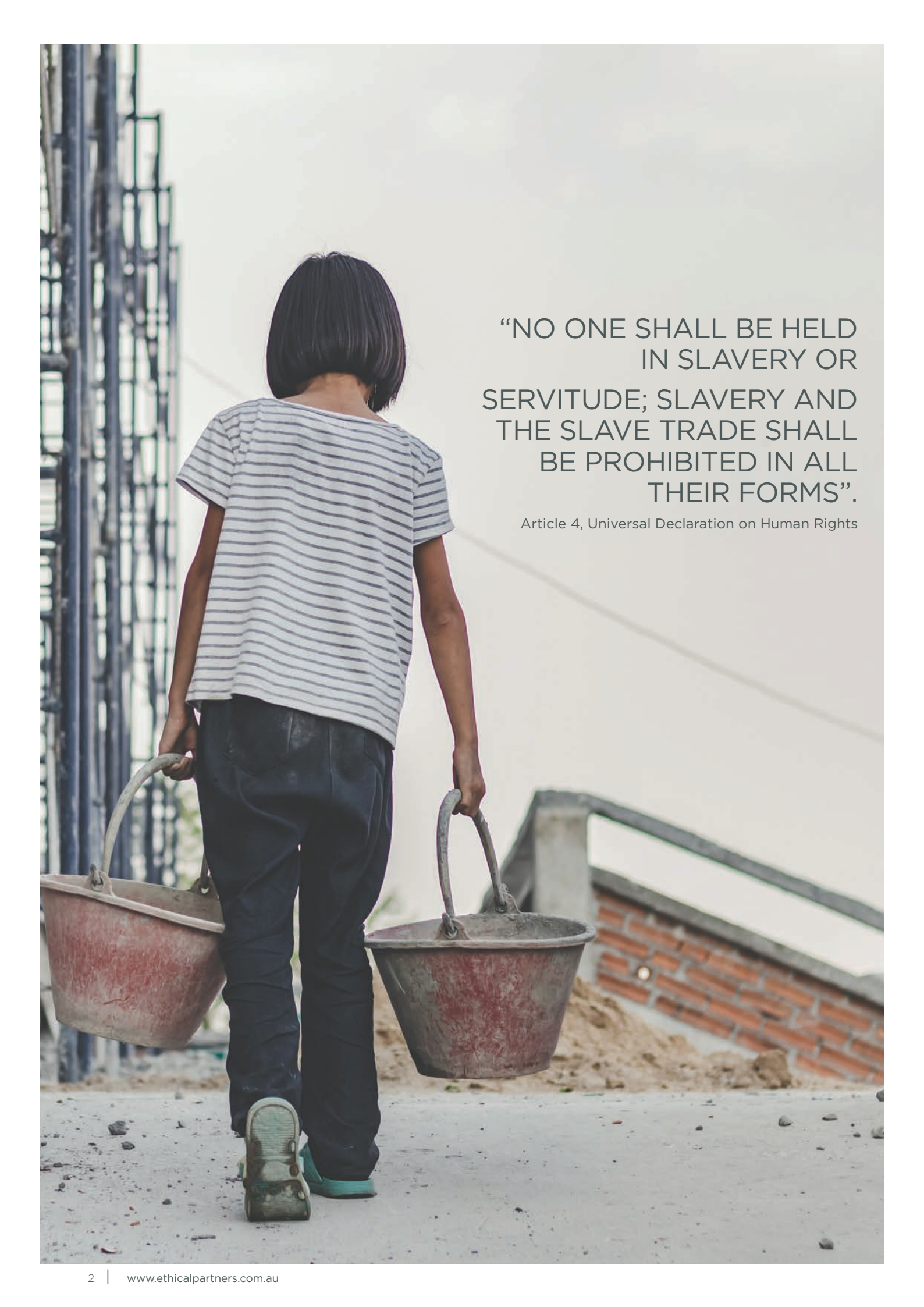


A woman wearing a green floral headscarf and a patterned sweater is sitting in a textile factory, looking off to the side. The background shows industrial machinery and spools of thread.

