

Ausbil's 2021 Statement on the Modern Slavery Act (2018)

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Contents

Preamble	3
Statement on Modern Slavery.....	4
1. Identify the entity that is reporting, MSA (2018) s16(1)(a)	5
2. Describe the structure, operations and supply chains of the reporting entity, MSA (2018) s16(1)(b).....	5
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).....	8
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).....	12
5. Describe how the reporting entity assesses the effectiveness of such actions, MSA (2018) s16(1)(e).....	18
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).....	19
7. Include any other information that the reporting entity considers relevant, MSA (2018) s16(1)(g)	19
8. Provide detail on approval of the statement, MSA (2018) s16(2).....	19

This statement has been approved by the Board of Ausbil Investment Management on 17 June 2022.



Ross Youngman
Chief Executive Officer
Director

17 June 2022



Mark Knight
Director

17 June 2022

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.

In Ausbil's world, there are two universes of MSA risk exposure: (1) the universe of companies in which we invest the portfolios we manage (an area where we have developed significant ESG practice expertise since 2015), and (2) Ausbil's immediate supply chains. In general terms, it is worth noting that to date, we have focused on the risk of slavery in domestically listed companies in which we invest on behalf of our clients as investment managers, as opposed to Ausbil's supply chains as an investment manager. That said, Ausbil has focused on both aspects of our operations as part of our analysis and efforts with respect to human rights risks in supply chains. In 2019, we established a Sustainability Committee with jurisdiction over sustainability matters, including considerations like modern slavery.

Our aim as a leader in ESG is to help develop and implement approaches to identifying, measuring, reporting and eradicating risks from modern slavery and human rights abuse across domestically listed companies that comprise our investment universe. We seek to achieve this through our active approach of advocating and engaging on ESG risks, at the executive level and with the boards that drive these companies. We have also developed extensive proprietary research systems to identify and manage any such risks in our own supply chains. All our approaches in this regard are dynamic and evolving, and we intend to report on developments in this and subsequent Statements.

The idea of risk assessment is to identify not just companies where there is evidence of modern slavery, but also where evidence may not be apparent. We see risk in this context as human rights abuse and modern slavery within our operations and supply chains. This is how Ausbil approaches our risk assessment. In our engagements, we promote an active approach with companies to review, analyse and audit their supply chains so they can be clear if there is MSA risk or not. As with all of our work in ESG, work on modern slavery is dynamic and ever evolving.

To read more about Ausbil's approach to ESG, including modern slavery, visit 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 the year ending 31 December 2021.

Formal adoption

Ausbil formally adopted this Statement on Modern Slavery unanimously by board resolution on 17 June 2022.

Submission

This Statement has been formally submitted to the Australian Border Force 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 Australian Border Force, part of the federal Department of Home Affairs.

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 Research, Måns Carlsson. 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

4. 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).

Note: In 2018, the text of international agreements in the Australian Treaty Series was accessible through the Australian Treaties Library on the AustLII website (<http://www.austlii.edu.au>).

Source: Modern Slavery Act (2018)

