



KPMG Australia's

Modern Slavery Statement FY22

August 2022

From the Chairman and CEO of KPMG Australia

When KPMG Australia published our first Modern Slavery Statement in 2020, we set out a five-year ambition to be recognised as a leader in modern slavery response across four areas: managing modern slavery and human rights risk; impact measurement; collaboration with rights-holders; and commitment to remediation.

Two years later, we are pleased to be making progress on all fronts. Our ongoing work to identify and address modern slavery risk, which we outline in this statement, has required coordinated action across the organisation, and been informed by the human rights and social impact expertise of KPMG Banarra.

During the reporting period, KPMG Australia launched a learning module on human rights and modern slavery, which we have both completed. KPMG Australia also applied its rigorous risk management framework to new and existing vendors, and provided bespoke modern slavery training to its smaller suppliers to build their own capabilities.

KPMG Australia developed a Modern Slavery Measurement and Evaluation Framework this reporting period, with indicators spanning three impact groups. This framework will be a vital asset, helping us to distinguish between effort and effect by providing a dynamic view of the outcomes and impacts of KPMG Australia's modern slavery program.

The scale and nature of modern slavery demands ongoing vigilance. While KPMG has not yet identified any instances of modern slavery, we continue to apply our methodology to identify modern slavery risk areas, and address identified gaps in policies and processes. KPMG Australia's actions on this issue do not occur in a vacuum; we have stepped up our engagement with civil society and private sector stakeholders to share knowledge and promote leading practice in modern slavery reporting and response.

Australia's modern slavery regime is designed with the principle of continuous improvement at its core. We welcome the announcement of a comprehensive statutory review of the *Modern Slavery Act 2018* (Cth) and look forward to participating in the review over the next year.



Alison Kitchen
Chairman of the Board



Andrew Yates
Chief Executive Officer

This 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, KPMG Investments (Holdings) Pty Ltd, KPMG Australia Technology Solutions Pty Ltd, and KPMG Australian Services Pty Ltd as trustee for KPMG Australian Service Trust. This statement reports on KPMG Fiji Islands and KPMG Papua New Guinea, which collaborated with KPMG Australia to form a South Pacific Practice, with effect from 1 July 2021.

Below is a high-level summary of KPMG Australia's FY22 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 third modern slavery statement made in fulfilment of the requirements of the *Modern Slavery Act 2018* (Cth), we are pleased to be able to demonstrate a further maturing of our response to modern slavery risk, in line with the forward commitments set out in previous statements. A critical development in our modern slavery response over the past year has been the finalisation of KPMG Australia's Modern Slavery Measurement and Evaluation (M&E) Framework. This framework, which will be fully operationalised during FY23, will deliver qualitative and quantitative insights into the efficacy of our actions to address modern slavery risk. The M&E Framework is comprised of practical indicators focused on three key impact groups: suppliers, alliance partners and contractors; clients; and KPMG Australia's people. Information collected for the M&E Framework will guide KPMG's continuous improvement approach to addressing modern slavery risk, and inform reporting in future modern slavery statements.

Building capacity to assess and address modern slavery risk

A key action in the previous reporting period was the 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. To support the continued operationalisation of the MS-RAS, KPMG Australia rolled out a human rights and modern slavery e-learning module to all staff and partners on an optional basis, and assigned the training to people in particular roles (see page 16). The module builds the capability of our people to understand KPMG Australia's human rights and modern slavery commitments, and our response to associated risks. It is designed to leave learners better-equipped to make decisions where risk of harm to people as a result of modern slavery practices is a central consideration.

During the reporting period, KPMG Australia's Procurement Team also conducted tailored training to build the capacity of our suppliers to assess and address modern slavery risk. This included a formal training session with smaller suppliers, and individual sessions with smaller and medium suppliers to support them in conforming with elements of our Supplier Risk Management Framework focused on modern slavery and building their own modern slavery identification capabilities.

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. KPMG Australia did not identify any specific instances of modern slavery harm in this reporting period. Modern slavery, however, is a pervasive and often-hidden crime that requires sustained vigilance. We will continue to apply our robust risk assessment methodology to identify and address areas in our operations and deeper in our supply chain where modern slavery risk may exist, and review and report on our risks as they evolve.

Overview of FY22 actions

This year we have advanced our maturity across three key elements of good practice, while also maintaining our program of work in other elements and laying the groundwork for future improvements. By placing an increased emphasis on impact, through KPMG's Modern Slavery M&E Framework, we will assess the efficacy of our actions to prevent, mitigate, and address modern slavery related harm over time. In FY22 we have continued to evolve our modern slavery risk management measures across our operations and supply chain, and have developed processes and controls to address identified risks.

Our actions: how are we tracking?

Transparency in reporting is a key component of human rights due diligence, as set out in the *UN Guiding Principles on Business and Human Rights*. There are two aspects to KPMG Australia's approach to reporting on and evaluating our actions: continuous improvement and measuring our impact over time.

In line with our commitment to continuous improvement, we have assessed the maturity of our policies and frameworks, systems and controls, and remediation mechanisms, and made adjustments to our modern slavery maturity ratings where applicable (see page 5). To measure our impact over time we have developed an M&E Framework which will enable us to track the effectiveness of our due diligence actions in line with good practice (see page 19 for further detail).

