



KPMG Australia's

Modern Slavery Statement FY20

August 2020

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From the Chairman and Chief Executive Officer of KPMG Australia

When KPMG Australia made a formal public commitment to respect humans rights last year we did so in the knowledge that it was only an initial step.

The [Human Rights Policy](#) approved by our National Executive Committee and Board is something we believe is core to our KPMG Values and the ethos of the organisation we lead. But for it to be worthwhile we know it must be practical.

Grappling meaningfully with human rights risk is not a straightforward matter for any organisation. Risks tend to reside in value chains, perhaps far away from the control of management, but well within the accountability expectations of society.

If an organisation like ours wishes to take this challenge seriously it requires rigour, earnestness, and time. It also requires expertise and for that we are grateful for our experienced, dedicated business and human rights consultancy, KPMG Banarra.

When KPMG Australia acquired Banarra in 2015 it was because we understood the legal, commercial, and ethical risks associated with human rights breaches and social impact. We understood that while the mainstream understanding of human rights risk was rapidly becoming more sophisticated, organisational responses were still largely in an initial phase.

We wanted to help our clients with managing their evolution while simultaneously managing our own.

That's why we are proud of the steps KPMG Australia is taking to understand, identify and address the risk of modern slavery in our operations and supply chain as outlined in this Statement.

While KPMG Australia has not identified any specific instances of modern slavery harm, we have applied a careful methodology to identify areas in our operations and supply chain where the risk factors of modern slavery may potentially exist. Our first Modern Slavery Statement sets out our foundational work and a baseline for us to mature our response.

KPMG Australia will continue to recognise respecting human rights as a core element of doing business. We are practically implementing respect for human rights and are committed to the long term change we can all make if we prevent modern slavery.



Alison Kitchen
Chairman of the Board



Gary Wingrove
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 and KPMG Australian Service Trust).

Below is a high-level summary of KPMG Australia's FY20 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.

Our commitment

KPMG Australia is committed to the continuous work necessary to ensure there is no modern slavery in our operations and supply chain. This is our first Modern Slavery Statement made in fulfilment of the requirements of the *Modern Slavery Act 2018 (Cth)*.

The purpose of reporting is to protect vulnerable people from harm. So KPMG Australia is taking a human rights approach to identifying and addressing modern slavery. This means putting the risk of harm to people at the centre of our response. We acknowledge that we have a critical role to play in preventing, mitigating, or remediating harm. We also know that we are at the start of this journey and have more to do to improve our approach. This will take time. By being open about where we are up to, we hope to encourage greater transparency amongst business and move our efforts beyond compliance to meaningful change.

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

As we make this statement, in August 2020, the world deals with the coronavirus (COVID-19) global pandemic and we are each challenged to grapple with vulnerability in new contexts. This has influenced our approach to managing modern slavery risks in the final quarter of the FY20 reporting period. Throughout our statement, we highlight the considerations we've put in place, including for our suppliers, and how we are raising awareness of

the particular vulnerability of workers, exploitative labour practices, and breaches of human rights that may give rise to situations where modern slavery practices flourish.

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 our Modern Slavery Statement, we set out how we have assessed our risk areas and describe them in detail. While KPMG Australia has not yet identified any specific instances of modern slavery harm, we have identified potential risk areas in our operations and supply chain (refer to page 10).

Our actions: how are we tracking?

KPMG Australia will report on how we are tracking and 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 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 grievance mechanisms and remediation. 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*.

In our first year of structured action on modern slavery, our human rights experts conducted a foundational diagnostic assessment of our current maturity and have taken steps to rapidly enhance our approach to managing modern slavery risk.

KPMG modern slavery maturity tracking

Baseline modern slavery diagnostic assessment (FY19)

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.

In year one we have shifted the dial by advancing our maturity in a number of key areas. We now have modern slavery risk management measures across our operations and supply chain. These measures are designed to identify modern slavery risk and build awareness of our expectations across our business, suppliers, clients, and other stakeholders.

Our systems and controls also allow us to meet our contractual obligations to our clients who wish to ensure their consultants are appropriately managing modern slavery risk.