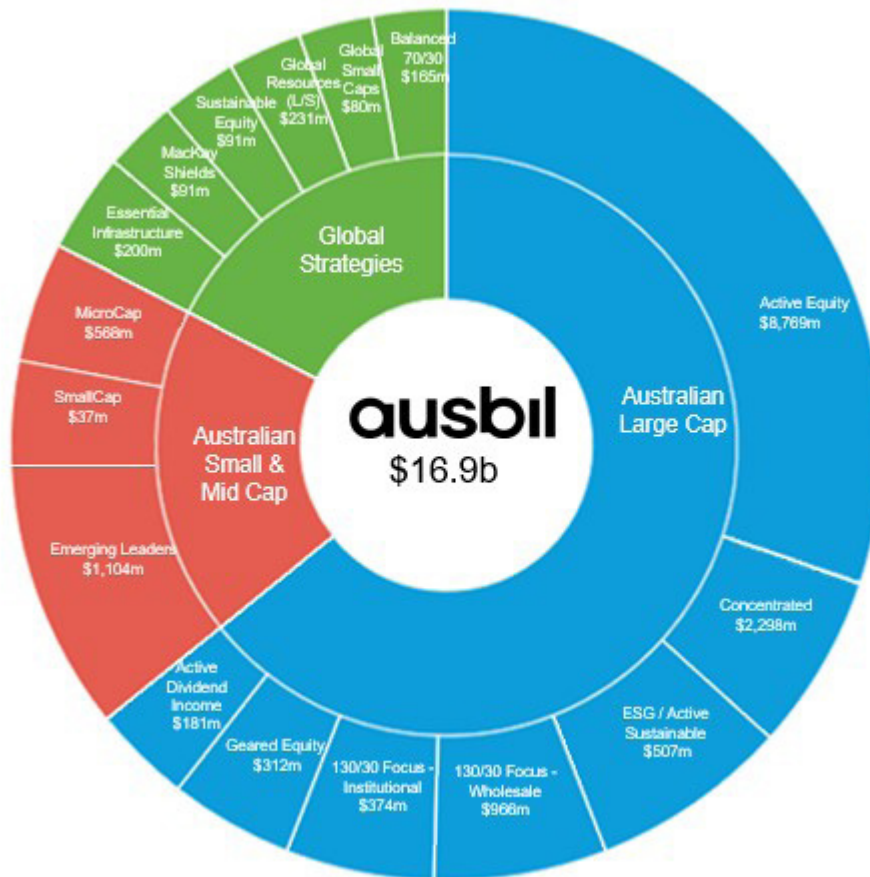
Statement on Modern Slavery

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

The reporting entity is Ausbil Investment Management Limited (Ausbil). This Modern Slavery Act statement is provided on a voluntary basis and covers Ausbil's financial year (1 January 2021 to 31 December 2021). This Statement has been produced on a voluntary basis as Ausbil is not 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\$16 billion in assets under management (as at 31 December 2021), as outlined in Figure 1. Established in April 1997, Ausbil's core business is the management of Australian and global equities investments for major superannuation funds, institutional investors, master trust and retail clients.



Source: Ausbil, \$A millions as at 31 December 2021. Not to scale.

Statement on Modern Slavery

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

In 2019, Ausbil established the Ausbil 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:

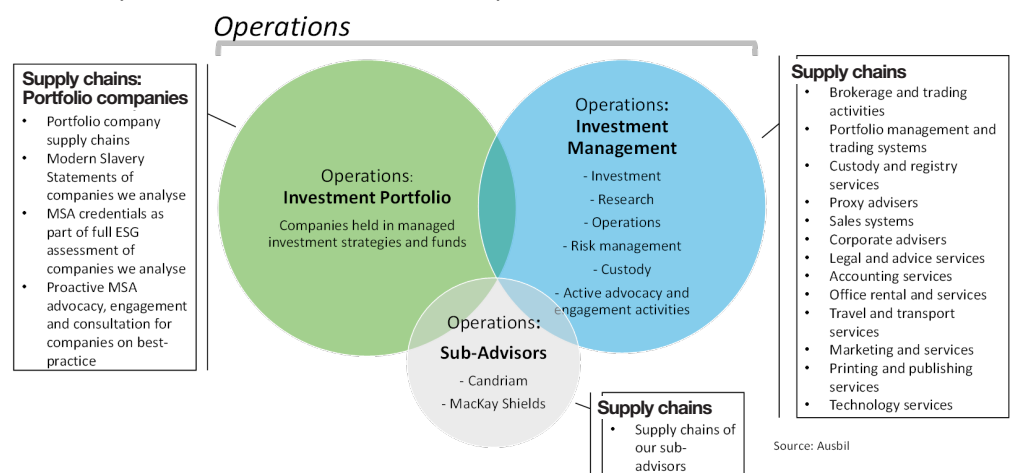
- sustainable procurement,
- minimisation and management of environmental risks and impacts,
- to demonstrate community and social responsibility, and
- model best practice in workforce management.

The Charter for the Sustainability Committee governs the composition, role, operations, responsibilities and authority, and resources of the committee. The committee comprises members from all areas of Ausbil and aims to meet monthly or more frequently on a need's basis. 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 Deputy 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 supply chains of 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 the transparency, reporting and the quality of 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 at Ausbil.

For the purpose of this Statement, Ausbil has adopted the following general definitions in describing our business, and how it works.

Operations. Ausbil's core operational activity is managing investments on behalf of institutional investors, superannuation funds, master trusts, wholesale and retail clients. As part of this, our operations include the construction of investment portfolios for clients, and there may be modern slavery risks in the supply chains of the companies included in these portfolios. While Ausbil is not the beneficial owner of these assets (clients are), we are responsible for measuring and managing the risks in these portfolios. In addition to our own investment management operations, we have some products that are managed by sub-advisers to Ausbil, whose supply chain risk are relevant to Ausbil's operations, as detailed in our response to Part 4 in this Statement.