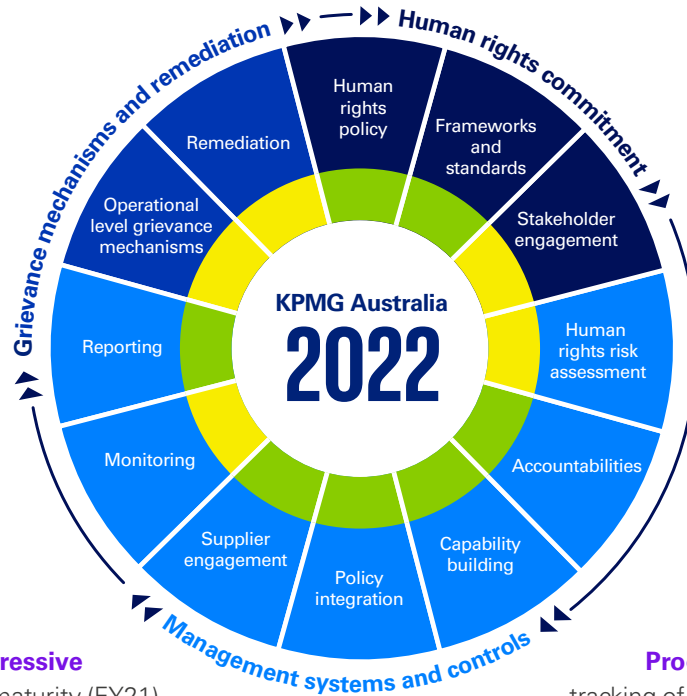
Our forward commitments

We aim for continuous improvement in managing modern slavery risk through a phased approach. In 2020, 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).

KPMG Australia modern slavery maturity tracking

Progressive
tracking of maturity (FY22)



Progressive
tracking of maturity (FY21)



Progressive
tracking of maturity (FY20)



- **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.

FY22 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

- ✓ Appointed a dedicated Human Rights Manager to drive KPMG Australia's human rights commitments and modern slavery response.
- ✓ Developed and commenced implementation of a Modern Slavery Stakeholder Engagement Plan.

Management systems and controls

- ✓ Finalised KPMG Australia's E-waste Policy and shared it with relevant suppliers.
- ✓ Assessed all new suppliers for modern slavery risk on the basis of key risk factors and questionnaire responses.
- ✓ Conducted additional risk assessment on 84 percent of medium and high-risk suppliers through our Supplier Risk Assessment Framework.

- ✓ Closed 12 supplier alignment plans due to satisfactory actions being taken.
- ✓ Conducted a detailed modern slavery risk area review informed by interviews with 26 internal stakeholders and consideration of 77 relevant documents and policies.
- ✓ Rolled out a human rights and modern slavery e-learning module for KPMG Australia staff and partners.
- ✓ Updated KPMG Australia's Contingent Workforce – Managing Risk@KPMG Policy Guide to include additional human rights information.
- ✓ Delivered tailored training to build the capability of our suppliers to assess and address modern slavery risk.
- ✓ Finalised a Modern Slavery Measurement and Evaluation Framework to assess the efficacy of our actions over time.
- ✓ Undertook maturity assessment of KPMG Fiji to help better understand and manage its potential modern slavery risk.
- ✓ Collaborated with KPMG PNG to advance the maturity of its modern slavery identification and response.
- ✓ Developed and implemented resources, new systems, processes and controls to manage modern slavery risk in our alliances.
- ✓ Operationalised KPMG's Modern Slavery Risk Appetite Statement in relation to client engagements.
- ✓ Conducted monthly Human Rights Working Group meetings to track actions against a prioritised roadmap.

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 Australia is part of a global organisation of independent professional services firms, affiliated with KPMG International Limited, a private English company limited by guarantee, spanning 145 countries and territories, with more than 236,000 partners and employees working in member firms around the world.

KPMG Australia provides professional services to organisations across a wide range of industry, government and civil society sectors. Our service areas are: Audit, Assurance & Risk Consulting; Deals, Tax, & Legal; Management Consulting; our mid-market practice, KPMG Enterprise; and a new business unit created this year, Infrastructure, Assets & Places.

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 more than 12,000 people and partners across Australia, Papua New Guinea, and Fiji.

Our deep expertise has seen us work with renowned organisations 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 solve complex challenges, steer change, disrupt sectors and grow. We believe that growth shouldn't come at all costs, and our growth should better us all, beyond today.

Our [Purpose](#) of Inspiring Confidence and Empowering Change, and our [Values](#) of integrity, excellence, courage, together, and 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.

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 organisation. KPMG Australia enlists the expertise of our in-house human rights specialists to inform our approach.

We encourage our clients, suppliers, and other businesses to join us in our commitment to respect human rights. 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 [2021 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, KPMG Investments (Holdings) Pty Ltd, KPMG Australia Technology Solutions Pty Ltd, and KPMG Australian Services Pty Ltd as trustee for KPMG Australian Service Trust. We have offices in every state and territory capital within Australia, as well as a presence in regional centres including the Gold Coast, Newcastle, Parramatta, Penrith, Rhodes, Townsville and Wollongong.

