

ETHICAL  
PARTNERS  
FUNDS  
MANAGEMENT  
VOLUNTARY  
MODERN  
SLAVERY  
STATEMENT  
FY 2020-2021





“NO ONE SHALL BE HELD  
IN SLAVERY OR  
SERVITUDE; SLAVERY AND  
THE SLAVE TRADE SHALL  
BE PROHIBITED IN ALL  
THEIR FORMS”.

Article 4, Universal Declaration on Human Rights

<https://modernslaverypec.org/>



# About us

Ethical Partners Funds Management (EPFM) is a boutique Australian Fund Manager that is fully owned by its staff and founders. EPFM operates a unit trust open to Australian based investors as well as mandates for large superannuation clients.

EPFM has a dual focus on performance and investing ethically. EPFM's approach directly manages risk and identifies opportunities for our clients, provides the ability to invest in line with our clients' values, actively addresses the impact of our investments and engages and advocates for change.

EPFM is a bottom up, long only stock picker that invests in Australian Equities. We pursue investment in companies that pass both our investment process screens, examining financial strength, cash flow metrics, shareholder structure and management and our proprietary Ethical Partners Opportunity and Risk Assessment (EPORA).

Our proprietary in-house process uses ESG/sustainability information from over 600 diverse sources, including academics, sustainability experts, activists, NGO's, intergovernmental bodies, scientists, civil society, ethical investment bodies and traditional investment and sustainability data providers.

At Ethical Partners, we strongly believe that ESG is fundamental to assessing a company's business risks and opportunities. We believe that businesses that take seriously their impact, and are addressing how they treat people and the environment will ultimately do better than those companies that don't. We believe that the benefits of businesses behaving with more thoughtfulness and care for people and the environment will be enjoyed by society, their people, their environment, as well as their shareholders. Additionally we believe that companies that are conscious of their impact on the world are also better placed to seize the opportunities that are presented by the changing world in which we live.

EPFM is also committed to addressing the impact of our own operations and investments, as a responsible steward of the funds we manage. We also firmly believe that investors can, and must, play an active and essential role in reshaping the financial system to address the serious environmental and human rights crisis's facing the world today, and in order to achieve the global Sustainable Development goals.

As such, Ethical Partners takes a very active advocacy and engagement role in encouraging better corporate behaviour, as well as an active program of engagement with wider civil society, government, regulators and legislators, investor collaborations, shareholder activists, academics, the media and NGO's.

The Tatrai Giving Fund is a division of Ethical Partners Funds Management that aims to support underprivileged areas in society. The Giving Fund is funded from company profits and Director donations, with our clients also welcome to donate alongside us.

## OUR VALUES

**Responsibility:** We are responsible for our clients' money. We are responsible, where appropriate, for influencing the way companies conduct their businesses. The industry as a whole has a responsibility to do things better and have a positive influence on the environment, human rights and society. We want to play an important part in this.

**Accountability:** We are accountable for the decisions we make to all our stakeholders. We are accountable for our clients' money. We realise that there are consequences to the actions we take. We will stand by our decisions and what we believe in. We won't always be right but we will always be accountable.

**The confidence to be different:** We understand that our views on companies, the market and the way we invest may be different to a majority of others. We have the confidence in our process, our approach and our decisions. Sometimes the best decisions for the long term are the ones that aren't recognised at the time or require courage of their conviction in the short term.

# Ethical Partners Funds Management Voluntary Modern Slavery Statement FY 2019-2020

## REPORTING CRITERIA:

The Australian Modern Slavery Act 2018 requires entities based, or operating, in Australia which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. Other entities, based or operating in Australia may report voluntarily.

Whilst Ethical Partners does not meet the threshold for mandatory reporting, we have chosen to report voluntarily, as we believe that investors, asset managers and the financial sector have a crucial role to play in addressing modern slavery.

Furthermore, we believe that if investors are demanding corporates provide transparency, accountability, disclosure and attention to modern slavery within their operations, that we as investors must also be transparent and accountable as to how we address modern slavery ourselves. This clearly reflects our Ethical Partners core value of accountability, as well as our commitment to the legislation we have actively advocated for. We also believe that the process of putting together this report has been educational for our team, to better understand the process the company's we are investing in are required to undertake.

The Department of Home Affairs has provided two avenues for voluntary reporting. One is to make a voluntary statement to the ABF, through which will be bound as though you are a mandatory reporting entity, and appear on the online register. The other avenue is to prepare a voluntary statement and make it available on your website.

As with our FY 2019-2020 Modern Slavery Statement, Ethical Partners' FY 2020-2021 Modern Slavery Statement has been reported under the second avenue, and therefore has not been submitted to the ABF, but is publicly available on our website.

## DEFINITIONS UNDER THE ACT

### **The Act defines modern slavery to include eight types of serious exploitation:**

trafficking of persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour (where children are subjected to slavery or similar practices, or engaged in hazardous work) and deceptive recruiting for labour or services.

### **Modern slavery is further defined as:**

situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Modern slavery is only used to describe serious exploitation. It does not include practices like substandard working conditions or underpayment of workers.

### **Risk of modern slavery is defined as:**

the concept of "risk" when referring to modern slavery refers to the risk to people, rather than the risk to the reporting or related entities themselves. Severity of the risk to people, rather than the risk to the reporting or related entities themselves. Severity of the risk to people (modern slavery risk) relates to the severity of

Modern slavery practices, likelihood of them occurring as well as the extent of it in terms of number of people affected and over what time period.

### **High Risk factors are defined as:**

Modern slavery risks, including the potential labour-related rights, are risks which restrict or remove someone's freedom. Example of modern slavery risks flags include:

- Vulnerable populations – e.g. low skilled, temporary jobs, migrant workers or minorities.
- High risk geographies – lack of regulation or enforcement agencies, poor track records on corruption and human rights, prevalence of criminal organisations.
- Business models structured around high-risk practices – e.g. complex and long supply chains with several intermediaries along the chain, oligopolistic industries exercising pricing pressure on suppliers; labour intensive industries and supply chains with pressure on shorter lead times.
- High risk product and service categories, often sector specific – e.g. agriculture, mining, apparel industry, construction and building materials and electronics.

## MANDATORY CRITERIA

### The Act further sets out mandatory criteria for Modern Slavery Statements.

A Modern Slavery Statement must

- (1) identify the entity that is reporting (section 16(1) (a))
- (2) Describe the structure, operations and supply chains of the reporting entity (section 16(1)(e))
- (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 (section 16(1)(c))
- (4) Describe the actions taken by the reporting entity (and owned and controlled entities) to assess and address those risks, including due diligence and remediation processes.
- (5) Describe how the reporting entity assesses the effectiveness of such actions (section 16(1) (e))
- (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 (section 16 (1)(f))
- (7) Include any other information that the reporting entity considers relevant (section 16 (1)(g)) and
- (8) Provide detail on approval of the Statement (section 16(2)).

Ethical Partners Voluntary Modern Slavery Statement will be reported in line with these mandatory criteria.





## 1. Identify the entity that is reporting

Ethical Partners Management Services Pty Ltd ABN 94 623 503 720 (“Ethical Partners” or Investment Manager”) is an Investment Manager and is an authorised representative of Ethical Partners Funds Management Pty Ltd (EPFM) (ABN 96 623 475 454, AFSL 504749). EPFM has an Australian Financial Services Licence (AFSL), authorising it to provide the following financial services to wholesale clients:

- provide general financial product advice only about securities, derivatives and interests in managed investment schemes (excluding investor directed portfolio services); and
- deal in financial products, being securities, derivatives, interests in managed investment schemes and basic deposit products.
- Ethical Partners Funds Management has offices at Level 6, Johnsons Building, 36 Grosvenor Street, Sydney, NSW.

