

Nucleus Software

Modern Slavery Statement FY2021-22

1. Introduction

Nucleus Software Exports Limited (Nucleus) is a leading provider of lending and transaction banking products to the global financial services industry. As a pioneer in retail and corporate banking software since 1986, Nucleus combines expertise with a commitment to building lasting partnerships with our customers. Our software powers the operations of more than 200 Financial Institutions in over 50 countries, supporting retail, lending, corporate banking, cash management, mobile and internet banking, automotive finance, and other business areas.

Our five core values form the foundation of our corporate philosophy and underpin everything we do – from the way staff work together to the way we develop products and partner with customers to ensure their success. They demonstrate our commitment to creating a strong corporate culture and long-term partnerships which deliver value to our customers:

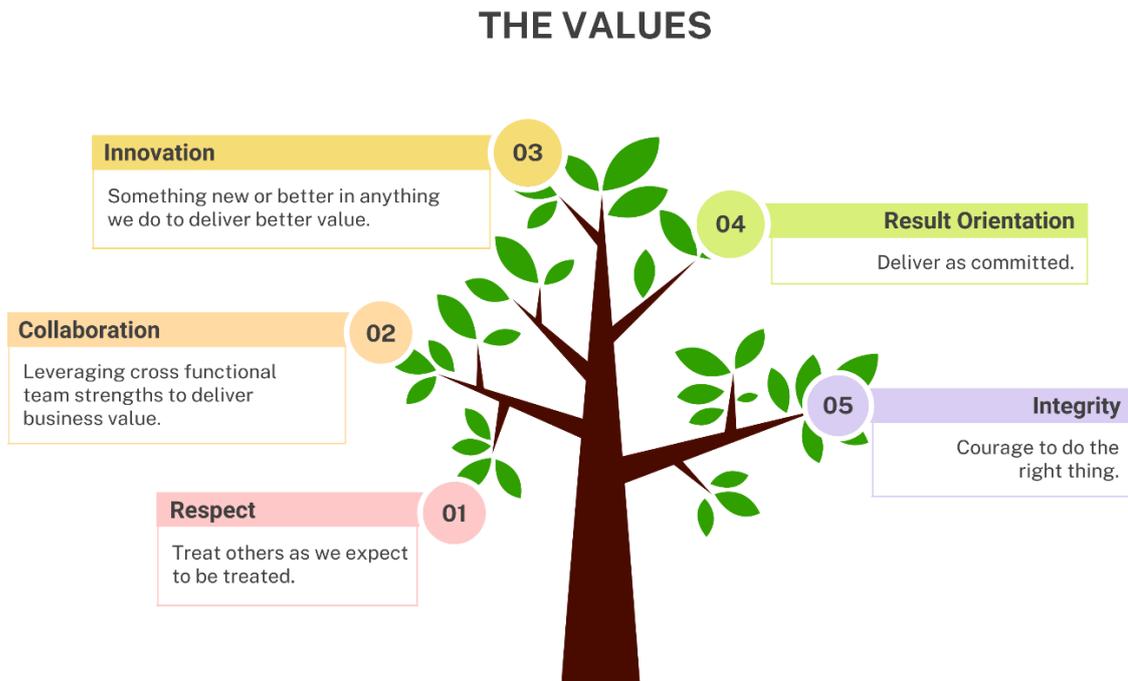


Figure 1: Nucleus Software's core values

At Nucleus we see our approach to tackling modern slavery risks as rooted in the same commitment to people and culture. The way we do business is important to us and we strive for continuous improvement in our counter-slavery response year-on-year, together with our suppliers and partners. This Statement sets out the systems and processes we have currently in place and the targets we are looking towards as we build upon our counter-slavery response into the future.

Nucleus Software: Our Corporate Structure, Operations and Supply Chain

The Reporting Entity and Our Corporate Structure

This Modern Slavery Statement is submitted by Nucleus Software Exports Ltd (Nucleus), a company incorporated in India, as the only reporting entity under the Australian Modern Slavery Act 2018 (Cth) (MSA) for our corporate group.

