

HESTA Modern Slavery Statement

2019/20

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3	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Our approach to modern slavery	6
4	Describe the actions taken by the reporting entity and entities it owns or controls to assess and address these risks, including due diligence and remediation processes	Taking action Roadmap	11 16
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A message from HESTA

We are pleased to present HESTA's first Modern Slavery Statement outlining the actions we have taken in the 2019/20 financial year to comply with Australia's new Modern Slavery Act 2018 ('Modern Slavery Act').

We have a zero tolerance for any form of illegal workers' exploitation in our direct operations including modern slavery practices. That's why we were an early supporter of the introduction of the Modern Slavery Act in Australia.

Modern slavery guidance defines modern slavery as 'serious, criminal exploitation through coercion, threats or deception to exploit victims and undermine their freedom in workplace practices'.¹ Yet, we consider the risks of modern slavery in more practical terms.

While data suggests more than 40 million people around the world are victims of modern slavery, the International Labour Organisation (ILO)² estimates that over 70% of modern slavery victims are female. And, as 80% of our members are women, we understand how important using our voice as an investor is to advocate for policies and practices that lead to full and productive employment and decent work for all.

As Trustee of the super fund representing the health and community services sector in Australia, we are conscious of the possible existence of labour and human rights abuses in the very sector our members work in. It has been found that the healthcare sector is exposed to modern slavery practices³ through procurement and supply chains of products and services.

HESTA members rightly expect their fund to make every effort to ensure we assess, manage and mitigate the risks of modern slavery. We invest HESTA members' money to achieve strong long-term performance, while also seeking to contribute positively to society and the environment. While we are mindful the intention of the Modern Slavery Act is to focus on harm to people rather than businesses or corporations, research has shown companies that operate with strong corporate governance, sustainable business models, and sound employment practices are more likely to increase in value over the long term.

Modern slavery is a systemic issue that is captured under the United Nations Sustainable Development Goal #8 Decent Work and Economic Growth, one of the areas of focus for HESTA. We want to make a meaningful contribution through our corporate responsibility, responsible investing and advocacy activities. Responsible procurement is embedded into our procurement processes and the HESTA Partnership Principles set out six key areas that we expect our products and service providers to support, including human rights and workplace standards.

We acknowledge we are only at the start of our modern slavery journey. This statement details the action we have taken to understand our organisation's exposure to modern slavery risks and enable us to develop a roadmap to define future action in assessing and addressing risks of modern slavery. Like the expectations we place on the companies we invest in or the businesses we source products and services from, we are committed to continuous improvement and look forward to sharing more with you as our modern slavery efforts evolve.

This statement was approved by the Trustee board of HESTA on 18 February 2021.

Nicola Roxon Chair, HESTA



Debby Blakey CEO, HESTA



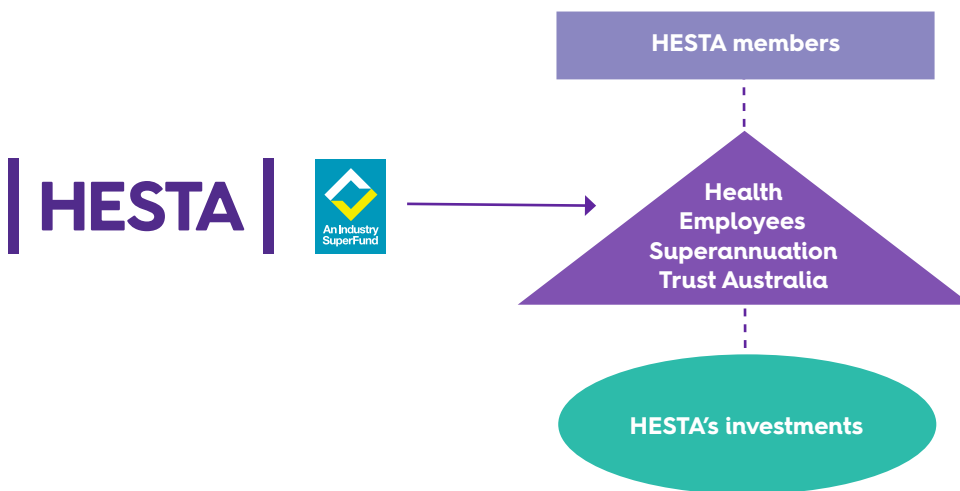
¹<https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

²https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575479.pdf

³<https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>

About HESTA

The Health Employees Superannuation Trust Australia ABN 64 971 749 321 (HESTA) is the reporting entity for this statement and is a public offer superannuation fund, the Trustee of which is H.E.S.T. Australia Limited ('the Trustee', 'we', 'us', 'our') ABN 66 006 818 695, AFSL No. 235249, a not-for-profit public company limited by guarantee. H.E.S.T. Australia Ltd. is governed by a Board of Directors and the Trustee's address is Level 20, 2 Lonsdale Street, Melbourne, VIC 3000.



HESTA is an industry super fund dedicated to providing retirement outcomes for workers primarily working in the health and community services (HACS) sectors. We know that many of our members spend their working lives in professions that help vulnerable people and want their retirement savings to be working to advance the needs of vulnerable people where possible.

\$52b Funds under Management	870,000 Members	90,000 Employers	80% female members
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*As at 30 June 2020

You can read about how we create value for our members in our Annual Report available on our website at hesta.com.au/annualreport

The Trustee of HESTA had 290 employees at the end of June 2020 with all operations or internal business units based in Australia, headquartered in Victoria with offices in all other states and territories.

Our Board is responsible for the overall management of HESTA. The Board sets the strategic direction, business plans and the risk appetite statement.

In considering the risks of modern slavery and developing HESTA's Modern Slavery Policy, we have considered the activities occurring in the following areas, representing the three key areas within HESTA's operations and supply chains where modern slavery risks may exist.

1. Our internal operations - how we, the people who work at the Fund, conduct the Fund's operations.
2. Our procurement and outsourcing - who we do business with to buy products and services.
3. HESTA's investment portfolio - where we invest HESTA members' retirement savings.