## 2. Describe the structure, operations and supply chains of the reporting entity

Ethical Partners Funds Management Pty Ltd (EPFM) is an Australian equities fund manager that manages segregated investment mandates (Mandates) under Investment Management Agreements (IMAs) and also operates a managed investment scheme, called the Ethical Partners Australian Share Fund (Fund), in which investors’ funds are invested in Australian-listed shares and derivatives. The Ethical Partners Australian Share Fund is a unit trust open to Australian based investors. Equity Trustees Limited (EQT; ABN 46 004 031 298; AFSL 240975) is the issuer & responsible entity of the Ethical Partners Australian Share Fund.

Mandates and the Fund are operated using a disciplined stock selection process. The stock selection process includes an assessment against both financial and ethical and sustainability criteria. The Fund is structured as a unit trust with units representing the interests issued to investors under the disclosure document. Investment in the Mandates are governed by IMAs.

Securities which EPFM invests in on behalf of investors in the Fund are held by a professional master custodian who will at all times meet the net tangible assets, cash holdings and liquid asset requirements imposed on licensees providing custodial or depository services by section 912AC of the Corporations Act 2001 (Cth) (Corporations Act). Likewise, assets managed pursuant to Mandates are held by professional custodians on trust for the individual clients.

EPFM is owned by its employees and invests only in Australian equities. It currently has nine employees and operates from offices in Sydney, Australia. EPFM currently manages over \$2.5 billion in funds under management. The business founders Nathan Parkin and Matt Nacard have combined over 35 years’ experience in financial markets. As per the Government Guidance on Modern Slavery reporting, we consider our internally managed investment activity to be part of our operations.

In 2019, Ethical Partners mapped and undertook due diligence on the material suppliers that constituted over 80% of supply chain spend. These included Link Financial Services, Iress (Financial Software), ANZ (Banking), Investa (Property Management) and Grant Thornton (Auditor).

In 2020, Ethical Partners extended this mapping to include our I.T provider, Matrix. Additionally, Ethical Partners has moved offices during this year, and has such ceased our supplier relationship with Investa, and have begun due diligence on our new supplier, Grosvenor Place (Property Management).

Ethical Partners has no externally managed investment activities that would be considered part of supply chains, as per the Government Guidance on Modern Slavery Reporting.

### 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

We agree with the RIAA/ACSI Modern Slavery Reporting Guide for Investors (2019) that forced labour and related practices likely exist in the operations or supply chains of most businesses and in every region of the world.

As such, Ethical Partners acknowledges that we could be exposed to modern slavery risk in our own supply chain and operations or our investments in ASX companies, due to modern slavery or related practices within the operations or supply chains of our portfolio companies.

Ethical Partners has therefore conducted extensive analysis and due diligence on both our own suppliers **and** our entire investment universe/portfolio holdings to assess this risk, which will be detailed in the following pages.

As per the Australian Government Guidance Appendix 1 Table 6 Risk Indicators for Modern Slavery, we acknowledge that there are sector and industry risks, product and services risks, geographic risks, entity risks, as well as recognised indicators of modern slavery. KPMG and the Australian Human Rights Commission (2021) have also identified key risk areas of vulnerable populations, business models structured around high-risk work practices, high-risk products and services categories (often sector specific) and high risk geographies, as below.

Ethical Partners' process proactively considers the heightened risk of modern slavery in these areas in our analysis and engagements.

Ethical Partners further considers all the ILO indicators of Forced Labour (abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, excessive overtime) within our analysis of portfolio companies, and continuously engages with all portfolio companies about our expectations that they also deeply and continuously analyse their supply chains for these indicators.

Ethical Partners is also cognisant of the effects of COVID on increasing vulnerability to Modern Slavery globally, and of the need to consider this heightened risk in our analysis and engagements with companies.

#### POTENTIAL RISKS IN ETHICAL PARTNERS OWN OPERATIONS

- Research suggests that high risks areas for modern slavery risk in financial services businesses such as Ethical Partners include IT procurement, logistics and property, and building services such as facilities management, utilities, cleaning, waste management, security and print and promotional goods. Other areas identified as potentially high risk include offshore services, office equipment and products, E-waste and telecommunications.
- Ethical Partners acknowledges that they could be exposed to any of these high-risk areas, and is cognisant of the need to mitigate these risks. Ethical Partners has therefore analysed our supply chain for exposure to high risk product and high risk country of operation, as previously described.
- The six most material suppliers mapped by Ethical Partners in 2020 are Link Financial Services, Iress (Financial Software), ANZ (Banking), Grosvenor Place (Property Management), Grant Thornton (Auditor) and Matrix Solutions (IT). This analysis has revealed that Ethical Partners could potentially be exposed to:
  - High risk products: Grosvenor Place falls within the potentially high-risk areas of construction, property and building services, cleaning, waste management and security
  - High risk area of IT: Iress, Link and Matrix Solutions fall within this potentially high-risk area.
  - High risk country of operation: Link has some operational exposure to the Philippines and Papua New Guinea.
  - Other areas of high risk: E-waste, offshore IT centres (Link), office equipment and supplies.
- Ethical Partners Board, CEO and sustainability team are all responsible for the screening of our suppliers for these risks

<https://assets.kpmg/content/dam/kpmg/au/pdf/2021/financial-services-modern-slavery-practical-guide.pdf>

<https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf> p.80-82

[https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_203832.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf)

- All existing suppliers are provided with our Supplier Code of Conduct, our expectations, and are required to complete a yearly Supplier Questionnaire, with further engagement on any issues or gaps. Any new supplier will also be assessed for these risk factors.
- Any new supplier is also assessed for these risk factors.

## **POTENTIAL RISKS IN ETHICAL PARTNERS INVESTMENTS/PORTFOLIO:**

### **HIGH-RISK SECTORS AND INDUSTRIES**

Our risk analysis assessment has identified that our portfolio has exposure to several sectors that have been identified by various sources as potentially high risk for modern slavery: The agricultural industry, the garment/apparel industry (cotton), construction and building materials industry (bricks, timber), the mining industry, the food and beverage industry, and the food supply chain (fish, rice and cocoa, sugarcane, cattle, and the horticultural worker sector), health care, hospitality, housekeeping and facilities, transport and warehousing, electronics and IT industry, and financial services.

Further risk analysis shows that the portfolio sectors that rely on the imports of products in their supply chain from countries with modern slavery risk include: Automobile and components, telecommunications and retail, electronics, automobiles and components, capital goods and retail, manufactured goods, retail: apparel and clothing accessories, and REIT's: bricks.

The sectors of the portfolio which rely on a direct workforce at risk of modern slavery include: Food and beverage, farm workforce exploitation, Real Estate: cleaning services, and Retail: cleaning services.

Ethical Partners has extensively mapped these exposures, and has deeply engaged with every company with potential exposures in these industries about their risk of exposure to modern slavery, their heightened risks in these sectors, their policies, procedures and oversight and their risk management, and we continue to monitor these very closely.

### **VULNERABLE POPULATIONS**

Ethical Partners also continuously monitors our portfolio for exposure to potentially vulnerable populations. Vulnerable population groups that were a specific focus for us in our analysis and engagement in this reporting period included horticultural supply chain workers, workers in the shipping industry, the cleaning industry, migrant workers in the glove/PPE supply chain, the Uyghur population, and those in conflict affected areas (specifically Myanmar).

As per the Department of Home Affairs Commonwealth Modern Slavery Act 2018 (MSA) Guidance for Reporting Entities, Ethical Partners is also cognisant that Modern Slavery occurs on a continuum of exploitation, and thus also analyse our portfolio exposures for other exploitative work practices, such as dangerous or substandard working conditions, unfair pay, lack of access to entitlements, excessive work hours, unsafe workplaces, and negative consequences for refusing work, lack of respect for workers' rights. This also includes our engagements and analysis regarding living wage, worker accommodation and other labour/human rights abuses in order to identify other potentially vulnerable worker populations. Ethical Partners will not invest in any company where our concerns about these exposures are not addressed. Our actions taken to assess and address these risks will be further discussed in Section 4 of this statement

### **HIGH RISK GEOGRAPHIES**

Ethical Partners investment process (EPORA) mitigates for country risk using the Transparency International Corruptions Perceptions Index as an integral part of our investment process and risk identification, and our Unit Trust screens out any country that rates within the bottom third of the T.I rankings, due to the elevated risk of human rights abuses, poor governance and oversight and corruption in these areas.

