

# Ausbil's 2022 Statement on the Modern Slavery Act (2018)

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This statement has been approved by the Board of Ausbil Investment Management on 27 June 2023.



**Paul Xiradis**  
Executive Chairman,  
Chief Investment Officer  
Head of Equities

27 June 2023



**Mark Knight**  
CEO, Director

27 June 2023

# Preamble

## **Ausbil ESG: Our commitment to ESG and combatting modern slavery**

At Ausbil Investment Management Limited (Ausbil), we integrate ESG (environmental, social and governance) factors for better-informed investment decisions. In doing so, we take an active approach to engagement and ownership.

We believe that the integration of ESG research, with active engagement, can help identify mispriced securities in an active investment approach, more holistically assess a company's earnings sustainability, drive long-term value and reduce the risk of value destruction. For these reasons, Ausbil has integrated ESG in the investment process for our investment funds and institutional mandates.

Our interest in helping to identify, assess and combat incidences and risks of modern slavery in supply chains is long-standing. Our fundamental involvement in the evolution of modern slavery approaches in investment, and in active consultation during the development of the Modern Slavery Act (MSA, or Act), culminates in this Statement, which reflects how we operate our own business with respect to the risks of modern slavery, and how we invest and manage money on behalf of our clients.

To read more about Ausbil's approach to ESG, including modern slavery, visit <https://www.ausbil.com.au/research-insights/esg>

## **A voluntary basis**

Ausbil has chosen to submit this Statement on a voluntary basis. While not mandatory by the requirements of the Act, Ausbil is seeking to apply this best-practice approach to our business process. In our analysis and reporting for the Statement, we note that Ausbil's financial reporting year runs from 1 January to 31 December, a calendar year reporting cycle. References to FY (financial year) in this report are therefore for years ending in December.

## **Formal adoption**

Ausbil formally adopted this Statement on Modern Slavery unanimously by board resolution on 27 June 2023.

## **Submission**

This Statement has been formally submitted to the Attorney General's Department as a voluntary statement.

# Statement on Modern Slavery

## Statement on Modern Slavery

The *Modern Slavery Act (MSA)* was enacted in 2018 in Australia to legislate standards and guidelines for reporting on the incidence and risk of modern slavery in the supply chains of Australian companies. Statements on Modern Slavery (Statement/s) are mandatory for some companies and must meet the requirements laid out in the MSA (2018). Compliance with the requirements of the MSA, including the management of a Statements register, falls under the responsibility of the Attorney General's Department.

The following Statement follows the seven-part structure for reporting as described in the guideline, *Modern Slavery Reporting – Guide for Investors*, as published by RIAA (Responsible Investment Association Australasia) and ACSI (Australian Council of Superannuation Investors), and co-authored by Ausbil's Head of ESG, Måns Carlsson, OAM. This guide is based on the government guidance, *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*, for which Ausbil was the only investment manager asked to consult on development. Each of the seven headings take their wording from the legal requirements as expressed in the Act.

The Australian Modern Slavery Act (2018) defines modern slavery, as noted in Figure 1. Ausbil applies the same definition for modern slavery as outlined in the Act. We also endeavour to monitor other human rights abuses in labour relations across supply chains that do not meet the definition of modern slavery, including issues such as sexual harassment, discrimination, sub-living-standard wages, unfair contracts, occupational health and safety, culture and many other ESG issues that impact the working and personal lives of individuals and their rights.

Figure 1: Modern slavery defined

### Definitions

Modern slavery means conduct which would constitute:

- (a) an offence under Division 270 or 271 of the Criminal Code; or
- (b) an offence under either of those Divisions if the conduct took place in Australia; or
- (c) trafficking in persons, as defined in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, done at New York on 15 November 2000 ([2005] ATS 27); or
- (d) the worst forms of child labour, as defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999 ([2007] ATS 38).

Source: Modern Slavery Act (2018)

# Statement on Modern Slavery

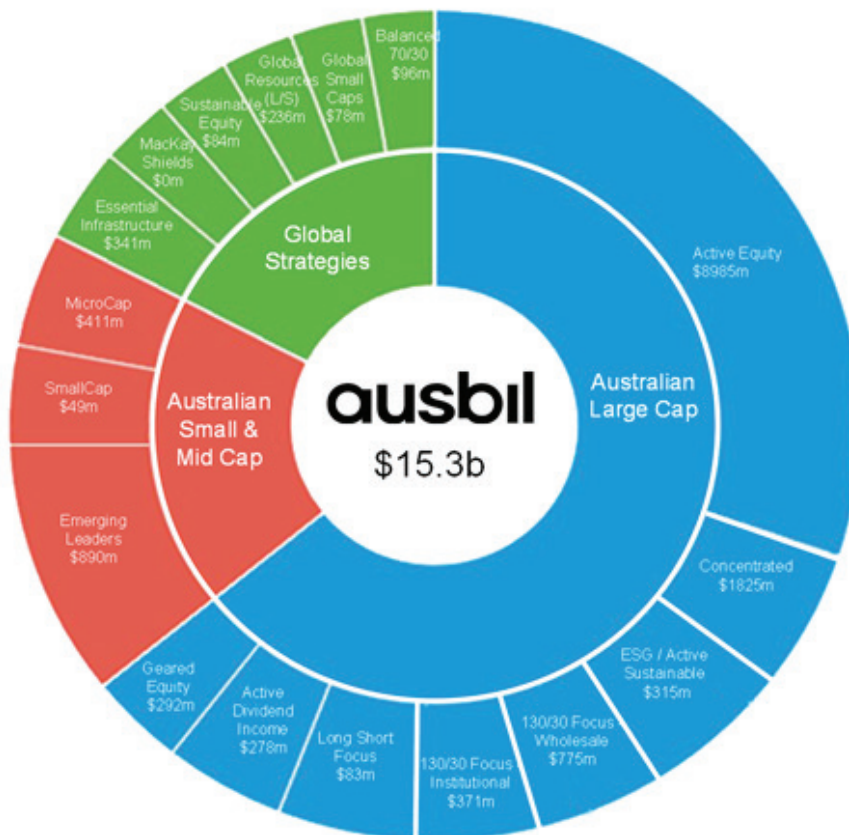
## 1. Identify the entity that is reporting, MSA (2018) s16(1)(a)

