

# Fidelity 2021-2022 Joint Modern Slavery Statement



This joint statement (“Statement”) has been submitted in accordance with the requirements of section 16 of the Modern Slavery Act 2018 (Cth) (“Act”). FIL Responsible Entity (Australia) Limited ABN 33 148 059 009 (“FREAL”) and Fidelity investment Management (Australia) Limited (ACN: 006 773 575 (“FIMAL”) with a registered address Level 17, 60 Martin Place, Sydney, NSW 2000 make this Statement on behalf of the Reporting Entities (“Entities”, “Fidelity Australia”, “we, “our”) listed on page 3. It describes the approach taken to assess and address the relevant risks and impacts of modern slavery during the 18-month reporting period from 1<sup>st</sup> January 2021 until 30<sup>th</sup> June 2022. The intention of Fidelity going forward is to release a report for the next period based on the 12-month period commencing 1<sup>st</sup> July 2022 and ending on 30 June 2023 (“FY23”), to be published and submitted prior to 31<sup>st</sup> December 2023.

Signed by a board member, David Midolla, on behalf of the Principal Governing Body (the Board) of FIMAL and FREAL, reviewed and approved on 29<sup>th</sup> December 2022.

SIGNED:

Mandatory criteria	Section and page number
1. Identify the reporting entity.	Who we are and what we do, <b>page 2</b>
2. Describe the reporting entity’s structure, operations and supply chains.	Who we are and what we do, <b>page 2</b>
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.	Assessing and addressing our operations risks, <b>page 5</b> Assessing and addressing our supply-chain (investments) risks, <b>page 6</b>
4. Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	Assessing and addressing our operations risks, <b>page 5</b> Assessing and addressing our supply-chain (investments) risks, <b>page 6</b>
5. Describe how the reporting entity assesses the effectiveness of these actions.	Assessing our effectiveness, <b>page 8</b>
6. Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	Consultation, <b>page 4</b>
7. Any other information that the reporting entity, or the entity giving the statement, considers relevant.	Case studies <b>page 8</b>

## A message from the Managing Director

Fidelity is proud to launch our second Modern Slavery Statement and the first as a reporting entity under the Act. During the 18-month reporting period following our 2020 voluntary statement, we have taken steps to develop and mature our understanding of modern slavery and our approach to assessing social and modern slavery risks across Fidelity Australia. We recognise the important role played by the financial services sector in the area of modern slavery and human rights impacts. Managing risks can positively impact investment outcomes, and we acknowledge our responsibility to identify and mitigate risks to people in our portfolios.

With sustainable investment an integrated part of our business, our ESG analysis complements our financial analysis for every company we research. We do not tolerate modern slavery or human trafficking within our business and take a risk-based approach to managing our supply chains. Through our constant engagement, we aim to encourage better practices amongst our investee companies and suppliers to increase transparency and disclosure regarding supply chain management. In this statement we summarise our understanding of our exposure to modern slavery risks to people and the ways we intend to deepen our understanding and actions to mitigate these risks going forward.

