



ALLAN GRAY
CONTRARIAN INVESTING

Modern Slavery Statement

Allan Gray Australia Equity Fund
2021



Table of contents

Table of contents	2
Background	3
Structure, operations and supply chains of the reporting entity	3
Fund Structure	3
About Equity Trustees	3
About Allan Gray Australia Pty Limited	3
Understanding modern slavery risk	4
Risk of modern slavery practices in the Fund's immediate operations and supply chains	4
Risks of modern slavery practices in the Fund's investments	5
Actions taken to assess and address modern slavery risks in the Fund's investments	6
Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes.	6
How the Fund assesses the effectiveness of actions to assess and address risks	7
Consultation process	7
Other relevant information	7
Approval	8

Background

This document is a Modern Slavery Statement (**'Statement'**) made pursuant to section 14 of the *Modern Slavery Act 2018 (Cth)* (the **'Act'**) in respect to the financial year ending 30 June 2021 (the **'Reporting Period'**) in relation to the Allan Gray Australia Equity Fund (the **'Fund'**) which is a **'Reporting Entity'** under the Act.

The Statement is issued by Equity Trustees Limited ABN 46 004 031 298 (**'ETL'** or **'Responsible Entity'**) in its capacity as the responsible entity of the Reporting Entity in accordance with the Act and has been approved by the Board of ETL as their principal governing body.

This Statement discloses ETL and the Fund's commitment and steps taken in identifying and addressing modern slavery risks within its business and supply chain, which includes the activities implemented in financial year ending 30 June 2021.

This is the first Statement for the Fund.

Structure, operations and supply chains of the Reporting Entity

Fund Structure

The Fund is a registered managed investment scheme, ARSN 117 746 666 regulated by ASIC. ETL is the responsible entity of the Fund. Its investors are classified as retail and wholesale clients pursuant to the Corporations Act (Cth) 2001.

The Fund's investment objective is to seek long-term returns that are higher than the Fund's benchmark, the S&P/ASX 300 Accumulation Index. The Fund aims to achieve this objective by investing predominantly in Australian listed securities. The Fund employs the investment manager's contrarian investment philosophy to research ASX-listed investments based on defined investment restrictions.

The Board of Directors of ETL govern the Fund's overall operations.

The business activities of the Fund are conducted in accordance with high levels of ethical and professional standards and in accordance with relevant laws in Australia. The Fund is committed to mitigating the risk of modern slavery in the business and supply chains of the Fund and the assets in which it invests.

About Equity Trustees

ETL is a wholly owned subsidiary of EQT Holdings Ltd which is a diversified financial services company publicly listed on the Australian Securities Exchange (ASX: EQT). ETL holds an Australian Financial Services Licence (**'AFSL'**) no. 240975. It acts as a trustee and responsible entity for a range of managed investment schemes and unit trusts of which the Fund is one. ETL's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000, Australia.

About Allan Gray Australia Pty Limited

Allan Gray Australia Pty Limited (**'Allan Gray Australia'**) is a privately owned investment manager that has been operating and investing in Australia for the past 15 years. Allan Gray Australia holds AFSL no. 298487 and acts as investment manager of the Fund, as well as the Allan Gray Australia Balanced Fund, the Allan Gray Australia Stable Fund as well as a number of institutional clients.

The investments of the Fund are actively managed by Allan Gray Australia through an investment management agreement between ETL and Allan Gray Australia.

Allan Gray Australia's investment philosophy is simple – the investment manager takes a contrarian approach, applies it consistently and invests for the long term.

Allan Gray Australia seeks out undervalued prospective investments in places others overlook or underappreciate. Research efforts are applied to determine the major drivers of future profitability of those investments and in trying to predict how they might impact the company's performance and therefore its value over the next five or even ten years.

