

HESTA Modern Slavery Statement

FY2022-23

HESTA FY2022–23

Modern Slavery Statement

Principle governing body approval

This Modern Slavery Statement was approved by our Trustee board, the principal governing body of HESTA as defined by the Modern Slavery Act 2018 (Cth) (“the Act”) on 7 December 2023¹

Signature of Responsible Member²

This Modern Slavery Statement is signed by the Chair on behalf of the HESTA Trustee Board as defined by the Act:

The Honourable Nicola Roxon, Chair



Mandatory Criteria	Section	Page
16.1.a) Identify the reporting entity.	About HESTA	04
16.1.b) Structure, operations and supply chains of the reporting entity.	About HESTA	04
	Third Party Providers and Supply Chains	09
16.1.c) 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.	Our approach to identifying modern slavery risks	08
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16.1.d) Actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Third Party Providers and Supply Chains	09
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16.1.e) How the reporting entity assesses the effectiveness of such actions.	HESTA Modern Slavery Governance Framework	06
	Assessing Effectiveness	16
16.1.f) The process of consultation with (i) any entities that the reporting entity owns or controls.	About HESTA	04
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16.1.g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.	Modern Slavery Roadmap for 2024-2026	19
16.2.a) Approval by the principal governing body of the reporting entity.	Details of Board Approval	02

¹ Section 4 of the Act defines a principal governing body as: (a) the body, or group of members of the entity, with primary responsibility for the governance of the entity; or (b) if the entity is of a kind prescribed by rules made for the purposes of this paragraph—a prescribed body within the entity, or a prescribed member or members of the entity.

² Section 4 of the Act defines a responsible member as: (a) an individual member of the entity's principal governing body who is authorised to sign modern slavery statements for the purposes of this Act; or (b) if the entity is a trust administered by a sole trustee—that trustee; or (c) if the entity is a corporation sole—the individual constituting the corporation; or (d) if the entity is under administration within the meaning of the Corporations Act 2001—the administrator; or (e) if the entity is of a kind prescribed by rules made for the purposes of this paragraph—a prescribed member of the entity.

A message from **HESTA**

HESTA is pleased to release its fourth Modern Slavery Statement, which details progress made in Financial Year 2023 (FY22-23) and ongoing commitments towards addressing the risk of modern slavery in our operations and supply chain (including the investment portfolio).

Our highlights for FY22-23 include:

- Completing the majority of actions specified in our Modern Slavery Roadmap 2019-2023.
- Preparing for the launch of a new Modern Slavery Roadmap for 2023-2026.
- Undertaking a scan of the superannuation industry to assess the threat of emerging risks related to Modern Slavery.
- Continued risk assessments and management of Modern Slavery risks across Investments, Operations, and Third-Party Management.
- Ongoing operation of the HESTA Modern Slavery Working Group (MSWG).
- Continued education and awareness of modern slavery through e-learning for all employees.
- Ongoing collaboration and advocacy through Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative, Australian Council of Superannuation Investors (ACSI) and the Responsible Investment Association Australasia (RIAA).

United Nations Sustainable Development **Goal 8: Decent Work and Economic Growth**



We endorse the ambitions of the UN Sustainable Development Goals (SDGs) as an ambitious framework to address systemic risks and identify areas of opportunity. The SDGs are ambitious goals established by the United Nations in 2015 to transform the world by 2030 and we recognise the important role that long term investors, like super funds, have in contributing towards outcomes aligned with the SDGs. We aspire to contribute to outcomes aligned with the aims of these priority SDGs through our capital allocation and active ownership. Modern slavery is addressed under SDG 8: Decent Work and Economic Growth³.

The goal, SDG 8, sets a target to take immediate and effective measures to eradicate and address modern slavery, forced labour, and the worst forms of child labour, and is included in HESTA's strategic priority focus areas of work framed through the SDGs. Our approach to modern slavery is also addressed in our organisational approach to human rights issues. Our focus on SDG 8 is not considered in isolation as we believe this issue is linked to SDG 13 Climate Action, SDG 5 Gender Equality, and other emerging themes.

³ United Nations 2030 Agenda, Goal 8, read more here [United Nations 2030 Agenda, Goal 8, read more https://sdgs.un.org/goals/goal8](https://sdgs.un.org/goals/goal8)

About **HESTA**

During the development of this statement, subject matter experts representing teams across HESTA were given the opportunity to provide information for inclusion. External guidance was sought during the year, with benchmarking conducted to make improvements against mandatory and additional good practice criteria.

Through a due diligence process, feedback was gained from key stakeholders including relevant members of the Executive group and Modern Slavery Working Group about the statement, prior to obtaining Board approval and submission to the Australian Government's Online Register for Modern Slavery Statements.

HESTA ABN 64 971 749 321 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 profit-to-member public company limited by guarantee. The Trustee is governed by a Board of Directors and the Trustee's address is Level 20, 2 Lonsdale Street, Melbourne, VIC 3000. There were no owned or controlled entities relevant to the development of this statement during the reporting year ended 30 June 2023.



