

# Ausbil's 2020 Statement on the Modern Slavery Act (2018)

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This statement has been approved by the Board of Ausbil Investment Management on 23 June 2021.



**Ross Youngman**  
Chief Executive Officer  
Director

23 June 2021



**Mark Knight**  
Director

23 June 2021

# Preamble

## **Ausbil ESG: Our commitment to ESG and combatting modern slavery**

At Ausbil Investment Management Limited (Ausbil), we integrate ESG (environmental, social and governance) factors for better-informed investment decisions. In doing so, we take an active approach to engagement and ownership.

We believe that the integration of ESG research, with active engagement, can help identify mispriced securities in an active investment approach, more holistically assess a company's earnings sustainability, drive long-term value and reduce the risk of value destruction. For these reasons, Ausbil has integrated ESG in the investment process for our investment funds and institutional mandates.

Our interest in helping to identify, assess and combat incidences and risks of modern slavery in supply chains is long-standing. Our fundamental involvement in the evolution of modern slavery approaches in investment, and in active consultation during the development of the Modern Slavery Act (MSA, Act), culminates in this Statement, which reflects how we operate our own business with respect to the risks of modern slavery, and how we invest and manage money on behalf of our clients.

In Ausbil's world, there are two universes of MSA risk exposure: (1) the universe of companies in which we invest the portfolios we manage (an area where we have developed significant ESG practice expertise since 2015), and (2) Ausbil's immediate supply chains. In general terms, it is worth noting that to date, we have focused on the risk of slavery in domestically listed companies in which we invest on behalf of our clients as investment managers, as opposed to Ausbil's supply chains as an investment manager. That said, Ausbil has focused on both aspects of our operations as part of our analysis and efforts with respect to human rights risks in supply chains. In 2019, we established a Sustainability Committee with jurisdiction over sustainability matters, including considerations like modern slavery.

Our aim as a leader in ESG is to help develop and implement approaches to identifying, measuring, reporting and eradicating risks from modern slavery and human rights abuse across domestically listed companies that comprise our investment universe. We seek to achieve this through our active approach to advocating and engaging on ESG risks, at the executive level and with the boards that drive these companies. We have also developed extensive proprietary research systems to identify and manage any such risks in our own supply chains. All our approaches in this regard are dynamic and evolving, and we intend to report on developments in this and subsequent Statements.

The idea of risk assessment is to identify not just companies where there is evidence of modern slavery, but also where evidence may not be apparent. We see risk in this context as human rights abuse and modern slavery within our operations and supply chains. This is how Ausbil approaches our risk assessment. In our engagements, we promote an active approach with companies to review, analyse and audit their supply chains so they can be clear if there is MSA risk or not. As with all of our work in ESG, work on modern slavery is dynamic and ever evolving.

To read more about Ausbil's approach to ESG, including modern slavery, visit [www.ausbil.com.au/research-insights/esg](http://www.ausbil.com.au/research-insights/esg)

## **A voluntary basis**

Ausbil has chosen to submit this Statement on a voluntary basis. While not mandatory by the requirements of the Act, Ausbil is seeking to apply this best-practice approach to our business process. In our analysis and reporting for the Statement, we note that Ausbil's financial reporting year runs from 1 January to 31 December, a calendar year reporting cycle. References to FY (financial year) in this report are therefore for the year closing 31 December 2020.

## **Formal adoption**

Ausbil formally adopted this Statement on Modern Slavery unanimously by board resolution on 23 June 2021.

## **Submission**

This Statement has been formally submitted to the Australian Border Force as a voluntary statement.

# Statement on Modern Slavery

## Statement on Modern Slavery

The *Modern Slavery Act (MSA)* was enacted in 2018 in Australia to legislate standards and guidelines for reporting on the incidence and risk of modern slavery in the supply chains of Australian companies. Statements on Modern Slavery (Statement/s) are mandatory for some companies, and must meet the requirements laid out in the MSA (2018). Compliance with the requirements of the MSA, including the management of a Statements register, falls under the responsibility of the Australian Border Force, part of the federal Department of Home Affairs.

The following Statement follows the seven-part structure for reporting as described in the guideline, *Modern Slavery Reporting – Guide for Investors*, as published by RIAA (Responsible Investment Association Australasia) and ACSI (Australian Council of Superannuation Investors), and co-authored by Ausbil's Head of ESG Research, Måns Carlsson. This guide is based on the government guidance, *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*, for which Ausbil was the only investment manager asked to consult on development. Each of the seven headings take their wording from the legal requirements as expressed in the Act.

