
CAPRICORN SOCIETY LIMITED 2020 MODERN SLAVERY STATEMENT

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Introduction

Capricorn is a member-based organisation proudly operating by cooperative principles to make it easier for its 21,000 Members to run and grow their automotive businesses¹.

Capricorn is a member of the International Cooperative Alliance and as a cooperative is driven by values, not just profits. It operates under internationally agreed cooperative principles of: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives and; concern for community².

Capricorn's business model enables and strengthens relationships between its 21,000 Members and 2,100 Preferred Suppliers, and the broader automotive community in Australia and New Zealand. Through Capricorn, Members are in turn supported in providing products and services to their customers. People are at the core of what we do and so respect for human rights through managing its people responsibly and working to prevent modern slavery in its operations and supply chains is key to our success.

Reporting entity

Capricorn (Capricorn Society Limited ACN 008 347 313) is an unlisted public company limited by shares registered in West Perth, Western Australia. Capricorn is also registered in New Zealand (Company no. 651162) to enable provision of services to its New Zealand Members.

This statement describes the actions Capricorn took in financial year ended 30 June 2020 to assess and address the risk of modern slavery in its operations and supply chains. Its content was guided by the Modern Slavery Act 2018 (**Act**) and Guidance for Reporting Entities provided by Home Affairs³.

Key actions taken

- Modern slavery risk assessment evaluation tool created
- Commenced supply chain scoping exercise
- Investment policy updated to state Capricorn's tolerance to modern slavery risk
- Modern slavery awareness training completed by all employees
- appointment and renewal of suppliers involves consideration of their modern slavery risk and contracting on terms that support Capricorn's commitment to the Act

¹ <https://www.capricorn.coop/aboutus/?Country=AU>

² <https://www.ica.coop/en/cooperatives/what-is-a-cooperative>

³ <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

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Operations, structure and supply chains

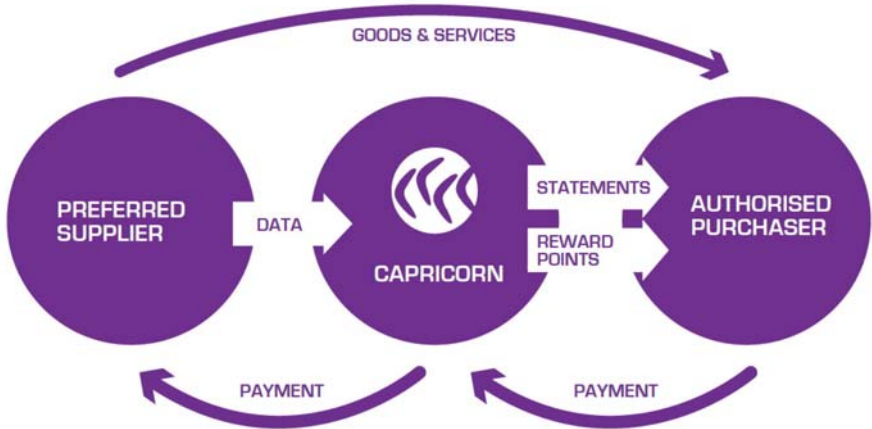
Operations

Capricorn conducts operations throughout Australia and New Zealand.

Financial lending

The most significant part of Capricorn’s operations is the provision of credit to Members through Capricorn trade accounts for the purchase of goods and services from Preferred Suppliers, or from Capricorn and its related companies.

Diagram 1



Provision of services

Capricorn also offers a range of products and services to its Members, including:

- Trade Credit and Extended Credit
- Capricorn Rewards
- Convention and Events
- Publications (Purple Pages, Ignition, Sparks, Capchat)
- Risk Protection Services
- Travel Services
- Fuel Card
- Knowledge services (AutoBoost, Capricorn Service Data)



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Operating on cooperative principles means that shareholding in Capricorn is limited to its Members, and Capricorn may provide financial returns to its Members by way of rebates and dividends.

Capricorn also provides professional management services to Capricorn Mutual Limited, which provides its members with risk protection products, an alternative to insurance. Members of Capricorn Mutual Limited are predominantly Members of Capricorn but not all Members of Capricorn are members of Capricorn Mutual Limited. Capricorn Mutual Limited is not consolidated with Capricorn for financial reporting or tax purposes and its activities are not covered by this statement.