 EthicalPartners  
FUNDS MANAGEMENT

ETHICAL  
PARTNERS  
FUNDS  
MANAGEMENT  
VOLUNTARY  
MODERN  
SLAVERY  
STATEMENT  
FY 2021-2022

[www.ethicalpartners.com.au](http://www.ethicalpartners.com.au)



“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

# About us

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

Ethical Partners has a dual focus on performance and investing ethically. Ethical Partners' 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. Ethical Partners 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. Ethical Partners 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 2021-2022

## 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 and FY 2020-2021 Modern Slavery Statements, Ethical Partners' FY 2021-2022 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 (Ethical Partners) (ABN 96 623 475 454, AFSL 504749). Ethical Partners 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 (Ethical Partners) 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 Ethical Partners 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.

Ethical Partners is owned by its employees and invests only in Australian equities. It currently has eleven employees and operates from offices in Sydney, Australia. Ethical Partners currently manages over \$1.75 billion AUD 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.

Ethical Partners’ material suppliers, constituting approximately 90% of our supply chain spend includes Link Financial Services, Iress (Financial Software), ANZ (Banking), Grant Thornton (Auditor), and Matrix (I.T Services), and 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-risk areas for modern slavery risk in financial services businesses such as Ethical Partners include Information Technology (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, Electronic-waste (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.
- This analysis has revealed that Ethical Partners could potentially be exposed to the following high-risk areas:
  - Products: Grosvenor Place falls within the potentially high-risk areas of construction, property and building services, cleaning, waste management and security.
  - IT: Iress, Link and Matrix Solutions fall within this potentially high-risk area.
  - Country of operation: Link has some operational exposure to the Philippines and Papua New Guinea.
  - Other: E-waste, offshore IT centres (Link), office equipment and supplies.

## 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 apparel industry, the construction and building materials industry, the mining industry, the food and beverage industry, health care, consumer discretionary, consumer staples, financials, materials, real estate, communication services, industrials, hospitality, housekeeping and facilities, transport and warehousing, electronics and IT industry.

These sectors have been identified using the RIAA Investor Toolkit and the ACSI Modern Slavery Risks, Rights and Responsibilities: A guide for companies and investors and the Responsible Sourcing Tool.

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 in this reporting period included horticultural supply chain workers, workers in the shipping industry, the cleaning industry, transition metals mining, migrant workers in the glove/PPE supply chain, conflict areas (such as Myanmar and Ukraine), and the Uyghur population.

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 freedom of association, worker voice and worker rights education, worker health and safety conditions, family friendly workplace practices, 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 (T.I.) 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 United Nations Office on Drugs and Crime (UN ODC) 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 this reporting period revealed we had some small portfolio exposures to: Cambodia, Malaysia, Myanmar, Papua New Guinea, Philippines, Thailand, India, Pakistan, Ukraine.

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' GOVERNANCE OF MODERN SLAVERY RISK MANAGEMENT:**

- 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.
- In terms of our own operations, the Ethical Partners Board, the CEO and the sustainability team are all responsible for the screening of, and ongoing diligence on our suppliers for modern slavery risks. Any relevant concerns regarding modern slavery risk in our own supply chain are immediately escalated by the sustainability or analyst team to the attention of the CEO who will investigate and determine Ethical Partners response.
- In terms of our Investments/Portfolios, the Ethical Partners Board, the CEO and the Investment Director (whom are also our board directors) are directly involved in all our research, screening and engagements on modern slavery. At the conclusion of the modern slavery analysis process (EPORA), the Investment Director and CEO will review all analysis and directly ensure the incorporation of this analysis into the investable universe screening, investment decisions and engagement planning. Any relevant concerns regarding modern slavery risk in our investments are immediately escalated to the attention of the Investment Director and CEO, who will investigate and determine Ethical Partners response.
- 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.

