

Melior Investment Management

Modern Slavery Statement

This statement is made by Melior Investment Management Pty Limited (“Melior”) for the period 1 July 2020 – 30 June 2021 (“Reporting Period”)

This Modern Slavery Statement was approved by the Board of Melior Investment Management Pty Ltd on 29 November 2021.

Melior acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging. Melior also accepts the invitation in the Uluru Statement from the Heart to walk together with Aboriginal and Torres Strait Islander peoples in a movement of the Australian people for a better future.

Melior takes a multifaceted approach to achieving impact in public equities, delivering competitive financial returns through sustainable high performing companies. We seek to drive positive impact and contribute to the United Nations Sustainable Development Goals (“**SDGs**”) by incorporating environmental, social and governance (“**ESG**”) considerations (including modern slavery) in our investments, active corporate stewardship and public advocacy. Assessing and addressing the risks of modern slavery in our own operations and supply chains – and those of the businesses we invest in – is an important part of this.

As part of our drive to create positive environmental and social change, we aim to outperform the S&P/ASX300 benchmark on ESG factors (“**Benchmark**”) and have identified 13 universal KPIs that are targeted in Melior portfolio companies, including the presence of a Modern Slavery Policy or Statement. During the Reporting Period, the Melior portfolio outperformed the Benchmark with respect to modern slavery policy statements with 84% of Melior’s portfolio companies achieving this KPI vs 76% of ASX300 companies.

This is our second voluntary modern slavery statement – we are not required to lodge one under the *Modern Slavery Act 2018* (Cth) but do so as part of our proactive commitment to integrating responsible investing approaches within our own business. We are proud of the progress we have made during the Reporting Period in identifying, managing and mitigating the risks of modern slavery in Melior’s operations and supply chains, while acknowledging that there is still much more to do. Through ongoing engagement on the issue of modern slavery with our suppliers, our portfolio companies and the broader investment community, we look forward to continually improving our approach and sharing our learnings so that others may do the same.

We believe that the future has far-reaching potential “if like-minded people join together with a common purpose to create a better world through their decisions, connections, integrity and resources.”



Rob Koczkar
Director



Anthony Kerwick
Director

EXECUTIVE SUMMARY

Melior believes that organisations have a responsibility to consider their role in ensuring the respect of human rights and the avoidance of human rights abuses.

Our Proxy Voting and Advocacy Policy states that Melior will exercise its voting discretion with a consideration of ESG and sustainability, aligned with our SDG Strategic Advocacy Themes which include 'Reduced Inequalities'. ESG and SDG Strategic Advocacy themes are also incorporated into the KPIs used to assess portfolio companies and industry advocacy approach. However, we believe that our approach needs to go beyond this, to actively and specifically consider and address modern slavery risks in our own operations and supply chains.

Assessing and addressing the risks of modern slavery not only reduces the risks to people, but also improves the integrity and quality of our operations and global supply chains, limiting the financial impacts of operational disruption and creating long-term value.

We have therefore made an ongoing commitment to voluntarily report under the *Modern Slavery Act 2018* (Cth) ("**Act**"), and this modern slavery statement ("**Statement**") follows the mandatory reporting criteria, setting out:

- An overview of the Melior business, including details of our structure, operations and supply chains, to provide context and background;
- The actions we have taken during the Reporting Period to **assess** potential modern slavery risks in our operations and supply chains, with a focus on how they may cause, contribute to, or be directly linked to modern slavery; and
- Building on the commitments made in last year's modern slavery statement, the actions we have taken during the Reporting Period to **address** these modern slavery risks, and how we intend to assess the effectiveness of these actions going forward.

1. THE MELIOR BUSINESS

1.1 About Melior

Melior Investment Management Pty Ltd (ABN 16 629 013 896) (“Melior”) is an Australian impact investment manager, established in 2018. We seek to drive positive change by actively investing in Australian and New Zealand listed companies that we believe deliver a net positive social or environmental impact that contributes to the SDGs. Our ambition is to generate outstanding returns for investors and to contribute to a better future.

Melior invests for the longer term and actively engages with companies to positively influence management on their alignment with relevant SDGs and material ESG factors.