Nucleus is a publicly listed company on the National Stock Exchange of India Ltd and BSE Ltd since 1995. We are headquartered in Delhi but operate in various countries around the globe, directly and through our subsidiaries. In Australia, Nucleus operates directly through our holding company, Nucleus. Our Australian subsidiary (Nucleus Software Australia Pty Ltd), which functions as a business development and sales hub, is not a reporting entity under the Modern Slavery Act.

Nucleus reported consolidated revenue less than AUD 100 million for the FY2021-2022 reporting year. Yet, as we anticipate steady future growth and currency exchange fluctuations, Nucleus has taken the initiative to report against the Australian Modern Slavery Act 2018 (Cth.) an estimated year in advance of when it will become mandatory for our organisation.

Our annual report for the reporting year 2021-22 (i.e. period covering 1 April 2021 – 31 March 2022) can be accessed at <https://www.nucleussoftware.com/investors>.



Figure 2: Our worldwide presence

We have a presence worldwide and our software powers the operations of more than 200 financial institutions in over 50 countries. In addition, we operate through the following subsidiaries, all of which we have a 100% shareholding in:

- Nucleus Software Solutions Pte. Ltd. (Singapore)
- Nucleus Software Inc. (USA)
- Nucleus Software Japan Kabushiki Kaisha (Japan)
- Nucleus Software Netherlands B.V. (Netherlands)
- Nucleus Software Ltd. (India)
- Nucleus Software Australia Pty. Ltd. (Australia)
- Nucleus Software South Africa (Pty) Ltd. (South Africa)

Our Operations and Supply Chain

Nucleus operates directly and through various subsidiaries across the world. We have branch offices in Chennai, Pune, and Mumbai (India), London (United Kingdom), and Dubai (United Arab Emirates). The Singapore subsidiary has a representative office in Jakarta (Indonesia) and Manila (Philippines). Through our subsidiaries and branch offices we provide front-end support to customers and explore new opportunities.

Being a company with international operations creates the necessity to recruit people from across the globe and globally Nucleus employs almost 2,000 workers, with a small proportion of those being employed as skilled contractors. We are a global organisation, but we maintain an emphasis on values and culture across all of our offices and regions. Our people are important to us and we have in place several unique strategies to build and maintain a relationship of trust with all our workers.

Considering our core business is financial technology services, most of our procurement is for operational services rather than products. This includes data and internet services, real estate, facilities management, security, and labour hire for housekeeping, among others. We do also procure products which are mostly operational, such as computers, phones, and office supplies.

Modern Slavery Risks

Nucleus has researched and considered inherent slavery risks in our operations, supply chain, and the industry we work in. This was based upon the potential to cause, contribute to, or be directly linked to modern slavery through our operations and supply chains, as defined in the MSA's Guidance for Reporting Entities and aligned with the UN Guiding Principles on Business and Human Rights.

We recognize that modern slavery risk exists in the technology and financial services sectors. Much like all service providers, our business uses technology products and hardware like computers, laptops, phones, data centers, and other technology equipment which can hold upstream supply chain risk such as rare earth materials from high-risk geographies. We expect that most of this risk resides beyond our direct operations and tier-1 suppliers.

Our research has also identified that operational support activities are areas of risk for organizations like Nucleus, including cleaning, facilities management, waste disposal, and security services. While the majority of our workforce is directly employed or high-skilled contractors, we do outsource facilities services like cleaning and security via labor hire organizations.

Nucleus operates across a range of regions with different modern slavery risk and our upstream supply chain is likely broad. Of the regions in which we operate, the Walk Free Foundation's Global Slavery Index 2018 identifies Africa as the region of highest risk, followed by Asia and the Pacific, Europe, and then Central Asia. These broad regional risk categories are a start, but Nucleus will conduct a far more granular supply chain risk assessment soon (see the Modern Slavery Roadmap section below).