The KPMG Australia, KPMG Papua New Guinea (KPMG PNG) and KPMG Fiji Islands (KPMG Fiji) firms have collaborated to successfully form a South Pacific Practice, with effect from 1 July 2021. The new South Pacific Practice operates as a separate service line within the Enterprise division. This practice has enabled collaboration between the separate firms across the South Pacific to be taken to another level, unlocking growth opportunities while also delivering efficiencies in the region. KPMG PNG has its office in Port Moresby, and KPMG Fiji has offices in Suva and Nadi.

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 Technology Solutions (NZ) Pty Ltd, 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 and virtual secondments

Our FY21 Statement highlighted the shift from physical to virtual secondments to support resource capacity constraints that existed as a result of COVID-19. This trend has continued during FY22. In order to meet demand and maintain standards and timeliness, we have worked with member firms including KPMG Singapore, Malaysia, Philippines, New Zealand, and South Africa to utilise virtual secondees. We have assessed these virtual secondments as low risk for modern slavery-related harm. We rely on member firms' adherence to local laws and regulations and consider individuals with a specific area of professional expertise to be lower risk 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



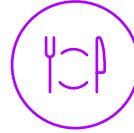
IT & Technology



Marketing



Professional Services



Hospitality



Property & Operations



Global Mobility & Travel

FY22 source locations

KPMG Australia's direct overseas supply chain includes nine 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

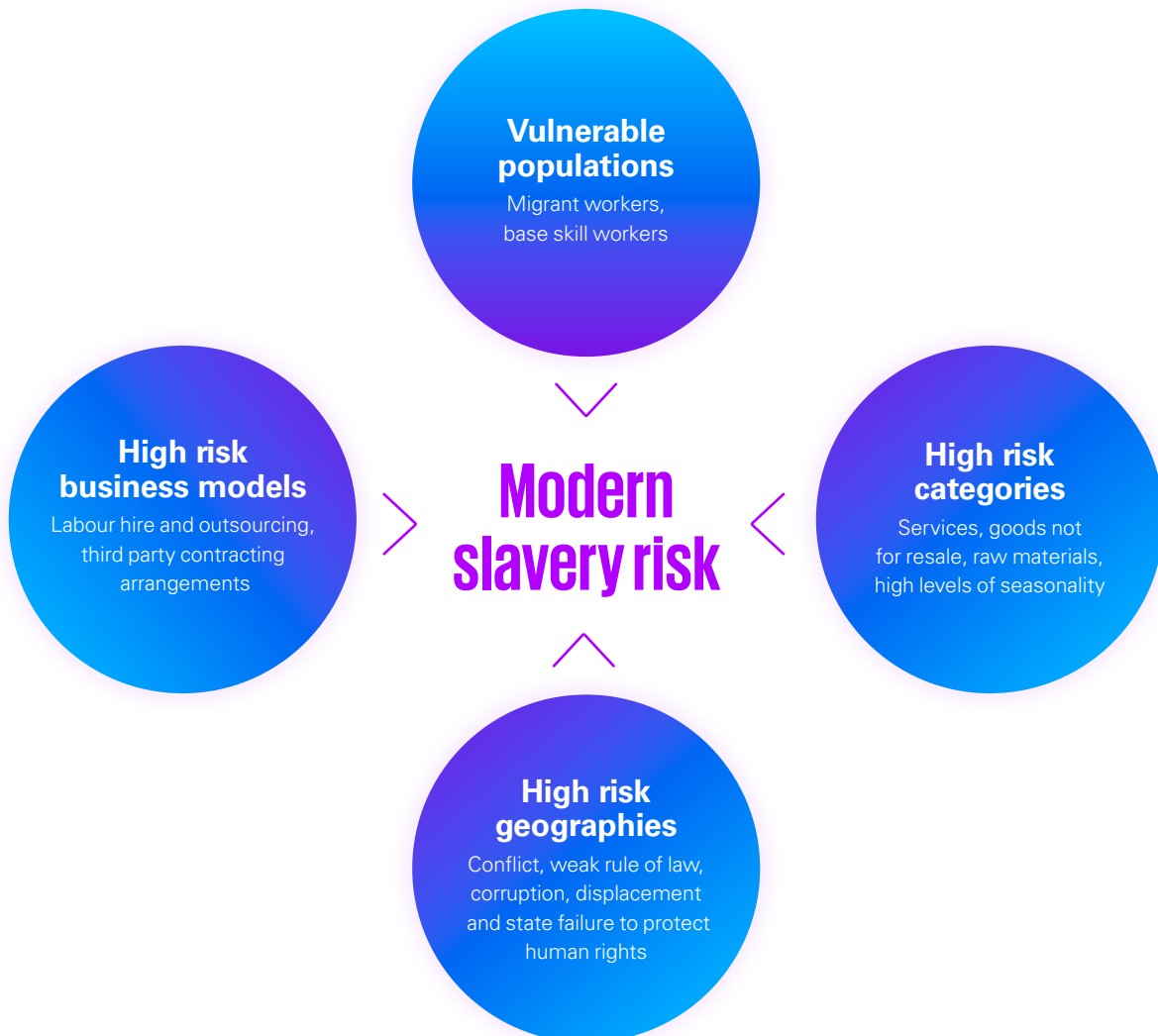
The behaviours and practices which constitute modern slavery are serious human rights violations.

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. As in FY21, in 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 exists. These have been reviewed and refined over the reporting period and no additional risk areas were identified.

