



Pensions & Investment
Research Consultants Ltd

Due diligence in cleaning supply chains still falling short

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Pensions & Investment Research Consultants Ltd (PIRC) has published analysis of the second round of reporting under the Australian government's Modern Slavery Act, by nine large, listed office and retail property owners.

The PIRC report, *Cleaning up Their Act?*, is the second in an annual series of reports that assesses the due diligence policies and procedures that these companies have put in place to prevent modern slavery and labour exploitation in one of their highest risk sectors: commercial cleaning. It is clear from this analysis that companies are still falling short when it comes to due diligence in their cleaning supply chains.

As in 2021, the analysis found that property owners were relying on reporting and oversight mechanisms that decades of evidence show are not fit-for-purpose and that have regularly failed to pick up instances of modern slavery and labour abuse in their supply chains.

While PIRC's research found improvements in companies' assessment of their exposure to various modern slavery and other human rights risks in their supply chains, it found that the implementation of systems to mitigate those risks and remedy adverse impacts that are linked to their operations remained lacking.

Dr Katie Hepworth, PIRC APAC Stewardship Lead and report author, said:

"The report looks at the largest listed office and retail property owners in Australia, Cromwell (CMW), Charter Hall (CHC), Dexus (DXS), GPT (GPT), Lendlease (LLC), Mirvac (MGR), Scentre (SCG), Stockland (SGP), Vicinity Centres (VCX), and analyses the steps they are taking to protect the cleaners in their buildings from modern slavery and labour abuse. Despite all of the companies making commitments to eradicate modern slavery in their supply chain, analysis continues to show only cosmetic compliance.

Companies have had years to put in place effective systems, and we would expect to see improvements from year to year. Unfortunately, this was not the case. In 2022, we can see significant improvements on how companies are reporting on the risks in their supply chains, but unfortunately, company reporting reveals limited – if any - improvement in the how companies mitigate these risks and address any adverse impacts if and when they occur.

The commercial cleaning sector is widely acknowledged as high risk for labour exploitation and modern slavery. From underpayment to excessive working hours, sexual harassment and even

assault, the challenges in the sector means property owners must genuinely work with all stakeholders to improve work conditions.

“The Modern Slavery Reporting is a step in the right direction, but our analysis finds it still does not offer investors the information they need in relation to the risks presented by a company’s supply chains and commercial cleaning. Only one model in the market delivers effective compliance, the Cleaning Accountability Framework (CAF). Responsible property owners, Australian Super, ISPT, and CBUS Property have announced that they will certify their whole retail and office portfolios through CAF, with ISPT currently piloting a new model to streamline certification.

If property owners do not utilise that framework, then investors must demand that property owners demonstrate the effectiveness of alternative approaches. PIRC welcomes GPT’s commitments to certifying additional buildings in 2022 and to adopt portfolio certification in 2023 and we will be following their progress on these commitments closely.”

Background

This report is published by Pensions & Investment Research Consultants Ltd (PIRC) under licence from the Australasian Centre for Corporate Responsibility (ACCR).

Pensions & Investment Research Consultants Ltd (PIRC) is Europe’s largest independent corporate governance and shareholder advisory consultancy with over 25 years’ of experience in providing proxy research services to institutional investors on governance and other ESG issues. Our clients encompass major institutional shareholders, faith-based investors, trade unions and other responsible investors.

PIRC is engaging Australian building owners on the policies and processes that they have in place to manage compliance in their cleaning supply chains. PIRC is calling on building owners to adopt a cross-sector approach to managing supply chain risk that actively involves workers and their representatives, alongside suppliers, property owners and statutory agencies.

In 2022, PIRC supported the shareholder proposal filed by ShareAction at Sainsbury, which called on the supermarket chain to commit to implementing a living wage for employees *and* third-party contractors (including cleaners). This proposal received the support of 16.7% of investors at the company AGM.¹

The *Cleaning Accountability Framework (CAF)* is a multi-stakeholder certification scheme developed to address supply chain risks in the cleaning sector. It is the only initiative in the cleaning industry that involves lead/host companies (e.g. property owners), investors and asset managers; cleaning companies; employee representatives, industry associations, and the workplace regulator (Fair Work Ombudsman). Of the companies reviewed for this report, only two property owners have certified buildings via CAF: Vicinity Centres (1 building) and Charter Hall (4 buildings). ISPT has committed to CAF Certification across its commercial office and shopping centre portfolio, and is the first company to have partnered with CAF to develop a portfolio certification model. Cbus Property has agreed to obtain 3-Star for its entire portfolio through CAF by 2022.

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