The Australian Modern Slavery Act (2018) defines modern slavery, as noted in Figure 1. Ausbil applies the same definition for modern slavery as outlined in the Act. We also endeavour to monitor other human rights abuses in labour relations across supply chains that do not meet the definition of modern slavery, including issues such as sexual harassment, discrimination, sub-living-standard wages, unfair contracts, occupational health and safety, culture and many other ESG issues that impact the working and personal lives of individuals and their rights.

**Figure 1: Modern slavery defined**

### 4. Definitions

Modern slavery means conduct which would constitute:

- (a) an offence under Division 270 or 271 of the Criminal Code; or
- (b) an offence under either of those Divisions if the conduct took place in Australia; or
- (c) trafficking in persons, as defined in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, done at New York on 15 November 2000 ([2005] ATS 27); or
- (d) the worst forms of child labour, as defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999 ([2007] ATS 38).

Note: In 2018, the text of international agreements in the Australian Treaty Series was accessible through the Australian Treaties Library on the AustLII website (<http://www.austlii.edu.au>).

Source: Modern Slavery Act (2018)

# Statement on Modern Slavery

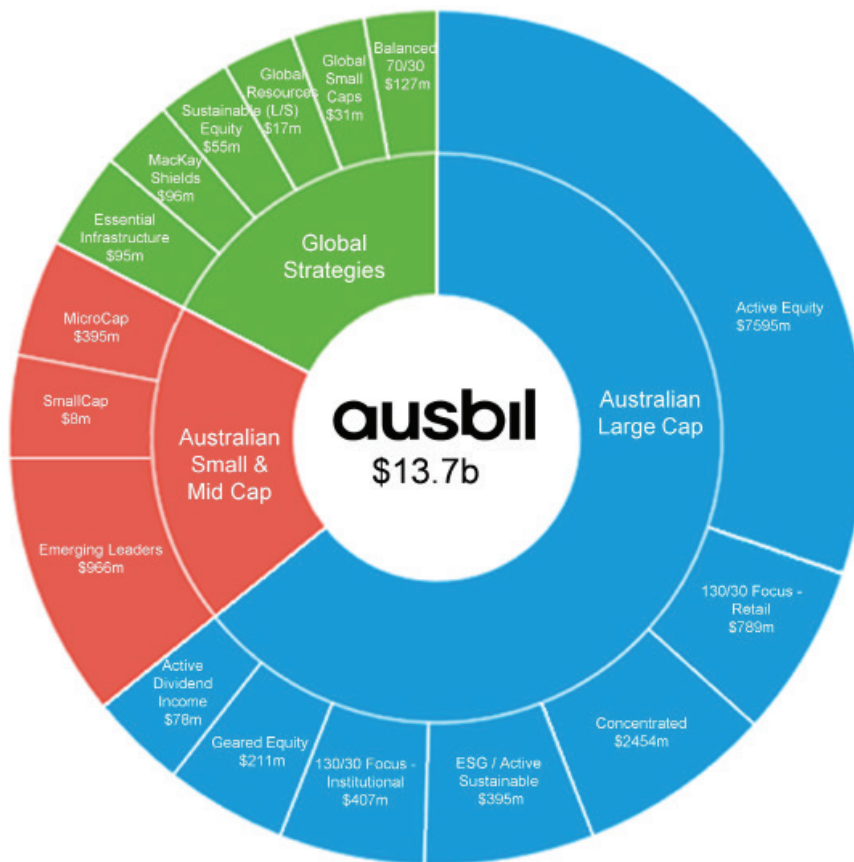
## 1. Identify the entity that is reporting, MSA (2018) s16(1)(a)

The reporting entity is Ausbil Investment Management Limited (Ausbil). This Modern Slavery Act statement is provided on a voluntary basis and covers Ausbil’s financial year (1 January 2020 to 31 December 2020). This Statement has been produced on a voluntary basis as Ausbil is not captured by the minimum reporting requirement set out in the MSA which requires that entities with revenue of at least A\$100 million provide a complying Statement. Ausbil, as part of our ESG approach, wishes to establish this Statement on a best-practice basis, for the benefit of our clients, and in support of the spirit and intention of the MSA.