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

- All new and 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. These are both available on our website <https://www.ethicalpartners.com.au/about-us#Sustainability>
- Over the course of the 2021-2022 reporting period, Ethical Partners has continued our engagements with our six material suppliers on their adherence with our Supplier Code of Conduct, our Supplier assessment (updated yearly to include any new relevant issues/considerations), and their continued modern slavery due diligence improvements.
- These engagements have taken the form of both in-person and written engagements in order to gain more information, and have served to address any gaps or concerns, improve our understanding of suppliers modern slavery processes, and to allow for us to advocate for continued improvements in their reporting, management and analysis of modern slavery risks.
- We note that some of our suppliers fall within the category of small- to-medium enterprises, who have not themselves been required to undertake modern slavery reporting, and are therefore very early in their own understanding of and actions on modern slavery in their supply chains. As such, during this 2021-2022 reporting period, Ethical Partners has also engaged directly with these suppliers to help support them with best practice guidance, resources and contacts to begin developing their modern slavery programs



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

### ETHICAL PARTNERS OPPORTUNITY AND RISK ANALYSIS AND INVESTMENT PROCESS

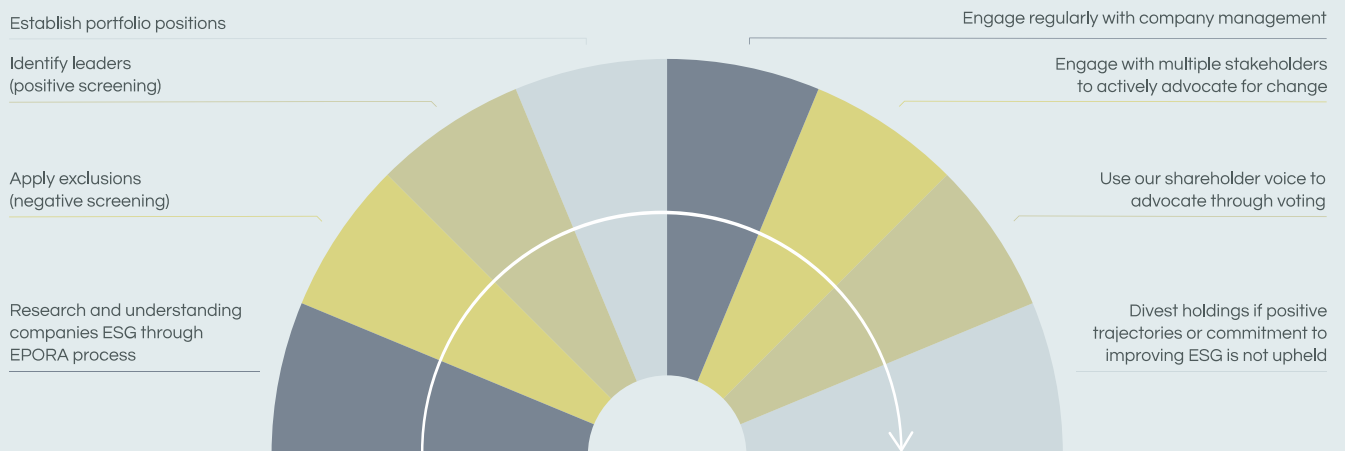
Ethical Partners considers that our most material exposure to modern slavery risk occurs in our investments. Ethical Partners is also acutely aware that modern slavery is a pervasive and systemic issue that faces all Australian companies. We are also cognisant that the APAC region in which we operate constitutes approximately half the known cases of modern slavery globally, and furthermore, that approximately one third of the ASX is known to be high risk for modern slavery (ISS,2022).

