

Modern Slavery Statement

1 Introduction

This Modern Slavery Statement is prepared by Australian Foundation Investment Company Limited (ACN 56 004 147 120) (**AFIC** or the **Company**) pursuant to the requirements of the Modern Slavery Act 2018 (Cth). The Statement covers AFIC and its subsidiary Australian Investment Company Services Limited (**AICS**). It describes the risks of modern slavery practices in the operations and supply chains of AFIC and AICS, and the steps we are taking to minimise those risks. The reporting period for this Statement is 1 July 2019 to 30 June 2020. In preparing this Statement, we have had regard to the Modern Slavery Act 2018: Guidance for Reporting Entities.

1.1 About AFIC

AFIC is a listed investment company investing in Australian and New Zealand equities. The Company aims to provide shareholders with attractive investment returns through access to a growing stream of fully franked dividends and growth in capital invested.

Our Purpose

"As trusted stewards of our shareholders' interests our purpose is to deliver attractive investment returns from the Australian and New Zealand equity markets, with less volatility and at a very low cost".

Values

To deliver on our purpose we are guided by the following qualities:

- Professionalism, Passion and Experience
- Integrity
- Respect
- Collaboration

1.2 Our Structure & Operations

AFIC is a listed public company with one subsidiary, AICS. AFIC in turn is owned by approximately 155,000 shareholders.

Our operations

AFIC has been operating since 1928. We invest in quality Australian and New Zealand companies that provide our shareholders with a growing stream of fully franked dividends and capital growth over time.

AFIC invests directly in (primarily) large companies listed on the ASX and NZX. It holds a diversified portfolio and each holding is unlikely to qualify as a substantial holding (i.e. above 5% of share capital) in the investee company.

AICS undertakes the day-to-day administration of AFIC's investments and its operations, including financial reporting, whilst the AFIC Investment Committee, through powers delegated by the Board, reviews and approves investment transactions. AICS holds an Australian financial services (AFS) Licence (303209).

AICS has one office, located in Melbourne, Australia, and employs approximately 20 people.

Our supply chain

The services that AFIC and AICS utilise are office-based, and relate to the purchase of products and services needed for the business's day-to-day operations. These products and services include office supplies, the employment and training of staff, external legal advice, the leasing of office space which includes office cleaning, IT infrastructure, and support services and travel.

Our supply chain in relation to these services consists on the whole of other regulated professional services firms and companies based in Australia.

Our relationships with the above-mentioned suppliers are typically structured on a longer term basis, with the remainder of transactions completed on an ordinary retail basis.

1.3 Modern slavery risks in our operations and supply chain and how we address these risks

Our operations

We are committed to complying with relevant local and national laws, community expectations and ethical standards related to human rights and modern slavery in respect to our employees and our business operations. The majority of the AICS employees are on permanent employment arrangements and we have not traditionally engaged contractors. We are committed to ensuring our employment conditions meet at least minimum wages, appropriate hours of work and leave provisions, as well as the ability to sustain the health, safety and wellbeing of our employees, and visitors.

Our supply chain

AFIC considers its supply chain to be low risk in relation to modern slavery with a majority of transactions occurring on a retail basis with no formal agreement in place. In circumstances where longer term relationships are in place, we will engage with those suppliers on the issue of modern slavery risks. Prior to entering into any material relationship with a supplier we will conduct appropriate due diligence.

How we assess and address modern slavery risks in the companies in which we invest

The Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities states that "an investment firm is not required to individually monitor or report on each of its investees and their operations and supply chains".

Although the companies in which AFIC invests do not form part of our supply chain, we operate a responsible investment policy that includes environmental, social and governance (ESG) issues as an important part of the investment process. In this respect, the risk of modern slavery would be included within the meaning of "ESG" in this investment process.

We expect the companies in which we invest to meet their legal and social obligations in a manner which ensures their businesses generate sound returns over the long term. Companies that have a negative effect on society risk exposure to litigation, regulatory enforcement, reputation and brand integrity damage, and potentially under-perform over the long-term.

As stated above, AFIC primarily invests in large companies listed on the ASX and NZX. As a result, AFIC is limited in what information it has access to and in its ability to exercise control over the investee company. AFIC typically invests in large companies domiciled in Australia who are quite likely to produce their own modern slavery statements, and these will provide a useful insight into their approach to (and potential exposure to) modern slavery in their operations and supply chains.

2 Controls to address the risk of modern slavery in our operations and supply chains

In summary, as an Investment Company with a small office and an office-based supply chain it is the Board's opinion that the risk of modern slavery is relatively low.

AFIC has processes in place to identify and manage the risk of modern slavery in its operations and supply chains. This is done primarily through:

- Seeking to identify, assess and monitor potential higher risk areas in our supply chains and investments;
- Engaging with key suppliers to ensure they are aware of modern slavery and are taking appropriate action.
- Training our employees as to these risks and the need to manage them; and
- Providing opportunities for concerns to be raised through our relevant policies detailed below.

Policies

AFIC has in place an Anti-Bribery and Corruption Policy and a Whistleblower Protection Policy, which provide detail and guidance on how employees and third parties can raise issues in a confidential manner without victimisation or retaliation. These issues would include risks of modern slavery or other human rights breaches.

Effectiveness of Controls

AFIC will continue to review its exposure to modern slavery risk as part of its risk management framework. A copy of the current Risk Management Policy and Framework is included on the Company's website, afi.com.au. Raising awareness within AFIC on the impact of modern slavery and engaging our key suppliers on the issue of modern slavery will be important first steps in this process.

3 Process of consultation

For the purpose of preparing this Modern Slavery Statement, AFIC has consulted with the AICS Board who have the opportunity to review and comment upon the draft statement. Directors of AICS sit on the Board of AFIC, and so both entities are aware of any actions they need to take.

This Modern Slavery Statement was approved by the Board of AFIC.

Signed



Robert M Freeman
Managing Director and Chief Executive Officer
Australian Foundation Investment Company Limited
Dated: 4 February 2021