## 2. Describe the structure, operations and supply chains of the reporting entity, MSA (2018) s16(1)(b)

Ausbil is a leading Australian based investment manager with over \$13.7 billion in assets under management (as at 31 December 2020), as outlined in Figure 1. Established in April 1997, Ausbil’s core business is the management of Australian and global equities investments for major superannuation funds, institutional investors, master trust and retail clients.

Figure 1: Ausbil AUM by strategy



Source: Ausbil, \$A millions as at 31 December 2020. Not to scale.

# Statement on Modern Slavery

Ausbil is owned by its employees and New York Life Investment Management (NYLIM), a wholly-owned subsidiary of New York Life Insurance Company. As part of this affiliation, NYLIM owns interests in a range of other investment managers, including Candriam and MacKay Shields, whose strategies have been made available to Australian investors through sub-adviser arrangements with Ausbil.

In 2019, Ausbil established the Ausbil Sustainability Committee to assist Ausbil's Executive Committee in implementing the Company's strategic Sustainability Goals and assist in oversight, monitoring and review of the Company's practices, including:

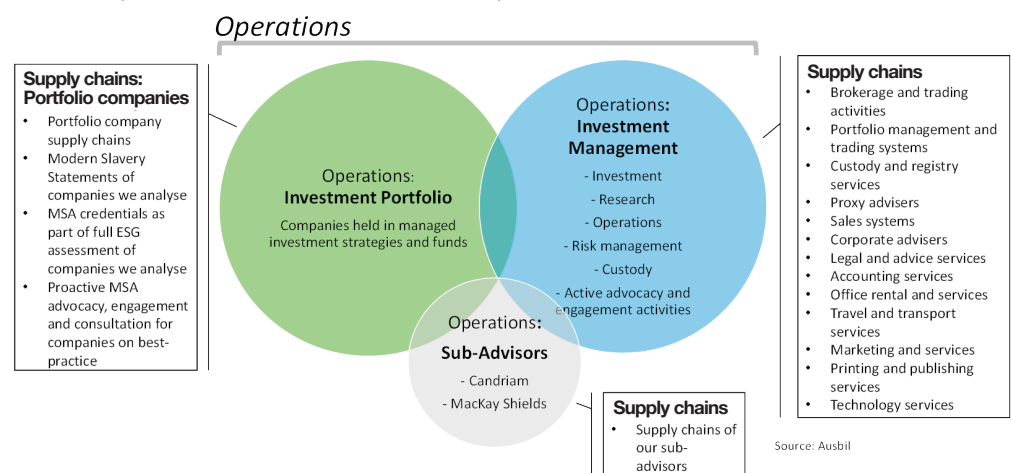
- sustainable procurement,
- minimisation and management of environmental risks and impacts,
- to demonstrate community and social responsibility, and
- model best practice in workforce management.

The Charter for the Sustainability Committee governs the composition, role, operations, responsibilities and authority, and resources of the committee. The committee comprises members from all areas of Ausbil and aims to meet monthly at a minimum or more frequently on a needs basis. The committee is chaired by a member of Ausbil's ESG Research Team, and includes the Chief Executive Officer, ESG Research Team, Chief Financial Officer and the Head of Equities Research.

For the purposes of understanding Ausbil's operations, Figure 2 outlines the key areas that form Ausbil's activities, and their supply chains.

Figure 2: Ausbil's business

## Ausbil: Spheres of influence and exposure



# Statement on Modern Slavery

Ausbil is in the privileged position as an investment manager to engage and potentially impact positively across our own supply chains, and to review and positively impact upon the supply chains of the companies we research and analyse in our work. Figure 2 illustrates how we break down our own supply chains, and how through our investment portfolios we are able to advocate and engage with Australia's largest companies on the MSA, in relation to the transparency, reporting and the quality of their own supply chains. To this end, through our equity holdings in these companies, we are often able to exert material influence for improvement and change. This is a role we take seriously, and in which we invest significantly through the work of our ESG Research Team, and our broader team of analysts who have integrated ESG, including human rights risk assessments, in their investment decision making at Ausbil.

For the purpose of this Statement, Ausbil has adopted the following general definitions in describing our business, and how it works.

**Operations.** Ausbil's core operational activity is managing investments on behalf of institutional investors, superannuation funds, master trusts, wholesale and retail clients. As part of this, our operations include the construction of investment portfolios for clients, and there may be modern slavery risks in the supply chains of the companies included in these portfolios. While Ausbil is not the beneficial owner of these assets (clients are), we are responsible for measuring and managing the risks in these portfolios. In addition to our own investment management operations, we have some products that are managed by sub-advisers to Ausbil, whose supply chain risk are relevant to Ausbil's operations, as detailed in our response to Part 4 in this Statement.