Investments

Capricorn's operations also include the management of its own financial investments, both as internally managed investments in other entities and externally managed investment portfolios.

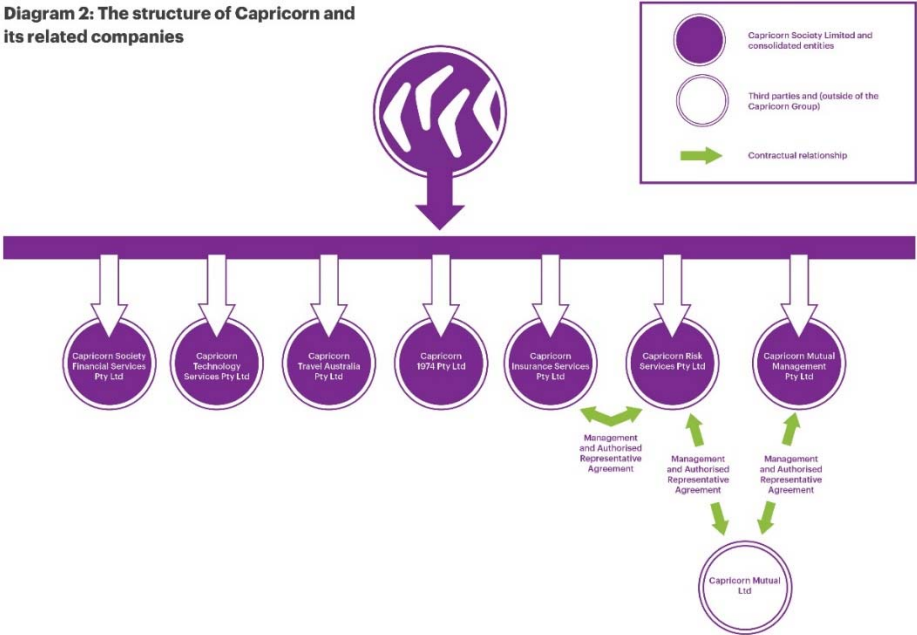
Direct employment of workers

Capricorn and its subsidiaries have 356 employees as at 30 June 2020. 335 are employed in Australia and 21 in New Zealand. Capricorn operates a mobile sales force that is comprised of 101 Australian and all 21 New Zealand employees. The remaining employees are located at Capricorn's head office in West Perth with a small number located at an office in Sydney.

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Structure

Operations are conducted either directly by Capricorn or through Capricorn’s subsidiaries, the structure of which is set out below. All subsidiaries are registered and operate in Australia, with Capricorn Risk Services Pty Ltd and Capricorn Insurance Services Pty Ltd also registered in New Zealand.