Identification and review of our risk areas is an essential component of human rights due diligence. It helps KPMG

Australia to 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 KPMG Australia has sought to address modern slavery in our risk areas, by adding additional measures and controls, this will be reflected in the section of our statement containing actions.

We intend to continue to explore and understand complex and high-risk areas of our operations and supply chain, and will analyse data from multiple tiers of suppliers, to seek to identify additional areas of modern slavery risk.

KPMG Australia FY22 risk areas



RISKS

ACTIONS

EFFECTIVENESS

OPERATIONS

OFFSHORE VENDORS

The Asia-Pacific region has the largest concentration of people in slavery-like conditions, with an estimated 25 million people in modern slavery.¹ KPMG Australia has service agreements in place with nine offshore vendors, most of which are located in India, with others Bulgaria, Malta, the Philippines, and Vietnam. These vendors provide outsourced IT and tax-related services to KPMG Australia. 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.

CONTINGENT WORKFORCE AND MANAGED SERVICES

KPMG Australia's contingent workforce has grown since FY21. Our contingent workforce has traditionally been comprised of highly skilled specialists engaged to provide professional services at times of high demand. Evolving client requirements have seen this workforce supplemented by base-skilled workers who perform repeatable administrative and clerical services as part of a managed service offering. Base-skilled workers tend to be at a higher risk of modern slavery, particularly where there is an intersection with offshore vendors in high-risk geographies.

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 described above. The level of influence that KPMG Australia has over its group operations varies significantly. Due to the locations of some of these operations, there could be a higher risk of modern slavery practices occurring.

CLIENTS

KPMG Australia's core business is the provision of professional services to clients. If any of our clients were associated with modern slavery, we could be inadvertently linked to such practices through the provision of our services. There is a risk that KPMG Australia will enter into a relationship with individuals or entities that are subsequently implicated in modern slavery practices in their operations or supply chain. This risk is accentuated in circumstances where we may have limited visibility of an entity's model of business.

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 allows KPMG Australia to retain its independence. The companies that KPMG allies itself with could bring with them processes and practices that are not aligned with KPMG Australia's expectations, requirements, and good practice in relation to identifying and managing modern slavery risk.

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.

¹ Walk Free, Global Slavery Index: Asia and the Pacific (2018) <<https://www.globalslaveryindex.org/2018/findings/regional-analysis/asia-and-the-pacific/>>.

RISKS	ACTIONS	EFFECTIVENESS
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SUPPLY CHAIN

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. 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.

HOSPITALITY SERVICES

KPMG Australia's hospitality services team is engaged through third parties. Where we rely on third party labour hire, such as the provision of our Australian hospitality services, this increases the potential for poor labour 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. KPMG Australia manages this risk by including the provision of hospitality services within the scope of our Supplier Risk Management Framework.

E-WASTE

The disposal of electronic waste (e-waste) is notoriously difficult to track, however research and reporting has linked e-waste items from Australia to offshore waste facilities where child labour and hazardous work conditions are prevalent. Entities in the professional services sector often contract third parties to dispose of e-waste items such as computer monitors and printers. Most of these third parties try to refurbish the e-waste, however, e-waste that cannot be refurbished is often sent to another recycler.

BRANDED GOODS & AD-HOC PURCHASES

KPMG Australia will on occasion procure promotional or marketing goods for corporate functions and/or internal use – such as t-shirts, pens, and other promotional merchandise – for use 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 that are not visible to the firm. This risk may be heightened because such goods may be sourced from countries identified as high-risk of modern slavery and produced by workers from vulnerable backgrounds, which can be the case in the production of low-cost branded goods and ad hoc purchases.

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

The reporting period saw the continuation of the COVID-19 pandemic. Many of the challenges that arose during the last reporting period in relation to offshore vendors, particularly in India, were less prevalent this year, due to the successful transition to remote work. In Australia, we implemented programs to support suppliers, where possible, in withstanding the impact of lockdowns. For example, in Sydney and Melbourne, KPMG Australia engaged staff from cleaning and catering suppliers to deliver laptops to staff members as part of a laptop refresh program.

Given the volatile nature of COVID-19, we remain alert to the potential for future operational impacts which may increase the vulnerability of offshore vendor workers and workers in our supply chains to modern slavery practices. These risks were considered as part of KPMG Australia's modern slavery risk area review in this reporting period.

RISKS

ACTIONS

EFFECTIVENESS

Our actions in detail to assess and address modern slavery risks

KPMG Australia's modern slavery response is informed by the *UN 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.

FY22 Actions

Human rights commitment

✓ Stakeholder engagement

KPMG Australia developed and commenced implementing a Modern Slavery Stakeholder Engagement Plan during the reporting period. The plan focuses on three stakeholder groups – civil society, the private sector, and government – and has the goal of promoting continuous, mutual improvement in modern slavery activities through external consultation and collaboration. Examples of activities that fall within the stakeholder engagement plan for each group include:

- *Civil Society*. In March and May 2022, KPMG Australia hosted the Sydney and Melbourne launches of a new publication on modern slavery reporting in Australia by International Justice Mission (IJM), *Spot Fires in Supply Chains*.
- *Private Sector*. KPMG Australia collaborated with the Australian Banking Association on the development of a new publication, *Typologies and Indicators of Modern Slavery*, which was launched at KPMG in Sydney in March 2022, alongside the IJM report. The publication notes that the banking industry “has a critical role to play in examining its connections to modern slavery, detecting and reporting potential cases of modern slavery to the relevant authorities for investigation, and taking steps to embed appropriate human rights due diligence and address harm”²

² Australian Banking Association and KPMG Australia, *Typologies and indicators of modern slavery: Working paper* (Edition 1, March 2022), 7. <https://www.ausbanking.org.au/wp-content/uploads/2022/03/Typologies-and-Indicators-of-Modern-Slavery_2022.pdf>.