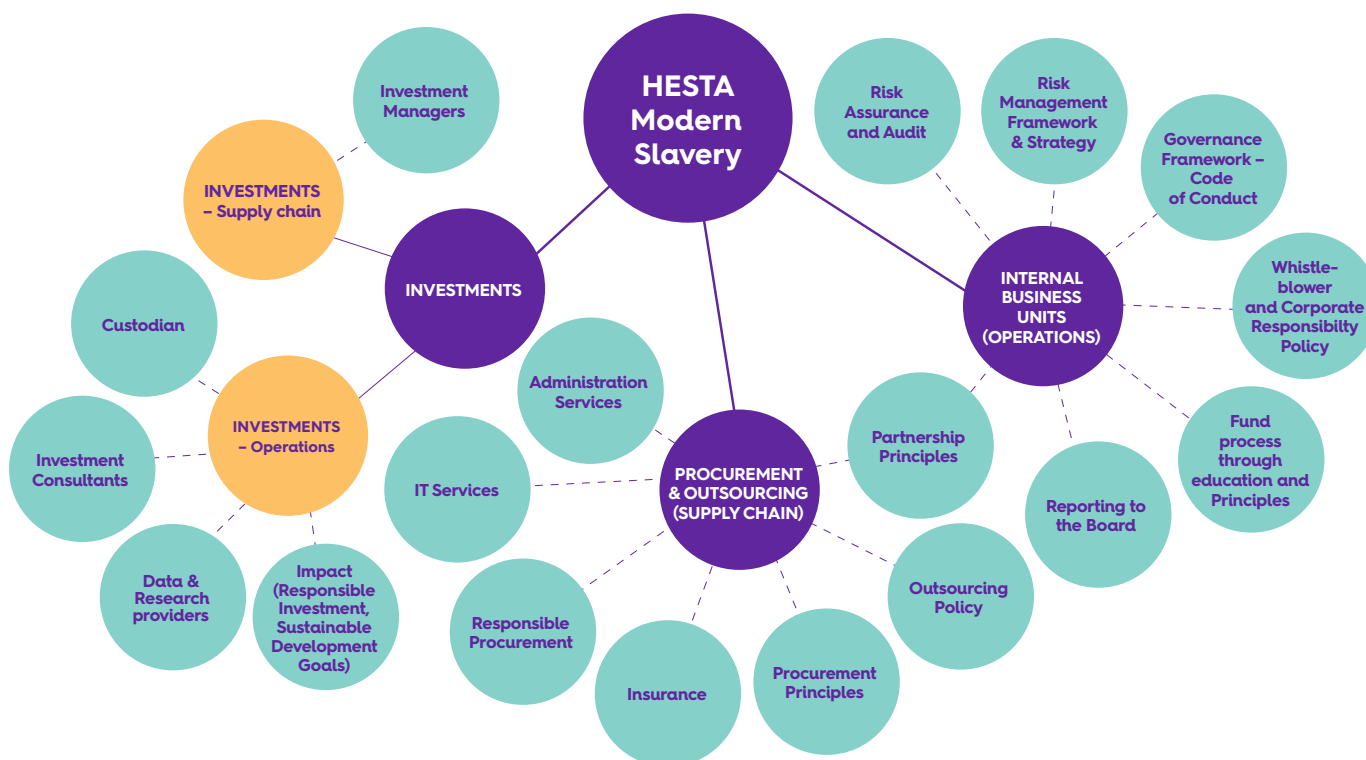
Internal operations	Procurement and outsourcing	Investments
Our internal operations, being the management of superannuation contributions and benefits on behalf of our members.	The businesses from whom we procure products and services, or to which we outsource activities.	HESTA's investments, including the businesses of external investment managers (through which most of HESTA's investments are managed) and the underlying companies where HESTA's funds under management are ultimately invested.

Not all areas of HESTA are impacted by modern slavery risks in the same way. You can read more about the methodology used across HESTA in 'Our approach to modern slavery' on page 6.

The Trustee has four Board-appointed committees who each play a role in the assessment, mitigation and remediation of any modern slavery risks or breaches that may occur across HESTA.

For more information on committees, please read page 17 in the **HESTA 2019-2020 Annual Report**.

The following diagram shows how our consideration of modern slavery risks touches all areas of the Fund:



Internal operations

There are three main areas that have oversight of HESTA’s internal operations. These are:

- regulatory and statutory requirements arising from our status as a financial services firm regulated by the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA) and others
- a governance framework established by HESTA’s Board, and
- complementary policies and procedures which govern the manner in which we undertake our day-to-day operations.

Procurement and outsourcing

We often source products and services from third parties. These procurement activities must consider our Outsourcing Policy, Partnership Principles and Procurement Principles and processes.

In this first year of understanding the risks of modern slavery, we have focused on engaging with our material and major suppliers, and plan to work through to our smaller suppliers in our second year. The arrangements that we have with our suppliers are generally stable long-term contracts.

We publicly acknowledge our key external partnerships. You can read about them on our website at hesta.com.au/about-us/leadership/service-providers

These material relationships may be critical to the operation of HESTA, and as such, may have their own procurement processes and may be subject to material outsourcing regulations.

Our relationships in most instances are based in Australia. Where they are based offshore, they are located where professional services organisations operate in lower risk geographies. Our custodian has some wholly owned operational functions based in India, a medium risk⁴ country for modern slavery risks. This supplier will be producing their own statement under the Modern Slavery Act.

Procurement in investments

Our investments can take the form of direct investments, investments undertaken through external managers and investments through funds.

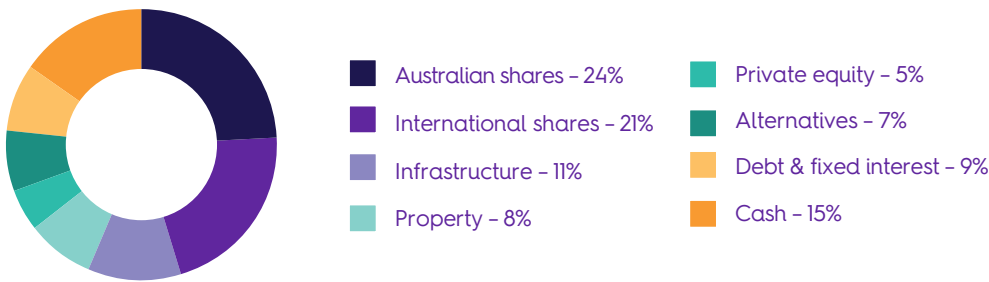
We use over 70 external investment managers, with investment personnel and offices (i.e. operations) based in Australia and globally. Our investment managers are listed on our website at hesta.com.au/investment-options

We also procure investment support infrastructure and professional services including data and research platforms; software vendors; investments advisers and specialist asset consultants. These are all important relationships in the management of our members’ retirement savings.

⁴Global Slavery Index - India ranked 53rd out of 167, 15th in Asia and the Pacific.