3.1 What we do

At HESTA, we invest in and for people who make our world better. This is our purpose. We are focused on serving over one million members, many of whom work in the health and community services (HACS) sector, by delivering our purpose through Super with impact™. Super with impact™ is the positive outcome we create by supporting our members to face the future with confidence, being a gutsy advocate for a fair and healthy community, and delivering investment excellence with impact. For more information see hesta.com.au/super-with-impact

Business activities at HESTA are primarily focused on the management of members’ retirement savings. This includes investment management and procurement, and the operations and corporate functions that support the organisation. We offer dedicated advice and member service teams that help members take action to improve their retirement readiness. The national office is based in Melbourne, Victoria, with seven other offices across every state and territory in Australia. HESTA is subject to the regulatory and statutory requirements covering financial services entities regulated by the Australian Securities and Investment Commission (ASIC), the Australian Prudential Regulation Authority (APRA) and others.

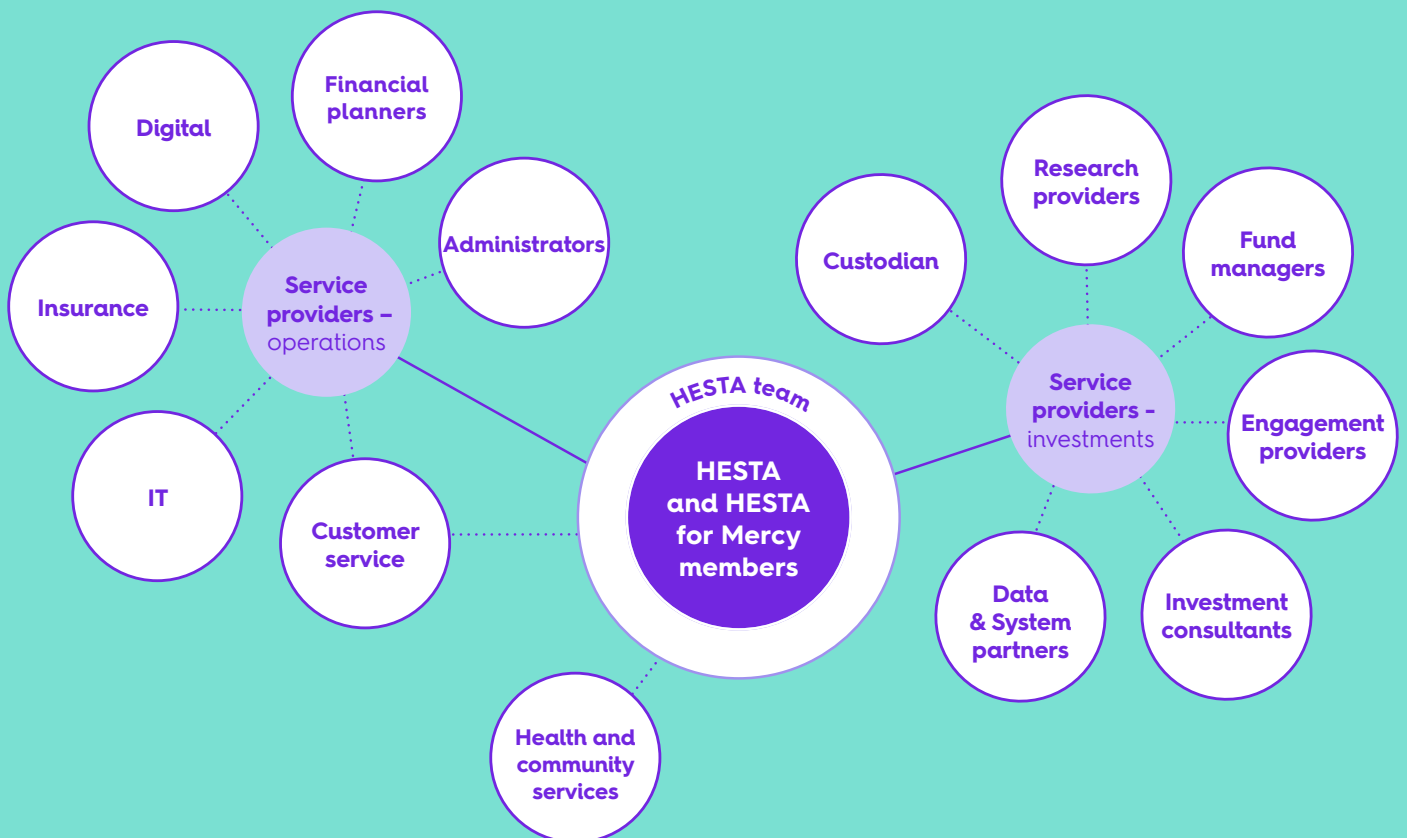
3.2 Operations and Service Providers

HESTA’s own operations are based in Australia and encompass the provision of services associated with a financial services firm. As mapped out below, this includes executing investment functions, a financial advice offering, and marketing and digital functions to provide members with a seamless customer experience. We offer insurance to our members using an external service provider. Given the highly regulated nature of our business, we also have relevant risk and control frameworks that support the corporate functions and the daily administration of a superannuation fund. These include processes for managing risks in external service providers throughout our supply chain. More information on risk management of service providers is given below on pages 14-16.