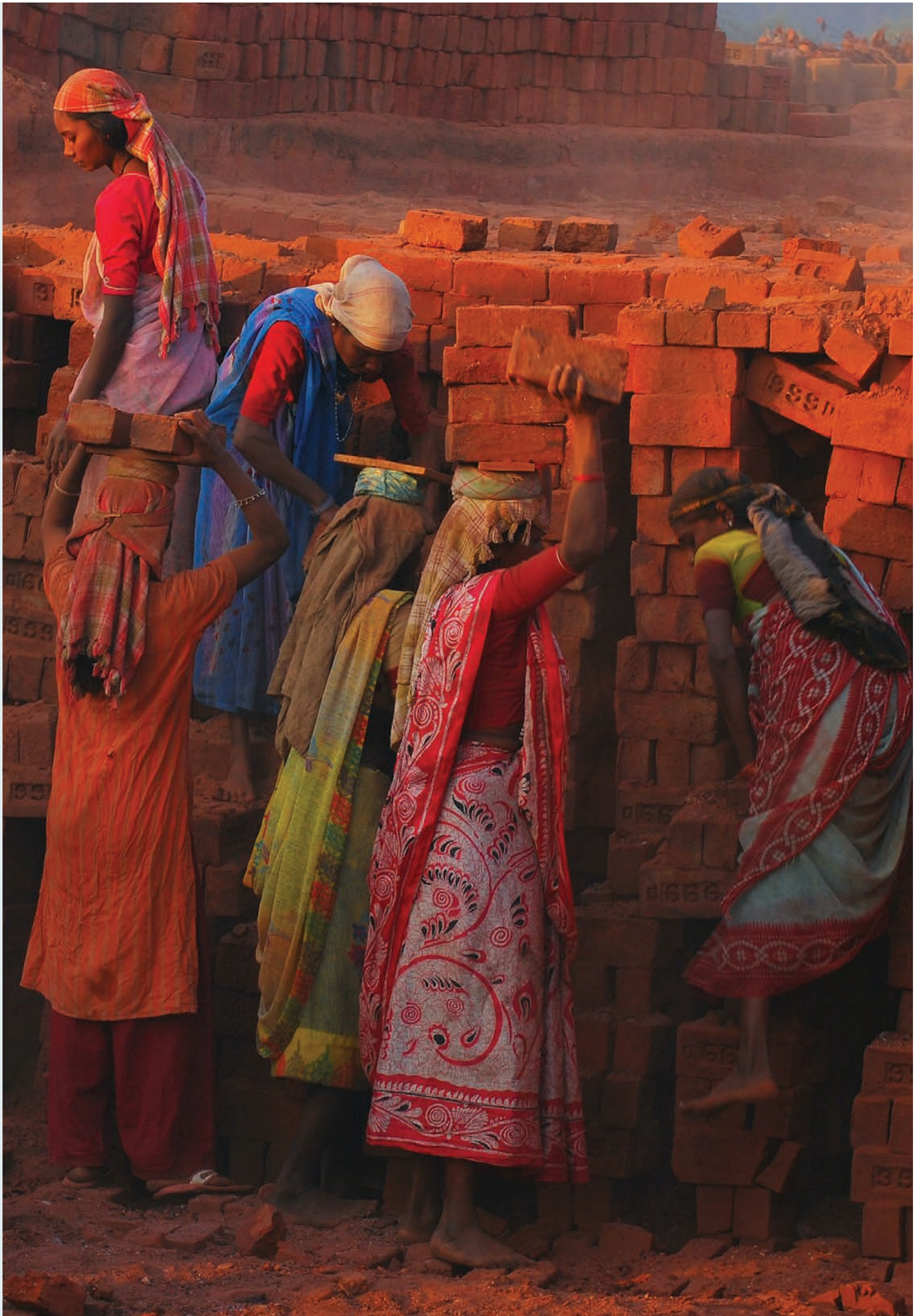
- As such, Ethical Partners remains committed to continually and deeply assess the risks of modern slavery in every company considered for investment (the S&P/ASX 300) through our proprietary, in-house Ethical Partners Opportunity and Risk Assessment (EPORA) Process.
- This EPORA process systematically considers a range of human rights, environmental and governance factors for every stock considered for investment, and then integrates these considerations into our investment decisions, portfolio construction, engagements and wider advocacy activities.
- This analysis process is undertaken by the relevant analyst for each stock, in conjunction with the sustainability team.
- The analysis involves:
  - The 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.
  - Extensive additional in-house research using a diverse range of sources, including NGO reports, media, academic research, sustainability research, intergovernmental and civil society reports.
  - Assessing the company's progress on modern slavery reporting, risk mitigation and prevention practices against best practice frameworks continual monitoring for new information, reporting, issues, and controversies.
  - Direct and regular engagements with the company management, including Chair and Board, CEO, CFO, Sustainability team and other departments as relevant.
- 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.
  - 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.
- The key areas of considerations of the EPORA process and Ethical Partners Investment Process are shown in the graphics below: examples of considerations under these areas of particular note for our modern slavery analysis and engagements include (non-exhaustive):
  - product (high risk products and business practices for modern slavery, as previously noted)
  - place/geographical risk (high risk geographies, as previously noted)
  - the clear human rights and social impacts of modern slavery itself, but also its key drivers (vulnerable populations, inequality, labour conditions, living wage, child rights, poverty, hunger, migration, education)
  - planet (the effects of climate change and natural capital degradation on modern slavery, just transition, human rights risks in renewables, climate migration)
  - the governance of modern slavery by companies (leadership, accountability, remuneration, training, board attention, reporting compliance)