As depicted below, we apply a 4-step investment approach that considers:

- (a) Impact assessment – companies are mapped to one or more actionable impact investment themes and their contribution to the SDGs to determine a net impact score based on assessment of current and future positive and negative impacts;
- (b) ESG assessment – quantitative and qualitative assessment of companies’ operational strength with respect to Environmental, Social and Governance issues is assessed;
- (c) Financial assessment – Melior’s sector focused framework is applied to identify high-quality companies with strong financials; and
- (d) Portfolio construction – Melior’s portfolio is built and managed with consideration of concentration limits, impact, sector diversification, market capitalisation and liquidity.

In addition, insights generated from Melior’s proprietary ESG and Impact research is leveraged to identify advocacy opportunities with companies to improve positive impacts and de-risk business. This approach is depicted below.



Melior operates as a corporate authorised representative of Adamantem Capital Pty Ltd (ABN 91 614 857 037, AFSL 492717) (“**Adamantem**”). Adamantem is an independently owned Australian investment firm and is a signatory to the United Nations Principles of Responsible Investing.

1.2 Melior’s Structure

This Statement is made by Melior¹, a private company with its registered office at Level 29, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Melior is the investment manager of the Melior Australian Impact Fund (ARSN 634 081 744). The business of Melior is operated by Melior Investment Fund Services Trust (ABN 40 660 840 848).

Melior is majority owned by the Adamantem Capital group of companies. Members of the Melior management team hold a minority interest.

1.3 Melior’s Operations

1.3.1 General operations

Melior manages the Melior Australian Impact Fund as a registered managed investment scheme (“**Melior Fund**”). The Melior Fund’s investment strategy is to invest in Australian and New Zealand companies delivering competitive market returns and positive social and/or environmental impacts aligned to the SDGs (“**Portfolio Companies**”).

Melior has a team of 8 permanent staff, including investment and operations professionals. Melior is headquartered in Sydney, Australia, with all members of staff working from the Sydney CBD office or from their home in the Sydney region.

1.3.2 Melior investments

During the Reporting Period, the Melior Fund invested in 20-50 Portfolio Companies with a benchmark target of S&P/ASX300 Total Return Index. As at 30th June 2021, Melior Investments were aligned to the following Sustainable Development Goal Investment Themes.

¹ It includes the operations of Melior which are conducted through the Melior Investment Services Pty Ltd (ACN 637 770 293) as trustee for the Melior Investment Fund Services Trust (ABN 40 660 840 848) (“**Melior Services**”).

FUND IMPACT INVESTMENT THEME EXPOSURES*



*As at 30th June 2021 - portfolio weighted primary and secondary Sustainable Development Goals (SDG) investment themes.

As an investment manager, Melior does not control any Portfolio Company and this Statement excludes the operations and supply chains of individual Portfolio Companies. However, through our impact investment process, Melior does assess whether potential investments may be exposed to modern slavery risks, and during the investment period measures evidence of a Modern Slavery Policy or Statement as one of 13 key KPIs. Melior actively advocates for continuous improvement in the analysis of modern slavery risks through company statements under the Act.

1.4 Melior's Supply Chains

Since last year's modern slavery statement, there has been no substantial change to the types of products and services directly procured by Melior. These continue to include:

- Products – office supplies and office equipment.
- Services – professional services support (such as legal and accounting support), as well as services in relation to travel, telecommunications, recruitment, public relations, property rental (including cleaning) and IT support and data services.

Across all these supply categories Melior has in excess of 30 suppliers. Building on the initial analysis we did last year on our supply chains, during this Reporting Period we have developed a more detailed understanding of our supply chain through the following activities:

- In 2020, we analysed our suppliers by spend, and selected 12 suppliers above a specified threshold for the purpose of engaging with them on modern slavery. 10 of these suppliers were providing us with "Services" of the nature listed above, and the majority were Australian or New Zealand based (or Australian or New Zealand based practices of larger international organisations). We tend to have long standing relationships and working histories with suppliers of this nature.

- In 2021, we conducted a “match & track” process through givvable, an online platform that collates millions of 3rd party verified environmental, ethical, social, diversity, community & governance supplier credentials which are mapped to sustainability targets and frameworks. A total of 67 suppliers² were provided for analysis, 31 of which are Melior suppliers, split between 6 higher risk direct suppliers, 14 lower risk direct suppliers and 11 higher risk indirect suppliers, with these categorisations based on a combination of spend and likely modern slavery risk exposure based on last Reporting Period’s analysis.

The results of this supplier engagement work are set out in Section 2.2.