The reporting entity is Ausbil. This Modern Slavery Act (MSA) statement is provided on a voluntary basis and covers Ausbil's financial year (1 January 2022 to 31 December 2022). This Statement has been produced on a voluntary basis as Ausbil is not currently captured by the minimum reporting requirement set out in the MSA which requires that entities with revenue of at least A\$100 million provide a complying Statement. Ausbil, as part of our ESG approach, wishes to establish this Statement on a best-practice basis, for the benefit of our clients, and in support of the spirit and intention of the MSA.

## 2. Describe the structure, operations and supply chains of the reporting entity, MSA (2018) s16(1)(b)

Ausbil is a leading Australian based investment manager with over A\$15.3 billion in assets under management (as at 31 December 2022), as outlined in Figure 1. Established in April 1997, Ausbil's core business is the management of Australian and global equities investments for sovereign wealth funds, major superannuation funds, institutional investors, master trust and retail clients.

Figure 1: Ausbil AUM by strategy



Source: Ausbil, \$A millions as at 31 December 2022. Not to scale.

# Statement on Modern Slavery

Ausbil is owned by its employees and indirectly by New York Life Investment Management LLC (New York Life Investments), a wholly-owned subsidiary of New York Life Insurance Company. As part of its affiliation structure, New York Life Investments owns interests in a range of other investment managers, including Candriam, whose strategies have been made available to Australian investors through sub-adviser arrangements with Ausbil.

In 2019, Ausbil established the Ausbil Sustainability Committee (Sustainability Committee) to assist Ausbil's Executive Committee in implementing the Company's strategic sustainability goals and assist in oversight, monitoring and review of the Company's practices, including:

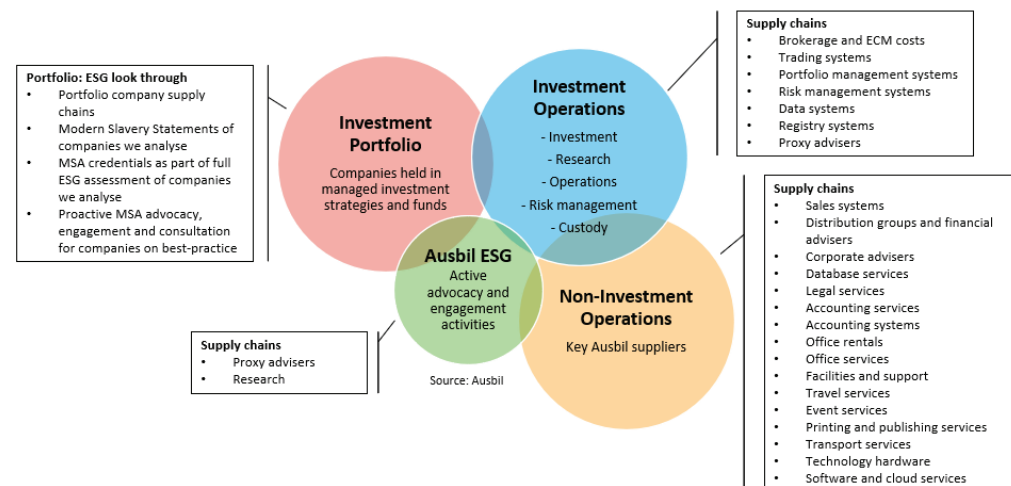
- sustainable procurement,
- minimisation and management of environmental risks and impacts,
- to demonstrate community and social responsibility, and
- model best practice in workforce management.

The Charter for the Sustainability Committee governs the composition, role, operations, responsibilities, authorities, and resources of the Committee. The Committee comprises members from all areas of Ausbil and aims to meet monthly, or as needed. The Committee is chaired by a member of Ausbil's ESG Research Team, and includes the Chief Executive Officer, ESG Research Team, Chief Financial Officer and the Head of Equities Research.

For the purposes of understanding Ausbil's operations, Figure 2 outlines the key areas that form Ausbil's activities, and their supply chains.

Figure 2: Ausbil's business

## Ausbil: Spheres of influence and exposure



# Statement on Modern Slavery

Ausbil is in the privileged position as an investment manager to engage and potentially impact positively across our own supply chains, and to review and positively impact upon the companies we research and analyse in our work. Figure 2 illustrates how we break down our own supply chains, and how through our investment portfolios we can advocate and engage with Australia's largest companies on the MSA, in relation to their own supply chains. To this end, through our equity holdings in these companies, we are often able to exert material influence for improvement and change. This is a role we take seriously, and in which we invest significantly through the work of our ESG Research Team, and our broader team of analysts who have integrated ESG, including human rights risk assessments, in their investment decision making.