**Supply Chains.** In Ausbil's operations as an investment manager we also have supply chains. These supply chains consist of any supplier that forms part of Ausbil's operational procurement activities across our business from the payment of brokers to the rental of premises. These suppliers are summarised in Figure 2 above.

## Operations

Ausbil's core activity is the provision of active investment management services to clients through trust, mandate and separate account structures. We are an active investment manager which simply means that we invest in portfolios of companies that we believe have the best chance of generating a performance that exceeds the performance of the market, typically measured against a benchmark index.

## Supply Chains

In the expression of our investment approach, and in the operations of Ausbil, we engage with multiple suppliers. Ausbil has over 350 suppliers registered in our accounts as part of Ausbil's overall supply chain. This includes ongoing, contractual and one-off suppliers. Table 1 illustrates the approximate range of spend by supplier type.

Table 1: Table of analysis of supplier spend by type

Expense type	Percentage of total spend (%)
Asset and portfolio management services	85%
Software licenses and subscriptions	5%
Professional services	5%
Office-based products/services	3%
Information technology / hardware and software	1%
Hotels, travel and hospitality	1%
Other services	1%

Source: Ausbil, may not add to 100% due to rounding.

# Statement on Modern Slavery

## 3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls, MSA (2018) s16(1)(c)

### Operations

Across Ausbil's investment management operations and portfolios, the risk of modern slavery and our approach to mitigation and risk reduction are led by the work of Ausbil's ESG Research Team. Ausbil's proprietary ESG research covered 241 domestically listed companies in this Statement year, and includes individual ESG scores as well as extensive risk analysis from an ESG and MSA perspective. Ausbil has developed major proprietary ESG scoring models for overall ESG scoring, ESG momentum scoring, carbon risk exposure scoring, and dedicated modern slavery risk scoring. This research yields detailed quantitative and qualitative data that is extensively deployed in the risk assessment of companies in this ESG coverage.

Ausbil's ESG integration also includes an extensive ESG engagement program with companies, including engagements on modern slavery and other human rights. As part of this ESG research, Ausbil has developed an extensive proprietary risk analysis tool that covers modern slavery and other human rights risks. This tool is central for Ausbil's own due diligence and risk assessment, and the analysis and assessment of this risk in the companies we analyse. Ausbil has a long track record on engaging with companies, government entities and other stakeholders on modern slavery.

Ausbil's modern slavery risk assessment focuses on two key aspects for companies held in investment portfolios, risk exposure and risk management.

### Assessing company MSA risk exposure

Ausbil's starting point is the assumption that many companies have the potential to find themselves exposed to some element of modern slavery risk in their operations and / or supply chains, even if they are not aware of it, have never considered it, or have failed to detect such risks themselves. Risk in modern slavery is, therefore, in our view, a relative rather than an absolute risk measure. Our approach is to review, measure and assess such risks and, where possible, prompt companies to design and develop mitigation strategies for unwinding the existence of this risk in their supply chains.

Ausbil's analysis covers more than 200 domestically listed companies (241 companies were rated as of 31 December 2020), covering large, medium, small and micro-sized companies.

Central to Ausbil's assessment of risk exposure is to have a wide human rights perspective rather than just focusing on a tight definition of modern slavery in isolation. In our view, there is often a fine line between what legally constitutes modern slavery as defined in the Modern Slavery Act (Figure 1), and other types of exploitative labour conditions. Modern slavery often stems from poor underlying working conditions.

This became particularly apparent during the COVID-19 pandemic. For instance, garment workers in Bangladesh, where Ausbil's Head of ESG Research has undertaken a field trip for primary research purposes, were facing exploitative working conditions that did not technically qualify as 'modern slavery' conditions prior to the pandemic. During the pandemic, changes in conditions from the external shock of COVID-19 has seen the conditions for many of these garment workers reach modern slavery definitions due to new types of bondage created by employer loans and their onerous conditions. This example highlights the fluid nature of slavery and bondage in supply chains, and the need for vigilance.



# Statement on Modern Slavery

At Ausbil, human rights risk exposure is assessed based on a wide range of factors, including:

- the geographical location of an entity's operations and supply chains;
- the structure and dynamics of the industry in which a company operates;
- the extent of vulnerable workers in the industry / the supply chain;
- the length and complexity of the supply chain; and
- the products and services provided, to name the main factors.