The following chart represents HESTA’s total portfolio investment allocation (aggregated fund level) as at 30 June 2020:

Total portfolio asset allocation – 30 June 2020



While most assets are currently managed externally, we are implementing an internal investment management capability that will be based in Australia and operate across a range of asset classes. As our internalisation journey progresses, we will adopt modern slavery considerations within the internally managed portfolios, where applicable.

The complexity of investment supply chains

Our investment portfolio spans multiple asset classes, sectors, industries and countries which can make assessing the portfolio for modern slavery risks very complex. In some instances, a company’s country of domicile or the stock market the company trades on, can be different to its country of operation or supply chain source for products and services.

Common high-risk sectors that large global investors, like super funds, may be exposed to include:

Energy	Consumer discretionary	Consumer staples
<p>An Australian oil and gas company, listed on the Australian and Papua New Guinea (PNG) Stock Exchanges, operates all of PNG’s producing oil fields, has extensive oil and gas exploration activities, and around 60% of its employees are based in PNG.</p> <p>PNG is ranked ninth highest in prevalence of modern slavery within Asia and the Pacific and 21st globally according to the 2018 Global Slavery Index.</p> <p>Possible areas of risk for this company can include:</p> <ul style="list-style-type: none"> outsourced services, such as construction, cleaning, catering, maintenance and facility management sourcing goods in PNG, predominantly in primary and plantation agriculture, seafood supply chains and logging supply chains use of domestic workers by expatriate staff in PNG. 	<p>An Australian fast fashion jewellery retailer develops, designs, sources and merchandises 100% of its products and sells in stores in Australia, NZ and globally. They also distribute their products through franchises in the Middle East and Vietnam.</p> <p>Third-party suppliers (supply chains) are located in China, India and Thailand, with distribution centres located in Melbourne and China.</p> <p>The consumer discretionary sector has a high modern slavery risk profile due to factors such as:</p> <ul style="list-style-type: none"> high use of casual contracts in the employment base location of supply chain, and the materials used. <p>The franchise business model can also pose higher labour risk.</p>	<p>Australian companies involved in the sourcing of fresh food have vast supply chains.</p> <p>Horticulture is a high-risk sector with evidence of poor treatment of migrant workers on Australian farms, often involving labour hire companies. Production, processing, packaging and transport of food and produce is considered low-paid and labour-intensive, and these supply chains have a high risks of modern slavery.</p> <p>Adding to the scale of supply chain and modern slavery risk, some of these companies are also sourcing non-food products from many countries. For example, where they are selling apparel and textile products, these are often sourced from China, India and Bangladesh.</p>

Responsible investment

Responsible investment includes the consideration of environmental, social and governance (ESG) issues having a material and financial impact, both positive and negative, on generating and protecting long-term sustainable investment returns for our members. We take a responsible investment approach to all our decisions; we consider that under the ‘social’ pillar in ESG, modern slavery is part of the broader Human Rights topic.

Our approach to modern slavery

Guiding our approach

In forming our understanding and view of assessing modern slavery risks, we reviewed key guidance and industry research resources including:

- **Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities** from the Australian Border Force
- **Modern Slavery Reporting - Guide for Investors** prepared by the Australian Council of Superannuation Investors (ACSI) and the Responsible Investment Association Australasia (RIAA)
- **Modern Slavery Risks, Rights and Responsibilities - A Guide for Companies and Investors** commissioned by ACSI and prepared by KPMG
- **A Blueprint for Mobilising Finance Against Slavery and Trafficking** from Finance Against Slavery and Trafficking (FAST)
- **SASB Materiality Map** by the Sustainability Accounting Standards Board (SASB)
- **Global Slavery Index** produced by the Walk Free Foundation
- **List of Goods Produced by Child Labor or Forced Labor** maintained by the US Department of Labor's Bureau of International Labor Affairs (ILAB)

Understanding the risks

Internal operations

We take a zero-tolerance approach to modern slavery and breaches of human rights in our internal operations. We use employment and workplace arrangements consistent with all applicable workplace laws and regulations. The combination of this approach and our internal policies and procedures assists us in managing modern slavery risks within our internal operations. Subsequently, we believe the risks in our own operations and internal business units are low.

Procurement and outsourcing

Modern slavery risks in our procurement and outsourcing supply chain may exist through the operations and supply chains of products and services that we use. This includes high-risk procurement⁵ such as cleaning contractors, stationery, promotional products and the outsourced leasing and maintenance of IT equipment such as computers and smartphones.

We expect the organisations we do business with to operate in alignment with our organisational values and procurement principles. We recognise the heightened risks of modern slavery where the operations and supply chains extend beyond Australia's borders.

Investments

As a starting point, in assessing the likelihood and severity of such risks, we believe the following factors are relevant:

- the geographic region, country or location where the risk occurs and factors including the legal, regulatory, political and socio-economic environment can contribute to prevalence; and
- the applicable industry, product or service to which the risk relates, for example, low-skilled manufacturing as opposed to professional services, business models that rely on sub-contracting.

Assessing where risks may arise

The ability to identify where modern slavery risks may exist, whether actual or potential, is key to being able to assess, address and resolve. Classification by industry, product or service can be more informative. This is a developing area of information, knowledge and response.

Frameworks such as the **SASB Materiality Map** can help super funds and investors to identify sustainability issues that affect the financial condition or operating performance of companies within an industry, and indicate elements that may be a material issue. The relevant factors for modern slavery in sub-industry risk include supply chain management, labour practices, employee health and safety, and business ethics.

We consider ourselves to be a 'universal asset owner' as we are invested broadly in a substantial number of investments across the global economy. Therefore, we acknowledge the likelihood that HESTA may be exposed to modern slavery in our investment portfolio.

⁵ <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>

The likelihood that any investment held in HESTA’s portfolio may cause harm to people could occur in one of three ways:

Cause	Contribution	Direct link
A risk that an entity’s operations directly result in modern slavery practices.	A risk that an entity’s operations and/or actions in the supply chain, may contribute to modern slavery.	A risk that an entity’s operations, products or services (including financial products and services) may be connected (i.e. directly linked) to modern slavery through the activities of another entity with which they do business.

Source: ACSI/RIAA Modern Slavery Reporting - Guide for Investors

We believe the risk is more likely to occur through contribution or as a direct link to modern slavery practices.

We are working with our investment managers to identify and understand the potential modern slavery risks arising in investee companies. This is achieved through engagement with the management of an investee company by ongoing dialogue to better understand their business model and to influence their performance and practices.