Measuring our impact over time

Second, we want to measure the outcomes of our efforts to evaluate effectiveness and long term impact. In human rights, effectiveness measures for business are often focused on what can be recorded and monitored through risk and control matrixes. While this is an important measure, understanding impact requires us to approach these questions by putting people at the centre of our analysis. Scoping our effectiveness and impact measurement will be a key focus in FY21.

Our forward commitments

We want to take a leading approach to managing modern slavery risk so we are committed to a sequential, phased approach. 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).

Our structure, operations and supply chain

About Us

KPMG Australia is a professional services firm providing a range of 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
- and our mid-market practice, KPMG Enterprise.

In Australia, KPMG has a long tradition of professionalism and integrity, combined with a dynamic approach to advising clients in a digital-driven world. We have approximately 9,000 employees and partners, with offices around the country.

Our deep expertise has seen us work with a wide range of companies and governments 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 helps organisations plan sustainable pathways to growth, shaping a positive future for all.

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 helping our clients, we contribute in voluntary and honorary capacities to assist the wellbeing of the community. We work with community partners to help solve challenges, with a core focus on reconciliation with Indigenous Australia through our [Reconciliation 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](#).'

Part of KPMG Australia's service offering is to work with clients to help identify and understand human rights and social impacts. KPMG Australia has an experienced, dedicated business and human rights consultancy in KPMG Banarra. KPMG Australia also leads KPMG's Global Business and Human Rights Network, convening human rights, social impact and sustainability professionals from across our global network. Our human rights specialists help organisations identify the risk of harm to people, build internal capacity to understand that harm, design practical solutions to address it, and where appropriate give our clients confidence that their approaches are effective. 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](#).

KPMG Australia is putting in place improved systems and controls to help identify and respond to potential and actual harm. In line with our [Human Rights Policy](#) we are committed to addressing human rights grievances and providing appropriate avenues for affected individuals or communities to come forward.

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 KPMG International Cooperative ("KPMG International"), a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are available in the [2019 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 KPMG Australian Service Trust). KPMG Australia has offices in Adelaide, Brisbane, Canberra, Darwin, Gold Coast, Hobart, Karratha, Melbourne, Parramatta, Penrith, Perth, Rhodes, Sydney, and Wollongong.

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 is not controlled by KPMG Australia). 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 and in Australia, as well as entities associated with the regional and global KPMG network that do not provide client services.

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.

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 and Travel

FY20 source locations

KPMG Australia's overseas supply chain includes eight 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 delivery network.