A list of the key outsourced service providers who provide material business activities on our behalf is available at hesta.com.au/service-providers

At the end of FY2023, HESTA directly employed 524 people in its own operations, the majority of whom are permanent employees with around 5% on temporary contracts.

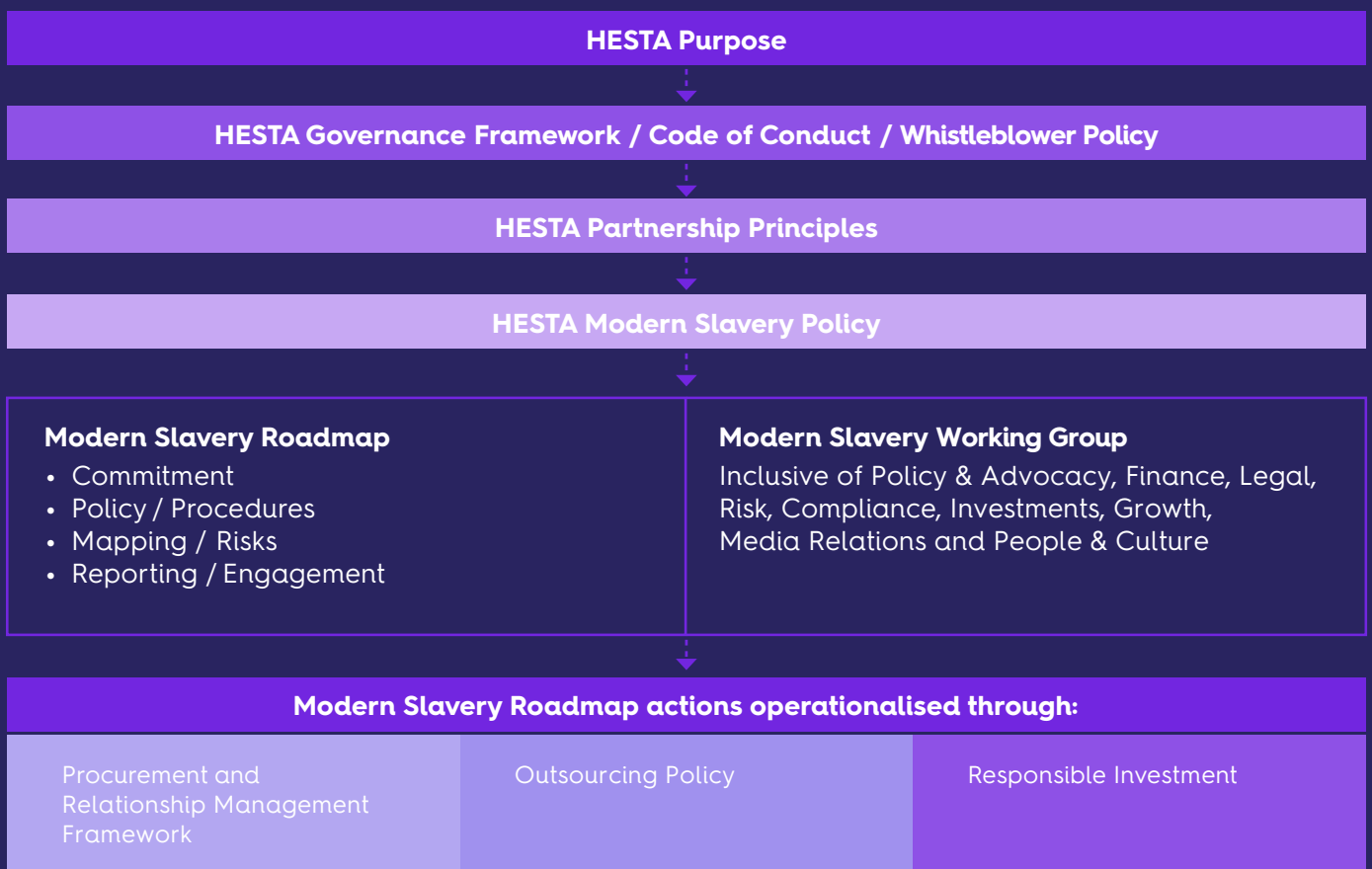
How HESTA Provides Services



HESTA Modern Slavery Governance

The Board is responsible for overseeing the Trustee’s approach and governance of the Modern Slavery Policy and issuing the annual Modern Slavery Statement in accordance with the Act. Information about HESTA’s Modern Slavery approach and risk profile is reported regularly to the Board.

The below table illustrates HESTA’s Modern Slavery oversight framework, which is supported by the Modern Slavery Working Group.