The extent to which an investment manager can control or affect the investee company on business practices that may involve modern slavery varies by asset class, investment style (active versus passive), the type of ownership, management arrangement, and the investment manager’s ability to identify and assess.

Our investment manager selection process

Investment management firms themselves are considered to have low risks of modern slavery in their operations as these organisations tend to employ skilled and professional staff in regions with contemporary workplace laws.

Appointing and retaining an investment manager involves comprehensive due diligence of the manager’s:

- investment philosophy and capability
- corporate strategy and business management
- front office investing and execution
- middle office risk management and compliance, and
- back office implementation.

Assessing the investment firm’s value alignment as a long-term HESTA partner is another important step in the process.

Prior to the introduction of the Modern Slavery Act, our investment management agreements with external investment managers did not specifically reference modern slavery considerations. However, as part of our roadmap on page 6, the requirement for our external investment managers to consider these risks will be enhanced.

Investment managers and their supply chains

Modern slavery risks in the supply chains of investment management firms may exist through the products and services they procure and use. Like other organisations in the financial services sector, these risks may be through the procurement of promotional and marketing merchandise, computer and IT equipment, office cleaning and security services.



Sifting the beans

One of HESTA’s investment managers conducted a review of its own supply chain as a part of a broader review of their whole business. Most of their providers are Australian and New Zealand based, therefore the risks of modern slavery are deemed low.

However, the review led to a change of supplier for their Sydney office. The provider of their coffee was not prepared to attest or commit to investigation into the supply chain of the coffee production in its country of origin. Based on this, the manager found a new coffee supplier.

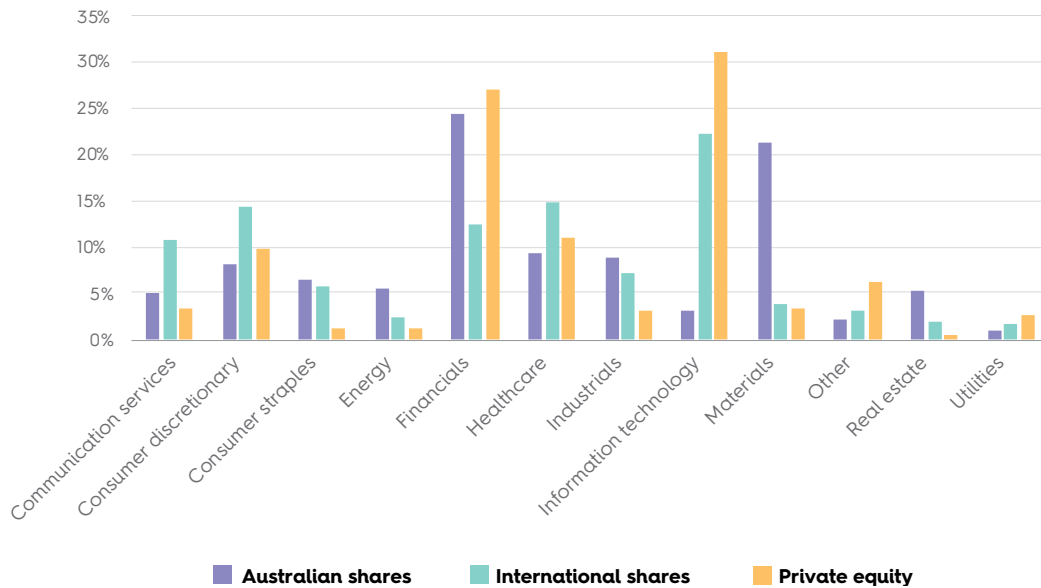
You can read more about modern slavery in the coffee supply chain at www.reuters.com/article/us-brazil-coffee-slavery-idUSKBN1YG13E

Risks in HESTA's investment portfolio

We have undertaken a review of HESTA's top 20 Australian and international share holdings, and assessed our private equity, property and infrastructure investments to ascertain exposure to high-risk sectors or countries.

The following chart displays HESTA's sector exposure across Australian and international share holdings and investment in private equity.

Portfolio weighting by sector

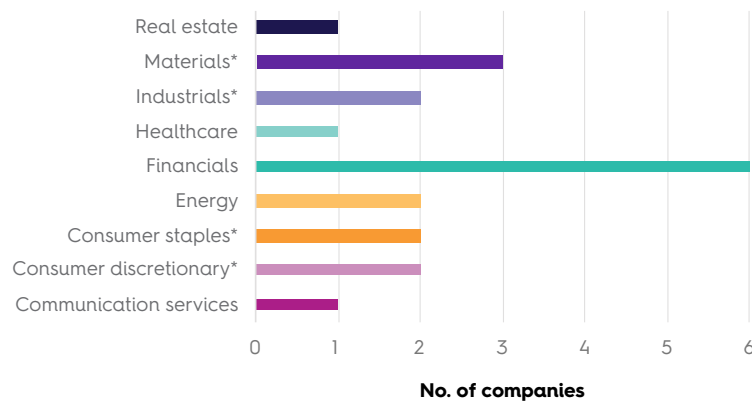


*As at 30 June 2020.

Australian shares

HESTA's top 20 ASX listed shareholdings at 30 June 2020 are dominated by the Financials sector which reflects the size of financial companies in the ASX top 20.

Australian shares – top 20 holdings by sector



*As at 30 June 2020. Includes companies ranked highest for modern slavery risk exposures by Citi Research.

Overlaying analysis by Citi Research⁶ - where Citi has started to develop a systematic approach to assessing modern slavery risk exposure in more than 160 ASX listed securities - several companies in our top 20 holdings have high modern slavery risk exposures due to the nature of their business, for example:

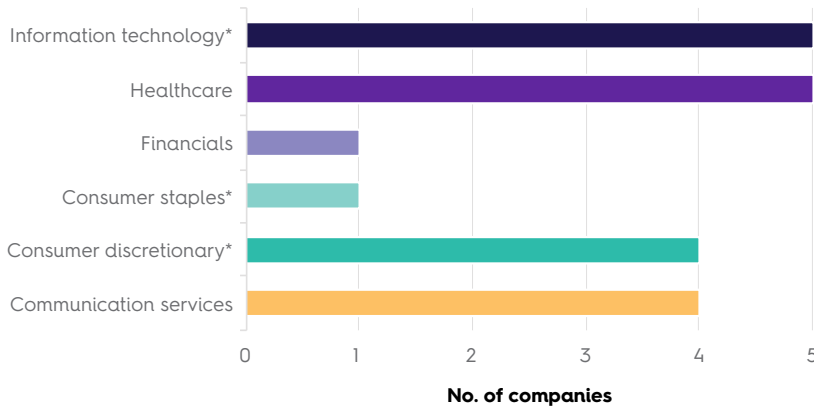
- consumer staples: Woolworths, Coles
- consumer discretionary: Wesfarmers
- materials: BHP
- industrials: Brambles

We have identified four of our Australian shares managers who will be submitting a modern slavery statement under the Australian Modern Slavery Act and two managers have been reporting under the UK Modern Slavery Act 2015.