RISKS

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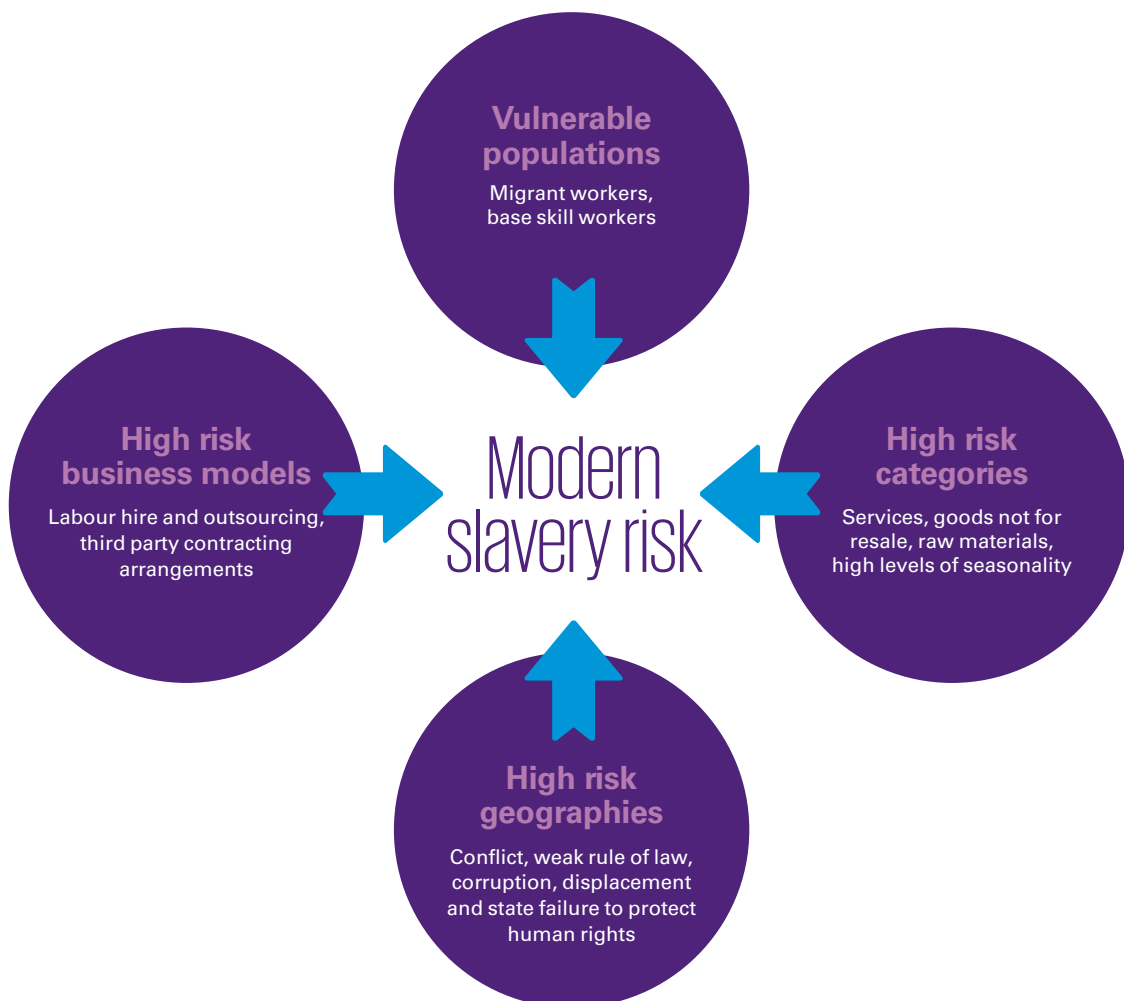
EFFECTIVENESS

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.¹

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:



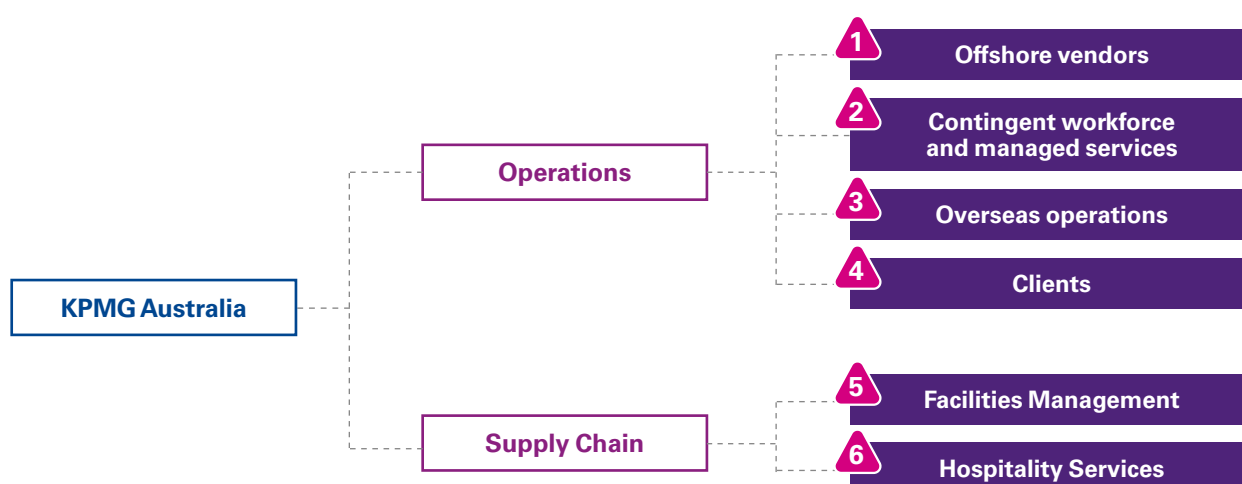
1. *Modern Slavery Act 2018 (Cth)*, s 4. The worst forms of child labour means situations where children are subjected to slavery or similar practices, or engaged in hazardous work.

| 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.