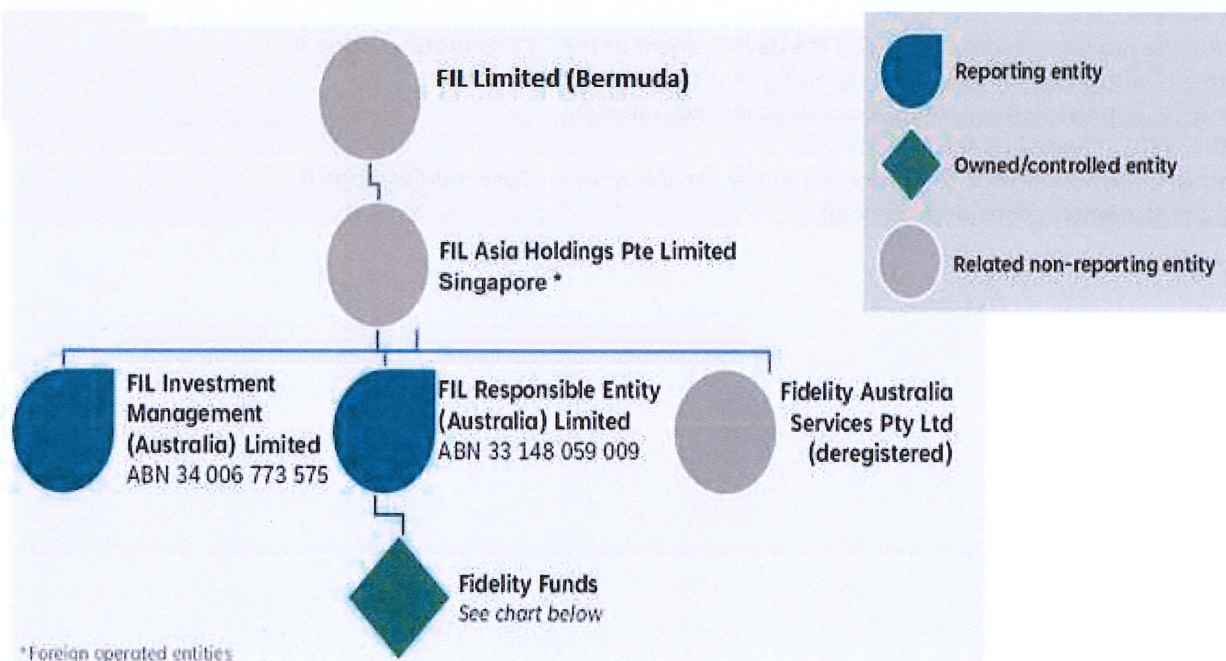
### 1. Who we are and what we do

#### Corporate Structure and Fidelity Funds

FIMAL and FREAL, are public companies incorporated in Australia which function as active asset management and investment advisory firms. FIMAL and FREAL, for the reporting period covered by this Statement, are owned by FIL Asia Holdings Pte Limited (Singapore), which is wholly owned by FIL Limited (Bermuda).

FREAL acts as the responsible entity of the following registered managed investment schemes^ ("Fidelity Funds") currently offered in Australia, with FIMAL appointed as the investment manager with the power under the terms of its appointment to sub-authorise other members of Fidelity to manage some or all the assets of the Fidelity Funds. None of the Fidelity funds have separate operational activity and function as investment products or funds only. As shown in the diagrams below, Fidelity Australian Equities Fund is the only Fidelity Fund considered a reporting entity according to the threshold set out under the Act during this reporting period.

As of 30<sup>th</sup> June 2022, Fidelity Australia has approximately AU\$16.9bn in funds under management. Our focus is on delivering sustainable investment returns for our clients, while managing our impact on society and the environment.



Fidelity Asia Fund FID0010AU	Fidelity Global Low Volatility Equity Fund FID9876AU
Fidelity Australian Equities Fund FID0008AU	Fidelity Hedged Global Equities Fund FID0014AU
Fidelity Australian Opportunities Fund FID0021AU	Fidelity India Fund FID0015AU
Fidelity China Fund FID0011AU	Fidelity Sustainable Water & Waste Fund FID0239AU
Fidelity Future Leaders Fund FID0026AU	Fidelity Global Emerging Markets Fund (Managed Fund) 627 296 959
Fidelity Global Emerging Markets Fund FID0031AU	Fidelity Global Demographics Fund (Managed Fund) 160 557 353
Fidelity Global Equities Fund FID0007AU	Fidelity Australian Low Volatility Equity Fund 651 643 104
Fidelity Global Future Leaders Fund FID5543AU	Fidelity Global Short Duration Income Fund 651 633 448

^ The Fidelity Global Short Duration Income Fund commenced on 28 July 2022

## Business Activities

Fidelity Australia conducts its business across 3 Australian offices, with 97 directly employed staff to undertake the following key activities:

- asset management and offering of interests in the trustee funds (“products”) listed above under *Corporate Structure and Fidelity Funds*,
- portfolio management, investment strategy and advisory services,
- wholesale and Institutional sales,
- marketing of our products,
- legal and compliance activities,
- corporate communications,
- event and sponsorship co-ordination,
- management and administration of our Australian office locations,
- procurement of goods and services to support our financial service activities,
- human resources and
- IT support.