International shares

HESTA's top 20 international shareholdings, including developed and emerging markets, are dominated by four sectors, in part due to the market capitalisation globally listed companies have in these four sectors. For example, Apple and Microsoft trade on the New York Stock Exchange and together make a large segment of the information technology sector with a combined market capitalisation of US\$3.6trn.

International shares – Top 20 holdings by sector



*At 30 June 2020. Includes companies with known or possible modern slavery risk exposure based on MSCI ESG Research.

Upon review of HESTA's top 20 international share holdings, we identified the following sectors include companies that have possible modern slavery risk exposure based on MSCI ESG Research:⁷

- consumer discretionary: Amazon
- consumer staples: Nestle
- information technology: Apple

We have identified seven of our international shares managers who have been reporting under the UK Modern Slavery Act and several of these will be preparing a statement under the Australian equivalent.

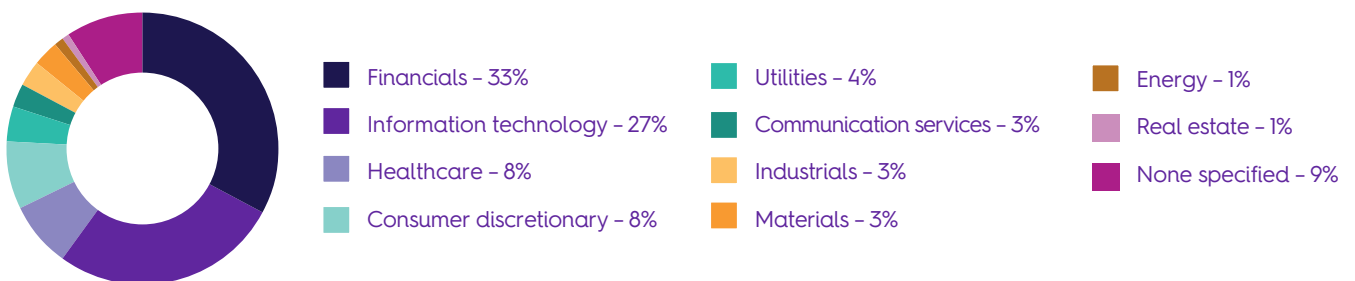
Private equity

HESTA's private equity portfolio consists of investments mainly in the financial and information technology sector, measured on percentage of total net asset value.

The information technology sector has the highest number of underlying investee companies, however only a small percentage are attributed to technology hardware, storage or peripherals or communication equipment where modern slavery risks may arise in the production of electronics and their parts in Asia such as in China (child and forced labour) and Malaysia (forced labour) according to the ILAB.⁸

We have identified that seven of our private equity managers have been reporting under the UK Modern Slavery Act and one of those will also be preparing a statement under the Australian equivalent.

Private equity sector exposure



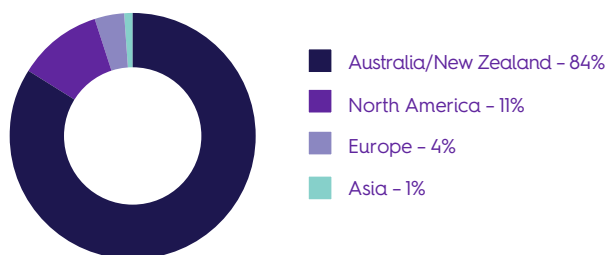
*At 30 June 2020. Includes companies with known or possible modern slavery risk exposure.

⁷ MSCI ESG Research: reviewed Labor Rights and Supply Chain issues for controversies in relation to child labor, labor management relations, and supply chain labor standards.
⁸ <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

Real assets

As part of a diversified investment portfolio, HESTA also has investments in 'real assets' or physical assets, like property and infrastructure. Examples of these assets include commercial offices, shopping centres, renewable energy, airports and toll roads. These assets are located both in Australia and various countries around the world.

Property assets by geography



*As at 30 June 2020.

Property

Research with our investment managers has highlighted that property is the most progressed with modern slavery awareness of all asset classes.

The common areas for modern slavery risks reside in building services and asset and tenant management via activities such as cleaning, security, installation and maintenance.⁹

In Australia, exploitation of cleaners has manifested itself in various ways, including breaches of workplace laws, fraudulent contractual arrangements, payments below minimum wage, as well as poor job security, occupational health and safety issues and poor treatment of workers. To address the high risks of modern slavery in cleaning services, the Cleaning Accountability Framework (CAF) was established as a cross-sector collaborative effort to increase industry transparency and improve practices.¹⁰

The chart above represents the location of HESTA's assets based on percentage of portfolio value. We have identified that four managers will be reporting under the Australian Modern Slavery Act and two other managers are already reporting under the UK equivalent. All our property sector investment managers have provided detail of having identified similar sector risks as outlined above.

One manager reported an asset with possible exposure to modern slavery risks. This is a hotel operated in Thailand, a high-risk country¹¹, with low income workers involved in hospitality and housekeeping. Action taken by the manager to investigate and better understand the situation provides confidence that there would be an appropriate response if there was a modern slavery issue.

Infrastructure

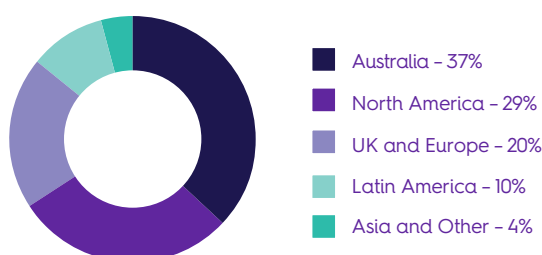
Infrastructure managers are not as advanced in their approach to modern slavery as property, and there appears to be less consistency in modern slavery considerations due to the variety of types of infrastructure assets. The chart below shows the regions where HESTA's infrastructure assets are located based on percentage of portfolio value.