This information comes from a wide range of sources, including: companies' sustainability reports, annual reports, conversations with company management, other public information issued formally or informally by a company. The analysis also draws on outputs from the Global Slavery Index<sup>1</sup>, Transparency International's Corruption Perception Index<sup>2</sup>, and various other human rights indices.

## **Assessing risk management of MSA risk**

The second part of Ausbil's approach is the assessment of a company's risk management approach to modern slavery and other human rights abuses in the supply chain. This is based on assessment of the adequacy and maturity of a company's risk management of wider human rights issues, including modern slavery, in its operations and supply chains. We add to this a mosaic of information sources external to the company that aim to illustrate and rate the true risk of modern slavery faced by each company. This assessment also includes each company's intent, track record and capability to manage these risks. In assessing companies across the two dimensions of risk exposure and risk management, Ausbil can assess and prioritise our active engagement to maximise our impact in helping reduce and eradicate modern slavery and human rights abuse in supply chains.

## **The output of our risk assessment**

The output of our risk analysis is detailed qualitative analysis of companies on the risks and threats in their supply chains. This feeds into a risk-scoring system that quantifies these extensive qualitative inputs.

Ausbil's proprietary Human Rights and Modern Slavery Risk Assessment Model (HR&S Risk Model) provides the tool for assessment of a company's risks, using multiple inputs from both company and external sources, and significant data from Ausbil's ongoing active ESG engagement program. Each company is scored for risk across its own business, and risk in both its key supply chains, and the supply chains to those supply chains. This gives Ausbil insight as to where the primary risk resides, how to look at secondary level risks, and contributes to a company's overall risk score.

Based on our assessment of S&P/ASX 200 companies, our HR&S Risk Model shows that a majority of companies (64%) have primary risks within the second tier of suppliers that is, in the supply chains to their key supply chains. At the primary supply chain level, 32% of companies show material risks. Of the companies analysed, 4% show primary risks immediately within their own operations even before assessment of their supply chains, and the supply chains below these.

Of the top-200 companies, according to our model, some 3% are estimated to reside in the highest MSA risk exposure category, followed by 11% in the second highest risk category, 19% in the third, 43% in the fourth and 24% being in the lowest risk category. As noted at the outset, the existence of risk does not necessarily mean the existence of modern slavery, however we would expect that any risk necessitates a review by a company to identify the nature of this risk, and to determine if modern slavery exists in their supply chains.

1. Global Slavery Index: <https://www.globalslaveryindex.org/>

2. Corruption Perception Index: <https://www.transparency.org/en/cpi/2020>

# Statement on Modern Slavery

From the perspective of risk management approaches to MSA risk in their operations and supply chains, our model estimates that only 1% of companies in the S&P/ASX200 can be described as having a strong or very mature risk management approach. Unfortunately, 30% are deemed by Ausbil as weak or immature in their approach to transparency and reporting of any modern slavery risk in their business and supply chains.

This assessment enables Ausbil to measure risk by portfolio versus benchmark and measure and assess changes by companies over time. It also helps Ausbil guide the engagement activities as we have outlined in this document.

## Supply Chains

Ausbil conducted an assessment of modern slavery risks in its supply chain in 2020. The goal was to identify which suppliers to Ausbil have the most significant risk to modern slavery and human rights more broadly, and identify if they have risk management policies in place to manage this risk. From this, a risk assessment was undertaken across suppliers to determine a strategy moving forward. This process was managed by the Ausbil Sustainability Committee, which has oversight of a range of ESG and cultural issues at Ausbil. In parallel, Ausbil has been developing explicit internal policies, including a Supplier Code of Conduct to influence the composition of suppliers moving forward.

In Ausbil's review of the supply chain, the Sustainability Committee analysed all of Ausbil's suppliers (as summarised in Table 1) with the aim of completing a full risk assessment, ascribing three levels of risk to suppliers (high, medium and low risk). Ausbil prioritised our review by focusing primarily our efforts on high and medium risk suppliers. To begin the engagement process, we have conducted online research of publicly available human rights policies (and similar) as issued by our suppliers, and supplementary information, such as online articles, NGO reports, and negative online criticism to help construct a profile of each supplier with respect to the risks of modern slavery, and related human rights issues. Supply chain risk assessment remains an ongoing task at Ausbil, and we intend to update the outcome of our yearly periodic supplier assessment in subsequent MSA Statements. To date, Ausbil has not uncovered any instances of suspected modern slavery risks in our supply chain.