Impact of COVID-19 on Melior’s operations and supply chains

The ongoing COVID-19 pandemic continued to impact Melior during the Reporting Period.

Melior staff continued to work from home for a large part of the Reporting Period, and we have continued to take steps to ensure the health and safety of our staff.

As we became accustomed to working from home, fewer of our planned initiatives were delayed or interrupted by the pandemic. We continued to be able to engage with our suppliers on the topic of modern slavery (see Section 2.2) and we are proud that our work with respect to modern slavery advocacy and reporting has continued to be a high priority throughout the pandemic. This work has included detailed questioning and discussion of modern slavery issues with 13 ASX300 companies and attending a webinar on modern slavery due diligence in the property sector.

2. MODERN SLAVERY RISKS IN MELIOR’S OPERATIONS AND SUPPLY CHAINS

2.1 How we assess our modern slavery risk exposure

We are aware that Melior has the potential to inadvertently *cause, contribute to, or be directly linked to* modern slavery³.

During the last Reporting Period we engaged an external consultant to assess our modern slavery risk exposure through analysing:

- Risk factors within our own workforce
- Geographical risks based on the location of our operations and material suppliers
- Product, service, sector and industry risks based on the sector(s) in which we operate and the nature of the products and services supplied by our material suppliers

² Supplier search was done in combination with our affiliate organisation Adamantem Capital Management.

³ Key terms applied by the United Nations Guiding Principles on Business and Human Rights.

We continue to use the findings from this analysis as the starting point for assessing our modern slavery risk exposure.

As Melior's modern slavery risk exposure is higher through our supply chains than through our own operations⁴, during this Reporting Period we undertook focused activities to more accurately assess our supply chain risks, as follows:

- **Supplier questionnaires:** Requesting our material suppliers to complete a detailed modern slavery questionnaire to enable us to assess the level of modern slavery risk exposure in our most material supply chains more accurately. The questionnaire covered topics of mandatory reporting, operations, policies and responsibilities, due diligence processes, training and improvement, and supplier and subcontractor management. We sent this questionnaire to 12 suppliers and had a 92% completion rate.
- **Policy support:** Developing a Responsible Procurement Policy, Supplier Code of Conduct and Supplier Onboarding Checklist, each of which specifically address modern slavery risk. The Responsible Procurement Policy facilitates a deliberate consideration of human rights and responsible sourcing (including modern slavery risks) when making purchasing decisions. The Supplier Onboarding Checklist assesses suppliers' capabilities with respect to environmental sustainability, participation and transparency and requests information regarding mandatory modern slavery reporting requirements and any modern slavery or ethical policies in place in order to gain greater visibility of potential risk, including that beyond Tier 1 suppliers. The Supplier Code of Conduct creates an obligation on suppliers to support Melior's commitment to protect human rights.
- **External supplier due diligence:** Conducting the "match & track" process through Givvable allowed us to assess the ethical sourcing and modern slavery-related credentials held by our suppliers to identify direct and indirect supply chain risks, and frame future spending.

2.2 Findings

Our findings from the last Reporting Period in relation to modern slavery risks in our operations and supply chains remain broadly applicable. However, we have refined our analysis in two meaningful ways during this Reporting Period:

- We have specifically considered whether our particular operations or supply chain elements could be considered to have *caused, contributed to or be linked to* modern slavery risks⁵. This allows us to assess how to respond. We did this by reviewing the level

⁴ Excluding our exposure through our investments, which is outside the scope of this modern slavery statement

⁵ As per the United Nations Guiding Principles on Business and Human Rights ("UNGP")

of likely modern slavery risk exposure in our supply chain elements based on last year’s Reporting Period, and then considering whether our activities in procuring the product or service could, of themselves, increase the risk of modern slavery.

We have determined that Melior’s modern slavery risk exposure is primarily at the “linked” level of responsibility and therefore our actions are focused on monitoring and reviewing modern slavery risks and implementing control measures to mitigate it.

- We have overlaid the findings from our supplier questionnaires and the “match & track” assessment (outlined in section 2.1) in order to provide a deeper level of understanding of the modern slavery risks in our supply chains and methods for improvement.