We have identified three managers who will be reporting under the Australian Modern Slavery Act and one already reporting under the UK equivalent. All managers reported an awareness of modern slavery and the need to improve the ability to capture breaches in their risk frameworks.

One of our managers has multiple assets in India, a country deemed medium risk in the Global Slavery Index, however they are reporting under the UK Modern Slavery Act and have established modern slavery practices and protocols.

HESTA also has investments in an Australian and New Zealand based utilities company that provides electricity, gas and water metering services and has a proportion of their third-party supplier expenditure for its meters from countries in Asia, including Malaysia, Indonesia, Vietnam and China.

Infrastructure assets by geography



*As at 30 June 2020.

Looking ahead

We are focused on these five asset classes – Australian and international shares, private equity, property and infrastructure. We will use risk indicators to understand our exposure to high-risk sectors and leverage through ownership, engagement or influence to effect change.

⁹ <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>

¹⁰ <https://assets.kpmg/content/dam/kpmg/au/pdf/2020/property-construction-modern-slavery-practical-guide.pdf>

¹¹ Global Slavery Index - Thailand ranked 23rd globally and 11th highest in Asia and the Pacific

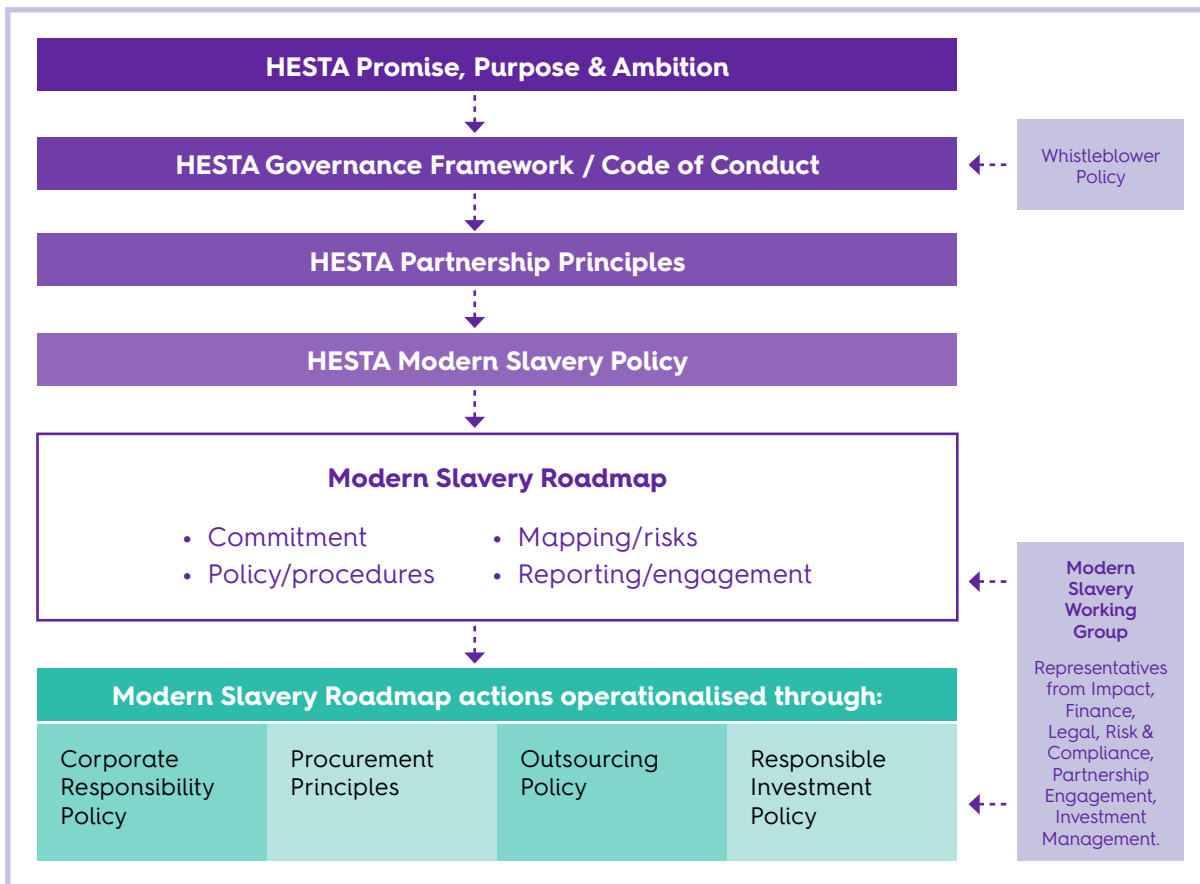
Taking action

During the Modern Slavery Statement period ended 30 June 2020, we have assessed the requirements of the Australian Modern Slavery Act, the formation of our statement, developed a roadmap and have reviewed our policies and procedures to uplift our internal capability to deliver against roadmap actions.

Internal operations

With established policies and procedures already in place, we have incorporated references to modern slavery into the existing policy suite. We identified the need for a specific Modern Slavery Governance framework supported by existing policies and procedures and a newly developed Modern Slavery Policy.

HESTA Modern Slavery Governance framework



The new Modern Slavery Policy outlines our approach to modern slavery in our operations and supply chains. We have developed a roadmap of key actions to be undertaken in coming years and determined we needed to develop a cross-functional Modern Slavery Working Group to deliver on these actions.

Our Modern Slavery Working Group will develop the approach to ensure operational implementation of key actions and consider remediation and assessing effectiveness as part of our commitment to continuous improvement.

If prior to formalising our remediation approach we identify risks or realised instances of modern slavery across HESTA's operations and supply chain, we will refer to the Modern Slavery Working Group to assess and remediate the issue.

Training and education

Key internal stakeholders have attended external information workshops and we have conducted an organisation wide awareness program to educate employees on modern slavery risks that may exist within our operations and through our supply chains.

We believe ongoing education and training is important for all employees to identify potential modern slavery risks and areas for improvement.

Procurement and outsourcing

Setting our standards

We have updated our procurement processes to include specific reference to modern slavery as part of our responsible procurement approach. We have developed a set of responsible procurement questions regarding potential risk areas when conducting due diligence with a new supplier.

Our Partnership Principles outline our expectations and how our partners should align with how we manage modern slavery risks for HESTA. This has been reviewed and updated to reflect contemporary practices.