While we acknowledge that all organisations have modern slavery risk in their onshore operations, our early research suggests that Nucleus' operational risks (even in higher-risk countries) are mitigated by several factors. These include our business model which relies upon a highly skilled workforce providing technology and financial services. Additionally, we have a strong company culture focused on five core values which emphasise respect for all our staff. We also foster long, trusting, and transparent relationships with our staff and have a suite of policies and procedures which provide protection to workers against the kinds of exploitation inherent in modern slavery.

Nucleus acknowledges that these risk factors are likely to have been worsened by the current global COVID-19 pandemic, which is increasing worker vulnerability in many parts of the world, including countries where we hire manpower on a contractual basis or where some of the products we use ultimately originate from. This fact emphasises the importance of greater supply chain transparency and risk-reduction initiatives to ensure Nucleus is helping to limit the pandemic's detrimental effects on workers.

We have identified the following risk factors as the most relevant for consideration and additional examination in the future, based on our high-level review of inherent risks within our industry, operations, and supply chain: **Industry risks in labor hire**, and **geographic risk beyond our direct operations**. Nucleus will enhance our awareness of risks within our operations and supply chain as we progress with our counter-slavery response and adapt accordingly to best mitigate modern slavery risks. The following sections detail how we are increasing our awareness of these risks and developing and implementing a strategic counter-modern slavery response.

Addressing the Risks of Modern Slavery

1. Governance & Culture

Ultimate responsibility for Nucleus' governance sits with our Board of Directors. The structure of our Board is unique in that we have in place several sub-committees that have responsibilities aligned to social performance of our organisation. These include our Stakeholder Relationship Committee, Corporate Social Responsibility Committee and Culture Committee. We will be looking to leverage this structure to support our counter-slavery response through effective Board oversight.

Our Board and its sub-committees are actively engaged on and responsive to emerging issues, including modern slavery and COVID-19, and our Board has signalled our commitment to strong counter-slavery action. We have a strong set of values which underpin our vision to increase financial access for combatting poverty and improving livelihoods. Inclusive growth and long-term development are important pillars of Nucleus' responsible corporate citizenship, and they are the driving force behind many of our efforts. As such, we set up the Nucleus Software Foundation (NSF), a Trust for the purposes of undertaking CSR activities. This Foundation, established in 2014, works towards its stated mission: "Empowering underprivileged with essence of education and thereby better livelihood and better life", through programmes geared towards rural education and gender equality.

The inclusive and value-driven culture embraced by the Board for Nucleus is also guided by our executive management team. To ensure that all of our employees experience a feeling of belonging, we foster an open and inclusive atmosphere and ensure all employees are able to raise concerns and grievances to managers. Some of our relevant policies relating to this are outlined in the following section. In line with our commitment to strong counter-slavery action, we are taking steps to further embed counter-modern slavery responses within our governance and procedures. This includes setting the issue as an agenda item for briefing to the entire Board before the end of every financial year, with an update on actions taken to date and priorities for the next year. We plan to formalise our internal counter-modern slavery working group, to manage the development and implementation of our modern slavery response framework over time. Our commitment and counter-slavery actions will be

communicated to managers and staff to ensure awareness of the issue and the required responses across the company.

2. Policies & Contracts

Nucleus Software has a suite of policies and supporting procedures in place which govern relationships and articulate our values and culture. The following table lists the ones most relevant for countering modern slavery risks.