There are three distinct characteristics within Allan Gray Australia's strategy:

- **Long-term:** In an increasingly competitive market, practicing patience can provide a distinct advantage. By waiting for the right opportunity to buy and giving an investment time for its value to develop, the Fund may discover enormous potential for an undervalued company.
- **Contrarian:** In a highly competed market, where everyone has access to the same information, Allan Gray Australia thrives by not following the crowd. As contrarians, the investment team resists trends and uncovers opportunities in areas where nobody else is looking. It puts the firm in a space where they face little competition, where an investor's greatest assets are patience and independent thinking.
- **Fundamental:** Allan Gray Australia seeks out companies that are out of favour and waits for an opportunity to buy at a price well below their value. The investment team studies a company's fundamentals, and then calculates what they believe to be its intrinsic value.

Investment decisions are backed by Allan Gray Australia's bottom-up research approach which applies scrutiny to every investment proposition. The investment research includes an environmental, social and governance ('**ESG**') consideration which is explicitly set out in the investment thesis for robust consideration.

Allan Gray Australia is a signatory to the United Nations-supported Principles for Responsible Investment ('**PRI**'), a voluntary framework for incorporating environmental, social and governance issues into investment and ownership decisions. We are currently rated 'A' on ESG incorporation by the PRI. For more information on our approach to responsible investing, see our Statement on Responsible Investment available [here](#).

Understanding modern slavery risk

The Fund's approach to understanding its modern slavery risk is to examine its supply chain and investments for any indication of the following: trafficking in persons, forced marriage, slavery, debt bondage, servitude, the worst forms of child labour, deceptive recruitment practices and slavery.

The Fund has performed an initial risk assessment on its immediate suppliers and investments for key inherent modern slavery risk indicators.

Risk of modern slavery practices in the Reporting Entity's immediate operations and supply chains

The Fund has entered into agreements with each of its service providers which govern the nature and scope of the services provided. The Fund considers that the risk of modern slavery in these direct supplier levels to be low, considering that all the suppliers are from lower risk jurisdictions as detailed by the Global Slavery Index and represent regulated financial and professional service companies.

A summary of the Fund's immediate supply chain and operations can be found below:

Relationship	Supplier	Jurisdiction
Responsible Entity	ETL	Australia
Investment Manager	Allan Gray Australia	Australia
Custodian	Citibank, N.A., Sydney branch	Australia and as part of a global group of companies
Administrator	Citigroup Pty Limited	Australia

Unit Registry Services	OneVue Fund Services Pty Limited	Australia
Consultants	Ernst & Young (Auditors and tax advisers) Hive Legal and HWL Ebsworth (Legal advisers)	Australia and as part of a global group of companies

Risks of modern slavery practices in the Reporting Entity's investments

As part of Allan Gray Australia's bottom-up investment research process, the analysts consider a range of factors that might affect a company's intrinsic value. The Fund is managed by long-term investors and any company in which the Fund is invested must therefore have a sustainable earnings stream to justify its value. The investment team believes that a company that acts in a way that is morally or socially irresponsible, or acts in a way that is abusive, will eventually undermine its own earnings and profitability.

In analysing companies, the Fund's analysts incorporate a view on the ESG practices of those companies (including modern slavery risks, as applicable) and any potential impact with regards to the sustainability of the business and what the analysts view as normal earnings and profits. If the analysis suggests that the company is undertaking an unsustainable business practice, the investment team would adjust their valuation of the company to take this into account. If the discount to their assessment of the intrinsic value of the company is not wide enough, Allan Gray Australia would not invest in the company.

Assessing ESG factors is complex and rarely black or white. It can't be done without peeling the onion back, considering a range of stakeholder needs and it requires substantial judgement. As such, Allan Gray Australia strongly believes independent research is important as every company's place in society is more than the sum of its reported statistics. Like all other aspects of investing, unfortunately, best efforts and a well-guided moral compass, do not yield perfect results and Allan Gray Australia continues to learn from, and adapt to, changing societal expectations.