Additionally, Ethical Partners has cross-referenced and screened our investable universe against the Walk Free Global Slavery Index, the US Trafficking in Persons Report and the US Department of Justice List of Goods produced by Child Labour or Forced Labour and the UNODC Global Report on Trafficking in Persons in order to highlight any other geographic areas that hold high risks of modern slavery. Ethical Partners also considers multiple other relevant information sources, including modern slavery experts, human rights bodies, NGO's, activists, academics and media reports, as well as all relevant international reports in our assessment of geographic risk. We will also consider and analyse any known modern slavery risk in other peer companies in these known high risk jurisdictions.



This risk analysis aims to identify any portfolio exposure to countries that contain a higher risk of prevalence or vulnerability to modern slavery, a poor government response to modern slavery, or a known country specific elevated risk of modern slavery in specific products. We note that due to the heightened risks in these jurisdictions, Ethical Partners has noted these investment exposures even if operations or corporate supply chains in these countries are very minimal. Our analysis of our portfolio companies operations and supply chains exposures to countries with a potential higher risk of modern slavery during 2021 revealed we have small exposures to: Cambodia, Malaysia, Mongolia, Myanmar, Papua New Guinea, Philippines, Thailand, Turkey, Ukraine, China, India, Indonesia, Thailand, Vietnam, Nepal, Mexico, United Arab Emirates, Greece, Brazil, Colombia, Peru, Madagascar, Mozambique, Guinea and Russia.

Ethical Partners has extensively mapped these exposures, and has deeply engaged with every company with potential heightened exposure to Modern Slavery in these countries. Ethical Partners carefully analyses the companies' level of exposure in these jurisdictions, their oversight and risk management and their potential risks, and we continue to monitor these very closely. Ethical Partners will not invest in any company where our concerns about these exposures are not addressed. Our actions taken to assess and address these risks will be further discussed in Section 4 of this statement.

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

Ethical Partners is committed to upholding:

- The UN Declaration of Human Rights
- The International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- The UN Guiding Principles on Business and Human Rights
- The UN Sustainable Development Goals, particularly SDG 8 – Decent Work and Economic growth.
- The OECD Guidelines for Multinational Enterprises

These frameworks and commitments are fundamental to the way we assess and address Modern Slavery Risk in both our own operations and our investments/portfolio. We also engage regularly with our portfolio companies on our firm expectation that they will also uphold these frameworks and commitments.

### ACTIONS TAKEN TO ADDRESS THE RISK OF MODERN SLAVERY IN ETHICAL PARTNERS OWN OPERATIONS

Ethical Partners has provided all of our material suppliers with our **Supplier Code of Conduct** which was informed by our extensive research of best practice modern slavery management. Ethical Partners has also asked all material suppliers to complete an extensive **supplier questionnaire** that was also informed by our extensive research into modern slavery due diligence.

These are both available on our website <https://www.ethicalpartners.com.au/about-us#Sustainability>

The Supplier questionnaire was originally undertaken by our five major suppliers in 2020. Following the completion of these questionnaires, Ethical Partners held **further direct or written engagements** with several suppliers to gain more information, address any gaps or concerns, to better understand the suppliers modern slavery processes, and to advocate for continued improvements in their reporting, management and analysis of modern slavery risks.

This has also included Ethical Partners assisting our suppliers by providing referrals to NGO experts and resources to help suppliers (particularly our SME suppliers) better understand the risks of modern slavery and how they can address this, or by advising on best practice in management of particular Modern Slavery issues based on what we have learnt from our own education on Modern Slavery as well as what we have learnt through our investment analysis and engagements with the ASX200.

This supplier questionnaire was distributed again in 2021, with a new second section, Part Two, that contained additional questions that addressed the major gaps in the inaugural modern slavery reporting that were identified by our own research and other expert analysis, which will be detailed in the following pages. It was also **expanded** to include several new areas of focus/topical issues, such as the risks of Uyghur forced labour, or the need to use a specific children's rights lens in modern slavery due diligence, remediation and prevention. This supplier questionnaire is also publically available on our website.

Finally, Ethical Partners has **clearly and publicly stated our policy and expectation** that "We expect that our suppliers will not be a party to any violation of basic human rights including freedom from slavery and discrimination. We reserve the right not to do business with vendors that do not share and demonstrate our commitment to compliance with local and internationally accepted labour and employment laws. We seek partners that take ESG investing seriously and believe in investing responsibly. We do not believe that we can be investing sustainably but do not source sustainably. We endeavour to ethically source which includes an expectation that all vendors, including sub-contractors engaged by vendors, must comply with certain requirements such as wages, benefit policies, working hours, no forced labour, no discrimination, health and safety and business integrity".

## **ACTIONS TAKEN TO ADDRESS THE RISK OF MODERN SLAVERY IN ETHICAL PARTNERS INVESTMENTS**

### **EPORA INVESTMENT PROCESS**

**Ethical Partners considers that our most material exposure to Modern Slavery risk occurs in our investments, and therefore we continually and deeply assess the risks of Modern Slavery in every company considered for investment (the ASX300).**

- Our modern slavery analysis begins through our proprietary EPORA investment process, which systematically considers a range of human rights, environmental and governance factors for every stock considered for investment.
- For the Ethical Partners Australian Share Fund all companies must pass all areas of our proprietary EPORA in addition to key financial metrics. The EPORA includes a thorough assessment of:
- Whether a company's product is harmful, at which point we apply a negative screen and remove the company from our investable universe. Exclusions include alcohol, uranium, gambling, weapons, tobacco, fossil fuels, predatory lending, fossil fuels;
- The company's place of operation (country risk) using the Transparency International Corruptions perceptions index;
- Their impact on the planet, assessing multiple pertinent, material and relevant issues and themes;
- Their impact on people, assessing multiple pertinent, material and relevant issues and themes

Specifically, in relation to modern slavery, the EPORA process analyses the modern slavery risk of every company, in both their operations and further down their supply chain, with specific reference to areas of heightened risk such as country, industry, vulnerability, sector and product risk as previously noted. It also considers a company's policies and actions taken to prevent, mitigate and remediate modern slavery, as well as the quality of modern slavery due diligence and reporting undertaken by the company.

Companies must pass this EPORA screen, as well as our traditional financial investment screens, including financial strength, strong operating cash flow, shareholder structure and good management and governance practices to be considered for investment. At the conclusion of the EPORA process, each stock is given a rating of high, medium or low. If a stock is rated as high risk for modern slavery/human rights abuses (either through being exposed to high country or product risk, or through poor modern slavery management/governance/ prevention/ mitigation/remediation), the company is removed from our unit trust investable universe, allowing us to apply a **negative screening approach** to our investments. However, all stocks, even those rated medium or low risk for modern slavery/human rights violations are monitored continually, as we are aware that risk levels can easily change over time. Ethical Partners may also divest from a portfolio stock when we see increased risks or lack of true progress and evidence of change.

The EPORA process additionally assists us to apply a **positive screening approach** to our investments by identifying leaders and laggards in modern slavery risk management, consistent with our belief that best practice modern slavery management is consistent with decreased investment risk and increased opportunity for companies. Ethical Partners will endeavour to buy these leaders where valuation is reasonable and fundamentals are sound.