Ausbil introduced the Supplier Code of Conduct Policy in 2020, which will be used to engage new and existing suppliers. Initially, this will be distributed to new and existing suppliers categorised as high risk. Ausbil will manage suppliers taking into account the Supplier Code of Conduct, and look to replace suppliers where deemed appropriate. In 2021, we aim to build on our existing assessment of high to medium suppliers, formalise our criteria used to scrutinise the level of risk management implemented by our suppliers, establish formal engagement with key suppliers, and distribute our Supplier Code of Conduct. In addition, we plan to train our whole workforce on how to identify and manage risks associated with modern slavery / human rights violations in both our investments / operations, and offer specific training for our procurement team.

# Statement on Modern Slavery

## 4. Describe the actions taken by the reporting entity (and owned or controlled entities) to assess and address those risks, including due diligence and remediation processes, MSA (2018) s16(1)(d)

### **Operations**

Ausbil believes investment managers have an important role to play through engagement with investee companies on the issue of modern slavery, a key segment of the full spectrum of ESG issues. In particular, Ausbil believes effective engagement on modern slavery and other human rights risks can encourage, and in some cases compel, companies to adopt measures that are considered best-in-class in order to minimise the risk of modern slavery and other human rights abuse in the supply chain. We also believe we have a role to play as investors through advocacy, both with peers, the wider investment industry, businesses, governments and other stakeholders as modern slavery is a systemic risk.

We have augmented our thinking and honed our approach through primary research experience via field trips where we have witnessed, first hand, the impact of human rights abuses in supply chains on the lives of those involved. Such field trips, particularly in South-East Asia, have seen representatives from Ausbil's ESG Research Team visit supplier factories, unions, NGOs and other stakeholders to observe and learn what constitutes best practice in supply chains, and signposts that constitute a warning that there could be problems in a supply chain.

Well before the MSA was enacted, Ausbil had taken the initiative to write and publish an investor statement on modern slavery, in 2016. Ausbil's original statement pre-dates the MSA legislation and was drafted prior to any guidance, and focuses on the key issues of highlighting and eradicating modern slavery. Ausbil's 2016 statement can be read here: <https://www.ausbil.com.au/research-insights/research/ausbil-statement-on-slavery>.

Ausbil operates within an annual ESG engagement plan, which has included human rights and modern slavery for many years. Engagement and advocacy on modern slavery and human rights issues is not new for Ausbil, and we have a proud history of engaging on these issues, including the following highlights.

### **Consultation with government**

Ausbil had significant consultation with the Australian government in the lead up to the passing of the Modern Slavery Act. Ausbil was also on a panel of experts advising and assisting the government on the guidance for the Act. In addition, Ausbil is currently on a panel of experts advising the Australian government on the effective implementation of the Act.

### **Engagement with industry**

Ausbil is an active member (and at the time of writing, the chair) of the Human Rights Working Group of the Responsible Investment Association Australasia (RIAA) and was a co-author with RIAA of an investor toolkit on human rights in the supply chain. This toolkit helps investors to identify modern slavery and other human rights risks and provides practical ideas on how to engage with companies on these issues. The RIAA guide can be read here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/HRWG-Investor-Tool-Kit.pdf>.

Through RIAA's Human Rights Working Group, Ausbil was also a co-author of a joint publication between RIAA and ACSI (Australian Council of Superannuation Investors) that acts as a supplementary guide for investors how to report against the Modern Slavery Act. This guide can be read here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/1911-ACSI-RIAA-Modern-Slavery-Reporting-Guide-for-Investors-November-2019-UPDATED.pdf>.

Ausbil is a signatory of the Investor Statement on Bangladesh and is a member of the Investor Alliance for Human Rights, non-profit NGOs focused on highlighting, acting and eradicating modern slavery. The Investor Statement on Bangladesh can be read here: <https://www.ausbil.com.au/research-insights/research/investor-statement-on-the-4th-anniversary-of-the-r>.

# Statement on Modern Slavery

## ***Engagement with individual companies***

Over several years, Ausbil has actively engaged with company management and boards on the issues of modern slavery and other human rights issues. These engagements are summarised annually in the context of Ausbil's Annual ESG Engagement and Advocacy Report, which is publicly available and can be found at: <https://www.ausbil.com.au/research-insights/esg>.

