how we intend to show leadership.

3

Monitoring and evaluation

Designed a framework for monitoring and testing the effectiveness of our controls and set prioritised impact indicators against which we track and report on our outcomes and long-term impact. This includes indicators that can be established in the short term, and indicators that can be implemented over the longer term as KPMG Australia's modern slavery approach matures.

Consultation, collaboration and our forward commitments

Consultation

KPMG Australia is an Australian partnership and communicates with relevant entities in our operations as defined previously, including entities we own and control, to explain our commitments and program of modern slavery work, as well as our expectations for alignment.

Over time, taking a risk-based approach, we are targeting particular areas for enhanced due diligence.

Good practice consultation with associated entities

In FY21, KPMG undertook consultation with KPMG PNG to assist it to understand and manage its potential modern slavery risk. The consultation included:

- Assisting KPMG PNG to identify potential areas of modern slavery risk in its operations and supply chain, and
- Conducting a diagnosis of gaps and opportunities in its risk management and developing an action plan of next steps to enhance its modern slavery response.

See the *Case Study* for further information.

Engagement and collaboration

KPMG Australia has deep subject matter expertise in human rights risk management, and one of our key commitments is our continued contribution to various industry, cross-sector, and cross-jurisdiction policy development bodies. Drawing on our understanding of relevant international trends and local contexts, we have published extensive thought leadership and leading research and guidance on human rights and social risk factors, and the confluence of these risk factors with organisational trust.

Our support for learning and sharing in this area is demonstrated through hosting a range of events, and this year our focus has been on fostering accessible and inclusive engagement in the COVID-19 context.

We convene regular global calls for the KPMG Global Business and Human Rights Network, attended by sustainability, human rights and social impact practitioners from over 35 countries around the world. Together we deliver to clients globally, engage in international settings and collaborate on targeted capability building on emerging human rights issues, regulatory developments and methodological and technological advances.

During this reporting period KPMG's Australia continued its commitment to contribute **to public dialogue, leading and collaborating** with others such as the **UN Business and Human Rights Forum**, the Facilities Management Association of Australia's National Facilities Management Conference, the International Business Review's 'Conduct, Compliance and Risk in Financial Services' Forum, global public seminars with clients discussing their approaches to human rights due diligence, and engagement with human rights statutory institutions, like the Danish Institute of Human Rights.

Together we deliver to clients globally, engage in international settings and collaborate on targeted capability building on emerging human rights issues, regulatory developments and methodological and technological advances.

We continued our longstanding collaboration with the Australian Human Rights Commission, publishing joint sector-specific guidance focusing on taking a practical 'risk to people' approach in [Property and Construction](#) and [Financial Services](#).

Acknowledging the criticality of listening to and incorporating rights-holder voices, KPMG Australia has also started to explore external engagement opportunities with victim and survivor advocates and representative groups, and this will be a focus for us in the next reporting period.

Case study

Good practice consultation with associated entities

KPMG Papua New Guinea

KPMG Australia has committed to a good practice, risk-based approach to its consultation with associated entities.

KPMG Papua New Guinea (KPMG PNG) is an associated entity of KPMG Australia, and is ultimately controlled by KPMG Australia. Under this agreement, KPMG PNG agree to conduct their affairs in a manner consistent with the objectives, policies, standards and procedures adopted by the Australian firm.

In FY21 we undertook consultation with KPMG PNG to assist it to understand and manage its potential modern slavery risk. The consultation included:

- Assisting KPMG PNG to identify potential modern slavery risk areas in its operations and supply chain, and
- Conducting a diagnosis of gaps and opportunities in KPMG PNG's modern slavery risk management and developing an action plan of next steps.

Risk area identification

The result of the risk identification work was a high-level map of KPMG PNG's operational and supply chain activities and identification of four potential modern slavery risk areas: **property & facilities, corporate goods & services, employees and clients**. An identified risk area does not mean that incidents of harm have been identified, but that the presence of risk factors make it a higher risk that people may have been subjected to modern slavery. The risk area identification provides a basis for understanding KPMG PNG's modern slavery risk exposure and prioritising response actions.

Diagnostic assessment of controls

The diagnostic assessment of KPMG PNG's approach to identifying and managing modern slavery risks found that KPMG PNG does not at this stage have explicit systems and controls in place to identify and manage the risk of modern slavery. However, there was evidence of existing informal checks that consider the geographical, cultural and social context that could be extended, formalised or retrofitted to include modern slavery related considerations.

Additionally, KPMG PNG's adoption of KPMG Australia's policies and processes across a number of functional areas provides a platform for KPMG PNG to directly draw on opportunities and learning from the ongoing human rights program at KPMG Australia.

Next steps

While KPMG PNG is at the start of its journey to understanding and managing modern slavery risks, the consultation KPMG Australia has conducted is a critical first step in maturing a modern slavery response over time. The foundational work will form a baseline from which KPMG PNG can grow and set target maturity ratings in collaboration with KPMG Australia, with a view to maturing its risk management over time.

Continuous improvement: planned next steps

Over the next year, KPMG Australia will progress the work streams we established in FY21, with the goal of continuously embedding the Human Rights Policy across our business. Our FY22-23 priorities are set out below.

FY22-23 Priorities



Human rights commitment

- ✓ Commit to reviewing our Human Rights Policy every two years.
- ✓ External stakeholder consultation on KPMG's Human Rights Policy and program.

Grievance mechanisms and remediation

- ✓ Operationalise our remediation policy, including by formalising escalation and accountability pathways.

Management systems and controls

- ✓ Revisit Human Rights Working Group operating model to ensure representation by all relevant functions.
- ✓ Finalise the design of the dedicated human rights and modern slavery e-learning module.
- ✓ Operationalising the firm-wide modern slavery risk appetite statement, including training relevant decision makers on how to consistently interpret and apply the human rights and modern slavery data points.
- ✓ Development of an internal position on e-waste disposal.
- ✓ Formalise and embed a supplier capability building approach on the basis of the developed guidance. Track the delivery and outcomes of supplier capability building to ensure consistency. Continue to streamline risk-based alignment plans and workflows.
- ✓ Ensure that medium-risk vendors are risk assessed across FY22.
- ✓ Operationalise an impact measurement framework to track effectiveness.
- ✓ Using the FY21 work as a baseline, continue to work collaboratively with KPMG PNG to set target its maturity ratings, and improve its modern slavery risk management in an appropriately phased way.
- ✓ Undertake consultation with KPMG Fiji to assist it to understand and manage its potential modern slavery risk.

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For more information on understanding and managing modern slavery risk please contact KPMG Banarra, our human rights and social impact services team: modernslavery@kpmg.com.au

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