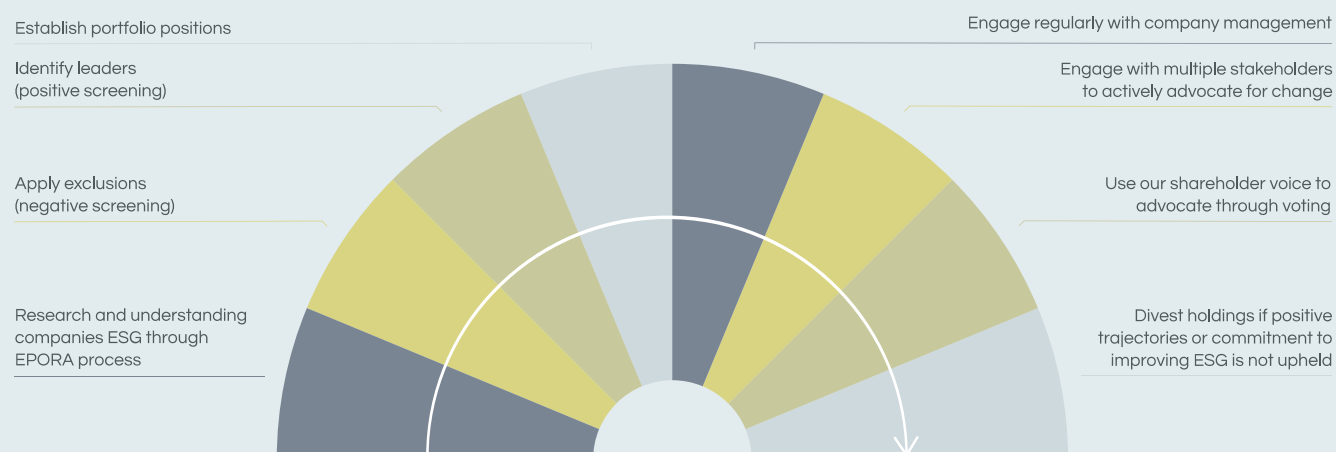




The EPORA process also **identifies each company's specific risk factors and analyses any gaps in their current management of modern slavery**, which then informs our **active and regular engagements with the company** to improve their modern slavery prevention and due diligence.

Ethical Partners' continual application of the EPORA process, and our deep in-house analysis of portfolio companies' modern slavery management also allows us to **monitor the progress a company has made on modern slavery** over the years, and to **hold our portfolio companies accountable for ever improving practice** and depth of analysis, remediation and prevention of modern slavery, as well as helping us to assess the effectiveness of our EPORA process.

## ETHICAL PARTNERS INVESTMENT PRINCIPLES



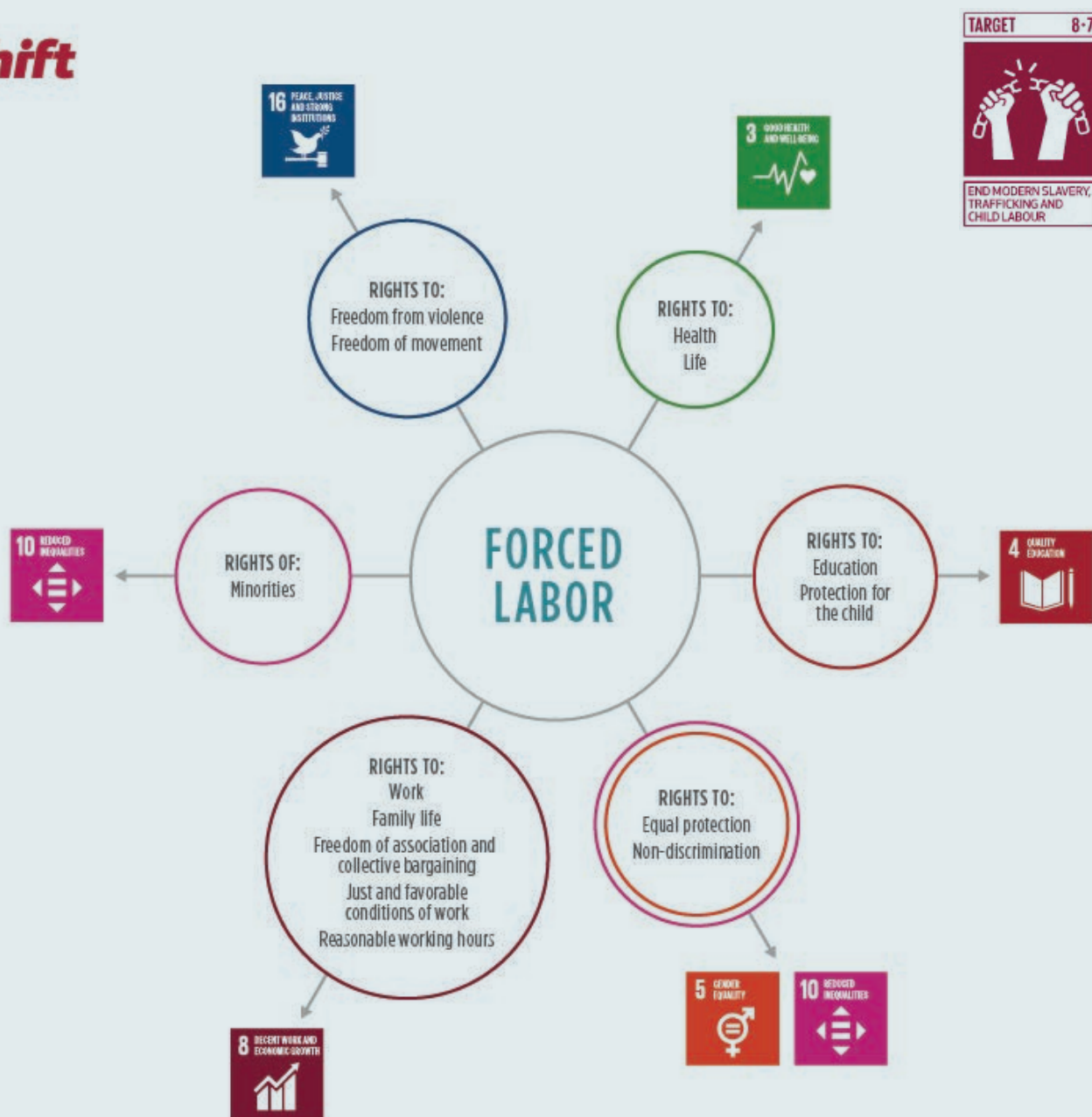
## MODERN SLAVERY AND ETHICAL PARTNERS SDG COMMITMENTS

Ethical Partners is also cognisant that addressing Modern Slavery is fundamental to addressing our impact on the SDG's, which is a core focus for our funds purpose.

We are further cognisant that Modern Slavery has profound effects on not only SDG 8 (Decent Work and Economic Growth) but that the elimination of Modern Slavery is also essential to the attainment of many of the other SDG goals our fund aims to impact, including SDG 16, SDG 3, SDG 10, SDG 4 and SDG 5.

As such, Modern Slavery is also **considered through our EPORA risk assessment using an SDG lens**, and by considering the interrelated risk factors, underlying drivers, root causes and contributing factors of Modern Slavery in our EPORA investment analysis.