ESG assessments are integrated in Allan Gray Australia's investment process from the genesis of the investment thesis to the point at which the manager sells the last share on behalf of the Fund. The investment team takes voting rights seriously and votes all shares, where entitled, and are active stakeholders of investee companies and regularly engage with management and the Boards of these companies. At times Allan Gray Australia will agitate for change where the firm believes it is necessary because the investment team treats problems as its own problems, not just to be passed on to a new set of owners. Allan Gray Australia recognises, however, that engagement can also have its limitations and, although rare, sometimes walking away is the most responsible thing to do.

Allan Gray Australia has formalised their approach to ESG by introducing an ESG section in analyst research reports that peers review before investing in a company. The firm also keeps an ESG register to monitor and track ESG issues that they engage on.

As investors, Allan Gray Australia have always insisted on thinking independently, taking a long-term perspective and acting in accordance with the firm's values. Allan Gray Australia's approach to responsible investing is no different. The investment team aspire to deliver on behalf of clients who share the firm's belief that investing responsibly is an integral part of investing well.

From an investment operations perspective, Allan Gray Australia invests overwhelmingly in companies with Australian operations, although the firm acknowledges that some companies may operate in high-risk jurisdictions or deal with high-risk industries or vulnerable populations.

For the Fund's investments as to 30 June 2021, Allan Gray Australia did not specifically screen out investment ideas due to their inherent or actual exposure to modern slavery risks. Accordingly, Allan Gray Australia acknowledges that the risk of modern slavery practices might exist within the

operations and supply chains of the companies whose shares are held in the Fund. For example, a small number of investee companies have direct or indirect exposure to mining and quarrying in developing countries that may carry a higher inherent risk of modern slavery practices. Conversely, we consider that investee companies operating in industries such as finance or media and entertainment have a lower risk of modern slavery practices.

Actions taken to assess and address modern slavery risks in the Reporting Entity's investments

Allan Gray Australia regularly engages with the Boards and management teams of investee companies. The investment team aims to do this at least twice a year with management as part of the half-yearly reporting process adopted in Australia as well as meeting with the Board of each of these companies once a year. During these meetings Allan Gray Australia will raise any concerns regarding company practices which might contradict current legislation or regulation. Any concerns regarding modern slavery would fall within the scope of these discussions.

On occasion the investment team also sets up out-of-cycle meetings to address unexpected issues, often of an ESG nature including material identified modern slavery matters. In previous years our engagements have included matters that represented humanitarian /social issues.

When engaging with companies the overarching aim is to encourage senior management and Boards to make decisions that are in line with shareholders' interests. Where Allan Gray Australia considers that the Board's/senior management's views are not aligned with those of the company's shareholders, the investment team will voice their concerns to ensure that shareholders' interests are not marginalised or disregarded.

When escalation is unsuccessful, the firm may rely on the media. Allan Gray Australia will discuss objections openly and promote media coverage. The investment team will vote against resolutions that they consider are not in the interests of shareholders and continue to agitate for change. The firm will discuss these issues with its institutional clients as well. When all else fails, and assuming the price does not compensate the Fund for this elevated risk, Allan Gray Australia sell the company.

Members of Allan Gray Australia's investment team have access to internal guidance notes outlining the requirements that analysts must follow, which includes guidance for identifying relevant ESG factors, engaging with investee companies and voting at shareholder meetings. Allan Gray Australia also holds ad hoc workshops for the organisation to provide specific training on modern slavery and to seek feedback on appropriate resources that can further support the ESG assessment. The last round of workshops took place in the fourth quarter of the period, and it is intended that the firm will hold the next round in the first quarter of the forthcoming period.

Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes.

ETL and the Reporting Entity are committed to continuously improving awareness and response to the risk of modern slavery in the Fund's operations and supply chains.