4.1 Policies and Principles supporting the Modern Slavery Governance Framework

In addition, the following documents act as guardrails to the framework:

Modern Slavery Policy*	The Modern Slavery Policy sets out our approach in response to the Australian Modern Slavery Act 2018 and applies to HESTA's direct operations, our supply chains, and our investments. The policy defines the roles and responsibilities with oversight for compliance with the Act across our operations, investments, and procurement and outsourcing.
HESTA Code of Conduct	The HESTA Code of Conduct applies to all employees (including agency hire and daily rate contractors) and directors, and sets out expectations for appropriate and lawful behaviour and conduct.
Whistle-blower Policy	The purpose of the Whistle-blower Policy is to set out how to report concerns of potential or actual misconduct, as well as the approach taken by HESTA to manage these disclosures. HESTA has a confidential, secure service in place with an external entity, Grant Thornton Australia Limited, for whistle-blowers to contact and make disclosures anonymously and outside business hours. Reports can be made any time via Telephone: 1300 573 929 or Email: hestadisclosures@myvault.net.au
Partnership Principles**	We believe that strong partnerships with organisations who demonstrate alignment with our values, culture, and purpose deliver better member outcomes. Information on the areas where we seek alignment with partners are provided in HESTA's Partnership Principles. These principles include explicit reference to our expectations towards human rights and workplace standards.
Responsible Investment Policy	The Responsible Investment Policy outlines the principles and commitments that direct our approach to responsible investment. Responsible investment is an approach to investing that incorporates the consideration of environmental, social and governance risks and opportunities into investment decision making and active ownership, to promote the best financial interests of members.
Investment Due Diligence Policy*	Within the Investment Due Diligence Policy, the Investment Due Diligence Framework sets out the requirements for initial due diligence on proposed new investment managers as well as monitoring of existing investment managers. It includes assessment of investment managers' processes to identify, assess and address risks of modern slavery.

4.2 Modern Slavery Working Group

HESTA operates a cross-functional Modern Slavery Working Group (MSWG) to deliver on the actions in the Modern Slavery Roadmap. The MSWG has oversight for maintaining continuous improvement of processes and policies that identify and address modern slavery risks across the organisation and works to remediate risks identified. The MSWG meets quarterly and includes representation from Legal, Risk, Compliance, Finance, Investments, Policy and Advocacy, Growth, Media Relations and People and Culture.

* The Modern Slavery and Investment Due Diligence Policies are internal documents.

**Partnership Principles are made available to HESTA Partners.

5. Our approach to identifying modern slavery risks

We continue to review expert guidance and research resources to evolve our understanding of modern slavery risks, keeping across new information as relevant. This guidance has included consulting services as well as information from service providers such as the Australian Council of Superannuation Investors (ACSI) and Federated Hermes EOS.

We have embedded the following methodology across relevant teams to guide our approach in identifying modern slavery risk in our operations and supply chains:

Inherent risk of modern slavery ⁴	Our relationship to the risk ⁵	Our ability to influence the risk
Likelihood and severity are determined through risks inherent to different geographies and industries across our operations, purchases, and investments.	Informed by the United Nations Guiding Principles (UNGPs), we consider our link to determine level of impact, response and engagement with risks as caused, contributed or linked.	Type of ownership or relationship with the investee company or leverage with the vendor. We consider our highest leverage in our own operations and the first tier of goods and services. Our ability to influence the risk for investments will vary with other leverage factors, such as our level of investment and whether the investment is direct or indirect.

Once inherent risk has been established, steps are taken to better understand controls and mitigants that are in place in order to assess the residual risk of modern slavery. This assessment will vary depending on the nature of the relationship with the entity. Further information about these steps for each area of our operations is contained in pages 14-24 below.

⁴ Note that risk according to the Modern Slavery Act refers to risk to people rather than risks to our entity, although these risks may intersect.

⁵ As defined by the United Nations Guiding Principles on Business and Human Rights 2011

Third Party Providers and Supply Chains

6.1 Third Party Provider Procurement and Management

HESTA operates a central procurement function integrated within the Finance team, which works with teams across the Fund to standardise tendering and contract management.

All teams across HESTA make low-value purchases where goods and services are one-off, low risk or low value⁶. We continue to procure goods and services from third parties, with 87% of our vendors based within Australia as represented in the below table. Our Material Outsourced Providers list is available on our website at hesta.com.au/service-providers

Country	No. of Vendors	% of Spend
Australia	516	87%
USA	44	7%
United Kingdom	17	3%
Canada	3	<1%
Netherlands	3	<1%
Singapore	3	<1%
Ireland	3	<1%
Austria	1	<1%
Denmark	1	<1%
Belgium	1	<1%
Germany	1	<1%
Total	593	100%

Our largest purchasing categories⁷ for FY22-23 were:

Category	% of Spend
Administration Services	32%
Professional Services	22%
Marketing	13%
Technology	12%
Leasing	5%
Other*	16%
Total	100%

⁶ Low risk in this context refers to low business and entity risk.

⁷ Excluding arrangements with external investment managers.

6.2 Modern Slavery Risks in our procurement and third party supply chain

We acknowledge that modern slavery risks may exist in any activity provided through a third-party supplier through procurement and outsourcing, and that these risks are heightened for geographies with higher inherent risk than Australia. We continue to recognise the following goods and services in HESTA's supply chain as identified in previous reporting periods as being higher risk:

- cleaning contractors
- stationery
- promotional products and merchandise
- leasing & maintenance of IT equipment (including computers and smartphones)
- office maintenance and security
- catering.