**Shift**



<https://ocm.iccrom.org/sdgs/sdg-8-decent-work-and-economic-growth/sdg-8-7-end-modern-slavery-trafficking-and-child-labour>  
<https://shiftproject.org/resource/the-human-rights-opportunity-in-collaboration-with-wbcsd/forced-labor/>



## **EPORA INVESTMENT PROCESS ANALYSIS OF MODERN SLAVERY:**

- Involves a thorough analysis of all potentially investable companies' public disclosures on modern slavery, including their policies, supplier codes of conduct, and modern slavery statements including any modern slavery reporting submitted in other jurisdictions.
- Involves extensive additional in-house research using a diverse range of sources, including NGO reports, media, academic research, sustainability research, intergovernmental and civil society reports.
- This analysis is conducted through a yearly deep dive analysis of every company in the ASX 300 that is considered for investment (in 2021 this was 223 companies), as well as a continual monitoring for new information, reporting, issues, controversies, or engagements with the company occur which will be incorporated into our screening process on an ongoing basis.
- Assessing the company's progress on modern slavery reporting, risk mitigation and prevention practices against best practice frameworks.
- Involves direct engagement with a company's management, including Chair and Board, CEO, CFO, Sustainability team and other departments as relevant.
- Involves direct liaison with activists, NGO's and industry and sustainability experts on modern slavery issues. These relationships provide us with invaluable information and research to help us better understand the modern slavery risk in our investments as well as the opportunity to share advocacy on modern slavery issues.
- All EPFM investment staff are involved in this research and engagement, including all analysts, the CEO and the Investment Director, working in conjunction with the sustainability team.
- We firmly believe that each analyst must understand the Modern Slavery Risks for their own stocks personally, and that this understanding cannot rest in a sustainability team, but must be integrated into each stock decision and every engagement with a company. This is because we believe that human rights and Modern Slavery risks is as pertinent to analysing stocks as financial risks and because we want to maximise all our opportunities to create positive change.

## **MODERN SLAVERY FOCUS AREAS FOR ANALYSIS AND COMPANY ENGAGEMENT**

- The company's understanding of and attitude to the risks of forced labour.
- The company's understanding of their obligations under the UNGP, ILO and UNHCR frameworks, and their understanding of their impacts on SDG 8 (Decent Work).
- Our expectation that Modern Slavery due diligence is undertaken with the "intention to find", and a willingness to disclose and be open about any exposures to modern slavery that are found.
- Any high risk areas, sectors and countries of operations in the company's operations or supply chains.
- The company's knowledge of these high risk areas and the mitigating actions they have enacted in relation to these.
- The company's understanding of, analysis of and mapping of their supply chains, and their depth of analysis through their supply chain Tiers.
- The company's supplier policies and codes of conduct, and how these are enforced/adequately assessed for compliance.
- The company's due diligence/supply chain assessment, and any short-comings or issues with these.
- How the company categorises "high/medium/low" risk suppliers, the issues arising from self-assessment, and the limitations and difficulties with audits.
- Factors that contribute to the companies Modern Slavery risk such as unreasonable lead times or cost requirements, purchasing practices, procurement activities, sourcing guidelines and policies and contract provisions, including the incentive structures for purchasing units.
- The company or their supplier's use of labour hire and contract labour, outsourcing or short-term contracts.
- The company or their supplier's use of foreign, temporary or unskilled labour by the company or in the supply chain.
- The company or their supplier's use of/requirements for certifications or best practice schemes such as the Cleaning Accountability Framework, or the Fair Farms initiative.
- The company and their suppliers grievance mechanisms and in particular, worker voice mechanisms, the statistics/cases they have identified, and evidence of the effectiveness/adequacy of these mechanisms, as well as what processes are in place to deal with the complaints received.

- Disclosure of the number and nature of the complaints received by these mechanisms.
- The company and their supplier's employee's rights education and workers understanding of entitlements and protections.
- The company and their supplier's worker protections from violence, abuse or degrading treatment.
- The company and their supplier's worker's knowledge of their terms of employment/access to and understanding of contracts.
- The company's training for staff and board on Modern Slavery.
- Other indicators of Modern Slavery at company or supplier level, such as confined or isolated workers, retained documents, contracts not in accessible formats or language.
- The company's industry structure and modern slavery risk factors, such as oligopolies, long and complex supply chains, supply chains with poor visibility, known modern slavery issues at peer companies.
- The company and their suppliers working conditions: i.e.: worker accommodation conditions, workplace safety and health, worker training, provision of protective equipment (including PPE during COVID).
- The use of recruitment fees and wage deductions practices by the company or their suppliers.
- The use of recruitment strategies targeting disadvantaged and vulnerable communities anywhere in the supply chain.
- The company and their suppliers working hours and overtime safeguards.
- The company and their supplier's exposure to underpayments/ payment of living wages.
- The company and the supplier's human rights policies and attention to other human rights and social considerations wider than Modern Slavery.
- The company and their supply chain's remediation actions/policies and the adequacy of remediation of any Modern Slavery and human rights issues.
- The company's engagement with all relevant stakeholders: suppliers, workers, peers, industry sector, governments, trading partners, communities, NGO's.
- The company's efforts to increase their leverage with their suppliers to address modern slavery.
- The company's collaborations and partnerships on Modern Slavery with industry peers and with investors, to share knowledge and supplier due diligence as well as shared advocacy and prevention mechanisms/policy development.
- The company's collaboration with Modern slavery experts/NGO's for information, shared advocacy, support, education and remediation of affected workers.
- The company's reporting channels, governance, management and board attitudes, attention to and understanding of Modern Slavery.
- The company's resourcing with funding, staffing and board attention for their Modern Slavery prevention/ mitigation programs and due diligence activities.
- The company's ability and commitment to go beyond compliance and tick-box reporting to facilitating real outcomes and impact on their Modern Slavery footprint.
- The inclusion of Modern Slavery risk management in the REM structures of management.
- The company's internal communication, and cross-departmental working groups/collaboration on Modern slavery management.
- The company's understanding of the increasing expectations of investors, consumers, regulators and legislators regarding Modern Slavery.
- The company's response to addressing any gaps we identify in their modern slavery management.
- The company's commitment to continuous learning, improvement and leadership in Modern Slavery management.
- The company's impact on the wider SDG goals, and how they are impacting root causes and drivers of Modern Slavery through how they are addressing their impact on wider issues such as poverty, gender, inequality, environmental degradation and climate change.



## ETHICAL PARTNERS ANALYSIS OF THE INAUGURAL ASX MODERN SLAVERY STATEMENTS

- Analysis of inaugural modern slavery statements, the common gaps found and the areas needing improvement, both within individual companies and generally across the ASX.
- Some key findings from this analysis included:
- Our analysis found that the vast majority of disclosures were quite basic, which while not surprising given it is the first year of reporting, is something that we will need to see make dramatic improvement over the coming years.
- Ethical Partners has communicated with all ASX companies we have engaged with our expectation their second modern slavery statements will demonstrate:
  - An enhanced depth of analysis beyond the first tiers
  - An increased level of understanding of their supply chains and modern slavery risks
  - Increased attention to their remediation practices
  - Enhanced due diligence, with less reliance on supplier contract clauses and self-assessment questionnaires
  - Enhanced grievance mechanisms, and an ability to evaluate their effectiveness
  - Increased board training on modern slavery

Our analysis also noted that leading statements included:

- Detailed information on comprehensive risk identification methods
- Disclosure of where they have found modern slavery across the supply chain
- How they remediated any cases or risks that were identified
- How the company has updated policies or procedures as a consequence of the modern slavery reporting exercise.
- How the company was undertaking enhanced due diligence
- How the company was moving past a reliance on supplier contracts and self- assessment questionnaires
- How they were improving auditing practices
- How they had implemented worker rights education and effective grievance and worker voice mechanisms.
- How they are integrating their policies into practice and their core business operations
- Attention to procurement practices
- Understanding of and attention to addressing underlying drivers of modern slavery such as living wages, migrant labour, sub-contracting
- Attention to and steps to address the lack of visibility into supply chain through COVID, and the increased risk of modern slavery due to the pandemic
- Attention to the heightened risk of Uyghur forced labour in Australian supply chains
- Improvements the company has undertaken to address modern slavery as a result of the reporting process itself
- Analysis beyond tier one of their supply chains
- Extensive training of relevant business units, board and directors
- Inclusion of modern slavery management into remuneration
- The use of alternative worker led methods of addressing modern slavery such as the Cleaning Accountability Framework, the Fair Farms or other certification schemes.