Social procurement

In March 2020, we engaged a social procurement partner, Social Traders, with the intent to increase our business relationships with social enterprises. Social enterprises are commercially viable businesses with the social purpose of benefiting the environment, public and community. By partnering with Social Traders and other social enterprises, we are continuing to support the sector and community that our members live and work in. One example of how HESTA utilises Social Traders is through corporate catering. We have access to catering enterprises who employ and provide training to disadvantaged and homeless youth in Australia. While the coronavirus shut down our offices shortly after embarking on this new venture, we look forward to working closely with social enterprises as we return to work in 2021. You can read more about Social Traders at socialtraders.com.au

Understanding the risks in our products and services

To fully understand where we may be exposed to modern slavery risks in the products and services we use, we have issued a survey to our suppliers requesting information on how modern slavery impacts their organisation. We have embedded our Partnership Principles into the survey and asked all recipients to acknowledge them and by doing so, have signalled our expectations to our existing relationships.

For our first statement we have focused on suppliers with a spend greater than \$100,000, equating to approximately 9% of our suppliers. We have used this approach due to the volume of suppliers in our supply chain but expect to evolve in coming years to capture all suppliers, regardless of spend.

Recipients of the survey are typical for the operation of a business in the financial services sector and include our custodian, administrator, insurers, industry partnerships and subscriptions, office rental and supplies, travel services and several IT service providers. The responses will be shared in our FY2021 statement and we anticipate will provide a baseline for further action within our procurement and outsourcing framework.

HESTA has an ownership relationship with Industry Funds Management (IFM) and Industry Super Property Trust (ISPT), infrastructure and property managers respectively, and each are required to produce their own Modern Slavery Statement under the Australian legislation. IFM has been reporting under the UK Modern Slavery Act since 2017.

For more information on our related parties, please refer to the 2019/20 HESTA Annual Report available at hesta.com.au/reports

Investments

While we take a responsible procurement approach to corporate procurement and outsourcing activities, responsible investment is the corresponding approach applied to our investment decision making. You can read more about responsible investment in our Responsible Investment Policy that can be found at hesta.com.au/commitment

During FY2020, our investment related modern slavery actions included:

Attending modern slavery forums to keep abreast of industry developments; participating in the FSC/RIAA Modern Slavery Working Group, which designed a standardised modern slavery investment manager survey.



Producing a series of “Commitment” statements that define our investment approach and expectations around six Sustainable Development Goals (SDGs) focus areas that we view as posing a systemic risk to our investments, sustainable returns and members’ financial outcomes.

These apply as modern slavery involves exploitative and illegal workplace practices and the data has shown that majority of modern slavery victims are female.¹² You can read the statements at hesta.com.au/commitment

Writing to our external investment managers to inform them of HESTA’s approach to modern slavery including a questionnaire to complete. The questionnaire canvassed their understanding and management of modern slavery risks within their own operations and supply chains, in the investment process and in the portfolio holdings.

Investment managers

The investment managers appointed and retained by the Trustee understand the importance of ESG considerations in investment decision making. We are in the early stages of specific engagement and due diligence with managers for integrating modern slavery factors into their investment process and portfolio holdings.

The gap analysis identified the need to formally embed consideration of the risks of modern slavery with investment managers and how they integrate, engage and manage human rights issues and specifically modern slavery risks.

Some investment firms are more advanced in their understanding and application of human rights issues including modern slavery risks. We appreciate the application of modern slavery will vary in relation to an investment manager’s investment philosophy, investable universe, research, ESG integration and engagement, and portfolio management processes.

Engagement partners

We have a well-established active ownership program that involves meeting with investee company boards and management, and proxy voting. We utilise the dedicated capabilities of our engagement partners to deepen and amplify our leverage on a range of ESG issues including modern slavery.

Australian Council of Superannuation Investors (ACSI)	Regnan	Federated Hermes EOS
<p>Coverage: Australian shares</p> <p>HESTA, together with other ACSI members, own on average 10% of every ASX200 company.</p> <p>ACSI’s priority themes include workforce issues, incorporating modern slavery and supply chains. It has adopted a risk-based approach, using both sectoral and geographic exposures of ASX-listed companies, to derive a list of priority companies in respect of modern slavery.</p> <p>For companies with predominantly Australian-based businesses, ACSI’s core focus has been on companies with either direct or indirect connections to the horticulture and fresh food supply chains.</p> <p>For those companies with international operations and supply chains, ACSI’s engagement has focused on companies that are either running, or sourcing from, operations in countries with poor labour conditions or governance.</p>	<p>Coverage: Australian shares</p> <p>During FY2020, Regnan engaged with 20 ASX listed companies on modern slavery.</p> <p>Ahead of the first Australian modern slavery statements being issued, Regnan has focused on encouraging good practice and improving company responses such as:</p> <ul style="list-style-type: none"> • encouraging companies to think through in advance what they would do if they were to uncover instances of modern slavery. This can be a time of high risk for the individual and the company and requires access to appropriate expertise to minimise the risk of unintended consequences. • taking a beyond compliance approach that emphasises impact over disclosure. 	<p>Coverage: International shares</p> <p>Engaging on social and ethical topics, like human and labour rights, comprised a fifth of their engagement activity in 2019 and has continued to be a key theme for 2020. Their sub themes include:</p> <ul style="list-style-type: none"> • forced labour and modern slavery • child labour • living wages and purchasing practices • worker voice • gender-specific issues <p>You can read more in their Annual Review at hermes-investment.com/au/wp-content/uploads/2020/02/eos-annual-review-2019.pdf</p>

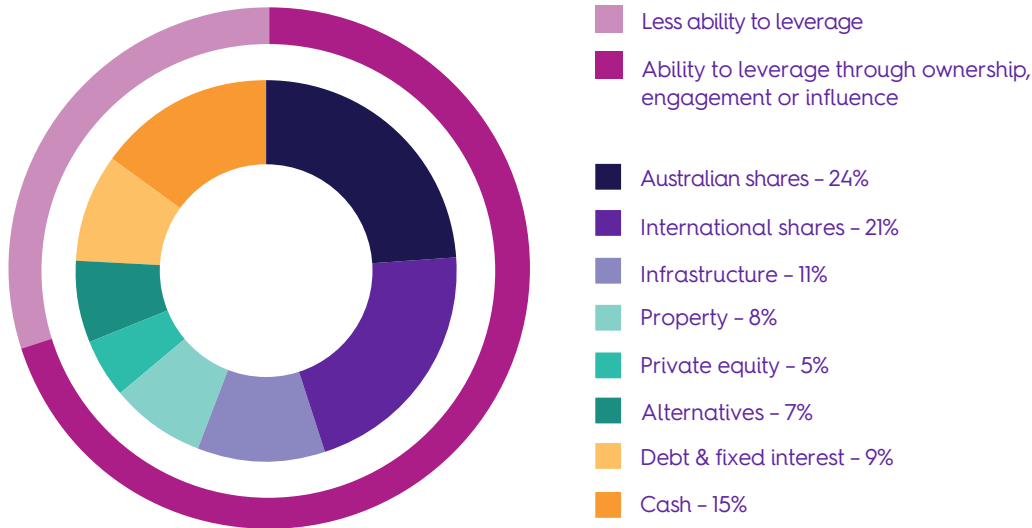
¹² www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575479.pdf

Active ownership

Certain asset classes provide pathways to influence our investee companies whether through our investment managers or our active ownership.