- If a stock is rated as high-risk for modern slavery/human rights abuses or our analysis determines that they have poor modern slavery management/governance/prevention/ mitigation/remediation practices, the company is removed from our Unit Trust's investable universe. Ethical Partners may also divest from a portfolio stock when we see increased risks of modern slavery or lack of true progress and evidence of change over time. 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.
- 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 always 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 is also cognisant that addressing modern slavery is fundamental to addressing our impact on the Sustainable Development Goal's (SDGs), which is a core consideration of our sustainability analysis, engagements and advocacy. 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 analysing and considering the interrelated risk factors, underlying drivers, root causes and contributing factors of modern slavery - such as living wages, indigenous rights, climate change and natural capital loss, child rights, poverty, food security, gender equality and other such relevant considerations - in our EPORA investment analysis.
- Several key areas of focus for our EPORA modern slavery analysis are described in later sections of this report.

## ETHICAL PARTNERS INVESTMENT PRINCIPLES





## ETHICAL PARTNERS' COMPANY ENGAGEMENTS ON MODERN SLAVERY AND DECENT WORK

### Ethical Partners undertook 110 engagements during the FY21-22 period.

- Detailed information on these engagements can be found on the following page and in our 2022 Engagement report, available on our website: <https://www.ethicalpartners.com.au/post/2021-engagementand-stewardship-report>

### Direct company engagement examples:

- Provided direct feedback for a newly listed portfolio company on their inaugural modern slavery statement. We were able to suggest the inclusion of an additional high-risk area, cleaning, and refer the company to the Cleaning Accountability Framework. We also asked the company to include details of grievances received, a remediation policy and a roadmap with their next steps and commitments, as well as asking them to develop a framework to assess the effectiveness of their modern slavery initiatives. We also asked the company to investigate collaborations with industry peers and regulators, in order to leverage influence, share learning and create impact.
- We were also very involved in helping to educate one of our newly listed portfolio companies on the modern slavery risks in their glove supply chain, an engagement that resulted in a comprehensive analysis by the company who subsequently change their glove supplier based on these risk concerns.
- We continued to engage with all portfolio companies on moving forward their modern slavery analysis, risk mitigation, remediation and disclosures, building on our engagements over the previous reporting period and holding management accountable for their modern slavery commitments.
- Another area that we extended our engagement with portfolio companies on was our expectation that the ever-improving management of modern slavery should be directly reflected in the KPI's and remuneration of senior management and board members.
- Other key areas of engagement and advocacy are focus are discussed in the following pages.