These are all areas that Ethical Partners strongly encourages ASX companies to better address in their next modern slavery reporting next year and are issues that we continue to engage on deeply with companies .

This analysis was also published in our Ethical Partners Annual Standards report, which was shared with a large number of ASX companies and the media, and can be found on our website [https://assets.website-files.com/5b4d31c5e11a78eff0022917/6100f0e46ec7fe647c8520f5\\_EPFM%20Standards%20Report%202021.pdf](https://assets.website-files.com/5b4d31c5e11a78eff0022917/6100f0e46ec7fe647c8520f5_EPFM%20Standards%20Report%202021.pdf)

## ETHICAL PARTNERS SPECIFIC AREAS OF MODERN SLAVERY RISK FOCUS FY 20-21

### **Exposure to the Uyghur Forced Labour risk, and the lack of identification of this as a heightened risk factor in the inaugural modern slavery statements.**

- Our analysis identified that only two statements specifically addressed their risk of exposure to forced labour from the Xinjiang region and have identified the actions they are seeking to take to mitigate the risks here. These companies, Woolworths and Kathmandu are both held in Ethical Partners portfolios.
- This means, however, that 99% of the 216 ASX companies analysed have failed to address whether they have any exposure to this particularly high- risk area.
- Detailed analysis by the NGO Be Slavery Free has also found that at least three companies known to be sourcing from Xinjiang did not identify this as a risk in their modern slavery statements and that there are many companies sourcing from China who do not highlight any areas of high risk within this jurisdiction.
- Ethical Partners believes that ASX companies need to markedly improve how they are understanding and addressing the particular risks faced in this region. Evidence has clearly shown the abhorrent human rights violations involving the Uyghur people, to which Australian investors and corporates are markedly exposed through the import of products and their supply chains.
- Products as diverse as textiles, garments, gloves, footwear, fish, tomatoes, bricks, hair and nail products, cotton, yarn, electronics, toys and Christmas decorations have been found to be produced by Uyghur Forced Labour and have been the subject of import bans overseas. When the range of potentially tainted products is so wide, and Australia imports more than \$80 billion worth of products a year from China, it is clear that the risk of Uyghur Forced Labour is likely to be much higher than reflected within Modern Slavery reporting across the ASX.
- Ethical Partners strongly urge ASX companies to address and disclose their sourcing from this region, identify the Xinjiang area as high-risk, and clearly show investors what strategies they are taking to mitigate this risk in their supply chain.
- Ethical Partners wider advocacy on this issue also included making a submission to the Australian Parliament on the Customs Amendment (Banning Goods Produced by Uyghur Forced Labour) Bill 2020, and advocating for its adoption and better risk identification and management by ASX companies in the media. [https://assets.website-files.com/5b4d31c5e11a78eff0022917/602c396b7d583f0087cf2848\\_Uyghur%20Parliamentary%20Submission%20-Ethical%20Partners%20Funds%20Management.pdf](https://assets.website-files.com/5b4d31c5e11a78eff0022917/602c396b7d583f0087cf2848_Uyghur%20Parliamentary%20Submission%20-Ethical%20Partners%20Funds%20Management.pdf)

### **A continuing deep focus on the Property sector and the Cleaning Accountability Framework.**

- In July 2020, we wrote and spoke with several listed REITs and property companies (Mirvac, Stockland, Vicinity, Charter Hall, SCA Property, Dexus and GPT) regarding Modern Slavery risks within the cleaning and security functions at their assets.
- Our engagements centered on the high risk of modern slavery in this sector, notably the cleaning and security functions servicing property assets.
- According to the Australasian Centre for Corporate Responsibility (ACCR), “non-compliance with labour laws is rife in the commercial cleaning sector’. Cleaners often experience underpayment, withholding of wages and excessive working hours. Sexual harassment and even assault is common. The sector also has some of the highest rates of workplace injuries in Australia, due to the intensification of work over decades. 85% of the cleaning workforce in CBD office buildings and in the retail malls of major cities are international students or temporary workers. They report threats against immigration status and the confiscation of personal and travel documents. In most cases these workers are employed by property companies via third party contractors. There can also be a further layer; sub-contractors contracted to head contractors. These layers lessen visibility to the underlying asset owner and shareholder. In many cases workers in these disciplines have English as their second language and are recent migrants to Australia. They may not be as aware of their legal rights. They often feel as though they cannot raise issues with senior management through fear of losing their jobs, knowing that getting another job will be difficult. In some cases, these workers are either casual or are contracted via the use of an ABN (as a sole trader). Both these structures mean irregular hours and lower job security. These issues are obviously serious modern slavery and human rights-related concerns.
- All REITs we corresponded with have in place a Supplier Code of Conduct which includes the requirement that suppliers treat their employees fairly, ethically and within relevant legislation. Most REITs monitor compliance as a first step by ongoing communication and meetings with their suppliers. As a result of this process several REITs discovered non-compliance issues with their suppliers. Some took action however some had not.

- Our engagements with the property companies noted the ACCR “Cleaning up their Act? Modern Slavery Due Diligence in the Australian Property Sector” report, which found that there was significant room for improvement in the management of modern slavery risk in this sector <https://www.accr.org.au/research/cleaning-up-their-act/>
- This report found that all property owners are failing to meaningfully engage workers in their supply chains. Instead, they are relying on due diligence mechanisms, such as audits and whistle-blower hotlines, which are less likely to pick up instances of modern slavery and labour abuse.
- Our questions of the REITs showed a high level; of due diligence but were relatively silent on direct worker engagement.
- Our engagements also identified that only two REITs we corresponded with utilise the CAF, with most relying on their own processes. We also noted that all the REITs we corresponded with were a part of the Property Council of Australia-led online platform which aims to assess suppliers regarding their actions to address modern slavery risks across their operations and supply chains.
- We further advocated strongly for these companies to consider the Cleaning Accountability Framework (CAF), an organisation whose mission is to improve labour practices in the cleaning industry. CAF works with cleaners, tenants, contractors, property owners, facility managers, and investors across the cleaning supply chain to ensure ethical labour practices through its promotion of decent work, sustainable procurement and best practice. The CAF Certification Scheme provides an independent framework to measure social compliance within the cleaning industry. It believes investors, property owners, building managers, cleaning contractors and tenants benefit from improved procurement processes and reduced risks, while cleaners are assured of fair pay and decent working conditions. Ethical Partners believes that CAF membership and certification can provide a valuable independent certification of a building’s cleaning supply chain against rigorous standards.
- We also advocated for the companies to consider the recommendations of the ACCR report , including their clear description of company, structures, and operations, commitment and governance, risk assessments, responsible purchasing practices, identification and monitoring non-compliance, and importantly, their corrective action plans and remedy.
- We also advocated for the companies to provide quantitative details on the number of allegations of labour non-conformances raised via each property owner’s various grievance mechanisms; specific detail on the tailoring assurance actions, a full supplier list for cleaning and security and related areas, evidence that the property owners are formally communicating directly with cleaning and security staff to understand grievances and not wholly relying on correspondence and contact with employed contract companies and disclosure of case studies showing how grievances are dealt with investigated by the company.

Ethical Partners continues to engage with property companies about these issues and to encourage these steps to be implemented.





## OTHER SPECIFIC AREAS OF MODERN SLAVERY RISK FOCUS FY 20-21

- Company engagement with NGO's to assist with remediation, grievance and worker voice mechanisms and stakeholder engagement.
- The continuing effects of COVID on increasing vulnerability to modern slavery globally.
- A continuing focus on the modern slavery risk in the glove industry, as particularly relevant to both the current COVID situation, our IAST investor collaboration target companies, and our extensive engagement with a newly listed pathology company on their modern slavery management.
- The increasing effects of climate change on increasing vulnerability to modern slavery globally.
- An increasing focus on shipping and logistics as a high risk area in company supply chains.
- The increasing risks of modern slavery in the growing renewables industry, particularly regarding transition metals, battery minerals, and polysilicon for solar panels.
- Using a child rights lens in understanding modern slavery management and prevention, and ensuring that grievance mechanisms, worker education, remediation and modern slavery prevention programs are accessible and appropriate to children. More information of this area of focus will be discussed in our upcoming report with UNICEF Australia on the impact of ASX companies on child rights.
- Advocating for more proactive collaborations between peer companies/within sectors to address modern slavery, particularly with the healthcare sector.