Ausbil has spoken at major industry events, reaching a wide range of companies (and maintains an ongoing speaking engagement program), encouraging transparency and action on modern slavery, why modern slavery is important to investors, and specific actions companies can take to mitigate the risk of human and labour rights abuse and modern slavery in their supply chains.

During the 2020 relevant Statement reporting period (1-year), Ausbil continued its engagement and advocacy activities.

In 2020, Ausbil joined the steering committee of a new investor initiative on slavery called Investors Against Slavery and Trafficking – Asia Pacific (IAST-APAC), which is a coalition of 20 investors representing over \$4.9 trillion in assets under management. Ausbil co-drafted an investor statement through IAST-APAC which was sent to all S&P/ASX 100 companies. This statement outlines why modern slavery is more than just an ethical issue for investors, where key risks are typically found, and provides a list of suggested actions companies can take to reduce the risk of slavery in their operations and supply chains. The statement can be read here: <https://www.ausbil.com.au/Ausbil/media/Documents/Research%20and%20Insights/2011-IAST-APAC-Statement-of-Investor-Expectations-on-Modern-Slavery-Risk.pdf>.

During the Statement year, Ausbil held 40 individual company engagements discussing the topic of responsible sourcing, including modern slavery and other human rights issues in the supply chain. These meetings were typically with executive management or company boards, often with sustainability and investor relations specialists from these companies. These meetings varied in scope and depth, but form part of a matrix of rolling meetings over time that capture not just snapshots but the trackable evolution of companies and their efforts in highlighting, reporting and eradicating modern slavery and human rights abuses in their supply chains.

Ausbil has presented at many events in regards to modern slavery and other human rights issues during 2020, reaching a wide range of stakeholders, including listed companies, industry bodies, institutional investors and other key stakeholders. More detail on these presentations can be found in Appendix 1.

As discussed above, in 2020, Ausbil's risk identification and engagement activities focused on S&P/ASX 200 listed companies because this represents the vast majority of Ausbil's funds under management, and the dominant source of exposure to any slavery of human rights abuses in the supply chain.

# Statement on Modern Slavery

Outside of the top-200, Ausbil manages down the Australian market-cap spectrum, and across a range of global strategies, including global resources, listed infrastructure and global small-cap markets. These are relatively new funds operations for Ausbil, though they are all covered by the reach of our ESG approach, which requires the integration of ESG considerations across all of our investment strategies.

Ausbil believes engagement is the key action that investors can take to drive positive change and combat the risk and very existence of modern slavery. We believe active and informed engagement is the most effective way to engage through our channels as an investment manager. Engagement is our preferred course of action as it ensures we remain in communication with all companies, even if we are not currently invested in them because of modern slavery risk.

While engagement is the preferred action, Ausbil also manages a number of portfolios with an investible universe that has been screened on ESG grounds. One such strategy is Ausbil's Active Sustainable Share Fund. This strategy removes from the investible universe any company that is deemed to have insufficient ESG risk management in place, which could relate to human rights or modern slavery, and many of the other ESG factors we track in detail across our portfolios.

In our investment operations, Ausbil will continue to have in-depth and practical conversations with companies in our portfolios about modern slavery and what companies can do to mitigate this risk going forward. These engagements will be through individual company engagement, as well as collaborative engagements with other investors and organisations, such as those we have undertaken in collaboration with IAST-APAC. Ausbil also intends to accelerate engagement plans for global equity portfolios in 2021, and we are considering potential strategies for the future.

## Supply Chains

In terms of Ausbil's own supply chain, the risk assessment of suppliers conducted in 2020 is being followed-up with a contact program in which Ausbil is sharing the Supplier Code of Conduct, and our expectations in this area. We are also contacting any high risk suppliers as identified in our risk assessment to engage further on their approaches to the MSA and risk assessment. These actions are ongoing and will be reported in the subsequent Statement covering action taken in 2021.

Additionally, through our major shareholder, New York Life Investment Management (NYLIM), Ausbil is affiliated with investment managers, Candriam and MacKay Shields, who act as sub-advisers to Ausbil funds so that investors in Australia can access their investment strategies. As sub-advisers, from a risk perspective, Ausbil is also exposed to any modern slavery and broader ESG risk within the operations of these sub-advisors. As part of our risk assessment and review with respect to the MSA, Ausbil will commence a project in 2021 to ascertain if there are any risks through these sub-advisor relationships, the outcome of which will be reported in our 2021 Statement. Both sub-advisors are signatories to the Principles for Responsible Investments (PRI).

