

CPA AUSTRALIA

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON ENGAGEMENT 2020

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We have more than 168,000 members in over 100 countries and regions, supported by 19 offices globally. Our core services include education, training, technical support and advocacy. CPA Australia provides thought leadership on local, national and international issues affecting the accounting profession and public interest. We engage with governments, regulators and industries to advocate policies that stimulate sustainable economic growth and have positive business and public outcomes. Find out more about CPA Australia at cpaaustralia.com.au

It is emphasised at the outset that this Communication on Engagement addresses both CPA Australia's operational and governance responses, but more particularly its public interest objective of promoting ethical and transformational behaviours amongst its professional accounting membership and the wider business community.

CPA Australia considers the UN Sustainable Development Goals in its business model and reporting. The goals where we have an impact are quality education, gender diversity, decent work and economic growth and partnerships for the goals. We promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. We do this by supporting our members in the work they do, which impacts their organisations and the economies they work in, and by providing a workplace that values inclusion and diversity.

CPA Australia's principal public document that demonstrates our value system and principle-based approach to doing business addressing matters pertaining either directly or generally to the UN Global Compact Principles is its 2019 Integrated Report, the full text of which can be found at:

https://www.cpaaustralia.com.au/-/media/Corporate/AllFiles/AnnualReport/documents/0_CPA_Australia_2019-Integrated_Report_Digital_Copy.pdf

The following Communications on Engagement is drawn either directly from the 2019 Integrated Report or other publicly available sources.

UN Global Compact Principles	Disclosures on specific activities and results
<p>HUMAN RIGHTS</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Human rights are increasingly featuring in emerging corporate governance practices.</p> <p>The Australian Federal Government Modern Slavery Act 2018 requires firms with over \$100 million revenue to publish annual statements outlining their actions to address the risk of modern slavery occurring within their operations and supply chains. Affecting an estimated 3000 entities, this new reporting regime is part of global efforts to relieve the plight of an estimated 40 million victims of modern slavery around the world.</p> <p>At the time of preparation of this Communication on Engagement, CPA Australia's first Modern Slavery Statement is under preparation with the intention that the statement aspire to the highest possible standard of disclosure amongst professional services organisations. As part of capacity build around the statement's preparation, significant measures have been undertaken across 2020 to update procurement and recruitment policies, and to establish a Modern Slavery and Human Rights Working Group consisting of key senior management members. Indicative of CPA Australia's commitment, ultimate authority for the Statement sits with CPA Australia Board and its Audit, Risk & Compliance Committee.</p> <p>CPA Australia has made significant efforts to assist corporates in complying with the modern slavery legislation by introducing to accountants the rationale, nature and implications of the modern slavery reporting regime. Towards this endeavour, during the period of 2019 and 2020, CPA Australia has funded three research projects and conducted podcasts.</p> <ul style="list-style-type: none"> Modern Slavery Compass – A tool to point business in the right direction- Prepared by Dr Katherine Christ, University of South Australia and Professor Roger Burritt, Australian National University <p>The purpose of the Modern Slavery Compass is a tool to help business as it grapples with the management and reporting requirements of the new Australian Modern Slavery Act 2018. The full report can be found at:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/esg/cpaaom3475_297x210_modern-slavery-act_fa_web.pdf?la=en&rev=7ec36e8b62544bed9d952d024093c338</p> Combatting Modern Slavery in Supply Chains: A Resource for Accountants- Prepared by the CPA Australia ESG Centre of Excellence

	<p>This guide is a resource to help accountants assist firms to identify issues, eliminate concerns, and comply in fact, and in spirit, with the Modern Slavery legislation. The full report can be found at:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/esg/combating-modern-slavery-in-supply-chains-a-resource-for-accountants.pdf?la=en&rev=d2e800ce8a3b422aa972f590c46ae976</p> <ul style="list-style-type: none"> • Regulating transparency and disclosures on modern slavery in global supply chains - Justine Nolan, Jolyon Ford, Professor M. Azizul Islam, 2019 <p>The full report can be found at:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/esg/modern-slavery-global-supply-chains.pdf?la=en&rev=6c100dc809774bd4b97f9e6e27e09fda</p> <ul style="list-style-type: none"> • Modern slavery in global supply chains – reflections on Australian legislative developments <p>Based on CPA Australia funded research, the podcast examines motivations for development of the Act and explores the efficacy of a regime based largely on voluntary disclosure.</p> <p>The podcast can be listened to at:</p> <p>https://www.cpaaustralia.com.au/podcast/modern-slavery-in-global-supply-chains</p>
<p>LABOUR</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right of collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective</p>	<p>CPA Australia’s 2019 Integrated report highlights its culture that values gender equality and women’s empowerment as follows:</p> <p><i>CPA Australia values and promotes an inclusive and diverse culture by fostering an environment that focuses on:</i></p> <ul style="list-style-type: none"> -Gender equality -Celebrating diversity and promoting a culture of inclusion -Creating a flexible workplace <p><i>Achieve gender equality and empower all women and girls. We do this through our diversity and inclusion policy that applies to:</i></p>