Policy & Procedure	Purpose
Draft Anti-Slavery and Human Trafficking Policy	The objective of this policy is to maintain the highest possible standards of business practice, and advise individuals of our 'zero-tolerance' approach to slavery. Our Anti-Slavery Policy statement reflects our commitment to act ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. We plan to formally adopt this draft policy by FY22-23.
Draft Supplier Code of Conduct	The Supplier Code of Conduct is to ensure that the values of Nucleus are being followed by suppliers and all their personnel including but not limited to employees, officers, and directors. The matters covered include human rights, child and forced labour, equal opportunities, wages and hours. We plan to roll out the Code of Conduct to all direct suppliers by FY22-23.
Code of Conduct for Employees	This Policy sets our expectations for ethical behaviour of Nucleites.
Grievance Policy	This policy encourages employees to air grievances in a formal manner, and outlines our procedures for lodging grievances and identifying the course of action for a resolution.
Prevention of Sexual Harassment Policy	The objective of this policy is to create and maintain a safe work environment free from sexual harassment, exploitation, intimidation and discrimination for all employees.
Whistle Blower Policy	This policy is to enable our employees, customers, vendors and business associates to raise their concerns at an early stage and in the right way, without fear or victimisation, subsequent discrimination, or disadvantage, and to identify and remediate any malpractices, misuse of company properties, mismanagement or wrongful conduct in the company.
Recruitment and Background Screening Policies	Nucleus has in place policies and procedures that govern the recruitment and on-boarding processes. We have built into these processes, protections against activities that indicate modern slavery practices, such as prohibitions against charging of recruitment fees, and the like.

Table 1: Nucleus Software' human rights relevant policies and practices

Nucleus follows a centralised approach as far as organisational policies and procedures are concerned. This means that our policies apply across all of the geographic locations in which we operate, subject to any specific legal requirements in each country in which we operate. Our policies are developed to ensure the protection of our employees and underpin the strong ethical expectations we have of Nucleites and the partners we work with. We also rely on our policies and processes to establish and ensure awareness of reporting channels that would allow employees and partners to report and escalate concerns, including those pertaining to human rights and modern slavery.

Our policy suite is complemented by additional initiatives that are aimed at fostering an open and inclusive culture. One example of such initiatives is our online platform through which Nucleites can ask management any questions. These can be submitted anonymously. We also have in place anti-slavery contractual clauses, which are built into our Service Agreements and impose obligations on our partners to take action to assess and address any instances of modern slavery, expressly prohibit such practices and empower Nucleus to require our suppliers to respond to assessment questionnaires.

We will deepen our human rights controls by implementing our Anti-Slavery and Human Trafficking Policy and through our targets laid out in this Statement. Over time we will be looking to make further enhancements to our policies in relation to addressing and eradicating risks of modern slavery. This will include investigations into how our grievance systems might be built upon to leverage accessibility and secure worker anonymity.

3. Supplier Engagement & Management

We primarily source services from our suppliers, including for labour hire, real estate such as hiring of office lease spaces, and accommodation for our global workforce, among others. Many of our suppliers are long-term partners with whom we have a high level of mutual trust and open communication. This puts us in a good position to interact with and manage risks in our supply chain, including modern slavery risks.

We communicate regularly with our suppliers, particularly strategic partners. Supplier events and gatherings are hosted to build and maintain strong relationships with our suppliers as and when required. Suppliers who participate in these sessions share feedback and suggestions to nurture mutually beneficial relationships.

Going forward, we aim to increase visibility over our supply chain by collecting relevant data from our suppliers, including but not limited to supplier due diligence questionnaires and increased transparency over our tier-2 supply chain, or indirect suppliers. Following this, we aim to conduct a modern slavery-specific supply chain risk assessment based on known risk factors such as geography, industry, product or service provided, and others to establish areas of exposure. This will be used to devise a staged engagement strategy to address these risk areas and engage with key suppliers.

We see supplier engagement and management as a collaborative process and will strive to engage our suppliers as partners to help Nucleus investigate and mitigate potential slavery risks within our supply chain.