As previously reported, we have identified that our outsourced call centres do not constitute a heightened risk as these contracts are fulfilled using Australian operations, with employee conditions of work governed by the Fair Work Act and other supporting workplace-related legislation.

Under the UNGP framework, the connection between our engagement of third-party service providers and potential impacts may be considered as *contributing* or *linked*. This means we do not have primary leverage with these risks but may continue to exercise our influence to lower the risks.

6.3 Our vendor engagement and risk approach

To progress our understanding of the risks associated with our vendor supply chains, in FY22-23 we assessed 593 vendors to determine both entity and high-level modern slavery risks. These risk assessments included consideration of geography and industry as inherent risk factors, in addition to vendor-specific considerations to determine residual risk. This residual risk assessment considered vendor materiality, contract length, whether a contract included our modern slavery clause, whether the vendor has a modern slavery policy, and whether the vendor is exposed to modern slavery in selected high-risk geographies and industries.

In addition to the above assessment, we issued 173 vendor self-assessment questionnaires (SAQs) to understand more detailed modern slavery risk exposure and due-diligence activity. The questionnaire includes metrics covering:

- compliance with the *Modern Slavery Act (2018)*
- exposure to selected high-risk industries and work with children
- location of operations and supply chains, exposure to highest risk geographies
- employment of vulnerable groups or high-risk contracting arrangements
- due diligence, verification, and remediation activities
- existing policies and processes to mitigate modern slavery risks.

The assessments are manually assigned a risk grading based on the response given. The final grade then determines whether the vendor will be subject to further due diligence activity and the cadence of further risk assessment.

We are continuing to refine the methodology of this approach to help ensure we are placing our efforts where most effective in our supply chains and are actively considering new tools for future assessments and reporting.

⁸ Modern Slavery Risks, Rights and Responsibilities: A Guide for Companies and Investors, ACSI 2019 <https://acsi.org.au/wp-content/uploads/2020/01/ACSI-Modern-Slavery-Report.Feb19.pdf>

Internal Operations

7.1 Modern Slavery Risks in internal operations

The modern slavery risks across our direct business operations remain low, as determined in prior years, due to the organisation operating in a low-risk industry with relatively low geography risk and a highly skilled professional workforce⁹.

We maintain our zero-tolerance approach to modern slavery within our internal operations and continue to provide strong protections to seek to ensure we do not cause any risks.

While modern slavery risks in our internal operations remain low, we continue to rely on our governance controls for the effective ongoing management of modern slavery risks within investments and our broader internal operations.

7.2 Capability

HESTA has developed an internal modern slavery training module for our workforce, delivered via HESTA's online learning platform. FY22-23 was the first full year of this module's operation. As of June 30 2023, over 90% of staff had completed the course during the year. The majority of those who did not complete the course were on leave, including extended periods of leave.

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

⁹ This assessment of the financial services sector as low-risk is supported by the conclusions made by ACSI & KPMG in Modern Slavery Risks, Rights and Responsibilities – A Guide for Companies and Investors, 2019, pp17-18

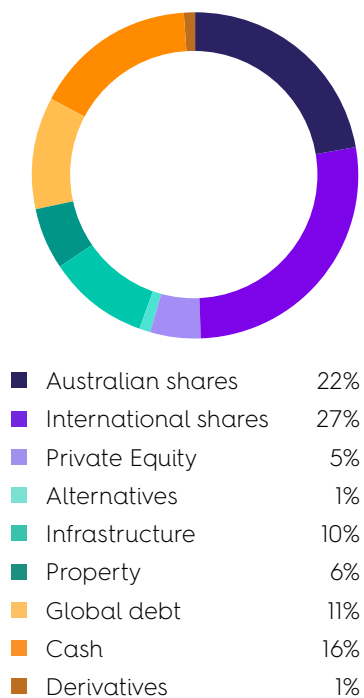
Investments

8.1 Our investment approach

In FY22-23, HESTA has primarily maintained the same investment management structure and allocation of investments and assets. We have continued to grow our internally managed Australian direct equities portfolio which operates as part of a hybrid model alongside our allocation to external managers. In FY22-23 HESTA also launched its internally managed Australian debt portfolio. We continue to invest through over 80 external investment managers with personnel and offices based in Australia and globally. Investment managers and portfolio holdings are listed on our website.

As at 30 June 2023, HESTA had over \$75bn in funds under management. The total portfolio asset allocation, across all investment options, remains diversified across Australian & international shares, infrastructure, property, private equity, alternatives, global debt, cash and derivatives. This is reflected in the chart below. At the end of FY22-23, there were only minor changes to our asset class weights compared with FY21-22, with an increase in Australian equities, cash and debt, and a slight decrease to international shares, property, infrastructure and private equity.