- *Government*. KPMG Australia has committed to participating in the statutory review of the *Modern Slavery Act 2018* (Cth) during FY23.

For further examples of KPMG Australia's stakeholder engagement and collaboration, see page 20.

✓ Resourcing our human rights and modern slavery commitments

This year, KPMG Australia appointed our first Human Rights Manager, based in the Corporate Affairs team. The creation of this full-time role supports KPMG Australia in its commitment to respect human rights and represents the next step in the evolution of our human rights and modern slavery response. The Human Rights Manager has responsibility for convening the Human Rights Working Group, and works closely with teams across the firm, providing guidance and support to promote continuous improvement in managing human rights and modern slavery risks, impacts and processes associated with clients, engagements, operations and supply chain.

KPMG Australia's cross-functional Human Rights Working Group met monthly during the reporting period. The working group serves as a forum for discussing leading practice in addressing challenges and opportunities, and tracks agreed actions against a prioritised roadmap. It continues to receive support from in-house human rights specialists and two executive sponsors – KPMG Australia's Chief Risk Officer and the Chief Operating Officer/Chief Financial Officer.

RISKS

ACTIONS

EFFECTIVENESS

Management systems and controls

✓ Modern slavery risk identification

KPMG Australia conducted a comprehensive modern slavery risk area review over the reporting period to better understand our existing risk areas and consider whether any new risk areas have emerged. No new risk areas were identified, however the 10 risk areas from FY21 were reviewed and refined. The risk area review was informed by interviews with 26 internal stakeholders, a consideration of 77 relevant internal documents, and a literature review focused on international trends and developments. The findings were compiled into a detailed report, tabled at the Human Rights Working Group, which included an analysis of each risk area and mitigation actions, and insights into areas of improvement for the coming reporting period.

✓ Due diligence: supply chain

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 and FY21, we risk assessed the full list of approximately 1,200 vendors across the firm, classifying them as either low, medium, medium to high, or high risk for modern slavery. In FY22, we have:

- Assessed all new suppliers (154 in total) for modern slavery risk on the basis of key risk factors and questionnaire responses.
- Conducted additional risk assessment on 84 percent of medium and high-risk suppliers through our Supplier Risk Assessment Framework.
- Closed 12 supplier alignment plans due to satisfactory actions being taken. 27 alignment plans remain open. An alignment plan is the next step in the due diligence process once the risk level is identified.
- Included specific modern slavery terms within over 90 percent of supplier contracts. The remaining 10 percent of contracts were with lower-risk suppliers, typically on their terms and conditions.
- Delivered a formal training session to smaller suppliers, and individual sessions with smaller and medium suppliers, to support them in complying with elements of our Supplier Risk Management Framework focused on modern slavery.

- Finalised an E-waste Policy and distributed it to relevant suppliers (see case study 1).

KPMG's Supplier Risk Assessment Framework has been operationalised and embedded in KPMG Australia's supply chain. The framework has the following key elements:

- A public-facing Supplier Code of Conduct that sets out our expectations of suppliers and their employees, agents and subcontractors that produce goods and or provide services to KPMG Australia. The code includes specific expectations relating to labour sourcing and modern slavery.
- A Modern Slavery FAQ and Continuous Improvement Fact Sheet provided to all suppliers as part of the vendor due diligence process.
- Supplier risk assessment guidance outlining the risk assessment process for our internal Procurement Team.
- A standard questionnaire for new suppliers containing questions linked to the key factors that elevate the risk for modern slavery, or the perception of such risk.
- A Supplier Risk Assessment Tool for use by our Procurement Team.
- A supplier self-assessment questionnaire for vendors flagged as medium to high risk using the Supplier Risk Assessment Tool. This includes further questions over and above initial questionnaires to drill down into modern slavery risks and validate the level of risk and actions to align to our Supplier Code of Conduct.

The Procurement Team is in the process of developing additional steps and controls to validate reported systems and controls of offshore vendors specifically, including onsite audits where appropriate.

In FY22, our risk area review again identified branded goods and ad-hoc purchases as a risk area. To mitigate this risk, the Procurement Team is in the process of identifying one centralised vendor which the business can engage for all branded goods and ad-hoc purchases. It is expected this process will be finalised during FY23.

✓ Due diligence: operations

As noted in our FY21 statement, in line with our MS-RAS, KPMG Australia will not establish or maintain 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.

RISKS	ACTIONS	EFFECTIVENESS
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In the last reporting period, KPMG Australia incorporated specific human rights and modern slavery considerations into our Know Your Client (KYC) processes. During FY22, human rights and modern slavery concerns were identified through the KYC checks on a number of occasions. Issues identified through the KYC checks feed into the Client Risk Assessment and Engagement Risk Assessment processes, and are escalated internally to divisional risk leaders and a human rights specialist in the first instance. In two cases, concerns were taken directly to the client, and the engagements proceeded only after KPMG Australia assessed that the circumstances and the clients' response brought those clients within our appetite as outlined in our MS-RAS.