## Investment management operations

Ausbil's core activity is the provision of active investment management services to clients through trust, mandate and separate account structures. We are an active investment manager which simply means that we invest in portfolios of companies that we believe have the best chance of generating a performance that exceeds the performance of the market, typically measured against a benchmark index.

## Ausbil's own supply chains

Ausbil engages with multiple suppliers. In FY22, Ausbil had 329 suppliers registered in our accounts as part of Ausbil's overall supply chain (compared to 273 in 2021, and 350 in 2020). This includes ongoing, contractual and one-off suppliers. Ausbil's total suppliers for the year increased in part due to increased activity following the COVID pandemic. Table 1 illustrates the approximate range of spend by supplier type.

**Table 1: Spend by supplier type**

Expense type	Percentage of total spend (%)
Asset and portfolio management services	88.7
Hotels, travel and hospitality	3.7
Other services and charity	3.5
Software licenses and subscriptions	1.3
Professional services	1.1
Office-based products/services	0.9
Information technology/hardware and software	0.8

Source: Ausbil

# Statement on Modern Slavery

## 3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls, MSA (2018) s16(1)(c)

### Investment management operations

Across Ausbil's investment management operations and portfolios, the risk of modern slavery and our approach to mitigation and risk reduction are led by the work of Ausbil's ESG Research Team, which in 2022 consisted of three full-time staff. Ausbil's proprietary ESG research covered 210 domestically listed companies in this Statement year and includes individual ESG scores as well as extensive risk analysis from an ESG and modern slavery / human rights perspective. Ausbil has developed major proprietary ESG scoring models for overall ESG scoring, ESG momentum scoring, net climate change exposure scoring, and dedicated modern slavery / human rights risk scoring. These are ultimately expressed in an overall sustainability score. This research yields detailed quantitative and qualitative data that is extensively deployed in the risk assessment of companies in this ESG coverage.

Ausbil's ESG integration also includes an extensive ESG engagement program with companies, including engagements on modern slavery and other human rights. As part of this ESG research, Ausbil has developed an extensive proprietary risk analysis tool that covers modern slavery and other human rights risks: the Human Rights & Slavery Risk Model (HR&S Risk Model). This tool pre-dates the Modern Slavery Act reporting requirement and was developed for Ausbil's own due diligence and risk assessment, and the analysis and assessment of this risk in the ASX-listed companies we analyse. Ausbil has a long track record on engaging with companies, government entities and other stakeholders on modern slavery.

Ausbil's starting point is the assumption that many companies have the potential to find themselves exposed to some element of modern slavery risk in their operations and / or supply chains, even if they are not aware of it, have never considered it, or have failed to detect such risks themselves.

Risk in modern slavery is, therefore, in our view, a 'relative' rather than an 'absolute' risk measure. Our approach is to review, measure and assess such risks and, where possible, prompt companies to design and develop mitigation strategies for unwinding or mitigating the existence of this risk in their supply chains.

As stated in previous modern slavery statements, central to Ausbil's assessment of risk exposure is to have a wide human rights perspective rather than just focusing on a tight definition of modern slavery in isolation. In our view, there is often a fine line between what legally constitutes modern slavery as defined in the Modern Slavery Act (Figure 1), and other types of exploitative labour conditions. Modern slavery often stems from poor underlying working conditions.

Ausbil's modern slavery and human risk assessment, which pre-dates the Modern Slavery Act and which has been enhanced over time, focuses on two key aspects for companies held in investment portfolios:

- a) risk exposure; and
- b) risk management.

We believe analysis, which does not take into account individual company approaches to risk management, has the potential to limit the risk analysis to a high-level analysis only. By now the estimated hotspots for modern slavery are well documented, both in terms of industry (such as electronics, mining, building materials, garments, agriculture), product and by geography. However, companies in high-risk sectors can be differently exposed to risk depending on how they manage the risk. A key output of the analysis is to identify companies that have high-risk exposure but a relatively immature risk management framework.

While the analysis focuses on 'risk to people', Ausbil does not believe that is mutually exclusive from financial risk. For example, investment risks relate to potential brand damage, potential import bans and ultimately, if a company's business model relies on underpaid workers or even illegal activities like modern slavery, current earnings are unlikely to be sustainable over time.



# Statement on Modern Slavery

## Assessing company modern slavery risk exposure

Ausbil's starting point is the assumption that many companies have the potential to find themselves exposed to some element of modern slavery risk in their operations and / or supply chains, even if they are not aware of it, have never considered it, or have failed to detect such risks themselves. Risk in modern slavery is, therefore, in our view, a relative rather than an absolute risk measure. Our approach is to review, measure and assess such risks and, where possible, prompt companies to design and develop mitigation strategies for unwinding the existence of this risk in their supply chains.

Ausbil's analysis covers more than 200 domestically listed companies (210 companies were rated as of 31 December 2022), covering large, medium, small and micro-sized companies.

Central to Ausbil's assessment of risk exposure is to have a wide human rights perspective rather than just focusing on a tight definition of modern slavery in isolation. In our view, there is often a fine line between what legally constitutes modern slavery as defined in the Modern Slavery Act (Figure 1), and other types of exploitative labour conditions. Modern slavery often stems from poor underlying working conditions.