### KEY FOCUS FY 21-22:

## Uyghur forced labour:

Uyghur Forced Labour remains a key risk for ASX listed companies, whose supply chains are heavily dependent on China, Australia's largest trading partner by far. As noted in our 2020-2021 Modern Slavery Statement, however, our internal EPOA research continues to find that this risk is very poorly identified, reported and addressed by all but a few ASX listed companies. This analysis was also confirmed by numerous NGO's and independent human rights expert analysis during the FY 21-22 period.

As such, Ethical Partners continues to specifically engage on this risk with all relevant portfolio companies. A particular growing focus of these engagements is the risk of Uyghur forced labour in the supply chain of solar power/polysilicon and wind turbines, and the crucial need to continue to uphold human rights in the rapidly accelerating energy transition.

We continue to actively communicate to all portfolio companies that we consider a genuine and thorough assessment of their renewable supply chains as a fundamental "just transition" issue, and that whilst crucial, decarbonisation cannot occur at the expense of human rights. We also undertook a thorough analysis of our portfolio companies for other key risk products, including cotton and tomatoes, and what risk management activities they have undertaken or could consider.

We also continued our advocacy in this area during the FY21-22 year through providing feedback to the University of Nottingham Rights Lab public dataset project that compiles information on government measures and countermeasures related to alleged Uyghur forced labour and their impact.

Ethical Partners has also part of the Investor Alliance for Human Rights collaborative Uyghur region, and though our financial support and collaborations with Be Slavery Free.

## KEY FOCUS: FY 21-22:

### The quality of modern slavery reporting

A particular focus of analysis, engagement and advocacy for Ethical Partners during this FY21-22 reporting period was on the quality of ASX listed companies' modern slavery reporting.

Our internal analysis concurred strongly with the results of multiple independent external analysis by human rights experts, NGO's and academics that found that an overwhelming number of ASX listed companies are still failing to comply with basic reporting requirements or identify obvious modern slavery risks, as well as failing to take effective actions or fulfil their stated commitments. Other commonly identified issues are a tick box/compliance approach rather than one aiming to prevent and protect, an overreliance on audits for due diligence, a failure to assess the deeper tiers where modern slavery usually occurs, a lack of consultation or worker engagement/voice, a lack of remediation, a lack of reporting of incidents and a lack of attention to key drivers or systemic factors affecting modern slavery.

Ethical Partners continues to engage strongly with all portfolio companies about these issues and improving their modern slavery reporting.

In particular, we clearly communicate to all our portfolio companies our expectations that they will be undertaking their modern slavery analysis with the intention of finding, and remediating their cases of modern slavery, as well as proactively aiming to mitigate their risks and support suppliers in protecting their value chains against modern slavery.

## KEY FOCUS FY 21-22:

### Living Wage

A lack of living wage is a key driver of modern slavery - and conversely, the provision of living wages is a strong protective factor against modern slavery.

Living wages are not the same as legal minimum wages - rather, they are wages "sufficient to afford a decent standard of living for the worker and her or his family - that is, to be able to provide "food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events." (As defined by the Global Living Wage Coalition).

It is therefore very clear that living wages are crucial to Australian corporates playing their part in addressing poverty and inequality, decent work, the rights of Children, and the attainment of many of the SDG's (Sustainable Development Goals). We agree that living wages are also good for business, in that they help retain a stable, skilled work force and a productive, resilient value chain, as well as enabling businesses to meet the expectations of shareholders, customers and increasing regulatory standards.

As such, living wage was one of our key social ESG focuses this year at Ethical Partners, and Ethical Partners had 14 specific company engagements on living wage during this period.