Our FY22 modern slavery risk area review found that some relevant allegations had not been identified during KYC checks. As a result, we have commenced a review of existing KYC search terms, with a view to expanding and updating the list of terms to capture a broader range of relevant topics. To further operationalise our MS-RAS, we will develop training material during FY23 to assist relevant decision makers in consistently interpreting and applying the human rights and modern slavery data points. We are also reviewing the extent to which our Client Risk Assessment and Engagement Risk Assessment processes can apply to minority associated entities.

Other actions undertaken during FY22 to address potential risks in our operations include:

- We conducted consultation with KPMG Fiji to assist in identifying and managing its modern slavery risk (see case study 3 for further information).
- We updated KPMG Australia's Contingent Workforce – Managing Risk@KPMG Policy Guide to include additional information from our Human Rights Policy.

✓ Due diligence: alliances and acquisitions

KPMG Australia's Alliances Team facilitates the onboarding and management of firmwide alliances. During FY22, significant changes have been implemented in the alliances process, including the creation of a dedicated onboarding role to ensure consistency in due diligence processes. All prospective alliances now require a uniform due diligence check prior to approval, which includes questions specific to breaches of human and labour rights. Following the due diligence stage, if the alliance proceeds, agreements include clauses relating to modern slavery. This process will apply to all new alliances, and the Alliances Team is retrospectively reviewing existing alliances against the updated process.

KPMG Australia has extended the risk assessment of acquisitions so that it is now subject to the same onboarding process conducted by the National Procurement Team, thereby managing potential risk in line with the Supplier Risk Management Framework. The identification of modern slavery risk is now explicitly considered as part of the acquisition process through the due diligence process.

✓ Capacity building

In November 2021, KPMG Australia rolled out a human rights and modern slavery e-learning module on our obligations under the *Modern Slavery Act 2018* (Cth) and the firm's commitment to ensure that there is no modern slavery in our operations and supply chain.

The training covers an identification of what modern slavery can look like in our organisation and supply chain, our [Human Rights Policy](#) which sets out our values in relation to protecting against modern slavery, as well as our Whistleblower Policy and process for grievance remediation.

The training was assigned to KPMG Australia's Board and National Executive Committee, as well as staff and partners from relevant teams including Procurement, Corporate Citizenship, the Office of General Counsel, Risk Management, People and Inclusion, Facilities Management and Hospitality Services, Alliances and Acquisitions, and Global Leverage. Of the people assigned the training, 90 percent have completed it as of June 2022. Over the next reporting period, we will continue to take proactive steps to ensure all people assigned the human rights and modern slavery e-learning module complete it, and broaden the total number of KPMG Australia people from relevant teams who complete the training.

Content on modern slavery has also been incorporated into the mandatory whole of firm 'We do the right thing – Integrity at KPMG' training module, which is to be completed by all staff and partners. The 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. In addition, the Procurement Team is trained on the application of the Supplier Risk Assessment Framework.

RISKS

ACTIONS

EFFECTIVENESS

Case study #1

Due diligence: supply chain

Developing KPMG Australia's E-waste Policy

During FY21, KPMG Australia identified e-waste as a new modern slavery risk area. As a professional services firm, KPMG Australia's operations involve the use of a variety of electrical and electronic equipment, including computer equipment, mobile phones, and charging devices. The disposal of these items once they have reached the end of their useful life – by which time they are termed 'e-waste' – is notoriously difficult to track, however research and reporting has linked e-waste items from Australia to offshore waste facilities where child labour and hazardous work conditions are prevalent.

To respond to this risk, KPMG Australia developed an E-waste Policy during the reporting year. The policy states that KPMG Australia expects suppliers will ensure e-waste is either refurbished, recycled or disposed of in Australia by reputable third-party organisations. A key focus of this requirement is ensuring the labour rights of any low-skilled workers involved in the processing of e-waste are upheld. The policy also states that we expect suppliers will ensure any third-party organisations engaged to process e-waste act in accordance with relevant laws and regulations, including the *Hazardous Waste*

(Regulation of Exports and Imports) Act 1989 (Cth) and the *Recycling and Waste Reduction Act 2020* (Cth).

Our E-Waste Policy states that we expect suppliers will communicate the policy to employees and subcontractors who support them in supplying to KPMG Australia, so that they too are aware of and understand the standards set within this policy.

The policy has been shared with suppliers who provide electronic and electrical equipment to KPMG Australia, and we have also sought guidance from technology suppliers on their own policies and process in relation to e-waste. We will provide the policy to any new suppliers of electrical and electronic equipment, and will test the alignment of supplier e-waste practices with the policy through our supplier management program.