Supply Chains. In Ausbil's operations as an investment manager we also have supply chains. These supply chains consist of any supplier that forms part of Ausbil's operational procurement activities across our business from the payment of brokers to the rental of premises. These suppliers are summarised in Figure 2 above.

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.

Supply Chains

In the expression of our investment approach, and in the operations of Ausbil, we engage with multiple suppliers. Ausbil had 273 suppliers registered in our accounts as part of Ausbil's overall supply chain (compared to 350 in the last year). This includes ongoing, contractual and one-off suppliers. Ausbil engaged with less suppliers than in the previous year due to the continuation of staff working from home and reduced movement of staff inside and outside of the office.

Table 1 illustrates the approximate range of spend by supplier type.

Expense type	Percentage of total spend (%)
Asset and portfolio management services	92.6
Office-based products/services	3.0
Professional services	2.4
Other services	0.8
Hotels, travel and hospitality	0.5
Software licenses and subscriptions	0.4
Information Technology/Hardware and software	0.2

Source: Ausbil, may not add to 100% due to rounding.

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)

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. Ausbil's proprietary ESG research covered 255 domestically listed companies in this Statement year, (compared to 241 in the last year), and includes individual ESG scores as well as extensive risk analysis from an ESG and MSA perspective. Ausbil has developed major proprietary ESG scoring models for overall ESG scoring, ESG momentum scoring, carbon risk exposure scoring, and dedicated modern slavery risk scoring. 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. This tool is central for Ausbil's own due diligence and risk assessment, and the analysis and assessment of this risk in the 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.

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 companies' 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 industries (e.g. 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 humans', 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 will unlikely be sustainable over time.

Statement on Modern Slavery

Assessing company modern slavery risk exposure

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;
- 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, to name the main factors.

This information comes from a wide range of sources, including: companies' sustainability reports, annual reports, conversations with company management, other public information issued formally or informally by a company. The analysis also draws on outputs from the Global Slavery Index¹, Transparency International's Corruption Perception Index², and various other human rights indices. Where information is not readily disclosed or provided to Ausbil, assumptions based on peers are used.

The analysis has been enhanced in this reporting period due to the publication of companies' MSA statements (which were not available in the first year of Ausbil's reporting).

Companies' risk exposure are rated from 0-3 where 3 is the highest risk. The average for the ASX200 in Ausbil's analysis was 1.85.

Assessing risk management of MSA risk

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.

Companies' risk management are rated from 0-3 where 3 is the most mature risk framework and 0 is the least mature. The average for the ASX200 in Ausbil's analysis was 1.34.

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 Human Rights and Modern Slavery Risk Assessment Model (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.

Statement on Modern Slavery

While most disclosure by companies focus on risk assessments 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 companies' risk exposure and risk management 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 by companies as well as identified / assessed gaps or room for improvement in individual companies' risk management which leads to opportunities for engagement (see below).

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

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

Statement on Modern Slavery

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

Supply Chains

Ausbil conducted an initial assessment of modern slavery risks in its supply chain in 2020. The goal was to identify which suppliers to Ausbil 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 this risk. From this, a risk assessment was undertaken across suppliers to determine a strategy moving forward. This process was managed by the Ausbil 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 to influence the composition of suppliers moving forward.

This assessment was continued into 2021, introducing an initial assessment of Ausbil's sub-advisors.

In Ausbil's review of the supply chain, the Sustainability Committee in conjunction with the Finance team analysed all of Ausbil's suppliers (as summarised in Table 1) with the aim of completing a full risk assessment, ascribing three levels of risk to suppliers (high, medium and low risk). Ausbil prioritised our review by focusing primarily our efforts on high risk suppliers particularly those where Ausbil had an annual spend threshold of at least \$5,000 in the last 12 months to commence direct engagement. 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 risks in our supply chain.

Ausbil believes all businesses typically have some level of risk at some point in their supply chains, particularly deep down. As an organisation, the composition of our suppliers doesn't change a lot year on year. In 2021, the assessment of risk exposure and risk management of Ausbil suppliers built upon existing work completed in 2020. 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 with this is to engage with our suppliers and ensure that they meet our expectations. It applies to all companies and organisations globally that provide products and/or services to Ausbil. Ausbil requires suppliers to be aware that human rights are universal and fundamental rights and this requires committing to the same set of principals as us. The policy sets out Ausbil's expectations from suppliers, assessment process, transparency and disclosure expectations.

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)

Operations

Ausbil believes investment managers have an important role to play through engagement with investee companies on the issue of modern slavery, a key segment of the full spectrum of ESG issues. In particular, 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.