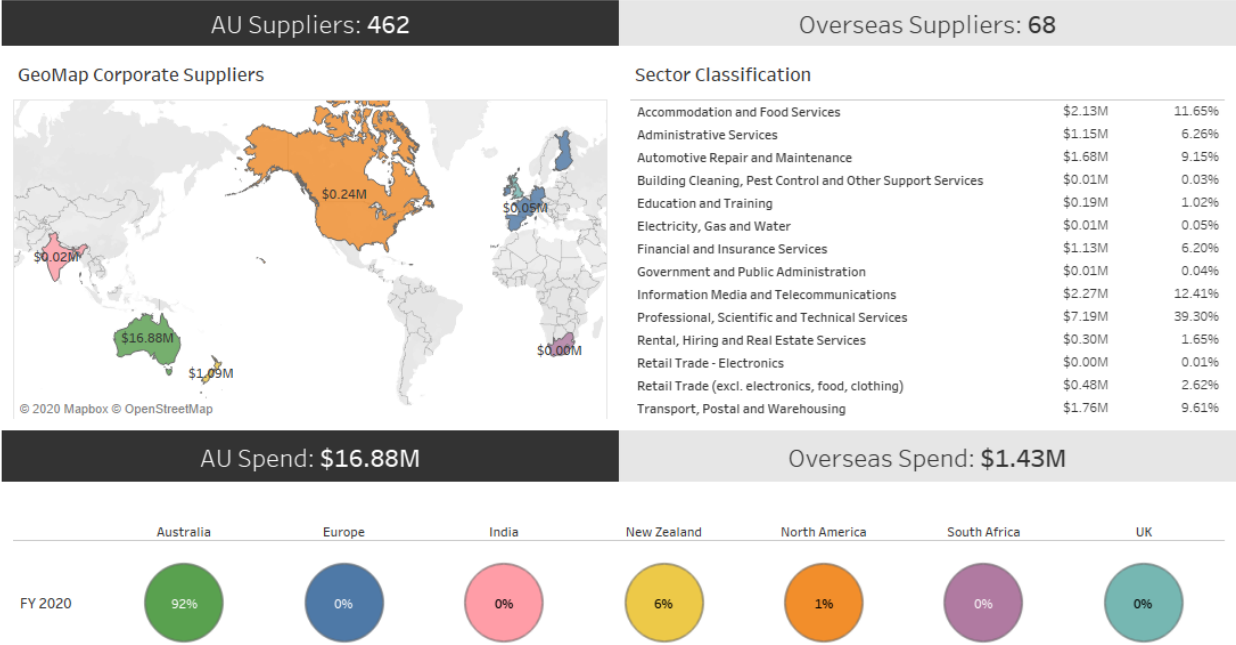


Supply chain

Capricorn’s supply chain is predominantly related to the operations of its offices in Perth and Sydney and maintenance of its mobile sales force. It includes the following services and products: IT and telecommunication services and equipment, professional services, financial services, training providers, uniforms, security, cleaning, office supplies, fleet vehicles, travel and entertainment, and marketing and digital services and products.

Capricorn’s direct (tier one) suppliers are predominately located in Australia. We have 462 Australian suppliers and 68 overseas suppliers across 14 sector classifications. 92% of expenditure was paid to suppliers in Australia. Most overseas products and services procured were from New Zealand and the USA, noting products and services procured from NZ predominantly serviced Capricorn’s NZ operations.

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Modern slavery risk

Operations

Most of the Capricorn Group operates within the automotive finance industry which is considered low risk for modern slavery in Australia⁴, with lending expected to be assessed at a thematic rather than individual level.⁵

Capricorn’s operations also include providing travel related services, which is considered low risk for modern slavery in Australia⁶.

Workplace safety and work conditions are the human rights most relevant to the Capricorn Group’s operations.

Capricorn is aware that businesses can inadvertently increase the risk of modern slavery by placing unreasonable demands on suppliers and keeps this in mind when engaging with suppliers.

Preferred Suppliers are valued business partners in the Capricorn business model and look to Capricorn to assist with profitable business growth and quality service. Capricorn has an appointment policy and due diligence process in place to assist with identifying suppliers that have values aligned with Capricorn’s and that will meet the needs of Members. Preferred Suppliers now enter into an ongoing trade agreement with Capricorn that reflects Capricorn’s

⁴ <https://www.globallslaveryindex.org/2018/findings/country-studies/australia/>
⁵ Page 34, Commonwealth Modern Slavery Act 2018, Guidance for Reporting Entities (<https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>)
⁶ <https://www.globallslaveryindex.org/2018/findings/country-studies/australia/>

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commitment to upholding the Act. Capricorn's expectations are made clear in Capricorn's Preferred Supplier Trade Agreements, which is provided to all Preferred Suppliers.

Due diligence is conducted on all prospective Members prior to them joining Capricorn, and this includes an environmental scan relevant to the Member business including those that may be indicators of modern slavery risks. Capricorn's relationship-based operations means that sales staff are regularly onsite with Members, meaning that there is an ongoing assessment of risk, allowing potential issues to be identified. Capricorn can exit the relationship at its discretion.

Supply chain

The majority of the Capricorn Group's spend is in countries with a low prevalence of modern slavery and sectors of low vulnerability⁷. Notwithstanding this, Capricorn understands that our supply chain will span borders and sectors that may have an increased risk of modern slavery including procurement of clothing, foodstuffs, products and services provided by low skilled workers⁸.

Capricorn's approach to assessing supply chain risk is based on product, sector, geographic and entity risks.

Our modern slavery actions

Governance and management

Capricorn's board of directors (**board**) has ultimate responsibility for Capricorn Group's strategy and management of risks, including risks to human rights such as those addressed by the Act.