RISKS

ACTIONS

EFFECTIVENESS

Case study #2

Due diligence: operations

Addressing modern slavery risk in clients

KPMG Australia has identified that modern slavery risks may arise in the context of our client relationships. To address this risk, and in line with our Modern Slavery Risk Appetite Statement (MS-RAS), we consider human rights and labour rights concerns during Client Risk Assessment and Engagement Risk Assessment processes. Where credible allegations or credible evidence of modern slavery exists, KPMG Australia tests whether the client is taking steps to implement appropriate measures which will mitigate, address, remediate, or prevent future, modern slavery related harm

During FY22, a Client Risk Assessment identified a credible allegation of modern slavery in relation to a prospective client. The client was seeking our services for tax advice. It came to our attention that there were allegations of child labour linked to the client, including litigation on foot in relation to agriculture in Africa. In the first instance, concerns were escalated to a risk management Partner and a human rights specialist for consideration. An assessment was made that the allegations were sufficiently credible to warrant direct engagement with the prospective client to consider whether they had adopted appropriate measures in relation to the allegation.

During a meeting with a senior representative of the organisation, and in subsequent meetings and written communications, KPMG Australia was provided with information from relevant operational teams demonstrating the organisation was taking appropriate measures in response to the allegations. This information brought the organisation within KPMG Australia's risk appetite as articulated in our MS-RAS, and we proceeded with the engagement.

We anticipate that modern slavery and human rights concerns will continue to be identified on occasion during our Client and Engagement Risk Assessment processes, and may arise in the context of engagements themselves. In addition to our e-learning module, in order to enhance support for decision-makers in addressing these concerns and engaging constructively with clients where required, we will develop additional training and/or guidance material over the next year.

RISKS

ACTIONS

EFFECTIVENESS

Assessing the effectiveness of our actions to address modern slavery

The *UN Guiding Principles on Business and Human Rights* state at Principle 20 that businesses should track the effectiveness of their human rights responses on the basis of appropriate qualitative and quantitative indicators to determine whether policies are being implemented optimally, ascertain effectiveness, and drive continuous improvement. Impact measurement is a vital aspect of human rights due diligence because it incentivises and guides real change by helping businesses to distinguish between effort and effect.³

During the reporting period, KPMG Australia finalised the design of our own Modern Slavery Measurement and Evaluation (M&E) Framework, drawing on the human rights and social impact expertise of KPMG Banarra. Our M&E Framework is focused on the three key impact groups in our modern slavery program theory of change: suppliers,

alliance partners, and contractors; clients; and our people. The framework includes 19 qualitative and quantitative indicators, which have been chosen carefully to provide insight into the outcomes and impacts of KPMG Australia's modern slavery response.

The Human Rights Working Group has collected baseline data for each indicator in the M&E Framework. From FY23, data will be collected for each indicator biannually, and will guide KPMG Australia's continuous improvement approach to addressing modern slavery risk, and inform reporting in future modern slavery statements. The Human Rights Working Group will review the M&E Framework at least annually to determine whether indicators need to be updated to account for evolving risk areas and new sources of data.

Impact group	Long-term impact we target	Sample indicators (from a total list of 19)
Suppliers, alliance partners, and contractors.	People who work in our supply chain do not experience modern slavery.	Percentage and number of medium and high-risk suppliers that have completed the Supplier Risk Assessment Framework. Number of supplier alignment plans open at the end of the reporting period, and number closed during the reporting period.
Clients	Clients manage their modern slavery risks in line with good practice.	Nature of modern slavery engagements delivered during the reporting period. Number of human rights and labour rights flags raised through client and engagement risk assessment processes.
Our people	Our people act with integrity and courage to prevent and address modern slavery.	Total number of staff who have completed human rights and modern slavery e-learning module. Number of times activities and actions related to the Human Rights Policy have been communicated internally.

³Tina Jelenic, Addressing exploitation means aligning action with impact (8 May 2022), KPMG Newsroom. <https://newsroom.kpmg.com.au/addressing-exploitation-means-aligning-action-impact/>.

Consultation, collaboration, and forward commitments

Good practice consultation with associated entities

During the year, KPMG Australia worked with KPMG PNG to prioritise and address recommendations from the risk area identification and diagnostic assessment conducted in FY21. Four risk actions have been closed and further work will be completed in the next reporting period to finalise actions in line with agreed prioritisation.

In FY22, KPMG Australia undertook consultation with KPMG Fiji to assist it to understand and manage its potential modern slavery risk.

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. KPMG Australia has continued its commitment to contributing to public dialogue on human rights and modern slavery. Our client-facing human rights and social impact team, KPMG Banarra, have collaborated with external stakeholders on thought-leadership designed to enhance corporate responses to modern slavery and related human rights violations. In FY22 these included collaborations with the following organisations:

- The Australian Human Rights Commission through the publication of two further industry specific guides on identifying and addressing modern slavery, part of a series of four with the first two published in FY20 and FY21:
 - o KPMG Australia and the Australian Human Rights Commission, *Modern slavery in the health services sector: Practical responses for managing risk to people* (November 2021);
 - o KPMG Australia and the Australian Human Rights Commission, *Resources, energy and modern slavery: Practical responses to managing risks to people* (December 2021).

- The Responsible Investment Association of Australasia on human rights and climate change, including the inherent risk of modern slavery in renewables supply chains as part of the transition to a net-zero economy:
 - o KPMG Australia and the Responsible Investment Association Australasia, *Human rights and climate change: A guide for institutional investors* (December 2021).
- The Australian Banking Association on modern slavery typologies:
 - o The Australian Banking Association in collaboration with KPMG Australia, *Typologies and indicators of modern slavery: Working paper* (March 2022).
- The Property Council of Australia on a guide for the property and construction sectors on effective grievance mechanisms for human rights and modern slavery:
 - o KPMG Australia and the Property Council of Australia, *Listening and Responding to Modern Slavery in Property & Construction: A Practical Guide for Effective Human Rights Grievance Mechanisms* (June 2022).