During the Reporting Period ETL undertook the following actions:

- updated the annual due diligence questionnaire to include modern slavery questions designed to identify any potential risks in the supply chains of the Fund;
- undertook modern slavery training to the ETL Board of directors relating to the obligations of the Act and the responsible members of the ETL Board in approving this Statement; and
- actively engaged with investment managers when any suspected modern slavery activity was detected.

How the Reporting Entity and ETL assesses the effectiveness of actions to assess and address modern slavery risks

As this is the first year of modern slavery reporting for ETL as the responsible entity of the Fund, it is in the early stages of assessing the effectiveness of the risk-based approach which includes the review of geographical jurisdictions the Fund is exposed to and the likely exposure within any investable assets that may align to areas of known modern slavery risks.

Future actions the Fund may take to assess and address modern slavery risks include:

- developing and implementing further sophisticated modern slavery training for the Fund's investment team;
- developing and implementing a modern slavery policy within Allan Gray Australia;
- screening new and existing suppliers for modern slavery risks; and
- employing a dedicated ESG analyst within Allan Gray Australia.

ETL intends to provide its Board of directors with an annual assessment on the implementation and effectiveness of actions to ensure the obligations within this Statement are met. The ETL Board shall consider the effectiveness of the measures as set out above and have the authority to make amendments to this Statement as it sees fit.

Consultation process

There are no subsidiaries or entities owned or controlled by the Reporting Entity, which is a Trust. However, the trustee of the Trust and the investment manager of the trust consult on the preparation of this MSS.

The trustee of the Reporting Entity is ETL (the issuer of this statement). The trustee is responsible for holding the assets of the trust, issuing interests in the trust to investors and entering into agreements on behalf of the trust.

Senior management of the investment manager and the trustee consult on all content included in the MSS and jointly identify, consider and address modern slavery risks set out in the MSS. The MSS is then reviewed and approved by the board of the trustee.

Other relevant information

No other relevant information for this reporting period.

Approval

This Statement was approved and signed by Philip Gentry on behalf of the Board of Directors of ETL, the responsible entity of the Reporting Entities, on 23 December 2021.



Philip Gentry

Date: 23 December 2021

For clients wishing to discuss this statement, please contact your client service representative.

For media inquiries wishing to discuss this Statement, please contact:

Alicia Kokocinski,
General Manager, Marketing and Communications
Equity Trustees Limited
Level 1, 575 Bourke Street, Melbourne, VIC 3000
Australia
Telephone: +61 3 8623 5396 / +61 403 172 024
Email: akokocinski@eqt.com.au

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975 and EQT Responsible Entity Services Ltd ABN 94 101 103 011 are part of the EQT Holdings Limited group (brand name Equity Trustees) which also includes Equity Trustees Wealth Services Limited ABN 33 006 132 332 AFSL 234528, Equity Trustees Superannuation Limited ABN 50 055 641 757 AFSL 229757, RSE L0001458 HTFS Nominees Pty Ltd ABN 78 000 880 553 AFSL 232500 RSE L0003216 EQT Legal Services Pty Ltd ABN 32 611 391 149. EQT Holdings Limited ABN 22 607 797 615 is a publicly listed company on the Australian Securities Exchange (ASX: EQT) with offices in Melbourne, Bendigo, Sydney, Brisbane, Perth, London and Dublin.

This material has been prepared by ETL and Allan Gray Australia to provide you with general information only. Neither Allan Gray Australia, ETL nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Any securities and/or sectors mentioned herein are for illustration purposes and should not be construed as a recommendation for investment. The information contained herein may not be copied, reproduced or redistributed without the express consent of Allan Gray Australia and ETL. While the information is believed to be accurate, it may be subject to change without notice. Except in so far as any liability under any law cannot be excluded, Allan Gray Australia and ETL do not accept liability for any inaccuracy or for the investment decisions or any other actions taken by any person on the basis of the material included.

Unless otherwise indicated, logos, product and services names are trademarks of Allan Gray Australia and ETL and its affiliates and may be registered in certain countries