4. Training

As a first step, Nucleus will develop modern slavery training and work towards rolling it out to current and future staff as part of their induction processes. The training will focus on a general understanding of the issue globally and where we operate and help to identify modern slavery risks and issues within our operations and supply chain. The training will also guide staff on how best to respond if an issue arises or they identify a possible risk. We will draw upon external standards and resources when developing our training, such as the United Nations Global Compact and the Walk Free Foundation. Our strong culture of a safe workplace will be an advantage when developing and implementing modern slavery training.

We are also considering the longer-term design and development of more specific modern slavery training for key functions within the business, such as our procurement staff, as they are essential in our counter-slavery response.

5. Collaboration

Nucleus acknowledges that the MSA encourages organisations to work together where possible to identify and combat modern slavery. We see this as relevant to the technology industry and will explore collaboration pathways with our industry groups, peers, suppliers, and communities.

We hope to magnify our influence and contribution to combatting modern slavery by collaborating with relevant organisations and associations. We will explore ways to leverage existing initiatives and partner with peer organisations to share resources and information relevant to modern slavery.

Assessing Effectiveness of Our Actions

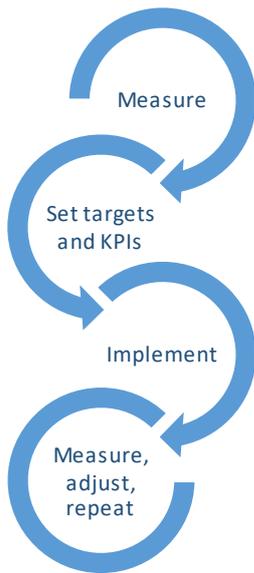


Figure 3: Approach to assessing effectiveness of actions

The MSA requires responding entities to show year-over-year improvement in their anti-slavery response, which Nucleus acknowledges. The key to demonstrating Nucleus’ improvement is evaluating the success of our anti-slavery initiatives and activities. We are using an iterative approach to assess the effectiveness of our actions that will mature and progress over time. In summation, our method is to measure where we are, target where we want to be, implement actions to get there, and then evaluate how well we met our targets before repeating this process. This iterative cycle is depicted in Figure 2 to the left.

It is important to note that Nucleus Software will not measure the effectiveness of our actions by the absence of detected slavery or slavery risk, as this could unintentionally engender a culture of avoidance. Instead, our assessments of effectiveness will focus on quantifiable actions and progression beyond a baseline.

As a first step, we have conducted an assessment of our readiness to report under the MSA, the findings of which informed this Statement. We have concurrently conducted a benchmarking assessment to identify best practice counter-modern slavery actions being undertaken by our industry peers. Our current improvement targets and their corresponding key performance indicators (KPIs) are provided in more detail in the next section, and we will report upon our progress and effectiveness in future statements.

Modern Slavery Roadmap: Targets

Nucleus Software is committed to progressing our counter-slavery response. This section identifies several important targets and our planned actions and activities to achieve each. Many of these actions correspond to longer-term targets that we will be progressing towards, while others are near-term priorities that have our current focus.

Target	Action	Commitment and timing
Supply chain transparency	Creating a centralised procurement team and supplier database that enables collection of relevant data points.	Mapping of tier-1 supply chain in FY22-23 with a view to expand to tier-2 suppliers as we collect more data.
Supply chain risk assessment	Establishing where our supply chain risk exposure is as a foundation for future actions and engagement.	Assessment of tier-1 suppliers for modern slavery risk in FY22-23, with a view to expand to tier-2 suppliers as data becomes available.