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.

This year, KPMG Australia developed a Modern Slavery Stakeholder Engagement Plan, and put the plan into practice including by hosting events in collaboration with International Justice Mission and the Australia Banking Association and through our active participation in the UN Global Compact Network Modern Slavery Community of Practice.

Case study #3

Good practice consultation with KPMG Fiji

KPMG Fiji collaborated with KPMG Papua New Guinea and KPMG Australia to successfully form a combined South Pacific Practice, with effect from 1 July 2021. The new South Pacific Practice operates as a separate service line within KPMG Australia's Enterprise division. KPMG Fiji currently has 160 employees in its Suva and Nadi offices, and aims to employ 500 people by 2025.

In FY22 we undertook consultation with KPMG Fiji to assist it to understand and manage its potential modern slavery risk. The consultation included:

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

Risk area identification

The risk area identification was informed by an analysis of modern slavery risk factors related to Fiji's social, economic, and geographic context. The legislative context was also relevant: Fijian law prohibits modern slavery practices, however there is no domestic equivalent of the supply chain transparency provisions in Australia's *Modern Slavery Act 2018* (Cth).

The result of the risk identification work was a high-level map of KPMG Fiji's operational and supply chain activities and identification of five potential modern slavery risk areas: property & facilities; corporate goods & services; employees; clients; and corporate citizenship activities. 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 Fiji's modern slavery risk exposure and prioritising response actions.

Diagnostic assessment of systems and controls

The diagnostic assessment of KPMG Fiji's approach to identifying and managing modern slavery risks found that KPMG Fiji does not at this stage have explicit systems and controls in place to identify and manage the risk of modern slavery. The assessment identified a number of opportunities for KPMG Fiji to embed modern slavery related considerations into its processes through which it will be able to minimise risk. Additionally, there are areas where KPMG Fiji can draw on and incorporate the ongoing work undertaken by KPMG Australia.

Next steps

The consultation with KPMG Fiji resulted in 16 recommended next steps across the areas of human rights due diligence good practice. These steps are aligned to KPMG Australia's own modern slavery approach, and the requirements of Australia's modern slavery legislation. KPMG Australia will support KPMG Fiji in prioritising and implementing these recommendations over the next reporting period.

Continuous improvement: planned next steps

In our FY21 statement, KPMG Australia set out a program of work for FY22-FY23. Over the next year, we will maintain our focus on the work streams set out in our FY21 statement. With the continuous improvement imperative in mind, we have also added a number of new focus areas. Our FY23 priorities are set out below.



Human rights commitment

- ✓ Complete a periodic review of KPMG Australia's Human Rights Policy, with input sought from internal and external stakeholders.
- ✓ Contribute to the statutory review of the *Modern Slavery Act 2018* (Cth).
- ✓ Carry out at least three engagements with each of the stakeholder groups in KPMG Australia's Modern Slavery Stakeholder Engagement Plan – civil society, the private sector, and government.
- ✓ Provide targeted support to civil society initiatives in our region focused on protecting populations at risk of exploitation and rehabilitating survivors of modern slavery.

Grievance mechanisms and remediation

- ✓ Develop and implement good practice processes to accompany KPMG's human rights remediation policy.

Management systems and controls

- ✓ Review the Human Rights Working Group operating model.

- ✓ Further operationalise and conduct a periodic review of KPMG's Modern Slavery Risk Appetite Statement.
- ✓ Develop training and/or guidance material to assist decision makers in consistently interpreting and applying human rights and modern slavery data points in relation to client risk management.
- ✓ Broaden the number of KPMG Australia people who have completed the human rights and modern slavery e-learning module.
- ✓ Ensure all new medium and high-risk suppliers complete KPMG's Supplier Risk Management Framework.
- ✓ Conduct twice-yearly data collection for the modern slavery measurement and evaluation framework, share key findings with KPMG leadership, and report on the data in our FY23 Modern Slavery Statement.
- ✓ Conduct training sessions on modern slavery risk identification for smaller suppliers.
- ✓ Continue to work collaboratively with our South Pacific Practice to support implementation of recommended modern slavery risk management actions in an appropriately phased way.
- ✓ Continue to operationalise KPMG Australia's E-waste Policy.
- ✓ Take additional steps to validate reported systems and controls of vendors, including onsite audits where appropriate.
- ✓ Identify and engage a single vendor for branded goods and ad-hoc purchases to enable more effective risk management and consistent onboarding practices.
- ✓ Complete a targeted review of internal policies and processes to ensure consistency with Human Rights Policy.

For questions relating to this statement:

Tanya Gilerman

Chief Risk Officer
KPMG Australia

P: +61 2 9335 8144

E: tgilerman@kpmg.com.au

Damian Templeton

Chief Operating Officer and
Chief Financial Officer
KPMG Australia

P: +61 3 9288 6532

E: djtempleton@kpmg.com.au

Andrew Small

Human Rights Manager
KPMG Australia

P: +61 2 9335 8232

E: asmall3@kpmg.com.au

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

KPMG.com.au

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August 2022. 909519312CC