	Operation / Supply Chain Element	Description of potential modern slavery risks
1	Procurement of services that rely on base skilled labour, which are considered at higher risk of modern slavery practices	Melior has identified that there is a risk that we may be directly linked to modern slavery through our use of the following services: <ul style="list-style-type: none"> • Premises cleaning • Premises security
2	Procurement of products which are exposed to higher risks of modern slavery in their production processes	Melior has identified that there is a risk that we may be directly linked to modern slavery through our procurement of the following products: <ul style="list-style-type: none"> • IT & computer equipment, which often contain high risk commodities that are connected with child labour and forced labour • Office supplies, the production of which is often labour-intensive and the supply chain commonly reaches up to 5 tiers, some of which may be located in high-risk geographies.
3	The supply chain analysis conducted during the Reporting Period did not flag any high risks of modern slavery or any incidents of modern slavery	The results of the supplier questionnaire indicated a “lower” inherent modern slavery risk rating, as none of the 12 participating suppliers have operations that produce or manufacture high risk commodities, and only 3 of these suppliers have operations in countries with modern slavery risk factors. 2 of those suppliers are subject to mandatory modern slavery reporting, and all have policies, standards and training with respect to modern slavery. <p>Although no incidents of modern slavery have been identified by any material supplier during the Reporting Period, Melior is</p>

		<p>committed to working with suppliers to improve their impact and management of modern slavery in their business.</p> <p>The “match & track” returned matches for 22 of the 31 Melior suppliers provided for analysis. As at the date of the search, 15 of these suppliers hold one or more ethical sourcing or modern-slavery related credentials. A subsequent givable search indicated that 14 Melior suppliers have issued Modern Slavery Statements for 2020.⁶ This provides additional comfort in our procurement decisions and guidance for future considerations.</p>
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These findings informed the development of our multi-year modern slavery action plan described in Section 3 below.

3. ACTIONS TAKEN BY MELIOR DURING THE REPORTING PERIOD TO ADDRESS MODERN SLAVERY RISKS

During this Reporting Period we fulfilled the commitment we made in last year’s Modern Slavery Statement to develop a multi-year modern slavery action plan (“**Action Plan**”) to:

- Target more closely the elements of our operations and supply chains which we identified have a higher risk of being directly linked to potential modern slavery risks
- Focus on strengthening our supply chain management processes and policies.

The following table sets out the action items that were completed during the Reporting Period.

Business Activity Area	What we did	Why we did it
General Business Operations	<i>Melior Operations</i>	
	<p>Adhered to risk management framework which:</p> <ul style="list-style-type: none"> • specifically includes modern slavery as a risk; • is aligned to the principles of Australian Standard ISO 31000:2018, which addresses human rights and modern slavery risks; and • clearly articulates accountabilities and management responsibilities for human rights and modern slavery. 	<p>To acknowledge that modern slavery is a potential risk to our business with potential adverse consequences for both the people involved and to Melior as an organisation</p>

⁶ Tailored search of the givable platform for 2020 Modern Slavery Reports conducted 11 November 2021.

<p>Held an all staff training session on modern slavery risks in September 2020 facilitated by an external expert</p>	<p>To increase staff awareness and skills in integrating modern slavery risk assessment in investment decision making and portfolio company management</p>
<p>Developed a Responsible Procurement Policy specifically addressing modern slavery. We have committed to undertaking staff training, making the policy publicly available and reviewing the policy annually</p>	<p>To ensure that staff members making purchasing decisions on behalf of Melior understand and adhere to our commitment to addressing modern slavery and consider potential modern slavery risk when making office purchases – in particular for high-risk products.</p> <p>The policy also serves to set expectations for all direct suppliers in relation to human rights and responsible sourcing</p>
<p>We made the following changes to our employee policies:</p> <ul style="list-style-type: none"> • Updated our Acceptable Workplace Behaviour Policy to include a statement regarding non-retaliation for individuals who make a complaint in good faith • Updated our Company Procedures Manual to cover freedom of association and collective bargaining, child labour, forced labour and non-discrimination <p>Employees are required to attest that they have read, understood and complied with current policies on a quarterly basis</p>	<p>To better comply with the United Nations ILO Eight Fundamental Conventions and reduce the risk of modern slavery in our own operations</p>
<p><i>Supply chain</i></p>	
<p>Engaged with 12 material suppliers to complete a modern slavery questionnaire. This included providing a briefing paper to our suppliers to explain modern slavery risks as part of our broader supplier engagement and education approach</p>	<p>To develop a deeper understanding of the modern slavery risks in our supply chain (see Section 2.2 for findings) and advocate for broader change through supplier education</p>
<p>Analysed the sustainability credentials, including ethical sourcing and modern slavery credentials, of 31 suppliers through the givvable “match & track” process</p>	<p>To better understand our suppliers and their actions with respect to modern slavery, and identify new considerations for future spending decisions to enhance our approach to preventing modern slavery</p>