People risk assessment

Capricorn conducted a joint exercise with its HR and internal audit functions to ensure that Capricorn is remunerating its employees appropriately. Capricorn also has maintained a well-functioning health and safety management system to ensure that Capricorn employees and contractors work in a safe environment.

Policies and procedures

Capricorn has identified the following policies that support its approach to managing modern slavery risk:

- Code of Conduct
- Equal Employment Opportunity & Workplace Gender Equality Policy
- Grievance Policy
- Work Health Safety & Security Policy and Manual
- Whistleblower Policy
- Risk Management Policy & frameworks
- Group Procurement Policy
- Investment Policy
- Legal Services Policy

⁷ <https://www.globallslaveryindex.org/2018/findings/country-studies/australia/>

⁸ <https://www.globallslaveryindex.org/2018/findings/country-studies/australia/>

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- Preferred Supplier Appointment Policy
- Supplier Termination Policy

Procurement

Capricorn's procurement and legal services policies and related procedures provide internal governance in relation to the contracting of external party goods and services, including the management of contracts. Capricorn updated its procurement policy to consider the risk of modern slavery in its procurement practices.

The appointment and renewal of suppliers will involve consideration of their modern slavery risk and contracting on terms that support Capricorn's commitment to the Act going forward. Capricorn will seek to include in its supplier contracts a right to terminate dealings with suppliers that operate in a manner that puts at risk Capricorn's commitment. Capricorn does, however, recognise that such action could have a detrimental impact on the employees of suppliers, which is contrary to the purposes of the Act. Capricorn's preferred approach will therefore be influencing the supplier to remediate.

A standard clause in relation to assisting Capricorn with modern slavery risk has been developed and implemented in a number of contracts with Capricorn suppliers. The clause includes awareness of Capricorn's whistleblower policy and how to report under it.

Capricorn has commenced a scoping exercise to prioritise the appropriate actions within its supply chain on a risk basis.

Investment

Capricorn updated its investment policy to state Capricorn's tolerance to modern slavery risk within its investment portfolio and how the risk will be managed. Going forward, Capricorn's direct investments and relationship with portfolio managers will be managed in line with this commitment.

Training and awareness

Employees are required to undertake work health and safety and diversity and equality training during induction and a training refresh on a three-year cycle.

During FY 2020 management provided modern slavery sessions with the goal to make all employees aware of modern slavery issues.

Modern slavery consultation

Capricorn's subsidiaries are directed by members of its executive. The executive supports the CEO in matters necessary for the day-to-day management of Capricorn and therefore consultation occurs at the executive level as required.

Capricorn's risk management framework applies to the Capricorn Group and risk management and compliance reporting on the Capricorn Group is provided to the ELT and Capricorn's audit and risk committee by the risk advisory & audit manager.

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Modern slavery roadmap

In the financial year ending 30 June 2021 Capricorn will continue to focus on further understanding our risk profile and collaborate with suppliers and business partners where appropriate to address any identified modern slavery risks and strengthen its management controls. Key areas of focus will be:

Policies and procedures – Capricorn will continue to update relevant policies and procedures to ensure modern slavery risk is appropriately addressed.

Supplier screening – Capricorn will update its contract register to flag high risk suppliers based on product, sector classification and location to better enable appropriate actions prioritised by risk.

Risk assessment – Capricorn will complete the risk assessment of its supply chain to prioritise high risk suppliers.

Investment portfolio – Capricorn will engage with its portfolio managers with the goal of obtaining, where feasible, an assessment of documented process outlining how modern slavery risk has been integrated into the investment analysis and selection process.

Direct investments – Capricorn will complete a modern slavery risk assessment of its direct investments.

Awareness training – Capricorn will provide modern slavery awareness training tailored to those roles that manage business relationships including supplier and contract managers to assist them in identifying high modern slavery risks.

Capricorn recognises that addressing its modern slavery risks will be a long-term process that requires strong commitment and dedication. The company is committed to reporting annually on its progress in addressing modern slavery risks within its operations and supply chain and look forward to working with our business partners and suppliers on this global issue.

Signed,



Mark Cooper
Chairman, Capricorn Society Limited

This statement was approved by the Capricorn board on 21 October 2020.