## ETHICAL PARTNERS ENGAGEMENTS ON MODERN SLAVERY AND DECENT WORK

**Ethical Partners have engaged with all companies we have met over the past 18 months about modern slavery.**

- As per KPMG and the Australian Human Rights Commission, the UNGP's expect that a business that is "directly linked to human rights harm through their operations, products or services by a business relationship, will use its leverage to prevent or mitigate the harm", and "increase leverage where it is lacking". Ethical Partners also utilizes these engagements as a crucial tool in our EPORA analysis and modern slavery risk management for our investments.
- As such, Ethical Partners has had engagements with over 100 companies across the ASX this year.
- These engagements have centered around companies' modern slavery reporting, and the areas we have analysed as requiring improvement .
- Our engagement on modern slavery also includes our involvement as a lead investor in the Investors against Slavery and Trafficking Initiative, which has involved deep engagements with a target company regarding their modern slavery processes with an ask to set objectives for improvements. Ethical Partners is also a support investor for two other target companies in this initiative.
- We continued our engagements with an ASX company about their exposure to modern slavery risks in the horticulture supply chain and we were particularly pleased to have the chairman communicate with us that our engagements had been influential in the changes made. These changes included conducting a review by KPMG, increased supply chain due diligence and reporting, third party independent auditing in the high-risk area, collaboration with union groups and efforts to increase worker voice and successful grievance mechanisms, rights education and support for the workers.
- As noted previously, Ethical Partners is also cognisant of the interconnections and interrelationships of Modern Slavery with climate change, country risk, biodiversity loss and other human rights abuses. Ethical Partners also undertook over 360 engagements on these contributors to and drivers of modern slavery with ASX companies over the last reporting period.
- Ethical Partners believes that using our shareholder voice and leverage across the wider civil society, regulatory, legislative and policy environment is as shareholders is both a fundamental role, responsibility and privilege for investors and crucial to addressing modern slavery risk across the ASX.
- As such, Ethical Partners advocated for issues such as the passage of the NSW Modern Slavery Act, better modern slavery reporting and risk management across the ASX, and the risk of Uyghur Forced Labour in ASX company supply chains in the media, including in the Australian Financial Review, F.S Sustainability and Investor Daily during this reporting period.
- Ethical Partners also lectured on our approach to Modern Slavery engagement at the UNSW Business School, and a Financial Advisor Ethical Investment Course.

- It has also involved Ethical Partners conducting wider civil society and legislative advocacy, writing to the Premier to urge the passage of the NSW Modern Slavery Act and providing a parliamentary submission on the Customs Amendment (Banning Goods Produced by Uyghur Forced Labour) Bill 2020.
- Ethical Partners also has collaborated regularly with NGO's, such as Be Slavery Free and ACRATH, as well as with human rights activists and the media on advocacy around modern slavery.
- Ethical Partners has also collaborated with other investors on Modern Slavery and Human Rights risk through signatory collaborations such as:
  - Investors against Slavery and Trafficking (IAST)
  - Investor Alliance for Human Rights
  - Investor Statement in Support of the maintenance and expansion of the Bangladesh Accord
  - Signatory to the Investor Statement on Coronavirus Response
  - Signatory to the Investor Statement calling on companies to improve performance in the Corporate Human Rights Benchmark
  - PRI Investor Statement on Living Income and Wages and joined the Collaboration on Living Wage and Income
  - Signatory to the Investor Case for Mandatory Human Rights Due Diligence Statement
  - Signatory to the "Know the Chain Investor Statement" – Investor expectations on addressing forced labour in global supply chains
  - Investor Statement in Support of Human Rights – Responsible Investment Association Australasia
  - Numerous other collaborations on interrelated issues/drivers of modern slavery – a full list of our collaborations can be found on our website <https://www.ethicalpartners.com.au/esg-approach#Top>
- Detailed information on these engagements can be found on the following page and in our 2021 Engagement report, available on our website <https://www.ethicalpartners.com.au/post/2021-engagement-and-stewardship-report>



#### ETHICAL PARTNERS ACTION PLEDGE:

#### TO USE ITS INVESTOR VOICE TO CONTRIBUTE TO PROMOTING THE ENDING OF CHILD LABOUR IN KEY ASX LISTED COMPANIES

To commemorate the International Year for the Elimination of Child Labour, the ILO and Alliance 8.7 called on all stakeholders to choose a specific action that contributes to ending child labour and which can be achieved by December 202.

Ethical Partners was one of 39 private sector actors globally to commit an Action Pledge. <https://endchildlabour2021.org/pledges/use-its-investor-voice-to-contribute-to-promoting-the-ending-of-child-labour-in-key-asx-listed-companies/>

As such, Ethical Partners committed that:

We will conduct a research project and subsequently engage with key organisations by the end of 2021 in order to promote the ending of child labour in ASX companies and contribute to wider corporate and societal advocacy about the issue.

We will engage with NGO stakeholders to find a research partner to help conduct the research and develop the report on child rights in Australian businesses, write the report and distribute it across all platforms, and engage with key ASX listed companies about their child rights policies and encourage them to end child labour by looking at their supply chains in depth.

This Action Pledge will allow us to learn the state of understanding and action on child labour in ASX companies and to demonstrate best practices with the intent of thus influencing ASX listed companies to address these risks.



International  
Labour  
Organization

ALLIANCE



INTERNATIONAL YEAR  
FOR THE ELIMINATION  
OF CHILD LABOUR



## ETHICAL PARTNER RESEARCH PROJECT WITH UNICEF AUSTRALIA

Subsequent to our Child Labour Action Pledge, and as a special research and engagement project in collaboration with UNICEF Australia, Ethical Partners has subsequently undertaken a benchmarking research project with 214 ASX companies to analyse their approach to Children's rights, including their child labour policies and practices, as well as their attention to children's rights throughout their operations.

As part of this we have also had direct engagement with all 214 companies, and very productive face-to-face engagements with over 50 of these ASX listed companies in regards to how they can better protect children's rights, and safeguard against child labour and other impacts on children in their operations.

In relation to Modern Slavery, these engagements have focused on questions and issues such as:

- How their Modern Slavery Analysis, policies and procedures address children's rights in relation to vulnerable youth/older teens, who may not meet the strict definition of child labour in their country of operation, but nevertheless have unique vulnerabilities and needs for protection?
- Have they considered if their grievance mechanisms are appropriate for and accessible by children who may be caught in child labour?
- Have they considered whether their worker rights education is inclusive of vulnerable youth?
- Have they considered whether their remediation policies address the ongoing cycle of child labour, in that they involve working with an NGO or community organisation to make sure the children are returned to education, rather than just having their employment terminated, leaving them to re-enter the cycle of exploitation?

We look forward to publishing the results of this research, as well as best practice guidance for ASX on addressing children's rights later this year.