This became particularly apparent during the COVID-19 pandemic. For instance, garment workers in Bangladesh, where Ausbil's Head of ESG Research has undertaken a number of field trips for primary research purposes, were facing exploitative working conditions that did not technically qualify as 'modern slavery' conditions prior to the pandemic. During the pandemic, changes in conditions from the external shock of COVID-19 has seen the conditions for many of these garment workers reach modern slavery definitions due to new types of bondage created by employer loans and their onerous conditions. This example highlights the fluid nature of slavery and bondage in supply chains, and the need for vigilance.

At Ausbil, modern slavery and other human rights risk exposure is assessed based on a wide range of factors, including:

- the geographical location of an entity's operations and supply chains (including suppliers below tier 1 level);
- the structure and dynamics of the industry in which a company operates;
- the extent of vulnerable workers in the industry / the supply chain;
- the length and complexity of the supply chain; and
- the products and services provided.

This information comes from a wide range of sources, including: company sustainability reports, annual reports, conversations with company management, and other public information issued formally or informally by a company. The analysis also draws on outputs from the Global Slavery Index<sup>1</sup>, Transparency International's Corruption Perception Index<sup>2</sup>, and various other human rights indices. Where information is not readily disclosed or provided to Ausbil, assumptions based on peers are used.

Company risk exposures are rated from 0-3 where 3 is the highest risk and zero represents negligible risk. The simple average for the S&P/ASX 200 in Ausbil's analysis was 1.74, and on a weighted average basis, 1.72.

1. Global Slavery Index: <https://www.globalslaveryindex.org/>

2. Corruption Perception Index: <https://www.transparency.org/en/cpi/2020>

# Statement on Modern Slavery

## Assessing company modern slavery risk management

The second part of Ausbil's proprietary approach is the assessment of a company's risk management approach to modern slavery and other human rights abuses in the supply chain. This is based on assessment of the adequacy and maturity of a company's risk management of wider human rights issues, including modern slavery, in its operations and supply chains.

We add to this a mosaic of information sources external to the company that aim to illustrate and rate the true risk of modern slavery faced by each company. This assessment also includes each company's intent, track record and capability to manage these risks. In assessing companies across the two dimensions of risk exposure and risk management, Ausbil can assess and prioritise our active engagement to maximise our impact in helping reduce and eradicate modern slavery and human rights abuse in supply chains.

Company risk management is rated from 0-3 where 3 is the most mature risk framework and 0 is the least mature. The simple average for the S&P/ASX 200 in Ausbil's analysis was 1.18 while the weighted average was 1.61.

## The output of our risk assessment

The output of our risk analysis is detailed qualitative analysis of companies on the risks and threats in their supply chains. This feeds into a risk-scoring system that quantifies these extensive qualitative inputs.

In assessing companies across the two dimensions of risk exposure and risk management, Ausbil can assess and prioritise our active engagement to maximise our impact in helping reduce and eradicate modern slavery and human rights abuse in supply chains.

Ausbil's proprietary HR&S Risk Model provides the tool for assessment of a company's risks, using multiple inputs from both company and external sources, and significant data from Ausbil's ongoing active ESG engagement program. Each company is scored for risk across its own business, and risk in both its key supply chains, and the supply chains to those supply chains. This gives Ausbil insight as to where the primary risk resides, how to look at secondary level risks, and contributes to a company's overall risk score.

While most disclosure by companies focuses on risk assessment of operations and tier one suppliers, based on our assessment of S&P/ASX 200 companies, the majority of risks are within the second tier of the supply chain or below. This is further illustrated by the small number of companies assessed that have identified actual cases of modern slavery or suspected cases of modern slavery that have been subject to further investigation. We expect companies to become more sophisticated and more transparent on risks further down in the supply chain (beyond tier one) over time.

The analysis produces a number of key outputs, such as:

- Individual company risk exposures and risk management approaches as well as companies with relatively significant risk from a financial materiality perspective;
- Gaps between risk exposure and risk management, where the analysis helps to identify companies that have high risk exposure but a relatively immature risk management framework; and
- Identified / assessed best practice and identified / assessed gaps or room for improvement in risk management, which leads to opportunities for engagement.

This assessment enables Ausbil to measure risk by portfolio versus benchmark, and measure and assess change by companies over time. It also helps Ausbil guide the engagement activities as we have outlined in this document.

The key risks (in terms of risk exposure) identified in the portfolios relate to the consumer staples, food and beverage, agricultural, construction material and travel sectors, particularly in relation to South-East Asian supply chains but also where migrant workers are frequently employed (both overseas and in Australia).

# Statement on Modern Slavery

## Ausbil's own supply chains

Ausbil conducted an initial assessment of modern slavery risks in its supply chain in 2020. The goal was to identify the Tier-1 suppliers to Ausbil that have the most significant risk to modern slavery and human rights more broadly, and identify if they have risk management policies in place to manage modern slavery risk. From this, a risk assessment was undertaken across suppliers to determine a strategy moving forward. This process was managed by the Sustainability Committee, which has oversight of a range of ESG and cultural issues at Ausbil. In parallel, Ausbil has been developing explicit internal policies, including a Supplier Code of Conduct and a Modern Slavery Policy to influence the composition of suppliers moving forward.