Identification of our potential 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.

KPMG Australia FY20 risk areas



1 Risk Area

Offshore vendors

The Asia-Pacific region has the largest concentration of people in slavery-like conditions. KPMG Australia has eight 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. Some off-shore vendors are governed by KPMG International's 'global delivery network'. KPMG Australia has identified that the countries in which our offshore vendors operate are at a higher risk of potential modern slavery practices on the basis of their geography.

2 Risk Area

Contingent workforce and managed services

KPMG Australia's contingent workforce has grown. KPMG Australia's contingent workforce is predominantly comprised of highly skilled specialists engaged to provide professional services at times of high demand. Managed services of this kind are typically comprised of base-skilled workers who can be at high risk of modern slavery, particularly where there is an intersection with offshore vendors.

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3 Risk Area**Overseas operations**

KPMG Australia interacts with a number of overseas jurisdictions, described above. While the level of influence that KPMG Australia has over these operations varies significantly, some of our overseas operations could have perceptions of higher risk of modern slavery practices occurring because these operations exist in higher risk geographies.

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 practice 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.

5 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.

6 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.



Understanding new vulnerabilities in the coronavirus (COVID-19) context

KPMG Australia recognises that the global coronavirus (COVID-19) pandemic is exacerbating existing vulnerabilities and creating new ones. Our recent [thought leadership](#) discusses the impact of the pandemic on vulnerable people. We know the coronavirus has the ability to heighten the risk of modern slavery in various parts of our business. Cascading challenges at both the micro and macro levels impact the ability of businesses to provide protections to their workforce. Vulnerable people are front of mind for us and for many of our suppliers and clients. KPMG Australia will continue to work at preventing harm to people and will use its modern slavery response as a platform through which to identify vulnerabilities and address them.

RISKS ACTIONS EFFECTIVENESS

Our actions 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 putting 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.

FY20 Actions



Our approach to human rights due diligence to address modern slavery risks

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, in our first Statement, we begin with how we decided what to do and the focus of the foundational work we have done.

Human rights commitment

- ✓ Adopted Human Rights Policy

Management systems and controls

- ✓ Established executive accountabilities and cross-functional Human Rights Working Group
- ✓ Developed Supplier Risk Assessment Framework
- ✓ Updated Supplier Code of Conduct
- ✓ Trained procurement staff on application of Supplier Risk Assessment Framework
- ✓ Conducted supplier risk assessment pilots
- ✓ Introduced explicit human rights question in Client and Engagement Risk Assessment
- ✓ Convened monthly Human Rights Working Group meetings to track actions against prioritised roadmap
- ✓ Established communication channel between relevant functions to answer client queries

Grievance mechanisms and remediation

- ✓ Incorporated modern slavery into Whistleblowing Policy and process

Baseline diagnostic assessment

- ✓ Conducted baseline diagnostic assessment and developed actions roadmap
- ✓ Prioritised actions with cross-functional stakeholders
- ✓ Conducted modern slavery risk identification

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Baseline diagnostic assessment

✓ **Baseline diagnostic assessment and prioritised actions**

Beginning in 2018, the first step in our modern slavery response was to assess the maturity of our existing policies, systems and controls, and remediation mechanisms to identify and manage modern slavery risks. The work included the development of a practical roadmap for addressing gaps and retrofitting existing controls. This practical roadmap, framed against the elements of good practice human rights due diligence, forms the foundation of our ongoing modern slavery response.

✓ **Modern slavery risk identification**

As a component of our diagnostic assessment, we also conducted preliminary modern slavery risk identification to understand our key risk areas. The risk areas identified (and set out above) helped us prioritise our responses in FY20.