We work in collaboration with the Fidelity International teams of FIL Limited (Bermuda) and Fidelity Asia Holdings Pte Limited (Singapore) where relevant to investment activity of the Fidelity Funds in other regions.

## Governance

Our corporate governance structure includes a range of policies with relevance to modern slavery, as they govern the way we treat our people and guide our investment activity, these include our global Financial Crime Prevention policy and Procurement Policy and our Sustainable Investment Principles, which can be found [here](#).

Within the organisation, the Sustainable Investment lead in Australia has functional accountability for assessing modern slavery risks and reporting. With regards to the investment activity, they will work with other members in the sustainable investment team, investment analysts and portfolio managers to ensure consideration and management of modern slavery risks. The Sustainable Investment lead will also work with other parts of the international and Australian business to mitigate and manage modern slavery risks in our operations in Australia.

### **Corporate Supply Chains**

Our supply chains for corporate spend are limited to purchasing of goods and services to support the undertaking of professional and corporate services across our office locations. Our spend fits the profile for most professional services firms and includes professional services, facility management and maintenance including cleaning, marketing and advertising expenses, office consumables, office and IT equipment.

### **Consultation**

During preparation of this statement, Fidelity Australia contracted a leading sustainability services firm to assist with risk identification across operations, supply chain, and investments. During the risk assessment and statement drafting process, a team of Fidelity Australia staff with the firm validated risk assessment results with Fidelity Australia teams, issued and analysed responses to a modern slavery consultation survey, and conducted stakeholder interviews with operational staff and fund managers to ensure information collated is accurate and correct.

### **Covid-19 risks and mitigation**

During the reporting period, COVID-19 did not widely impact our operations or supply chains. Our largest change was the dramatic reduction of international air travel and therefore a reduction in airfare, travel, accommodation and food expenses. Regular internal consultations and meetings were conducted to ensure we were adhering to local government advice and providing timely and appropriate guidance for all staff. We managed the associated workforce health and safety risks by allowing staff to work from home where possible and supported the ability to do so under local lockdown restrictions.

Additional Covid-19 hygiene and sanitisation cleaning was also put into place during the day and evenings, with PPE supplies (masks, alcoholic wipes, and hand sanitisers) available throughout the offices. Rapid Antigen Testing kits were also made available to employees as and when required.

## Assessing and addressing our operations risks

Fidelity Australia considers the potential for our operations to cause, contribute, or be linked to modern slavery impacts across multiple risk factors. We assess this according to the *cause, contribute, or linked* framework set out by the [UN Guiding Principles \(UNGPs\)](#). We have reviewed our operational exposure to modern slavery risks according to this guidance and other external sources to determine our modern slavery risks.<sup>1</sup> This risk assessment focused on our functional activities and operational spend based on category, industry and geography, considering risk to people rather than risk to our entity.

### What we found and what we are doing

Fidelity Australia, as a professional services and investment management group, has very low internal exposure to operational modern slavery risk.<sup>2</sup> All our staff are directly employed and are provided with entitlements and conditions that comply with the relevant local legislation and regulations in Australia, with no contracted, subcontracted or base-skilled labour. We have a Global Talent Acquisition Policy that addresses diversity and inclusion and equal opportunities, anti-bribery and corruption, as well as pre-employment screening and ensuring potential candidates have the right to work in Australia. Our [Whistleblowing Policy](#), [Complaints Handling Policy](#) and [Confidential Alert Line](#) (1800 139 957) are also in place to ensure concerns, complaints, or breaches are appropriately addressed. These are both accessible to internal staff and suppliers, allowing for anonymous reports. We also highlight to all staff how to escalate concerns in our mandatory annual online training.