In 2022, Ausbil's review of its supply chain built upon the work undertaken in 2020 and 2021. The Sustainability Committee, in conjunction with the Finance team analysed all of Ausbil's suppliers (as summarised in Figure 1) with the aim of completing a full risk assessment, ascribing three levels of risk to suppliers (high, medium and low risk). In this reporting year, we evolved our risk management assessment to include both medium and high-risk exposed suppliers (previously only high risk) with an annual spend materiality threshold of at least \$5,000 per annum. The assessment was informed through the use of publicly available human rights policies (and similar) as issued by our suppliers, Modern Slavery Act submitted statements where available, and supplementary information, such as online articles, NGO reports, and negative online criticism to help construct a profile of each supplier with respect to the risks of modern slavery, and related human rights issues. Supply chain risk assessment remains an ongoing task at Ausbil. To date, Ausbil has not uncovered any instances of suspected modern slavery in our supply chain.

Ausbil believes all businesses typically have some level of risk at some point in their supply chains, particularly deep down. Year-on-year, the assessment of risk exposure and risk management of Ausbil's suppliers has been built on the previous year's work. In 2022, the total number of suppliers increased significantly as business returned to normal, post-pandemic, and lockdowns, as extra effort was made to understand the profile of new suppliers. Further detailed analysis was conducted on the risk exposure and risk management practices of the supplier itself, critically assessing the Modern Slavery Statements published, public policies, policy comparison to the Ausbil Supplier Code of Conduct, and specifying the staff member responsible for that supplier relationship.

Ausbil has looked towards company policies to set up a formal modern slavery framework. In 2020, the Supplier Code of Conduct was introduced. The intent was to engage with our high and medium-risk rated suppliers and ensure that they meet our expectations. Ausbil requires these suppliers to be aware that human rights are universal and fundamental rights, and that they commit to the same set of principles as Ausbil. The policy sets out Ausbil's expectations from suppliers, the assessment process, transparency and disclosure expectations. In 2023, Ausbil developed a supplementary Modern Slavery Policy which outlines employee responsibilities in reporting instances of modern slavery or human rights abuses in the business or supply chain.

# Statement on Modern Slavery

## 4. Describe the actions taken by the reporting entity (and owned or controlled entities) to assess and address those risks, including due diligence and remediation processes, MSA (2018) s16(1)(d)

### **Investment management operations**

Ausbil believes investment managers have an important role to play through engagement with investee companies on the issue of modern slavery. Ausbil believes effective engagement on modern slavery and other human rights risks can encourage and, in some cases, compel companies to adopt measures that are considered best-in-class in order to minimise the risk of modern slavery and other human rights abuse in the supply chain. We also believe we have a role to play as investors through advocacy, both with peers, the wider investment industry, businesses, governments and other stakeholders as modern slavery is a systemic risk.

Over the years, we have augmented our thinking and honed our approach through primary research experience via field trips where we have witnessed, first hand, the impact of human rights abuses in supply chains on the lives of those involved. Such field trips, particularly in South- East Asia, have seen representatives from Ausbil's ESG Research Team visit supplier factories, unions, NGOs and other stakeholders to observe and learn what constitutes best practice in supply chains, and signposts that serve as a warning that there could be problems in a supply chain.

Well before the MSA was enacted, Ausbil had taken the initiative to write and publish an investor statement on modern slavery in 2016. Ausbil's original statement pre-dates the MSA legislation and was drafted prior to any guidance, and focuses on the key issues of highlighting and eradicating modern slavery. Ausbil's 2016 statement can be read here: <https://www.ausbil.com.au/research-insights/esg>

Ausbil operates under an annual ESG engagement plan, which has included human rights and modern slavery for many years. Engagement and advocacy on modern slavery and human rights issues is not new for Ausbil, and we have a proud history of engaging on these issues, including the following highlights.

### **Consultation with government**

Ausbil had significant consultation with the Australian government in the lead up to the passing of the Modern Slavery Act. Ausbil was also on a panel of experts advising and assisting the government on the guidance for the Act. In addition, in 2022 Ausbil was on a panel of experts advising the Australian government on the effective implementation of the Act (the Modern Slavery Experts Advisory Group) as the only representative from the investment industry.

### **Engagement with industry**

Ausbil believes an issue like modern slavery is not only a company-specific issue, and is not an issue that any government, company or investor can eradicate alone. As a result, Ausbil has taken an active approach on collaboration with other investors. Ausbil believes that collaborative engagement on modern slavery can lead to more effective outcomes.

Ausbil is an active member and chair (as at the date of this statement) of the Human Rights Working Group of the Responsible Investment Association Australasia (RIAA) where modern slavery continued to be a key topic for discussion in 2022. Among other things, Ausbil also chaired a sub-working group of the RIAA Human Rights Working Group that focused on the review of the Modern Slavery Act. This involved consultation with the Federal Government and resulted in a joint submission for the review.

Also in 2022, Ausbil, in the capacity of chair of RIAA's Human Rights Working Group, led a collaboration session in regards to the Modern Slavery Act Review. The session included representatives from RIAA, other investor initiatives, the Human Rights Law Centre and Walk Free.