Human rights commitment

✓ **Policy commitment**

We have developed and launched a Board and Executive approved [Human Rights Policy](#) to clarify KPMG Australia'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 and Work*, the *United Nations Guiding Principles on Business and Human Rights*, and the United Nations Global Compact.

We have reviewed and updated our business policies for consistency with the Human Rights Policy. We have also raised internal and external awareness of our commitment through dedicated training, and whole of firm communications about the Policy.

Management systems and controls

✓ **Accountabilities and governance**

We established a cross-functional Human Rights Working Group to oversee our modern slavery response. The Working Group is co-chaired by the KPMG Australia Chief Risk Officer and Chief Operating Officer and includes

representatives from risk, procurement, legal, and corporate citizenship, along with human rights specialists. It monitors progress of implementation actions on a monthly basis.

The first actions of the Human Rights Working Group included prioritising the modern slavery implementation roadmap and confirming accountabilities and governance. The Human Rights Working Group also briefed the KPMG Australia Board and the National Executive Committee on the obligations and operational response plan.

✓ **Due diligence: supply chain**

KPMG Australia is committed to the continuous work to ensure that there is no modern slavery and labour related harm from our operations and supply chain.

KPMG Australia understands that leading practice due diligence takes time to implement and strengthen and that the most effective form of engagement is risk-based and collaborative. We have started this process, and it is the reason why in FY20 we focused on enhancing our systems, piloting new approaches, and deepening supplier relationships to extend our assessment and monitoring over time. We have chosen a meaningful and phased response over trying to get full tick-and-flick coverage. This means engaging with our suppliers and increasing our expectations over time.

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. Our [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. Taking a risk-based approach, 44 of our suppliers completed self-assessments as part of our pilot phase in FY20, constituting 49% of our identified high-risk suppliers. A further 47 are currently completing self-assessments and we are working with suppliers to manage this in the current coronavirus (COVID-19) context.

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.

| RISKS | ACTIONS | EFFECTIVENESS |
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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.

Our ongoing engagement will help establish a baseline from which KPMG Australia will be able to monitor the continuous improvement of our suppliers' modern slavery responses.

In the interests of effective and practical implementation, we have conducted supplier risk assessment pilots to test the incorporation of modern slavery risk criteria into each stage of the supplier management lifecycle.

+ Case study 1 – Human rights due diligence: supply chain

Offshore centre

One of our strategic offshore relationships is with KPMG Global Services India (KGSi) based in India. KGSi is a Captive Offshore Centre utilised by a number of countries in the KPMG network. KPMG Australia does not have an ownership interest in KGSi.

We prioritised working with KGSi given our strategic relationship with them and their offshore operations to assist both us and them through piloting using our Risk Assessment Framework.

The first step we took with KGSi in utilising our Risk Assessment Framework was to explain KPMG Australia's Supplier Code of Conduct and modern slavery related expectations. We asked them to work with us on this important issue, recognising that our expectations were changing in this space. We asked in the first instance that KGSi fill out a questionnaire so we could understand what they were currently doing to manage the risk of modern slavery.

To help KGSi understand and align with our Supplier Code of Conduct, we explained that the guidance column of our questionnaire provided examples of good practice against each element, alongside the need for documentary evidence.

We then entered into a dialogue with KGSi, learning more about their existing approach to modern slavery, to business more broadly and how together we can build their capability that will in turn provide us with a better understanding of progress they are making through ongoing information sharing.

By taking a collaborative approach, and being willing to answer questions and provide explanation, KGSi understood the purpose of the modern slavery risk assessment. This pilot approach provided a baseline from which KPMG Australia will be able to continue to engage with KGSi on how they are enhancing their modern slavery response through continuous improvement.

The next step of engagement with KGSi will be regular interactions through electronic means and ultimately onsite engagement where we will see system demonstration and test management assertions. We look forward to conducting this onsite component when current coronavirus (COVID-19) restrictions are lifted. We are working with KGSi to develop graduated levels of engagement tailored to residual risk.