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 constitute 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/research/ausbil-statement-on-slavery>.

Ausbil operates within 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, Ausbil is currently on a panel of experts advising the Australian government on the effective implementation of the Act.

Engagement with industry

Ausbil believes an issue like modern slavery is not a company-specific issue and it 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 at the time of writing, the chair) of the **Human Rights Working Group of the Responsible Investment Association Australasia (RIAA)** and was a co-author with RIAA of an investor toolkit on human rights in the supply chain. This has been an important publication for the investment industry both domestically and internationally. The toolkit helps investors to identify modern slavery and other human rights risks and provides practical ideas on how to engage with companies on these issues. The first version was completed in 2018, proactively, ahead of the implementation of the MSA. In November 2021, Ausbil was the co-author of a second version of the same toolkit. That toolkit covers investor relevance of human rights in supply chains, how investors can spot red flags, how investors can spot common traits for leaders versus laggards in human rights risk management as well as a number of suggested engagement areas:

Statement on Modern Slavery

- Know your supply chain; transparency, traceability, complexity and risk;
- Adopt a robust ethical sourcing policy covering underlying issues and grievance procedures;
- Know your supplier and build closer relationships with suppliers;
- Adopt a unified auditing approach and increase presence on the ground;
- Provide training on human rights to staff and suppliers; and
- Collaboration with peers and other stakeholders.

The updated version of the toolkit can be found here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/Investor-Toolkit-Human-Rights-with-a-Focus-on-Supply-Chains.pdf>

Through RIAA's Human Rights Working Group, Ausbil was also a co-author of a joint publication between RIAA and ACSI (Australian Council of Superannuation Investors) that acts as a supplementary guide for investors how to report against the Modern Slavery Act. This guide can be read here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/1911-ACSI-RIAA-Modern-Slavery-Reporting-Guide-for-Investors-November-2019-UPDATED.pdf>.

In 2020, Ausbil joined the steering committee of a new investor initiative on slavery called **Investors Against Slavery and Trafficking – Asia Pacific (IAST-APAC)**, which is a coalition of investors representing over A\$5.9 trillion in assets under management. Investors Against Slavery and Trafficking Asia-Pacific 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 and Ausbil was also co-chairing the initiative on a temporary basis during the year.

In 2020, Ausbil co-drafted an investor statement through IAST-APAC which was sent to all S&P/ASX 100 companies. This statement outlines why modern slavery is more than just an ethical issue for investors, where key risks are typically found, and provides a list of suggested actions companies can take to reduce the risk of slavery in their operations and supply chains. The statement can be read here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/2011-IAST-APAC-Statement-of-Investor-Expectations-on-Modern-Slavery-Risk.pdf>. In 2021, this statement was sent to companies that had not responded the first time and it was also sent to the other 100 companies of the ASX200. Ausbil also co-participated in meetings with companies to outline the purpose and aims of the initiative.

Ausbil is a signatory of the **Investor Statement on Bangladesh** and is a member of the **Investor Alliance for Human Rights**, non-profit NGOs focused on highlighting, acting and eradicating modern slavery. Ausbil will continue to participate in these and identify opportunity for further collaboration with other investors to reduce the systemic risk in investment portfolios. Ausbil also presented a number of industry events, outlining investors' expectations and views on modern slavery. Examples in 2021 include:

- Ausbil was a guest presenter at the Intergovernmental Network on Modern Slavery in Public Procurement event. This network is a coalition of Australian state and federal government entities working together on modern slavery risk management. Given the key role the government has as the country's biggest procurer and also being looked at as an example for others, this is an important engagement, which can have significant spill over effects into other sectors. Ausbil presented various industry collaborations and also key actions we would like companies (and the government) to take in order to effectively take action against modern slavery.
- Ausbil was a panelist at a modern slavery session as part of ISS's ESG Series. The audience included both investors and corporates and the panel was discussing effective ESG engagement practices, collaborative initiatives, financial materiality of modern slavery and risk identification in practice.
- Ausbil presented on a panel about modern slavery at the ACSI conference. Ausbil outlined its views on financial materiality, the need for collaboration and the need to take a broader

Statement on Modern Slavery

human rights view rather than focus on modern slavery in isolation. Ausbil also discussed the need to go above and beyond legal compliance of the Modern Slavery Act and how investors can play a major role through effective and meaningful engagement.