	Developed a Supplier Code of Conduct that contains the minimum standards expected of any supplier doing business with Melior, including modern slavery and human rights expectations	To control the potential risk of modern slavery and facilitate education and engagement of our suppliers using our purchasing power
	Developed Supplier Onboarding Checklist that assesses a supplier’s capabilities with respect to environmental sustainability, participation, and transparency, including specific modern slavery requirements	To better identify and manage modern slavery risk exposure in our supply chain, where possible gaining greater visibility of potential risk beyond Tier 1 suppliers
	Met with the Charter Hall, our landlord, to develop a deeper understanding of the cleaning and security labour arrangements in our office building	To better understand this supplier and its actions with respect to modern slavery risk in these work areas
Investment Process	Applied responsible investment approach, steps 1 and 2 of which include a consideration of Impact and ESG. Melior’s proprietary ESG framework requires pre-investment assessment of company policies and practices around a number of modern slavery related factors including human rights, safety, violations, modern slavery and ethical supply chains	To manage the risk of modern slavery exposure in our investment portfolio and to increase understanding of modern slavery risks and a best practice response
	Regular engagement with investors includes updates on modern slavery progress in Portfolio Companies as a result of Melior’s investment process	
	Prepared Annual Impact Report to reflect achievement of Melior Investment Process, which expressly highlighted modern slavery as one of 13 KPIs for Portfolio Companies and our target to outperform the ASX300 % of companies with modern slavery statements	
Industry Advocacy	Shared last year’s Modern Slavery Statement with our staff, investors, portfolio companies and publicly	To increase awareness of the issue of modern slavery across the broader investment community, contribute our experience and encourage others to consider it in their investment and business decision making processes
	Released our 2021 Annual Impact Report, which includes commentary on modern slavery and our commitments to action	
	Released our first Proxy Voting Report outlining our voting principles in FY21, which aim to drive value creation and positive social and environmental impact	
	Actively engaged with ASX300 companies on 3 Key Strategic Advocacy Themes: Gender Equality, Climate Action and Reduced Inequalities, which includes modern slavery	

	<p>Advocated within the industry for improved awareness, disclosure, and practices around modern slavery as part of its Key Strategic Advocacy Theme on SDG 10 – Reduced Inequalities.</p>	
	<p>Contributed to industry discussions and working groups regarding modern slavery through RIAA Human Rights Working Group webinars</p>	
	<p>Reported annually in line with obligations as a signatory to the United Nations Principles for Responsible Investing.</p>	

4. ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

During the Reporting Period our focus was on developing our multi-year modern slavery action plan, and we primarily assessed the effectiveness of our actions through progress reporting against the milestones in our action plan.

Melior has a “moderate” risk appetite with respect to ESG risks and our proactive approach to modern slavery actions to date is reflective of this. Notwithstanding, no cases of modern slavery have been identified in the Melior supply chain, and to date Melior has not been required to apply or test its approach.

Moving forward, one of our key areas of focus for the next 12 months will be to mature our approach to tracking and assessing the effectiveness of our modern slavery action plan items. We will be considering doing this through our compliance framework and through the setting of Key Risk Indicator metrics which are formally monitored on a quarterly basis. This will assist us to be able to systematically assess the effectiveness of our controls.

During the next reporting period we also intend to conduct an updated modern slavery readiness assessment to measure our progress against our 2020 baseline, which is one way we will assess the effectiveness of the actions we have taken to improve our internal procedures and processes.

5. OUR PROCESS OF CONSULTATION

It was not necessary for Melior to formally consult with other members of the Melior group in preparing this statement because all the entities are owned and controlled by the same shareholders and have appointed the same directors who have prepared, reviewed and adopted this Modern Slavery Statement. This means that there is a common awareness throughout the Melior group of modern slavery risks in the business and the actions that need to be taken.

6. OTHER RELEVANT INFORMATION

Melior continues to be a signatory to the United Nations Principles for Responsible Investing and reports annually in accordance with their reporting framework, and a member of the Responsible Investing Association Australasia and was recognised as a 'Responsible Investment Leader' in 2021.