## ETHICAL PARTNERS GOVERNANCE OF MODERN SLAVERY RISK MANAGEMENT:

- The CEO and Investment Director, whom are also our board directors are involved in all our research, screening and engagements on modern slavery.
- Ethical Partners staff and board all undergo training on modern slavery risk management on an ongoing basis. This training is conducted by our sustainability experts in-house, or by NGO/modern slavery external experts, through external in-person or virtual conferences, required reading, in-house education sessions, webinars, NGO presentations and meetings or online training courses.
- Modern slavery risks/issues and relevant case studies are constantly monitored from expert sources, relevant international human rights bodies, NGO's, activists, academics, media, reports and analysis, and this is discussed with the CEO, Investment Director and relevant analyst immediately, whilst general education on modern slavery is circulated at least weekly in our ESG educational updates.
- At the conclusion of the modern slavery analysis process (EPORA process), the Investment Director and CEO (Board) will review all analysis and oversee the incorporation of this analysis into the investable universe screening, investment decisions and engagement planning. The Investment Director and CEO (Board) also oversee Ethical Partners due diligence on our own suppliers, and review all supplier screening and supplier relationships on a regular basis.
- Any relevant concerns regarding Modern Slavery risk in our investments or in our own supply chain are immediately escalated by the sustainability or analyst team to the attention of the CEO and Investment Director who will investigate and determine Ethical Partners response.
- The CEO and Investment Director, who are also our Board Directors maintain ultimate responsibility for Ethical Partners management of Modern Slavery, and sign off on our yearly voluntary Modern Slavery statement.

## 5. Describe how the reporting entity assesses the effectiveness of such actions

Ethical Partners is committed to monitoring our effectiveness on a continual basis.

The effectiveness of our modern slavery management of our own supply chain has involved continuing to monitor for any risk factors or issues, continued discussions with suppliers on risks and gaps in management, feedback from our suppliers that our engagements regarding their modern slavery management have been implemented/beneficial, and monitoring for evidence of continued good practice/improvements. Ethical Partners also reviewed, refined, updated and expanded our Supplier Questionnaire in this reporting period, and included an additional section, Part Two, which addressed common gaps in the inaugural modern slavery statement, emerging issues and concerns related to Modern Slavery, areas we required further due diligence on and called for an increased depth and breadth of risk management by our suppliers.

In terms of our investments, our modern slavery policies and processes are regularly reviewed by the sustainability team, CEO and Investment Director, and updated as required. The EPORA analysis process is as such continually assessed and refined and monitored to ensure we are effective in our research, screening and advocacy on Modern Slavery, with a full review and overhaul at the beginning of every calendar year. Our Human Rights in Investment Policy, which can be found on our website, was also updated this year, and will be updated again early 2022. [https://assets.website-files.com/5b4d31c5e11a78887f0228fd/6091b82e9c28723d4eb67860\\_Human%20Rights%20and%20Social%20Factors%20in%20Investments%20Policy.pdf](https://assets.website-files.com/5b4d31c5e11a78887f0228fd/6091b82e9c28723d4eb67860_Human%20Rights%20and%20Social%20Factors%20in%20Investments%20Policy.pdf)

In 2020 we commissioned an independent analysis and benchmarking by the Credit Suisse ESG team, to measure the effectiveness of our process and identified gaps. This benchmarking overall showed that EPFM's portfolio outperformed on modern slavery resilience scores and Modern Slavery Business Model Scores, which was reassuring to our process. It was also very useful in confirming our analysis of high-risk sectors and high-risk geographies, and for identifying the three companies within our portfolio with the lowest modern slavery resilience, and the highest Modern Slavery risk. Whilst we had already engaged extensively with these companies, we increased engagements over this reporting period with these companies as a result of this external analysis. Ethical Partners aims to commission another independent analysis in the coming year.

During 2021 we have also assessed our effectiveness by carefully comparing the results of our modern slavery analysis with various independent reports, such as reporting by ACSI, Monash University and Fair Supply. We also continue to engage with experts and human rights bodies/NGO/activists to review our findings against their knowledge, and to continue to engage with companies and monitor information with an open mind towards the accuracy of our analysis.

We also continue to receive positive feedback from ASX listed companies that our deep engagements regarding their modern slavery practices have been helpful, and that our recommendations have led to changes in the way they are assessing and preventing modern slavery risk in their supply chains. These changes have included increased transparency and disclosure, enhanced supply chain due diligence, risk detection and audit processes, increased collaboration with unions, worker associations and certification bodies, improved workers' rights and worker voice mechanisms and increased cross sector collaboration on modern slavery. In 2021, we also worked closely with two new IPO companies to assist with modern slavery education and advice on setting up their modern slavery processes. This included giving feedback on their inaugural modern slavery statements, discussing gaps in their risk analysis, and providing comprehensive industry specific risk information and providing resources and NGO/modern slavery expert referrals to the board and senior management of a company exposed to the high-risk glove industry. The feedback we have received as to the benefit of these engagements is also reassuring to our investment modern slavery risk mitigation process.

We have also seen some welcome outcomes of our advocacy efforts this year, in particular we are pleased to see the passage of the Customs Amendment Bill in the Senate, for which Ethical Partners actively advocated for through a parliamentary submission, partnerships with various NGO's and modern slavery experts and in the media. We continue to advocate for the Bill to now be passed through the Lower House and into Law. We were also pleased to see that the Bangladesh Accord, which we supported through our advocacy work was renewed and extended in August 2021. We are also very pleased to note that the NSW Modern Slavery Act, for which we have advocated consistently over the past few years, will officially commence next year. Under this NSW Act, NSW will be the first jurisdiction in Australia to have a permanent Anti-Slavery Commissioner, and

additionally, this Act will lower the threshold for reporting to \$50 million for companies headquartered in NSW. This progress is reassuring to our advocacy and wider civil society/policy engagement process as well.

We note that the Government expects that reporting entities statements will improve in quality and demonstrate progress over time as entities increase their understanding of Modern Slavery. We continue to advocate for this continuous improvement with our portfolio companies, and we understand that this is also an expectation of our own processes and management of Modern Slavery risk in our own supply chains and investments. We are also cognisant that this is an expectation of our clients, and furthermore aligns fully with Ethical Partners purpose and intent to continually improve our understanding of how we can address the modern slavery risks and impact of our investments. As such, Ethical Partners is deeply committed to seeking feedback on our modern slavery processes, as well as to continual learning and improvement in our own processes wherever possible.

## 6. Include any other information that the reporting entity considers relevant

### **ETHICAL PARTNERS FUTURE PLANS FOR ACTIONS TO MITIGATE MODERN SLAVERY RISK INCLUDE:**

- Continue to improve our supplier due diligence questionnaire and engagements, and continue to engage with suppliers on gaps or issues that emerge.
- Increase the number of Ethical Partners direct suppliers that we undertake due diligence on, as well as increase the expectations on these suppliers to move further down their supply chain tiers in the next reporting season.
- Continue to refine and deepen our engagements with ASX companies to continually improve their attention to and reporting on Modern Slavery, and continually increase our calls for accountability and remediation.
- Continue to refine and improve our EPORA analysis to remain best practice and at the forefront of Modern Slavery risk mitigation in investments.
- Continue to advocate for improved Modern Slavery policies, legislation, regulation and reporting.
- Continue our ongoing training of our team on Modern Slavery issues, analysis and advocacy.
- Continue to understand and work towards how our portfolio, investments, engagements and advocacy can address Modern Slavery risk, and root causes and drivers of Modern Slavery risk through our engagement and advocacy activities.
- Continue to progress the IAST collaboration engagements with our target company in order to clearly clarify their Modern Slavery objectives for 2022.
- Investigate re-commissioning an independent assessment our portfolio modern slavery risk.

Ethical Partners updates our website on an ongoing basis regarding any relevant activities, engagements, advocacy or developments in our management of Modern Slavery Risk. Our website can be found at: <https://www.ethicalpartners.com.au/>

## 7. Describe the process of consultation with:

- c. Any entities that the reporting entity owns or controls
- d. In the case of a joint statement, entities giving the statement (section 16 (1)(f))

This criterion is not applicable to Ethical Partners Funds Management.



## 8. Provide detail on approval of the Statement

This statement has been signed by the principal governing body of Ethical Partners Funds Management, which is our Board Directors Nathan Parkin and Matt Nacard.



**Nathan Parkin**

Director, 20th December, 2021



**Matt Nacard**

Director, 20th December, 2021