Ethical Partners also undertook advocacy on living wages by presenting the investor viewpoint on an Oxfam side panel at the 2022 OECD Forum on Due Diligence in the Garment and Footwear Sector, as well as through collaborating on numerous initiatives on living wage, including joining 60 companies and NGO's in writing to the European Parliament to call for living wages to be included as a human right in the EU corporate sustainability due diligence directives.

#### KEY FOCUS FY21-22:

## High-risk sector: Health Care

Recent Research by Monash University on S&P/ASX 100 companies' modern slavery disclosure quality rated health care companies as one of the lowest sectors in their benchmarking report, a finding that directly reinforces our internal EPOA research. It also underscores the reasons for the particular focus we have had on engaging with companies in this sector over this reporting period.

The majority of these engagements were through our direct meetings with senior management and boards of our portfolio health care companies.

Ethical Partners also undertook a specific analysis project during this reporting period to better understand the COVID testing/PPE supply chain to ensure our portfolio was not exposed to higher risks of modern slavery due to the pandemic's effects on ASX listed health care providers.

Our advocacy on ASX health care companies' modern slavery risks also extended to companies that we have assessed as high risk and removed from our investable universe, due to their importance as part of the supply chain of all ASX health care companies. These engagements were undertaken through our involvement with both NGO's and investor collaborative initiatives.

For example, Ethical Partners had the opportunity during this reporting period to speak directly with the board and management of Top Glove, the world's largest manufacturer of gloves, who has been the subject of US border bans (WRO's) due to modern slavery issues and present the business and investment case for better modern slavery prevention and remediation in the glove industry. This was a very productive and interactive session which received good feedback from the board of Top Glove. We continue to engage with ASX listed companies about how they can collaborate to leverage this systemic supply chain change in the glove industry as well.

#### KEY FOCUS AREA FY21-22:

## Geographical Risk

Ethical Partners has, since inception, deeply considered geographical risk in our EPOA investment screening process, using the Transparency International Corruptions Perception Index to remove high risk areas from our investable universe, as well as using the Global Slavery Index and other reputable sources to identify other high-risk areas. Over FY 21-22, the tragic invasion of Ukraine has also starkly highlighted the importance of considering geographical risk in investments, validating our long-standing approach.

As such, Ethical Partners has continued to deeply consider, screen for and engage on geographical risk factors, including in relation to modern slavery risks in ASX listed companies. As noted above, the Xinjiang region of China is one key consideration, and Myanmar also continues to be another key focus due to the continuing tragic human rights abuses and crimes against humanity being perpetrated by the military conflicts. As such, during the FY21-22 period, Ethical Partners became a signatory to the Investor Statement on Human Rights and Business Activities in Myanmar, and furthermore continued to engage with all portfolio companies to ensure they had investigated and address any potential exposures to Myanmar.

Additionally, Malaysia continues to be a key focus for the risk of modern slavery, particularly in the glove supply chain, and as such, was a focus of Ethical Partners direct engagement with a key Malaysian international glove supplier (Top Glove) in collaboration with several NGO's, as noted previously, as well as through direct engagements with portfolio health care companies, and through the IAST collaboration.



#### KEY FOCUS AREA FY 21-22:

## Child rights and modern slavery

During this reporting period, Ethical Partners undertook a deep program of research and engagement with the S&P/ASX 200 on how they were considering and addressing their impact on child rights, which we subsequently published a report in conjunction with UNICEF Australia (<https://www.ethicalpartners.com.au/post/integrating-child-rights-across-the-asx-part-a> and <https://www.ethicalpartners.com.au/post/integrating-child-rights-across-the-asx-part-b>).