# Statement on Modern Slavery

Prior to 2022, Ausbil was a co-author with RIAA of an investor toolkit on human rights in the supply chain. The first edition was completed in 2018, proactively, and ahead of the implementation of the MSA. In November 2021, Ausbil was the co-author of a second version of the same toolkit. This toolkit continued to be a frequently downloaded document throughout 2022, assisting investors in their engagement activities. The toolkit covers human rights in supply chains as it is relevant to investors, how investors can spot red flags, how investors can spot common traits for leaders versus laggards in human rights risk management, and suggests a number of suggested engagement areas. The updated version of the toolkit can be found here: <https://www.ausbil.com.au/research-insights/esg>

Ausbil presented at the RI 2022 Conference (Responsible Investment Association Australasia) in Australia on investor perspectives on modern slavery. Some of the key messages from Ausbil's presentation included encouraging investors to get involved in the review of the Modern Slavery Act, to focus more on 'actions' rather than disclosure and compliance, to engage impactfully through targeted, well-thought out and consultative engagement, and to ensure that risk assessments cover broader human rights issues rather than just focusing on modern slavery.

In 2022, Ausbil also presented on a panel at the RIAA Conference in Auckland, New Zealand. The panel focused on developments in the area of modern slavery in preparation for the potential modern slavery legislation in New Zealand. Ausbil contributed key learnings from the Australian Modern Slavery Act experience, shared the investor perspective and relevance of the issue of modern slavery (brand / reputational risk, earnings sustainability, proxy for management quality and increased regulation) and practical points on engagement. Later in 2022, Ausbil engaged with representatives from the New Zealand government on the proposal of new modern slavery legislation in New Zealand, drawing on the experience from Australia.

In 2020, Ausbil joined the steering committee of an investor initiative on slavery called Investors Against Slavery and Trafficking – Asia Pacific (IAST-APAC), which is an investor-led initiative convened to promote effective action among investee companies in the APAC region to find, fix and prevent modern slavery, labour exploitation and human trafficking in their value chains. During 2021, Ausbil was a co-chair of one of the two work streams of the initiative. In 2022, Ausbil continued to be an active member:

- Presenting the key findings from the investor toolkit produced by the RIAA Human Rights Working Group.
- Moderating a multi-stakeholder panel discussion on modern slavery, discussing different views on the review of the Modern Slavery Act (perspectives from civil society, law and politics).
- Meeting with Australia's Human Rights Commissioner to discuss collaboration opportunities for IAST-APAC.
- Co-chairing a member meeting of IAST-APAC work stream 1, exploring different choices and ideas for the official review of the Modern Slavery Act.
- Co-chairing and providing a monthly newsletter to IAST-APAC members on public advocacy opportunities around modern slavery and modern slavery related news relevant to investors.
- Presenting at a knowledge event which focused on human rights and modern slavery issues in the supply chains in Africa, with focus on cocoa and gold mining. Ausbil presented the investor view, the importance that civil society can provide in terms of knowledge partners and the need to encourage companies to adopt best practice.

In early 2023, IAST-APAC received a collaboration award from Anti-Slavery Australia for its work.

# Statement on Modern Slavery

Ausbil also made several industry presentations on the topic of modern slavery, including:

- on a panel at the 2022 Global Compact Australian Dialogue on Business and Human Rights. The panel was on the topic of 'incorporating human rights into corporate governance and strategy: where and how works best'. Ausbil provided an investor view on progress and challenges in relation to human rights in the last 3 years, expectations of investors, engagement with external stakeholders, and the role of targets. Ausbil presented at the annual conference of the Risk Management Institute Australasia in Melbourne. This is a conference attended by risk managers and compliance officers from various listed companies;
- at EY in Melbourne on a panel focused on modern slavery. This event was part of the 'Ethics in Business' week, hosted by Trinity College and EY. The 'Ethics in Business' week is a series of events focused on major ethical issues facing business. Ausbil presented the investor relevance on modern slavery, how companies could address modern slavery and the importance of taking a broader human rights lens, and taking action rather than stopping at 'risk assessment';
- at the Governance Institute of Australia's National Conference in Melbourne. Ausbil was presenting together with a representative from SEEK about the 'S' in ESG, giving an investor perspective on why investors are increasingly focusing on social issues. The panel also included a deep-dive on modern slavery. The conference was a good opportunity for Ausbil to present to a large number of directors of listed companies;
- at the CFA Institute's 'Modern Slavery Webinar Series - tackling modern slavery through investment management'. This was an event organised by CFA Societies Australia, Monash University and RIAA. Ausbil provided its view that risk assessment is only a starting point but does not necessarily lead to any change in the prevalence of modern slavery, but actions, specifically engagements, might. Ausbil provided an overview of the RIAA toolkit and ideas on best practice in responsible sourcing; and
- at an expert workshop on supply chains and portfolios and modern slavery, which the James Martin Institute is convening in collaboration with the NSW Anti-Slavery Commissioner. This was an event with different stakeholders from government, civil society, business and investors, providing input to what could be an effective approach to combat modern slavery in NSW.

Other key activities in 2022 included the following:

- Ausbil provided investor feedback on the proposed new certification standards and requirements for B Corp certification. The B Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.
- Ausbil presented virtually at the 'Asia Risk Congress - Quantifying ESG risk: the next priority', detailing our approach on human rights risk assessments and collaborative engagement on the topic.
- Continued active participation in the member meetings of the Modern Slavery Experts Advisory Group, facilitated by the Attorney General's Department in Canberra.

# Statement on Modern Slavery

## **Engagement with individual companies**

Over several years, Ausbil has actively engaged with company management and boards on the issues of modern slavery and other human rights issues.

Ausbil has spoken at major industry events, reaching a wide range of companies (and maintains an ongoing speaking engagement program), encouraging transparency and action on modern slavery, why modern slavery is important to investors, and specific actions companies can take to mitigate the risk of human and labour rights abuse and modern slavery in their supply chains.