Total portfolio asset allocation – 30 June 2023



8.2 Responsible Investment

We believe members' best financial interests are served by having a deep commitment to responsible investment. Responsible investment is an approach to investing that incorporate the consideration of environmental, social and governance (ESG) risks and opportunities into investment decision making and active ownership, to promote the best financial interests of our members. By integrating responsible investment considerations throughout our investment processes and decision making, we can act as diligent stewards of members' retirement savings.

Investing for long-term performance requires a long-term perspective on the relationship between investments, the economy, environment, and our society. Our Responsible Investment team leads our work on management of modern slavery risks across the investment portfolio. Active ownership is an important tool in how we manage responsible investment risk, and we utilise the active ownership tools of engagement, voting and advocacy in our approach.

8.3 Modern Slavery Risks in our investment portfolio

HESTA's investment portfolio is invested globally across a range of asset classes, with the majority of funds managed by external investment managers.

As noted earlier in this statement, HESTA has continued to grow the internal management of Australian equities under a hybrid model alongside external investment managers. As the portfolio matures, we aim to undertake an overall risk assessment on internal holdings using new risk assessment tools and will disclose the assessment results in future statements.

8.4 Modern Slavery Risk exposure in the HESTA investment portfolio

Australian Shares	<p>HESTA's top 20 ASX listed shareholdings at 30 June 2023 included companies with relatively higher modern slavery risk exposure due to the industries in which they are involved¹⁰. These included:</p> <ul style="list-style-type: none"> • <i>materials companies</i> with mining operations in high-risk countries or with exposure through supply chains to building products and materials • <i>consumer staples</i> companies which have exposure through supply chains to agriculture and other high risk product types • <i>consumer discretionary</i> companies which have exposure through supply chains to apparel • <i>financial services companies</i> which may unintentionally facilitate transfers that support modern slavery.
International shares	<p>HESTA's top 20 international shareholdings at 30 June 2023 also included companies with comparatively higher modern slavery risk exposure due to the industries in which they are involved. These include electronics manufacturing companies or consumer discretionary and information technology companies with a strong reliance on electronics for their operations or supply chain.</p>
Global debt	<p>HESTA has exposure to companies with comparatively higher modern slavery risk exposure (as per Australian and International shares). HESTA also has exposure to sovereign debt which includes issuing countries identified by the Global Slavery Index as having comparatively higher modern slavery risk exposure.</p>
Property	<p>Through a reliance on cleaning, security and construction (labour and materials) and maintenance services, the property sector has a comparatively high local risk exposure to modern slavery. However, the sector has made significant progress to mitigate these risks. Some of the tools used by our property managers include the Property Council of Australia modern slavery supplier platform and the Cleaning Accountability Framework certification process.</p>
Infrastructure	<p>HESTA's infrastructure assets span airports, seaports, energy and water utilities, transportation and communications. Like property, these assets are exposed to modern slavery risk through a reliance on cleaning, security, construction and maintenance. That risk is somewhat mitigated by the countries in which the assets are located with the majority of assets located in Australia, North America, UK and Europe. A small number of assets are held in higher-risk geographies.</p>
Private Equity	<p>HESTA's private equity assets operate primarily in the financial and information technology sectors. The portfolio includes a small number of assets with exposure to higher-risk industries and or higher-risk countries.</p>

Renewables

In order to meet our climate commitments and contribute to the energy transition, HESTA is invested in renewable energy assets and supporting technologies through listed equities, infrastructure and private equity portfolios. Significant scale up of investment in clean energy is essential to decarbonising global energy systems. However, we recognise the elevated modern slavery risks in supply chains for renewable energy assets including in the manufacturing of solar panels, batteries, and wind turbines. These risks have been well documented, including in the 2023 Global Slavery Index¹¹. In order to better assess and manage these risks, HESTA has created a due diligence framework specific to the assessment of renewable investment opportunities. In FY22-23 this framework was applied to new unlisted infrastructure assets.

Similar to the modern slavery risks in managing other third-party relationships we have previously identified, the connection between HESTA's investment activities and potential impacts under the UNGP framework may be considered as *contributed* or *linked*. This means we do not have significant leverage over risks in indirect assets but will continue to exercise our influence to ensure investment managers are engaging with investees to mitigate any known risks. Our investments in direct assets are more likely to be regarded as having contributed to the risk than our investments in indirect assets.

¹⁰ ACSI & KPMG in Modern Slavery Risks, Rights and Responsibilities – A Guide for Companies and Investors, 2019

¹¹ <https://www.walkfree.org/global-slavery-index/>

8.5 Taking action

During FY22-23, our investment related modern slavery actions included:

- Ongoing advocacy and investor collaboration through the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative. HESTA engages four ASX companies on modern slavery through IAST APAC.
- Ongoing collaboration with the Responsible Investment Association Australasia (RIAA) including participation in its Human Rights Working Group and Modern Slavery Policy and Advocacy sub-group.
- Continued revising external Investment Manager contracts and documentation with relevant modern slavery clauses, standardised where possible.
- Communication outlining HESTA's engagement and voting priorities sent to ASX300 companies encouraging them to deepen their modern slavery approach.
- Participation in engagement and working groups through representative peak groups and services providers such as the Australian Council of Superannuation Investors (ACSI) and Federated Hermes EOS.
- Established enhanced due diligence process for renewable energy assets in the unlisted infrastructure portfolio.