Target	Action	Commitment and timing
Supplier engagement	Developing and deploying Supplier Assessment Questionnaire (SAQ) to adjust risk and work towards greater supply chain visibility.	Development and roll out of SAQ on modern slavery and tracking of responses in FY23-24.
	Supplier Code of Conduct	Rolling out a Supplier Code of Conduct and tracking responses in FY22-23.
Industry engagement	Participation in modern slavery or human rights-related industry initiatives	We will investigate opportunities to engage with industry and start acting on this in FY22-23.
Slavery risk management	Adoption of modern slavery policy	Endorsement and implementation of Anti-Slavery and Human Trafficking Policy by FY22-23.
	Review of policies	Review and amendment of existing policies to incorporate counter-slavery response in FY22-23.
	Roles and responsibilities	Assignment of roles and responsibilities for counter-modern slavery response by FY22-23.
	Counter-slavery contractual clauses	For FY22-23 all new contracts concluded will include our anti-slavery clause. We will progressively roll this out to existing contracts upon renewal, with the goal of having all contracts subject to this clause.
Staff training	Training developed and implemented	We will develop generic modern slavery training for all staff by FY22-23, and specialised training for functions such as procurement and legal in FY23-24.
Formalise Board oversight	Annual agenda item for Board of Directors meetings; bi-annual for subcommittee	Modern slavery will be a formal agenda item on Board meetings from FY22-23.
Modern slavery working group	Formal establishment of internal working group on modern slavery	An internal working group will be established in FY22-23
Review of effectiveness of actions	Annual tracking of KPIs to measure the effectiveness of counter-modern slavery action	We will continually track the number of modern slavery-related issues or grievances raised and resolved.

Table 2: Nucleus Software's counter-modern slavery targets, actions, and commitments. Key performance indicators (KPIs) are included where relevant.

Nucleus Software will be reporting on these targeted actions and our progress against each in subsequent Statements. We consider them our early steps and initial contribution to the identification and eradication of the global issue of modern slavery.

The Impacts of COVID-19

The COVID-19 pandemic has had a significant toll on humanity worldwide. Nucleus acted promptly to not only mitigate risks for our team but to support the wider community through the pandemic. A COVID-19 Task Force was formed in February 2020; the team has taken on numerous initiatives and has worked relentlessly throughout 2020-21. The unexpected second wave hit India in April 2021. A significant number of Nucleites were affected in the second wave.

Examples of initiatives we have implemented include, but are not limited to:

- A COVID Resource Centre was set up with resources to raise awareness on early detection, action, tracking for safety, and medical resources.
- Training sessions on prevention and management developed in collaboration with doctors.
- Employee wellbeing and hygiene actions such as limiting business travel, social distancing, disabling the fingerprint biometric system, providing safety kits including masks and sanitizers, and others.
- Business continuity planning including transitioning from 20% to 70-80% of our workforce working from home within a span of five days. This was supported by a “Work from Home Allowance” to facilitate the setting up of home offices.
- Introducing a COVID Leave Policy and a standalone COVID Insurance Policy, and reimbursing vaccination expenses.
- Arranging medicines, emergency facilities, oxygen cylinders and other necessities for impacted Nucleites and their families.
- Distribution of rations in Dehradun and provision of critical medical equipment to a local hospital in Noida, India.
- Contributions to various charities associated with COVID-19 related assistance, including facilitating education programmes impacted by lockdowns.

The social and economic challenges posed by COVID-19 have strengthened our resolve to safeguard our workers, their families and our communities. The COVID challenge is not over yet and vaccination is the best tool available to help us overcome the challenge. Our Task Force is now working to organise vaccination camps in our office premises.

Consultation

The MSA requires Nucleus to describe how we consulted with entities that we own or control. As described above in relation to our policies, Nucleus has a centralised operational structure, such that policies and procedures are set centrally by Nucleus, and then rolled out to our branches and subsidiaries. Management of subsidiaries are consulted in this process and all policies are reviewed for suitability and alignment with local requirements in each country where we operate.

Our modern slavery response is developed and implemented in the same manner. During the reporting period covered by this statement, we consulted with all companies that we own or control on our response to modern slavery and the development of this statement.

Approval

This statement was approved by the Board of Directors of Nucleus Software, the principal governing body of the reporting entity, on 23-June-2022.

Mr. Parag Bhise

Chief Executive Officer

23-June-2022