# Statement on Modern Slavery

## 5. Describe how the reporting entity assesses the effectiveness of such actions, MSA (2018) s16(1)(e)

### Operations

Ausbil believes engagement with companies on the issue of modern slavery and human rights is the key. Positively, many companies have responded to engagement activities, including specific requests by Ausbil. However, currently, there is not enough data to make an informed view on the broader effectiveness of Ausbil's engagement activities on modern slavery, as we are still building out our databank on which future assessment can be undertaken. Ausbil's HR&S Risk Model is updated dynamically with new information across the company coverage we have. Developments and data that are available on risk and mitigation will help prioritise our advocacy and engagement moving forward.

### Supply Chains

As with companies, Ausbil believes engagement with suppliers is a crucial platform for improving modern slavery reporting, risk assessment and mitigation. Ausbil's engagement and risk assessment of suppliers is ongoing in 2021. Ausbil will measure the effectiveness of the approaches to our own supply chain risk that were introduced in early 2020. This will include: a) monitoring supplier progress; and b) tracking signed Supplier Code of Conducts as part of our information program for suppliers. Non-compliance with these requirements could see a supplier terminated where they do not show adequate review, transparency and compliance with our requirements regarding modern slavery, and human and labour rights in their supply chains, and the supply chains of their suppliers.

## 6. Describe the process of consultation with: (a) Any entities that the reporting entity owns or controls; (b) In the case of a joint statement, entities giving the statement, MSA (2018) s16(1)(f)

This criteria does not apply to Ausbil.

## 7. Include any other information that the reporting entity considers relevant, MSA (2018) s16(1)(g)

Ausbil is not aware of any further information considered relevant to the MSA other than that provided in the answers above.

## 8. Provide detail on approval of the statement, MSA (2018) s16(2)

Ausbil formally adopted this Statement on Modern Slavery unanimously by board resolution on 23 June 2021.

# Appendix 1

## Appendix 1

Details of presentations by Ausbil on Modern Slavery in FY20:

- A presentation on the KPMG/Banarra panel on risk to humans together with the Australian Banking Association and the Australian Human Rights Commission.
- Ausbil presented at the Australian Investor Relations Association (AIRA) conference, including a presentation about IAST-APAC and investors' expectations on modern slavery reporting and actions going forward. The event was attended by a large number of ASX200-listed companies.
- SEDEX Conference Asia-Pacific: Ausbil was a panellist at a conference in Asia-Pacific focused on investors' views on the importance of sustainability. SEDEX is a membership organisation, and includes a large number of Australian retailers that collaborate on management of human rights risk through sharing factory audit data. Ausbil also presented to SEDEX's Australian member base on a separate occasion in 2020. The presentation also covered investor engagement strategies as well as key actions investors would like companies to take to address human rights risks in operations and supply chains.
- Podcast with FAST on modern slavery from an investor perspective: Ausbil recorded a podcast with FAST (Finance Against Slavery and Trafficking), alongside other investors in regards to modern slavery from an investor perspective, including the role that engagements can play and how investors can engage more effectively on this systemic issue.
- Conference: Bali Process on Business and Human Rights. Ausbil participated in the Financial Sector Consultation and Innovation Session in the Bali Process Government and Business Forum, which is a major conference focused on modern slavery and trafficking, including government, businesses, investors and the financial sector. At the conference, Ausbil outlined investor views on modern slavery, and how reporting alone will not move the dial on the issue. Investors should encourage companies to adopt best practice to tackle the issues instead of providing band-aid solutions.
- Ausbil presented on updates about the Modern Slavery Act at RIAA's (Responsible Investment Association Australasia) Human Rights Working Group and was also appointed as the new incoming chair for the Human Rights Working Group in 2021.
- Webinar: Elevate – human rights from an investor perspective. Ausbil presented at a webinar on human rights risk from an investor perspective, hosted by Elevate. The audience was a large group of investors from the Asia-Pacific region. The presentation and discussion focused on how human rights is embedded in the ESG research and investment process, and key engagement points to drive better human rights risk management in the entities in which we invest.
- Presentation by Kevin Hyland OBE: Ausbil presented the investor perspective on modern slavery and hosted a presentation by Kevin Hyland OBE at our offices. Following 30 years in policing, including leading London's Human Trafficking unit, in 2014, Hyland was appointed the UK's first independent Anti-Slavery Commissioner, serving with distinction until 2018.

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