During the reporting period Fidelity Australia established a new role, Director of Sustainable Investing - Australia. This role sits within the global sustainable investing team and has specific responsibilities for complying with the Australian Modern Slavery Act. This involves establish risk awareness and risk mitigation activities within the organisation. The establishment of this senior role supports Fidelity Australia to systematically prioritise modern slavery and broader ESG considerations within the organisation and focus on continuous improvement of the approach over time.

### Procured products and services

Our operational risk assessment did identify some potential risks connected to our business activities through procured products and services. These risks reflected risks widely known across the financial services sector and are issues many businesses are seeking to address.<sup>3</sup> These include:

- cleaning services,
- consumer electronics and electronic devices and
- branded goods: textiles and merchandise.

This risk assessment also considered our proximity (or anticipated proximity) to the potential adverse impacts, to determine the extent to which we may potentially contribute to or be linked to these risks according to the UNGP framework.

During the reporting period Fidelity International strengthened its Responsible Supply chain programme which includes 'Monitoring of ESG factors' as one of its three priorities. This involves ensuring the transparency and management of ESG factors in our supply chain covering environment, labour & human rights, ethics and sustainable procurement (the suppliers of our suppliers). The objective set for 2022 was for the top 200 suppliers (in terms of financial spend) and 90% of the critical suppliers, to be onboarded on the EcoVadis platform, which includes a section on labour and human rights.

On this basis, we aim to prioritise action on the identified risks based on our assessed degree of leverage to influence change. We will continue to monitor our exposure to these risks and seek to enact appropriate due diligence where possible to ensure our suppliers are addressing these risks.

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<sup>1</sup> This approach is based on best practice according to the [Commonwealth Guidance for Reporting Entities](#). Research sources for these risk factors includes: [The International Trade Union Confederation Global Rights Index](#), [The Walk Free Foundation Global Slavery Index](#), [ILO Global Estimates of Modern Slavery: Forced labour and forced marriage](#), [The US Department of State Trafficking in Persons Report](#), [The US Department of Labor List of Goods Produced using Child Labour or Forced Labour](#), and the [Verité Research on Risk in 43 Commodities Worldwide](#).

<sup>2</sup> As reflected in the KPMG [Financial services and modern slavery](#) guide 2021.

<sup>3</sup> As reflected in the KPMG [Financial services and modern slavery](#) guide 2021.

### Focusing on our internal human rights impacts

To contribute to an environment in our operations that is supportive of and actively promoting human rights, Fidelity Australia strongly upholds the values of diversity and inclusion. We have set objectives, targets, review cycles, and accountability structures to track our ongoing progress in order to:

- increase and celebrate the cultural diversity of our workforce- especially at senior levels,
- ensure our policies and company culture are inclusive to all sexual orientations and gender identities as a signatory to the UN LGBTIQ+ Standards of Conduct for Business,
- uphold accessibility and promote disability inclusion and wellbeing for our employees and
- address gender imbalances in both pay and leadership and support flexible working arrangements.

Fidelity Australia will continue to monitor workforce and operational risks, as well as increase our positive human rights impacts, as we continue to report under the Act.

### Assessing and addressing our supply-chain (investments) risks

As an investment fund manager our supply chain consists of our investments and investee supply chains. Following the reporting period, we conducted a retrospective risk assessment of our investments held on 30<sup>th</sup> June 2022 to determine the key likelihood risks of modern slavery occurring in our investee companies.<sup>4</sup>

#### What we found and what we are doing

##### Identified industry sector risk exposure:

- Heavy electrical equipment
- Apparel, accessories and luxury goods
- Coal and consumable fuels
- Leisure products
- Footwear
- Textiles
- Steel
- Building products
- Aluminium
- Agricultural products

##### Identified direct geographic risk exposure:

- China
- India
- Brazil
- Indonesia
- Malaysia
- Peru
- Argentina
- Mexico
- Kenya