During the Statement year, Ausbil held 31 individual engagements with ASX-listed companies, held and not held in portfolios managed by Ausbil, to discuss the topic of responsible sourcing, including modern slavery and other human rights issues in the supply chain. These meetings were typically with executive management or company boards, often with sustainability and investor relations specialists from these companies. These meetings varied in scope and depth, but form part of a matrix of rolling meetings over time that capture not just snapshots but the trackable evolution of companies and their efforts in highlighting, reporting and eradicating modern slavery and human rights abuses in their supply chains. Ausbil discussed and encouraged adoption of best practice on risk management.

In 2022, one of Ausbil's portfolio companies (a supermarket) identified actual cases of modern slavery and Ausbil engaged with the company about how the issue was identified and how the company remediated the situation. As part of this meeting, we also shared ideas about traceability and other areas of best practice on responsible sourcing that could assist in ensuring this did not occur again.

While engagement is the preferred action, Ausbil also manages a number of portfolios with an investible universe that has been screened on ESG grounds. One such strategy is the Ausbil Active Sustainable Equity strategy. Ausbil refines the universe of companies that the strategy can invest in by removing companies subject to long-term earnings sustainability risk (including companies with material exposure to 'controversial activities', and companies not meeting minimum hurdles in relation to ESG, (such as insufficient ESG risk management, and companies deemed to have poor management of human rights risks). In 2022, a company was excluded on human rights grounds (forced labour risks).

Outside of the top-200 in Australia, Ausbil manages down the Australian market-cap spectrum including Australia micro-cap and small-cap markets where, over the course of the year, we have had several engagements with company management for portfolio holdings that are involved in the fashion and retail industries, building on risk assessments done through our HR&S Risk Model.

In addition, Ausbil manages a range of global strategies, including global resources, listed infrastructure and global small-cap companies. Notwithstanding, these are relatively new strategies for Ausbil, and are covered by the reach of our ESG approach, which requires the integration of ESG considerations across all of our investment strategies.

For global equities portfolios, Ausbil has performed a high-level risk analysis, based on the analytical framework for Australian-listed companies. This resulted in a number of targeted company specific engagements. In addition, a letter with investor expectations was sent to portfolio companies. In a global equities portfolio like the Ausbil global resources strategy, Australian companies represented a large proportion of investments in 2022, which meant the engagement activities with Australian-listed resources companies were also applicable to that portfolio. To date, Ausbil's engagement with management of investee companies in the global portfolios has focused on Australian-domiciled companies and / or companies identified as having a relatively high risk profile. Ausbil will continue to identify ways to engage effectively with global-listed companies. Ausbil also has a number of sub-advisors (external managers) that manage portfolios on behalf of Ausbil.

Ausbil believes engagement is the key action that investors can take to drive positive change and combat the risk and existence of modern slavery. We believe active and informed engagement is the most effective way to engage through our channels as an investment manager. Engagement is our preferred course of action as it ensures we remain in communication with all companies, even if we are not currently invested in them because of modern slavery risk.

# Statement on Modern Slavery

In our investment operations, Ausbil will continue to have in-depth and practical conversations with companies in our portfolios about modern slavery and what companies can do to mitigate this risk going forward. These engagements will be through individual company engagements, as well as collaborative engagements with other investors and organisations, such as those we have undertaken in collaboration with IAST-APAC. Ausbil also intends to accelerate engagement plans for global equity portfolios in 2023, and we are considering potential strategies for the future.

## **Ausbil's own supply chains**

Ausbil introduced the Supplier Code of Conduct Policy in 2020 which outlined our expectations for our suppliers. In 2021, Ausbil distributed this Policy for the first time to suppliers classified in our assessment as High Risk with a minimum annual spend of \$5,000 in the last 12 months. This exercise was repeated again in 2022 with an expanded criteria including medium suppliers, as well as any new high risk suppliers that may have entered that list.

As a result, Ausbil initially reached out to 17 suppliers and requested that they agree to the terms outlined in the Policy. The suppliers primarily operate in industries related to hospitality, hotel, travel services, IT software and hardware, and office supplies. In comparison to 2021, the response rate was much higher with more acceptance towards signing our Supplier Code of Conduct and/or directed us towards their own issued Modern Slavery Statement and/or other supporting material to demonstrate their work on identifying and addressing modern slavery in their own supply chains.

Going forward, all new and existing suppliers categorised as high and medium risk will receive this Code and will be asked to sign it. Ausbil will manage suppliers taking into account the Supplier Code of Conduct and will look to finding substitutes for suppliers if they fail to demonstrate their commitment.

In 2023, Ausbil developed a supplementary Modern Slavery Policy, which outlines employees' responsibilities in reporting instances of modern slavery or human rights abuses in the business or supply chain.

Ausbil introduced Modern Slavery training in 2021. The first session was hosted by the ESG Research Team and focused on educating the whole workforce on the issue of modern slavery and human rights, talking through case studies, and explaining the relevance of this issue for our business. Another training session was run in 2022 which built on the information shared in 2021 and new developments that have occurred in the last 12-months.

Going into 2023, Ausbil is striving to improve its internal processes on procurement and to focus our efforts on proactive supplier due diligence. Ausbil will continue building on our existing assessment of suppliers, continue distributing our Supplier Code of Conduct to more suppliers, continue engagement with high-risk suppliers and continue training our workforce and procurement team on how to identify and manage risks associated with modern slavery, and human rights violations in both our investments and operations. We will monitor how our suppliers and sub-advisors are progressing with their own risk management. If relevant, we will look at developing more supporting policies.