<p>abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation</p>	<ul style="list-style-type: none"> -CPA Australia's Board - Membership committees appointed by either the Board or management -All CPA Australia employees, and contractors of our organisation -Persons seeking employment with our organisation. <p>As further stated in our 2019 integrated report:</p> <p><i>Female representation in workforce around all regions amounts to 67% while in Australia it is 64% for the year ending 31 December 2019. In addition, the annual remuneration process and targeted interventions identified roles where pay equity adjustments were required. The current pay equity position is 0.96 to 1.04, an improvement on 2018. The competition for talent and a gender balanced candidate pool in a number of technical specialist roles, primarily in our technology and digital solutions business unit, does impact this ratio. We have set a 2020 target for a ratio of between 0.9 to 1.0 across all remuneration grade levels.</i></p> <p>Further information on our gender balance can be found in the integrated report page 54 and 55.</p> <p>CPA Australia's 2019 Integrated Report under "Our People – Diversity and inclusion" notes:</p> <p><i>CPA Australia employs 554 people (full time – 89 per cent, part time – nine per cent, casual – three per cent and maternity/paternity leave – three per cent) and we are committed to attracting and retaining employees whose composition reflects a diversity of backgrounds, knowledge, experience and abilities. The executive management team currently has a 50/50 gender balance.</i></p>
<p>ENVIRONMENT</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p>	<p>CPA Australia's 2019 Integrated report describes its environmentally proactive approach commensurate with its environmental footprint and nature of business as follows:</p> <p><i>CPA Australia has operated on the basis that it has limited impact on natural capital and our stakeholders do not consider this material. In 2020, the Board will review its current position and impact on natural capital, having regard to whether new targets should be established in this area. We are committed to reducing the impact that we do have due to the printing of our publications, CPA Program materials and marketing information, as well as through air travel</i></p>

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

by our staff and members who assist with our Councils and Committees. We will do this through the increased use of video conferencing and an increasing move to digital production for key publications and documents.

CPA Australia's specific activities in relation to each of UNGC Principles 7, 8 and 9, is primarily through leading the profession by way of practical research, either directly undertaken or commissioned from academic institutions, and through its extensive advocacy activities. The following are highlighted:

- CPA Australia has joined many of the world's largest professional accounting organisations committing to a call to action in response to climate change. Professional accountants are represented in every sector across the economy and are uniquely positioned to enact meaningful and positive change through a collective effort. 13 chief executives representing 14 accounting bodies have signed a call to action in response to climate change. The bodies, who are all members of A4S's Accounting Bodies Network, represent over 2.5 million accountants and students globally. The statement includes eight actions which accountants are called upon to take in response to the climate emergency. It also includes commitments from the bodies themselves in support of their members. The call to action highlights that climate change represents an economic, social and business risk – a risk that accountants from across the world must take action on.

The full statement can be found on:

<https://www.accountingforsustainability.org/abn-climate-action.html>

- CPA Australia issued, in 2019, its policy statement on the link between environmental and economic policy, and the role accountancy can play in helping to combat the effects of climate change.

The full policy statement can be found at:

<https://www.cpaustralia.com.au/professional-resources/esg/-/media/corporate/allfiles/document/professional-resources/esg/policy-statement-business-environment.pdf?la=en&rev=0141df3143f34d76b1738bb4f0fa332f>

- In January 2020, CPA Australia released commissioned research from the University of Melbourne, The Commonwealth Climate and Law Initiative and MinterEllison which