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+ Case study 2 – Human rights due diligence: supply chain

Facilities management

Soho Property Services (Soho), our cleaning supplier in Sydney provides a range of valuable cleaning services for our corporate premises. Recognising that cleaning services are part of the **facilities management risk area**, we prioritised engagement with Soho for the pilot of our modern slavery risk assessment framework. As a first step, we communicated our expectations on this issue by sharing the Supplier Code of Conduct with the Soho. We were deliberately flexible in our approach, recognising that expectations around alignment with our Supplier Code of Conduct had to be tailored and proportionate to the supplier's size and influence. In practice, this meant explicitly acknowledging that some of the questions in our questionnaire and the associated leading practice guidance would not be relevant to this supplier.

Soho demonstrated a willingness to review their approach and saw the value in doing so for their own business and for their relationship with clients more broadly. Critical to our engagement with this supplier was understanding the time it can take to build appropriate policies and risk controls for a small business. Our explicit commitment to working with our suppliers on achieving alignment became crucial in managing this supplier relationship. We tailored our alignment plan to Soho's context, providing them with an opportunity for improvement that was practical and pragmatic.

For example, one of our modern slavery risk assessment questions is whether the supplier has an audit program or similar process that assesses and monitors their supply chain for modern slavery risk. Soho's answers to the questionnaire revealed they currently rely on reputation and existence of publicly known legal proceedings as indicators of modern slavery risk. We explained that, on their own, these are not reliable sources of risk identification because human rights

and modern slavery issues rarely make the media and often remain hidden. We also explained that, over time, we would expect them to manage their modern slavery risk by sharing modern slavery related policy and commitments with their own suppliers, and conducting some form of check. Considering the scale of their business, we acknowledged this would not need to be an audit program. But it would need to be an explicit consideration that is documented and built into their checks and relationship management processes. We recommended that the supplier seeking modern slavery related policies from its business partners and suppliers is a good first step that it can build on to formalise in its approach.

Soho stated that they consider human rights related risk when selecting their own suppliers and contractors. However, as with many entities which are starting to build a modern slavery response, these considerations were not formalised in any documented processes. We explained that better practice would be to provide evidence of explicit, formalised human rights considerations in the supplier/contractor selection processes. We suggested in our alignment plan that an action towards managing this risk could be to add specific questions into the supplier selection process.

Soho understood that this was an area they needed to mature and that this would take time. They decided to start developing a human rights and modern slavery policy commitment as a result of our engagement with them. Our practical steps for how they could start to formalise modern slavery risk controls will be the focus of our next engagement step with them, as we work collaboratively on enhancing their modern slavery response.

| RISKS | ACTIONS | EFFECTIVENESS |
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| <p>✓ Human rights due diligence: operations</p> <p>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.</p> <p>We introduced a specific question that requires engagement leaders to consider whether or not there are "<i>...any circumstances which may result in the engagement being perceived as having a link to corruption or contributing to negative impacts on human rights [and] labour rights...?</i>" in relation to the conduct of any engagement. The Client Risk Assessment was also updated to include a question regarding allegations</p> | | <p>of human rights violations and/or modern slavery. When a client or engagement team identifies that there may be a potential issue, the Client Risk Assessment or Engagement Risk Assessment is flagged for further assessment by divisional risk leaders and human rights specialists. The focus is on ensuring that potential harm has been considered and ensuring the appropriate mitigation measures have been implemented.</p> <p>We have a dedicated phase of work to start incorporating 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.</p> |

+ Case study 3 – Human rights due diligence: operations

Incorporating a human rights question into our Engagement Risk Assessment

After we included the human rights question in our engagement risk assessment, we conducted a review of how KPMG staff were answering the question and on what basis. We did this in order to understand how the question was understood and applied, and to identify refinement, guidance, and training opportunities.