This benchmarking analysis revealed that whilst there has been a very welcome increase in corporate attention to child labour there is still a real need for a child rights lens to be applied to the company's modern slavery policies and practices - for example, in ensuring that due diligence, grievance or remediation policies are accessible and appropriate for the unique needs and vulnerabilities of youth if they are to be as effective as possible. There is also a need for more engagement with children and youth to ensure the effectiveness of modern slavery mitigation and prevention, and a need for a wider consideration of the continuum of decent work, living wage, and specific protections for children, youth and working parents in order to address the key drivers and systemic roots of modern slavery.

During this process Ethical Partners held 88 direct company engagements on these issues and looks forward to continuing these conversations and wider advocacy with other investors and companies on these issues going forward.

#### KEY FOCUS AREA FY21-22:

## Investors Against Slavery and Trafficking APAC

As a lead investor as part of the Investors Against Slavery and Trafficking (IAST) APAC collaboration, Ethical Partners coordinated and led a series of deep engagements with an ASX listed agricultural food supplier on their modern slavery program, along with the collaborating asset owner and asset management peer.

These engagements took place over multiple occasions with board, management, and all relevant internal modern slavery personnel, both in person, in writing, and in both one-on-one and collaborative investor settings.

These engagements had great success, resulting in the company's board agreeing to three formal modern slavery commitments, which were approved in writing and subsequently included in the company's modern slavery report amongst their commitments for the coming year.

Ethical Partners continues to lead this engagement and directly engage with this company to monitor their progress towards these commitments, and to assist the company to define new objectives for the coming reporting period.

Through the IAST collaboration, Ethical Partners is also actively involved in supporting engagements with three other ASX listed companies as well, two in the health care sector and one consumer discretionary stock.

## 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 reviews our Supplier Questionnaire on a regular basis to ensure it is covering all relevant considerations.

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.

Our Human Rights in Investment Policy, and other relevant responsible investment policies that may be related to modern slavery, are also regularly reviewed and updated as required, and are disclosed on our website here: <https://www.ethicalpartners.com.au/esg-approach#Policies>

During this reporting period, we have continued to assess our effectiveness by:

- Engaging with human rights experts and NGOs to compare our perceptions of a company's modern slavery management with their knowledge and experiences.
- Continuing to engage closely with company management in order to continually assess the credibility of their disclosure and the progress on their objectives and continued improvements.
- Continually monitoring for new information with an open mind towards the accuracy of our analysis.
- Collaborating with other investors to understand their knowledge of company's modern slavery management.
- Continually researching and benchmarking our analysis against other independent reports and analysis of the modern slavery reporting, such as the International Justice Missions report, World Benchmarking Alliance reports, Global Slavery Index reports, the Department of Justice reports, Monash University, ACSI and other experts.
- 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.
- 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, enhanced risk detection and audit processes, increased collaboration with unions, worker associations and certification bodies or other ASX listed companies, improved workers' rights and worker voice mechanisms. The feedback we have received as to the benefit of these engagements, as well as the resulting improvements we have seen is also reassuring to our investment modern slavery risk mitigation and engagement processes.
- We have also seen some welcome outcomes of our advocacy efforts this year, as noted earlier in this report.

Ethical Partners are committed to continue to advocate for continuous improvement with our portfolio companies, as well as in the regulatory and legislative space.

We furthermore 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:

#### In our own operations:

- 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.

#### In our investment activities:

- 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 APAC collaboration engagements with our target company in order to monitor their progress towards their modern slavery objectives and update these objectives for the FY 22-23 year.

### KEY FOCUS AREAS FOR THE NEXT REPORTING PERIOD (FY22-23)

- Links between climate change and natural capital.
- Modern slavery in the Maritime sector/Shipping supply chain.
- Worker voice grievance mechanisms.
- Providing feedback to the modern slavery 3-year review process and continuing to advocate for further regulatory and legislative improvements.

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: [www.ethicalpartners.com.au/](http://www.ethicalpartners.com.au/)

## 7. 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))

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**  
Board Director, 20th December, 2022



**Matt Nacard**  
Board Director, 20th December, 2022