	<p>explores the impact of Australia’s international climate commitments on accounting assumptions and associated audit of climate risk disclosures.</p> <p>The full research report can be found at:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/esg/cpa-australia-climate-risk-assumptions-final-report-january-2020.pdf?la=en&rev=d4654c69924644979ffda812c847b7ab</p> <ul style="list-style-type: none"> • CPA Australia contributed to the following consultations supporting conservation of the environment, corporate disclosures related to environmental impacts, particularly in response to climate change and climate-related risks. <p>International Integrated Reporting Framework revision:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/ir-consultation-draft_-cpa-australia-reponse-19-aug-2020.pdf?la=en&rev=710009758c304875bd58798498003187</p> <p>Singapore Monetary Authority proposed guidelines for management of environmental risks:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/guidelines-for-management-of-environmental-risks-august.pdf?la=en&rev=addcbda26b6a406c97cbd231e371f34e</p> <p>Bank Negara Malaysia - Climate Change and Principle-based Taxonomy Discussion Paper:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/bnm-climate-change-and-principle-based-taxonomy.pdf?la=en&rev=1f81a8565651447fb47ca3025d3f647d</p> <p>Australian Government Technology Investment Roadmap discussion paper:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/technology-investment-roadmap-discussion-paper.pdf?la=en&rev=16658470fa0f467593ea720b537b8298</p> <p>Royal Commission into National Natural Disaster Arrangements:</p>
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	<p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/natural-disaster-response-rc.pdf?la=en&rev=fe27525c48fc4076a89f407d98024115</p> <p>New Zealand Ministry of the Environment Climate-related financial disclosures – understanding your business risks and opportunities related to climate change:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/climate-related-financial-disclosures.pdf?la=en&rev=934a40eccf2240bba383bf3c0cab8be5</p> <p>Australian Climate Change Authority – updating the Authority's previous advice on meeting the Paris Agreement:</p> <p>https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/joint-submission-cca-paris-agreement.pdf?la=en&rev=8d6ffc4fd72144ea8b42bb8c82fccf18</p>
<p>ANTI-CORRUPTION</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>CPA Australia’s specific activities in relation to UNGC Principle 10 cover its own internal practices, its dealings with (and responsibilities for) its members, and through its public interest-focused advocacy and research activities. The following are highlighted:</p> <p>CPA Australia’s internal approach to combatting corruption and bribery is most forthrightly stated in its Fraud and Corruption Policy in which the follow Statement of Attitude is presented:</p> <p><i>CPA Australia is committed to maintaining a robust culture of integrity and ethical behaviour. CPA Australia will not tolerate Fraud or Corruption within any part of the organisation (whether in Australia or elsewhere). Any Fraud or Corruption may be reported to the relevant law enforcement agency in the specific country, state or province in which the alleged offence has occurred.</i></p> <p>The Policy is implemented through such means as third party and supplier compliance practices and mandatory staff education and training. The Policy is further underpinned by CPA Australia’s Whistleblower Policy and Code of Conduct, the latter of which cover matters such as gifts and gratuities, conflicts of interest and the proper keeping of financial records.</p> <ul style="list-style-type: none"> • CPA Australia members, upon joining, commit to the obligations laid out in CPA Australia's Constitution and By-Laws, and perhaps most noteworthy in the context of UNGC Principle 10, the Code of Ethics for Professional Accountants, which aside from

compelling acceptance of responsibility to act in the public interest, imposes positive obligations in response to non-compliance with laws and regulation which may be encountered in the accountant's professional capacity.

To ensure all members uphold these standards, CPA Australia has a formal process that enables complaints about its members to be heard, evaluated and, where appropriate, disciplinary action be taken. Investigations and disciplinary processes are guided by the principles of procedural fairness, confidentiality, independence, and the right to appeal.

- CPA Australia continues to contribute to the law and governance reforms that strengthen systems to alleviate corruption and promote ethical conduct more broadly.
- In May 2019 CPA Australia participated, along with a select group of private and public bodies, in a forum convened by the Australian Federal Police and the Australian Government (Director of Public Prosecutions) aimed at the co-design of standards to prevent and detect foreign bribery.
- CPA Australia is a member of the Australian Stock Exchange (ASX) Corporate Governance Council which in February 2019 released their 4th edition Principles & Recommendations (in essence, Australia's corporate governance code). The 4th edition is noteworthy in its strengthening of recommendations concerning instilling a culture of acting lawfully, ethically and responsibly, and in relation to the transparency around social risks. Although not listed, CPA Australia applies the ASX Principles & Recommendations as the basis of its [corporate governance statement](#). Further, to enable CPA Australia members to assist boards and management, the following resource has been developed:

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/esg/latest-asx-corp-gov-principles-4th-edition---edited.pdf?la=en&rev=8bdbe7a8d2d246b4b4d9a9e8f0f5c5fe>

- High profile company failures in recent years have led to inquiries and analyses of the root causes and reasons for corporate collapses. Often cited as key problems are poor corporate cultures and a lack of ethical behaviour; matters that can be addressed by having a robust corporate governance framework. CPA Australia has funded the following research on corporate governance and risk management affecting the financial services industry:

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional->

[resources/ethics/cg-fs-report.pdf?la=en&rev=08f9476453884e5586d28fc59fee5004](https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/joint-submission-corporate-insolvency.pdf?la=en&rev=08f9476453884e5586d28fc59fee5004)

- CPA Australia continues to actively contribute to law reform consultations with the objective of supporting ethical conduct, good corporate governance and anti-corruption – both specifically and generally. The following are highlighted:

Corporations Amendments (Corporate Insolvency Reforms) Bill 2020 Exposure Draft (ED) and Explanatory Material (EM):

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/joint-submission-corporate-insolvency.pdf?la=en&rev=728eb16db7064c48adb9ac901ce73a16>

Public Consultation by the Accounting and Corporate Regulatory Authority on the proposed amendments to the Companies Act (Singapore):

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/public-consultation-by-acra-on-the-proposed-amendments-to-the-companies-act--singapore.pdf?la=en&rev=755d3923ee844d998f890ded15fb210d>

Australian Parliamentary Committee on Corporations & Financial Services - Litigation funding and the regulation of the class action industry:

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/pjccfs-litigation-funding-and-class-actions.pdf?la=en&rev=3aa09654a6824ca596d5cfde2e0041c9>

The Australian Law Reform Commission - Corporate criminal responsibility:

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/media/submissions/esg/alrc-corporate-criminal-responsibility.pdf?la=en&rev=7ddcad4d4c7c4fc2a6c6d96fde9650fd>