Our review found the following:

- Staff understood the value of the question
- Pre-existing knowledge was the primary source for answering the question
- Further guidance was needed about the distinction between the questions in a Client Risk Assessment and an Engagement Risk Assessment
- The broad drafting of the question meant that it was open to interpretation

- Our human rights specialists were able to work with divisional risk and engagement leaders to encourage deeper consideration of potential risks in an engagement. Where a risk is flagged, the relevant team is encouraged to consider if any mitigating controls could be appropriate to prevent or mitigate harm. Typically the engagement risk assessment is encouraging new conversations about human rights risk that can be used to mature our approach over time.

As a result of the review, we have committed to building targeted capability building and guidance for responsible staff in the short to medium term. We have also committed to the extension and refinement of questions in the medium to long term.

| RISKS | ACTIONS | EFFECTIVENESS |
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✓ Monitoring and reporting

Our modern slavery work is ongoing and regularly tracked and monitored by the Human Rights Working Group. It continues to be supported by human rights specialists and a dedicated project management team that reports to the Human Rights Working Group.

We are committed to enhancing our capability to track the effectiveness of our responses and to communicating our human rights progress for external stakeholders. This includes reporting transparently in our annual Modern Slavery Statement. We are also committed to communicating transparently with our clients and have made a number of disclosures to clients who have approached us for information about our modern slavery response as part of their own due diligence. To ensure we communicate consistently and from a single source of truth, we have established an internal communication channel between our legal, client, and risk functions.

Grievance mechanisms and remediation

This year, through our Human Rights Policy, we committed to addressing human rights grievances and providing appropriate avenues for affected individuals or communities to come forward. This included a commitment to continuously improve our mechanisms and remediation processes through stakeholder engagement and dialogue, to better align with the expectations for effective mechanisms set out in the *United Nations Guiding Principles on Business and Human Rights*.

As part of our preliminary response we conducted a comprehensive review and update of our [Whistleblower Policy](#) and established a rights-aligned interim process for the receipt of complaints and allegations.

As we mature our approach to the identification and management of modern slavery, we could find modern slavery in either our operations or supply chains. At this point we will need an appropriate response to remediate harm, and communicate progress internally and externally. We are currently in the process of developing a robust response framework.



Working with our suppliers in the coronavirus (COVID-19) context

The procurement team has acknowledged that many of the firm's suppliers are facing significant challenges in the COVID-19 context. The team has placed a greater emphasis on tailored engagement with suppliers to help them recover and align with KPMG's expectations.

In some instances, this means providing the suppliers with a revised timeframe to respond to questionnaires and evidentiary requirements as part of our Supplier Risk Assessment Framework. To ensure that rights are protected and people are not harmed as a result of changed business practices, we strongly believe in partnering with our suppliers and establishing a transparent relationship to achieve the alignment we seek.

Some of our risk assessment and ongoing risk management processes were tailored to the unique challenges faced by suppliers as a result of the pandemic, with a focus on open communication and flexibility.

Particularly, in the coronavirus (COVID-19) context KPMG Australia is working with our suppliers so that vulnerable people in our supply chain are cared for and not subjected to poor labour conditions, including modern slavery.

RISKS

ACTIONS

EFFECTIVENESS

Our approach to assessing effectiveness

KPMG Australia's monitoring and reporting program is currently under development. Our objective is to operationalise the fundamental human rights due diligence principles in line with the *UN Guiding Principles on Business and Human Rights*. We recognise that the process of developing a robust, effective, and sustainable monitoring program requires time and resources.

Our focus this year has been to build a strong foundation to monitor the effectiveness of our actions.

This year, we invested in widespread stakeholder engagement and management activities that have enabled us to gather data on our progress.

The key steps we have taken to provide a strong foundation to monitor the effectiveness of our actions include:

1

The establishment of the Human Rights Working Group

The cross-functional Human Rights Working Group provides KPMG Australia with an appropriate platform to assign responsibilities and accountabilities for human rights risk management at executive, management, and team levels, with clearly defined reporting lines.