- Ausbil presented on a panel at Australia's National Online Conference on Modern Slavery. The panel discussed the need for and the benefits of collaboration in combatting slavery. Ausbil's presentation covered a range of investor initiatives, such as IAST-APAC, RIAA's Human Rights Working Group and the Investor Alliance for Human Rights and our involvement. Additionally, we discussed how Ausbil's proprietary human rights assessment is captured in Ausbil's proprietary ESG research and how this is used in portfolio construction.

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. These engagements are summarised annually in the context of Ausbil's Annual ESG Engagement and Advocacy Report, which is publicly available and can be found at: <https://www.ausbil.com.au/research-insights/esg>.

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 2021 relevant Statement reporting period (1-year), Ausbil continued its engagement and advocacy activities. Examples include:

- Presentation at SEDEX-JANZ conference where Ausbil was on a panel which discussed the importance of the 'S' in ESG to investors. The audience was a broad range of companies from both Australia/NZ and Asia.
- Ausbil presented at a webinar hosted by Goldman Sachs, to mainly a corporate audience, where we expressed our views on sustainability reporting (how companies should report on what they believe is material to their business rather than following a particular standardised framework and how ESG needs to be aligned with strategy), our view on TCFD as the key climate change reporting norm, our view on the UN Sustainable Development Goals (SDGs) from an investor perspective, our views on labour rights / modern slavery risk in corporate Australia and more.

During the Statement year, Ausbil held 31 individual engagements with ASX-listed companies, discussing 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. As previously, Ausbil discussed and encouraged adoption of best practice on risk management.

As discussed above, in 2020, Ausbil's risk identification and engagement activities focused on S&P/ASX 200 listed companies because this represents the vast majority of Ausbil's funds under management, and the dominant source of exposure to any slavery or human rights abuses in the supply chain.

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

Statement on Modern Slavery

Ausbil's Active Sustainable Equity Fund. This strategy removes from the investible universe any company that is deemed to have insufficient ESG risk management in place, which could relate to human rights or modern slavery, and many of the other ESG factors we track in detail across our portfolios.

Outside of the top-200 in Australia, Ausbil manages down the Australian market-cap spectrum including Australia micro-cap and small-cap where over the course of the year, we have had a number of engagements with portfolio holdings that are involved in the fashion and retail industries which builds 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, they are all 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 done a high-level risk analysis, based on the analytical framework for Australian-listed companies. This resulted in a number of targeted company-specific engagements and also a letter with investor expectations sent to portfolio companies. In a global equities portfolio like the Global Resources Fund, Australian companies represented a large proportion of the investments in 2021, which meant the engagement activities with Australian-listed resources companies were also applicable to that portfolio. To date, Ausbil's engagement with investee companies in global portfolios have 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. Those are discussed in more detail under 'supply chains' below.

Ausbil believes engagement is the key action that investors can take to drive positive change and combat the risk and very 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.

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 engagement, 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 2021, and we are considering potential strategies for the future.

Statement on Modern Slavery

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.

As a result, Ausbil initially reached out to 15 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. The response rate was lower than expected, with approximately 50% responded back to us. They had either signed 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 risk will receive this Code and will be requested 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.

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 relevancy of this issue for our business. The second session was aimed at educating the procurement staff at Ausbil with a workshop run by a well-recognised specialist in modern slavery. The session focused on understanding what the Modern Slavery Act in Australia calls for, how modern slavery impacts business, internal policy, supplier due diligence, best practice and questions we can ask suppliers.

Ausbil strives to continue its work and efforts in this space into 2022. We aim to 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 / human rights violations in both our investments / operations. We will monitor how our suppliers and sub-advisors are progressing with their own risk management. We are looking at introducing more supporting policies.

Additionally, through our major shareholder, New York Life Investment Management (NYLIM), Ausbil is affiliated with investment managers, Candriam and MacKay Shields, who act as sub-advisors to Ausbil funds so that investors in Australia can access their 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 sub-advisor relationships. All sub-advisors (Vanguard, MacKay-Shields 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 will examine the results and decide on further engagements where applicable.

Statement on Modern Slavery

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

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 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 by the approach by companies to seek our input, the willingness by companies to engage as well as the productive discussions about adopting best practice that we have had with companies in 2021.

In order to more systematically measure progress, Ausbil intends to continue to record changes to companies' risk exposure and risk management scores discussed above (Ausbil's HR&S Risk Model). In 2021, 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 companies' MSA statements, the risk analysis was based on a number of sources and in 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 to measure progress against in future years.

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.

Statement on Modern Slavery

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 2022. 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 Conducts 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. There should be more progress on this in 2022.

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 17 June 2022.

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