8.5.1 Investment managers

HESTA seeks to partner with external investment managers that are aligned with our beliefs and corporate values, including our commitment to responsible investment, as outlined in the HESTA Partnership Principles.

Our investment manager selection process includes a review of responsible investment factors, including how these factors are integrated into portfolio management.

We seek to include responsible investment requirements, including modern slavery provisions, into external investment manager appointment documentation.

We monitor these externally managed portfolios using external data sources, including alerts for labour rights controversies, and bespoke surveys. This data is used to inform escalations, where appropriate.

For the majority of the portfolio that is held through external managers, it is the underlying investment holdings where potential risks are more likely to occur. As we hold assets across varied arrangements, the ability of HESTA to exert influence and manage modern slavery risks may differ depending upon on the type of investment vehicle.

8.5.2 Active ownership

Over the reporting period, HESTA supported several shareholder resolutions seeking greater transparency and action related to human rights. Notably, in the financial year HESTA supported over 65 shareholder resolutions filed at companies held in our international equities portfolio relating to human rights, including labour issues.

We will continue to exercise our voting rights on shareholdings where we can use our influence to minimise risks of modern slavery and other human rights violations.

In Australia, HESTA communicates our active ownership priorities annually to the ASX300 via a CEO letter. In FY22-23, we encouraged Australian companies to provide safe and secure jobs in line with our commitment to decent work. We also called on companies to extend their management of human rights and human capital to their supply chains and encouraged companies to strengthen the processes used to assess and address their modern slavery risk.

8.5.3 Advocacy and investor collaboration

IAST APAC	<p>Through our collaborative work with the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative, HESTA is lead investor for engagement with two ASX listed companies and acts as support for an additional two companies. IAST APAC utilises investor representatives in a targeted manner to maximise investor impacts through shared representation to investee companies. This framework encourages a minimum of two annual meetings to meet with and drive investee engagement on salient modern slavery and trafficking initiatives.</p> <p>Through the IAST engagement program, HESTA is lead investor on a company with widely publicised human rights concerns. The engagement with this company is ongoing and HESTA will continue the targeted and collaborative IAST engagement to seek change in company behaviour.</p>
RIAA	<p>HESTA is a member of the Responsible Investment Association Australasia (RIAA) Modern Slavery Policy and Advocacy subgroup. This group was created to facilitate collaboration on the review of the Modern Slavery Act. With members from across the finance, investment and research sectors, the subgroup made an investor submission to the review of the Australian Modern Slavery Act.</p>
ACSI	<p>HESTA participates in the Australian Council of Superannuation Investors (ACSI) engagement meetings on modern slavery and the decent work thematic.</p> <p>In April 2023, ACSI published a report assessing the quality of ASX200 companies' modern slavery statements. You can read the report here.</p>
Federated Hermes EOS	<p>Federated Hermes EOS, our international equities engagement service provider, has targeted around 30% of its corporate engagement with international companies on social issues, including human rights risks in supply chains, high geography risks, health and safety and the disclosure of the treatment of migrant workers.</p> <p>You can read more here.</p>

Assessing Effectiveness

We continue to measure our effectiveness through the roadmap strategy outlined in FY2020, our table of commitments and progress, and our modern slavery scorecard. Our ambition to develop processes to assess our effectiveness is ongoing, and we will continue doing so through the scorecard, and our modern slavery roadmap.

9.1 Modern slavery scorecard










HESTA uses a modern slavery scorecard to consistently track our year-on-year progress. The scorecard includes effectiveness criteria to assess our progress in relation to our operations, procurement and investments. The results shown below summarise our key activities in FY22-23.




Measure	Quantity
Operations	
Employee e-Learning module	485 of 522 (93%) at end of reporting period.
Procurement	
Vendors issued self-assessment questionnaires	173 vendors were issued and completed Modern Slavery self-assessment questionnaires.
Vendor contracts including modern slavery clause	235 contracts in place with active modern slavery clauses. 358 vendors remain with existing agreements which are to be transitioned to new contracts at next renewal.
Vendors declaring a modern slavery policy or equivalent	602 vendors (88%) (FY21-22 data). This data was not captured in FY22-23 as we increased the use of self-assessment questionnaires to understand residual risk.
Investments	
Investor engagement meetings held	5 IAST APAC company engagement meetings. In addition to direct engagement, HESTA engages investees on modern slavery through ACSI and EOS. 54 ACSI meetings. 45 EOS meetings.
Quantity of external investment managers who completed the risk assessment survey	No investment manager survey was undertaken in FY22-23. Modern Slavery Risk Assessment surveys were replaced with an annual Investment Manager attestation that requires mandatory declaration by all investment partners.









9.2 Roadmap Update




FY22-23 marks the completion of HESTA's first Modern Slavery Roadmap which had the following themes.