2

Monthly tracking and reporting through established accountability channels

The Human Rights Working Group meets on a monthly basis and the various modern slavery-related work streams are tracked against a comprehensive project plan with KPIs and timelines for each action. 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 monitoring included a review of how KPMG personnel, including engagement teams and divisional risk management partners, were answering human rights related engagement risk assessment questions. The review examined the engagement risk assessments completed over a three-month period and identified the need for further guidance and training on answering the questions and applying the relevant inputs.

3

Dedicated project management team to drive implementation and continuous improvement

We recognise that consistency and capability building is key to effective program implementation. If a program is to become embedded as business as usual, it needs to be part of the business culture. This is why we ensured 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.

Consultation, collaboration and our forward commitments

Consultation

KPMG Australia has communicated with relevant entities in our operations, including entities we own and control, to explain our commitments and program of modern slavery work. Over time, taking a risk-based approach, we will enhance our human rights due diligence with these entities.

Engagement and collaboration

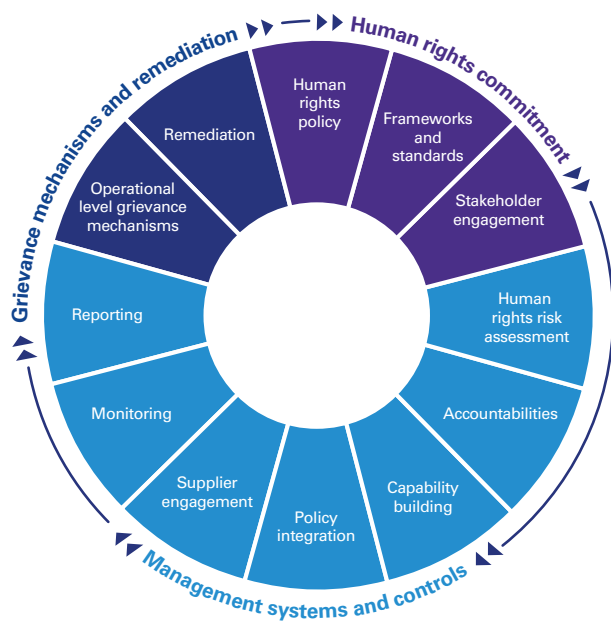
KPMG Australia has deep subject matter expertise in human rights risk management, and one of our key differentiators is our continued contribution to various industry, cross-sector, and cross-jurisdiction fora. Our support for learning and sharing in this area is demonstrated through hosting a range of events including the Sedex Responsible Sourcing 'Beyond Compliance' conference and a modern slavery national speaking series with the Australian Institute of Company Directors. KPMG Australia has commenced a two-year collaboration with the Australian Human Rights Commission supporting business to improve modern slavery risk management and understand risk of harm to people.

Drawing on our understanding of relevant international trends and local contexts, KPMG Australia has published extensive thought leadership, research, and guidance. We often work together with other stakeholders to explore emerging trends. This includes convening the Australian Law Reform Commission, with corporate risk and sustainability professionals, to examine European approaches to mandatory human rights due diligence. We have also hosted international academics launching new research, contributed to global initiatives such as the Financial Sector Commission on Modern Slavery and Human Trafficking, and participated in the United Nations Forum on Business and Human Rights.

Continuous improvement: planned next steps

Over the next year, KPMG Australia will progress the work streams we established in FY20, with the goal of continuously embedding the Human Rights Policy across our business. Our FY21 priorities are set out below.

FY21 Priorities



Human rights commitment

- ✓ Conduct first scheduled review of our Human Rights Policy
- ✓ Finalise and adopt a firm-wide modern slavery risk appetite statement and operationalise

Management systems and controls

- ✓ Continue developing tailored supplier capability building approach and guidance
- ✓ Streamline risk-based alignment plans and workflows
- ✓ Formalise supplier risk based monitoring process and schedule
- ✓ Finalise building human rights and modern slavery into Know Your Client processes
- ✓ Develop and deliver training for all Partners and staff
- ✓ Scope the development of an impact measurement framework to track effectiveness

Grievance mechanisms and remediation

- ✓ Develop remediation policy

For questions relating to this statement:

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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

[KPMG.com.au](https://www.kpmg.com.au)

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