Additionally, through our major shareholder, New York Life Investments, Ausbil is affiliated with several investment managers, for example Candriam, who act as a sub-adviser to an Ausbil fund so that investors in Australia can access its investment strategies. As sub-advisors, from a risk perspective, Ausbil is also exposed to any modern slavery and broader ESG risk within the operations of these sub-advisors. As part of our risk assessment and review with respect to the MSA, Ausbil commenced a project in 2021 to engage with sub-advisors to better understand the risk exposure through these relationships. All sub-advisors (Vanguard, ISPT Super Property and Candriam) are signatories to the Principles for Responsible Investments (PRI). In 2021, Ausbil sent a questionnaire to all sub-advisors and in 2022, Ausbil examined the results and determined further engagements where applicable. This questionnaire aims to understand potential risks in the sub-advisors' portfolios and any actions taken to combat modern slavery.



# Statement on Modern Slavery

A key area that was discussed and evaluated by the Sustainability Committee in 2022 was the approach to remediation. Whilst Ausbil has not directly identified any cases of modern slavery within our direct Tier-1 suppliers, we do not disregard the possibility of it being embedded deeper within our supply chains. We are in the process of exploring our options in relation to donating to third-party charities that focus their work and efforts on rehabilitating people who have been subjected to modern slavery. This remediation plan is still in development. We should be able to report more on this in 2023.

## 5. Describe how the reporting entity assesses the effectiveness of such actions, MSA (2018) s16(1)(e)

### Investment management operations

Ausbil believes engagement with companies on the issue of modern slavery and human rights is key. Positively, many companies have responded to engagement activities, including specific requests by Ausbil.

However, it is inherently challenging to make any informed statements on the broader effectiveness of Ausbil's engagement activities related to modern slavery in a quantitative fashion. First, it is difficult to ascertain the exact impact Ausbil has had through its engagement activities vis-à-vis collaborative engagement activities with the same companies, and attributing for similar engagement activities by other investors. Second, the nature of engagements related to modern slavery is intangible. Third, engagements are often multi-year journeys where companies adopt ideas gradually.

However, Ausbil are encouraged when companies actively seek our input, the willingness by companies to engage, and the productive discussions on adopting best practice that we have had with companies since 2021.

To more systematically measure progress, Ausbil intends to continue to record changes to each company's risk exposure and risk management scores through Ausbil's HR&S Risk Model. In 2022, a number of score upgrades were made. In some cases, these were due to increased evidence of company action and in other cases due to better disclosure. Prior to the first round of company MSA statements, risk analysis was based on a number of sources and, some cases, there was limited input by companies. Now that most companies have published their first MSA statements (and in some cases, companies have published more than one), Ausbil has a better baseline against which to measure progress in future years.

In the 2022 assessment, compared to the prior year, the risk exposure average score was deemed to be slightly higher, reflecting more granular analysis as company reporting has continued to improve, though in a context of increased risk in certain areas of the global economy. This also coincided with an updated estimate of modern slavery by the International Labour Organisation (ILO) in 2022, which estimated that nearly 50 million people were living in modern slavery in 2021, compared to a previous estimate of 40.3 million<sup>1</sup>.

Ausbil's HR&S Risk Model continues to be updated dynamically with new information across the company coverage we have. Developments and data that are available on risk and mitigation will help prioritise our advocacy and engagement moving forward.

1. [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_855019/lang--en/index.html](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_855019/lang--en/index.html)

# Statement on Modern Slavery

## **Ausbil's own supply chains**

As with companies, Ausbil believes engagement with suppliers is a crucial platform for improving modern slavery reporting, risk assessment and mitigation. Ausbil's engagement and risk assessment of suppliers is ongoing in 2023. Ausbil will measure the effectiveness of the approaches to our own supply chain risk that were introduced in early 2020. This will include:

- a) monitoring supplier progress; and
- b) tracking signed Supplier Code of Conduct as part of our information program for suppliers.

Non-compliance with these requirements could see a supplier terminated where they do not show adequate review, transparency and compliance with our requirements regarding modern slavery, and human and labour rights in their supply chains, and the supply chains of their suppliers.

Ausbil has started exploring methods of remediation in where we can rectify modern slavery identified in our supply chain as well as support remediation efforts conducted by third-parties that are actively working on this issue. We think the probability of finding a case of modern slavery in our own supply chain is low and therefore we are actively looking at supporting organisations that proactively work on solving modern slavery and human rights issues, likely through the form of financial aid. Further work was work done by the Sustainability Committee on the remediation plan and we should be able to report more on this in 2023 when it has been finalised.

# Statement on Modern Slavery

## **6. Describe the process of consultation with: (a) Any entities that the reporting entity owns or controls; (b) In the case of a joint statement, entities giving the statement, MSA (2018) s16(1)(f)**

This criteria does not apply to Ausbil.

## **7. Include any other information that the reporting entity considers relevant, MSA (2018) s16(1)(g)**

Ausbil is not aware of any further information considered relevant to the MSA other than that provided in the answers above.

## **8. Provide detail on approval of the statement, MSA (2018) s16(2)**

Ausbil formally adopted this Statement on Modern Slavery unanimously by board resolution on 27 June 2023.



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