FY19-20	FY20-21	FY21-22	FY22-23
Assessing modern slavery risks (mapping; early engagement)	Addressing modern slavery risks (operationalise Roadmap actions, further engagement)	Assessing effectiveness and advocating beyond our supply chain	Development of remediation approach and effectiveness measures

Set	Commitment	Status FY22-23
Strategy and governance		
FY20-21	Procurement restructure Report on the creation of the strategic procurement function in FY2022.	
FY21-22	Roadmap development We will review our progress and commitments since FY19-20 and define a new roadmap for future actions.	
Risk identification and management		
FY19-20	Likelihood and harm to people index Develop and apply a risk-based approach to determine the likelihood of greatest harm to people & identification of target areas to apply leverage across the five focus asset classes.	
FY19-20	Risk indicators and leverage We will use risk indicators to understand our exposure to high-risk sectors and leverage through ownership, engagement or influence to affect change.	
FY19-20	Supplier Assessment Questionnaire In FY2021 we will further analyse supplier responses and work to understand our risks more deeply. Begin to formulate approach to addressing these risks and developing our assessment approach through our Modern Slavery Working Group.	
FY19-20	Internally managed equity portfolios We will adopt modern slavery considerations within the internally managed portfolios, where applicable.	
FY19-20	Non-investment contract clauses Update supplier contracts to ensure modern slavery clauses are included. Begin process to remediate existing supplier contracts to include relevant modern slavery clauses and current procurement principles and processes.	
FY19-20	Investment manager contracts Modern slavery requirements included in Investment Manager Agreements.	
FY19-20	Remediation approach Development of HESTA remediation approach and escalation process including feedback from HACS sector employers and industry groups, to understand, identify and respond to modern slavery risks in their supply chains. <i>Note: Development of remediation approach continues to be a focus for the FY24-26 Roadmap, with a focus on areas where we can have the most impact.</i>	

 Complete  Continuous  Not complete

Capacity building		
FY19-20	Supplier engagement Engagement with material and major suppliers on modern slavery.	
FY19-20	Engagement Partners Regular and ongoing dialogue with investee companies on the risks of modern slavery.	
FY19-20	Engagement with investment managers Engagement with investment managers on modern slavery.	
FY19-20	Advocacy We will continue to seek to effect change with our managers and suppliers.	
FY19-20	HACS advocacy Advocate for healthcare and community sector for considerations of modern slavery. Note: Advocacy will continue in HESTA's FY24-26 Roadmap, focusing where we can have the most impact.	
Effectiveness and disclosure		
FY19-20	MSWG to develop implementation of key actions and continuous improvement approach Our Modern Slavery Working Group (MSWG) will develop the approach to the operational implementation of key actions and consider remediation and assessing effectiveness as part of our commitment to continuous improvement.	
FY19-20	Effectiveness metrics Development of assessment of effectiveness measures – scorecard.	
FY19-20	Ongoing performance 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.	

 Complete
  Continuous
  Not complete

Modern Slavery Roadmap 2023-2026

During FY22-23, we engaged external consultants to provide guidance for the development of a new Modern Slavery Roadmap covering July 2023-June 2026.

These consultants undertook a scan of approaches to modern slavery across the superannuation industry and facilitated internal engagement to assist us:

- Understand HESTA's current approach relative to the superannuation industry.
- Assess the threat of emerging risks for HESTA.
- Learn any lessons from the implementation of the existing Roadmap.
- Inform our future positioning on Modern Slavery.
- Assist us to prioritise future Roadmap actions.

The new Roadmap has the following thematic areas:

Governance

1. Clarity on organisational aspirations – to deliver a focused approach that aligns with organisational strategy and purpose, and to concentrate efforts in areas where we can have the most impact.
2. Review the operation and governance of the Modern Slavery Working Group to ensure efficiency and membership with appropriate accountability for deliverables, supported by sound governance and implementation mechanisms.
3. Review of Modern Slavery and associated policies to ensure they continue to be fit-for-purpose in a changing environment.
4. Measure the effectiveness of our approach.

These thematic areas will be implemented over the course of the roadmap, with each year building on progress from the previous year.

Year 1 (FY23-24)	Year 2 (FY24-25)	Year 3 (FY25-26)
Articulation of pragmatic approach to risk assessment, and formalisation of remediation processes.	Continued integration of approach and processes across whole-of-fund.	Embedding into business as usual

Progress on the roadmap will be continually monitored by a Modern Slavery Governance Group, and reported to Executive and the Board in line with our existing Risk Management Framework.

Risk Assessment and Responses

5. Improved risk-based approaches that allow us to focus on areas not only where risk exposure is higher, but also where we are more directly linked and have the most potential for impact.
6. Further development and formalisation of remediation approaches and responses, in line with any relevant external or regulatory guidance.

Capability and Engagement

7. A foundational approach that aims to consolidate capability across the Fund. This will include embedding and automating business-as-usual approaches to modern slavery, as well as implementing improvements where possible.
8. Organisational alignment so that all business areas can leverage progress made in other areas of the Fund. The Responsible Investment function is more progressed in its approach on many existing actions, there is potential for others to take advantage of this.
9. Improved training and capability building that is more directly relevant to our operations and investments, including fit-for-purpose engagement for the Board where appropriate.