We have identified that we have the scope to contribute to reducing modern slavery risks across approximately 70% of our total investment portfolio (aggregated fund level) as at 30 June 2020. We will focus on Australian shares, international shares, private equity, infrastructure and property but there may be opportunity to extend into other parts of HESTA's portfolio.

Focus areas for leverage



*As at 30 June 2020.

We will continue to work with both our investment managers and engagement partners on applying influence and effecting change with companies we identify as having particularly poor attitudes and practices towards modern slavery through the lens of risk of harm to people.

Looking ahead

The responses we have received from the investment manager questionnaire show varied awareness of the systemic issue and responsible investment consideration. We will report on these findings and outcomes in the FY2021 Modern Slavery Statement.

We will develop and apply a risk-based approach to determine the likelihood of greatest harm to people. This will lead to the identification of target areas to apply leverage across the five focus asset classes.

Our risk-based lens

Focus first on risks of modern slavery and harm to people

Determined through geography/sector/industry analysis & investment manager responses

Then, how we are linked to the risk

Cause, contribution or direct link

And, our ability to influence

Type of ownership or relationship with the investee company

Alongside this ongoing work, we will continue to engage our collaboration partners as part of our responsible investment approach for member outcomes.



COVID-19 observations

The second half of the FY2020 reporting period coincided with the global pandemic.

- The main challenge for HESTA operations was for all staff to rapidly shift to working remotely and adapt to business-as-usual and responsive pivots to the changing environment.
- There was continuity and cooperation in the activities and interactions with our partners - procurement, outsourcing and investments.
- HESTA focused stewardship efforts on responsible business practices. We developed a position on these practices noting that the economic system would recover quickly if our investee companies acted in a manner consistent with contemporary ethical standards; i.e. not seeking to profiteer during times of systemic crisis. We conducted company engagements and proxy voting in a manner consistent with these principles.
- Certain sectors, industries, products and services are likely to have come under strain as the health, economic and financial crises have exacerbated the conditions for modern slavery to occur. Some investment managers noted that travel restrictions have curtailed their ability to conduct on-site due diligence that can be useful in evaluating and monitoring exploitative workplace practices.

The measurement of our actions

Modern slavery is a systemic issue that is captured under Decent Work and Gender Equality, two of our strategic SDGs, so it's important we use our influence as investors to effect change. We want to make a meaningful contribution through our corporate responsibility, responsible investing and advocacy activities - HESTA Impact - and ensure continuous improvement through an assessment of effectiveness.

This will include being able to assess the effectiveness of our actions in our internal operations, procurement and outsourcing, and investments.

One of the initial key actions is for our Modern Slavery Working Group to develop a set of effectiveness criteria. We anticipate this scorecard of measures will be included in future statements.

We are developing processes in our investment supply chain as outlined in our roadmap and we expect to be able to comment on assessing our effectiveness during FY2022.

Here and beyond – our ambition

Advocating for better financial futures

HESTA Impact is our holistic approach to the impact we deliver for members in corporate social responsibility, responsible investing and advocacy activities. We seek to use our positioning as a universal asset owner to achieve meaningful contribution to addressing modern slavery risk through HESTA Impact. Our areas of focus will be:

- **Working with the health and community services sector**

HESTA has strong ties with the health and community services (HACS) sector. The healthcare sector is exposed to modern slavery practices¹⁵ through supply chains of products and services, such as gloves, surgical equipment, garments and electronics, some of which has been amplified due to the COVID-19 pandemic. We will explore opportunities for HESTA to collaborate with our HACS partners on this issue.

- **Responsible investment approach**

We believe investing responsibly is important to an investment's long-term value. Understanding how an investment impacts on people and the planet helps us understand an investment's risks, opportunities and long-term sustainability.

Our approach to impact through responsible investment practices is guided by the United Nations-backed Principles for Responsible Investment (PRI). The PRI requires signatories to incorporate ESG issues into investment analysis and decision-making and practice active ownership of the companies in which we invest.

- **Supporting the Sustainable Development Goals**

We endorse the ambitions of the UN SDGs as a way of delivering a healthy economy, environment and society. These 17 goals, adopted by all United Nations Member States in 2015, provide a roadmap for prosperity for people and the planet through global collaboration.

We aim to support our members and their working lives in the HACS sector by meaningfully contributing towards **seven strategic areas of impact** (framed within the SDGs), that are aligned with the Fund's strategy and members' interests.

¹⁵ <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>,
<https://apo.org.au/sites/default/files/resource-files/2017-04/apo-nid76189.pdf>

Roadmap

Our Modern Slavery Roadmap sets out key actions being undertaken across our business to understand and manage modern slavery risks, as well as our ambition over the long term.

FY20	FY21	FY22	FY23
Assessing modern slavery risks (mapping; early engagement)	Addressing modern slavery risks (operationalise roadmap actions; further engagement)	Assessing effectiveness & advocating beyond our supply chain	Development of remediation approach and effectiveness measures

In the first year our focus has been on mapping our operations, supply chain and investments to understand where modern slavery risks may exist, starting to engage with suppliers to gather information on their understanding of modern slavery and on developing key policies, processes and a governance structure to support this work.

In our second year (FY2021), we will be building on this knowledge, further analysing supplier responses and working to understand our risks more deeply. We will also begin to formulate our approach to addressing these risks and developing our assessment approach through our Modern Slavery Working Group.

In later years we will develop our remediation approach, continue to revisit our effectiveness measures and consider our role in further influencing our supply chain, including HACS sector employers and industry groups, to understand, identify and respond to modern slavery risks in their supply chains.

To ensure our approach is consistent across the Fund and continually improves, we are establishing a Modern Slavery Working Group and have drafted a detailed charter and set of actions.