The above list is not exhaustive of all sectors and geographies identified as a risk, but indicative of those calculated to be our highest investment risks. Most of these risks arise due to their exposure to potential modern slavery practices in manufacturing, construction, or raw material farming or extraction.<sup>5</sup> We note that many of our investees may not control the sites of risk exposure but have these risks in their own supply chains. We also recognise that modern slavery risks may exist in the supply chains of our holdings in low-risk geographies. However, we will take a risk-based approach that first seeks to engage with investees in known high-risk geographies. We take this into account when assessing *social* risk as part of our ESG assessments, and where relevant engage investees on their supply-chain governance. Due to our risk exposure through these investments, we determine that we are “linked to” these risks according to the UNGP framework.

#### Our approach to ESG due diligence: Fidelity Australia’s proprietary ESG rating approach

We undertake an in-depth assessment in a large portion of the companies we invest in (over 2000 companies) using our proprietary ESG V2 ratings. This assessment is part of our due diligence and is one of the inputs considered by portfolio managers ahead of making investment decisions.

We designed our own sustainable research solution in line with our established fundamental investment philosophy and tailored to the objectives of our clients. Although external ratings are useful, quantitative ESG ratings are designed in a way that frequently run risks of being misunderstood or misapplied, and widely varied ratings across different providers.

<sup>4</sup> This followed a similar methodology as our operational risk assessment, using the same external sources and considering geographic, industry and category risk.

<sup>5</sup> Each of these have been noted by the [ILO Global Estimates of Modern Slavery: Forced labour and forced marriage](#) as major industries for the occurrence of forced labour.

Key characteristics of our ratings are:

- insights from company meetings and engagements- not only public data,
- ratings are based on indicators are weighted depending on their materiality within their sectors, which means we have 127 sub-sectors with individual materiality maps.
- assessments based on the trajectory of company performance, whether improving, deteriorating or stable, ensuring our ratings are not biased to past performance,
- consider both quantitative and qualitative indicators as our analysts collaborate with the Fidelity International sustainable investment team to conduct research and apply ratings,
- embedding the principle of ‘double materiality’ alongside ‘financial materiality,’ which encourages external risk factors like modern slavery to be considered regardless of direct financial impact to the company, and
- our analysts assess risks under the social pillar of ESG risk, considering modern slavery risks where relevant or salient to the investee or industry risk profile,
- inclusion of up to 40 environmental, social and governance indicators, as well as additional custom indicators for certain industries such as fabless semiconductors, electric vehicles and nuclear power.

Our ratings include scores covering:

- environment,
- social,
- governance,
- overall ESG
- indication of trajectory

Specifically, to Modern slavery we capture the following metrics for employees and enablers (which includes supply chain):

Employee management	What is the management approach towards company’s employees? (Production/Operations)
Employee management - Diversity & Inclusion	What is the management approach towards Diversification and Inclusion of the company’s employees? (Production/Operations)
Enabler labour practice	What are the potential concerns regarding labour management of the company’s enablers? (Enablers)
Forced Labour (only for 2 sectors)	Enabler Labour Practice - Forced Labour
Child Labour (Only for 2 sectors).	Enabler Labour Practice - Child Labour

We will continue to develop our approach to integrating consideration of modern slavery risk within our proprietary ESG ratings.

**Investee engagement - identifying risks in the portfolio and remediating them**

Engagement with companies is key to identifying, mitigating and remediating ESG risks, and this includes modern slavery related risks. We use our corporate access, research capabilities and investment scale to promote change in issues such as modern slavery, environmental issues, supply chain management and tackling climate change. We seek to drive positive change through one-on-one dialogue, company meetings, shareholder resolutions, proxy voting and public policy. We engage with companies directly or we can also form coalitions with other investors with similar objectives to increase our influence and push for change.

### Case study 1 - Engagement with a consumer discretionary company in China

In 2021, we engaged with a consumer discretionary company in China to assess progress on increased disclosure on supplier audits and human rights assessment following an earlier letter sent to the board on the topic. The company had recently appointed a sustainability lead, initiating a review of their sustainability policies and procedures, including their supply chain management and human rights monitoring policies. While these initiatives were encouraging, we will continue to engage with the company to focus on effectively executing these plans and reporting on progress, which will be the focus of future engagements.

### Case study 2 - Engagement with palm oil company

We also engaged with a palm oil company as part of a collaborative initiative. Overall, during our conversations with the company it was very open with regards to discussing their current progress towards addressing human rights issues in the supply chain and their own operations. We noted that the company is aware of key issues and has undertaken several projects to improve transparency and mitigate risks. However, there are gaps that remain, and the nature of the industry makes 100% transparency challenging. Potential areas of improvement relate to the behaviour of smallholders, their buyers and suppliers; where a more structured risk assessment could help, as well as enhanced disclosure regarding instances of breaches and remedial action taken, which will be the focus of our future engagements.

### Case study 3 - Collaborative engagement through IAST APAC

We believe that in addition to direct company engagement, joining forces with like-minded investors can be an effective way of influencing companies. With this in mind, Fidelity became a founding member of Investors Against Slavery and Trafficking Asia Pacific (IAST APAC). IAST APAC comprises 37 investors with AU\$7.8 trillion in Assets Under Management (AUM) which seek to work with companies in the Asia Pacific region on how they can more effectively act on human rights risks within their operations, specifically focusing on modern slavery and labour exploitation in the supply chain.

Our Head of Sustainable Investment Strategy sits on the IAST Steering Committee and is the co-chair of the company engagement workstream and participates in monthly and quarterly meetings respectively.

You can read more about our engagement on our website [here](#). You can also find our 2022 proxy voting summaries on our website [here](#).

## Assessing our Effectiveness

We have included the following table of progress against stated commitments as a first step in monitoring our progress against commitments and intentions made in successive statements. Going forward, we will develop clear metrics to assess and monitor the effectiveness of our actions both through our operational (corporate spend) and supply chain (investments) risk exposure.

Commitment	Status
<b>Governance</b>	
<b>Effectiveness metrics</b>	
Develop goals to assess ongoing effectiveness in operations and supply chains.	Planned for FY23
<b>Responsibilities and accountabilities</b>	
Establish responsibilities for modern slavery compliance within Australian role descriptions.	Planned for FY23
Formation of a modern slavery working group to progress and coordinate modern slavery initiatives.	
<b>International collaboration</b>	
Continue to collaborate with international and UK-based teams to share resources, engagement findings, and resources on modern slavery risk.	Ongoing



<b>Awareness and training</b>	
<b>Internal training</b> Train our investment analyst teams and other relevant professionals in the definitions of modern slavery, relevance to the investment industry	Planned for FY23
<b>Collaboration and external engagement</b> Continue our involvement with IAST APAC	Ongoing
<b>Risk assessment, due- diligence and remediation</b>	
<b>Operations risk screening</b> Investigate opportunities to address risks within operations and operational suppliers	Planned for FY23
<b>Investment risk screening</b> Investigate standardised metrics to include in the next review of our proprietary ESG rating system, so that modern slavery risks are captured in a more systematic way.	Planned for FY23
<b>Procurement risks</b> Monitor our exposure to procurement product and service risks and seek to establish appropriate due diligence where possible.	Planned for FY23
<b>Grievance and remediation</b>	
<b>Grievance reports</b> Investigate the existing reporting mechanism and global chain of responsibility for concerns raised in relation the Australian business or suppliers. In relation to the above, seek to have access to and report on any relevant breaches or concerns raised.	Planned for FY23
<b>Grievance best practice</b> Monitor best practice guidance for grievance and our responsibility to provide remediation where appropriate	Planned for FY23

We look forward to continuing our progress toward mitigating modern slavery and providing updates on our progress as we continue to report under the Act.

