

Vanguard Australia Modern Slavery Statement

18 June 2021

Foreword

Vanguard condemns the appalling practices of modern slavery and we are committed to monitoring and mitigating the risk of modern slavery and human trafficking practices within our investment portfolios and supply chains.

Delivering on this undertaking will take an ongoing, concerted effort by Vanguard, our suppliers, and our peers, supported through cross-industry collaborations.

In our first modern slavery statement, we report on the actions we have undertaken in the financial year ending December 2020 to address modern slavery exposures, as well as our future plans to continue to address this issue.

Central to these actions was identifying the aspects of our business that may be exposed to modern slavery risk in order to lay solid foundations for managing this risk into the future.



Frank Kolimago,
Managing Director, Vanguard Australia

Important Information

This is the inaugural Modern Slavery Statement (Statement) made on behalf of Vanguard Investments Australia Ltd ABN 72 072 881 086 (Vanguard, Vanguard Australia, VIA, we, us or our) describing actions that have and will be undertaken to assess and address modern slavery risk exposures during the 2020 financial year. Our Board of Directors is responsible for the oversight and approval of our Statement.

This Statement's scope reflects Vanguard Australia's role as a provider of managed investment products and services in Australia. There are no other entities that Vanguard Australia owns or controls.

This Statement may reference events occurring after the end of the reporting period. Where statements are made of current intention, opinion, and predictions as to possible future events, these statements are not fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within our control. Statements about past performance are not necessarily indicative of future performance.

About Vanguard

Vanguard Australia is a wholly owned subsidiary of The Vanguard Group, Inc. – one of the world's largest global investment management companies. In Australia, Vanguard has been serving retail clients, financial advisers, and institutional investors for 25 years.

The Vanguard Group, Inc. is owned by Vanguard's US domiciled mutual funds, which in turn are owned by investors in those funds. Vanguard's unique structure aligns our interests with those of our investors – benefiting investors worldwide – and drives our organisation's culture, philosophy, and policies. Our core purpose is 'To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success'.

Our Operations

Vanguard Australia's core activity is investment management.

Our supply chains include vendors providing trade execution, clearing and settlement services, providers of electronic trading platforms and suppliers of market data, office supplies, office space, consulting services, IT services and infrastructure, storage services and rating services.

More information about Vanguard Australia can be found at www.vanguard.com.au

Our Approach

At Vanguard, we consistently seek to earn and maintain the trust and loyalty of our investors by adhering to the highest standards of ethical behavior and fiduciary responsibility. Accordingly, we conduct ourselves in accordance with all applicable law and regulations, and the standards of conduct as set out in Vanguard's Code of Ethics. The Code of Ethics has been approved and adopted by the Boards of all Vanguard's entities, including Vanguard Australia.

We take a risk-based approach in respect of the mitigation of modern slavery-related risks associated with our business, supply chains, and crew.

We consider that, as our business is extensively regulated and does not have complex supply chains, the risk of modern slavery and human trafficking occurring within our operations, activities, and supply chains is low.

We acknowledge, however, that as a large institutional investor with extensive portfolio holdings around the world, modern slavery risks may be present within our investment holdings. The following section addresses how we identify and address these risks from our perspective as a responsible investor and steward of our clients' assets.

Our Products

Vanguard Australia offers equity, fixed income and multi-sector diversified unlisted managed fund and exchange traded funds. Each of these are supported by portfolio management which is either internal to Vanguard or through an agreement with an external fund manager. Through the application of our various processes including our approach to investment stewardship, we actively identify and address modern slavery risks that are present in the underlying entities in which we invest in on behalf of our clients.

Vanguard's fixed income products are supported by a global team of credit analysts that assess issuer environmental, social, and governance (ESG) risk as part of the investment decision-making process.

Vanguard offers several equity and fixed income products tracking indices that exclude company stocks that do not meet specific socially responsible criteria related to the environment, human rights, health and safety, labor standards, and diversity. The process to build these portfolios excludes index constituents that are or have engaged in activities that result in serious violations of the United Nations Global Compact (UNGC).

Where Vanguard uses external investment managers for portfolio management, ESG considerations are integrated into their investment processes. We are confident in their ability to act in the best interest of the Vanguard funds they manage. Vanguard's Portfolio Review team is responsible for the oversight of external managers.

Our Investment Stewardship

The vast majority of Vanguard's funds under management globally are held in indexed portfolios that are designed to track market indices that are based on market capitalisation weightings, not on individual stock selection decisions or exclusions. This approach is fundamental to our ability to deliver efficient,

low-cost access to market returns to over 30 million investors globally and to engender real changes in the financial prosperity and lives of our investors.

This investment approach means that Vanguard's funds may be indirectly exposed to modern slavery risks through the operations of the public companies in which the Vanguard funds invest. To address this, Vanguard has a dedicated investment stewardship team that is responsible for portfolio company engagement and proxy voting on behalf of Vanguard's internally managed equity funds. The team actively engages with portfolio companies and their boards to understand how boards oversee material risks that have the potential to affect long-term value for shareholders—ranging from business and operational risks, to corporate governance risks, to environmental and social risks.

This includes key social risks such as modern slavery and human rights, as well as other ESG risks such as those arising from companies' diversity and governance practices, and material environmental risks such as climate change. The Investment Stewardship team comprises over 40 professionals located in Vanguard's US head office and in London, and oversees investment stewardship activities concerning Vanguard's holdings in more than 12,000 companies worldwide.

Approach

Vanguard's approach to Investment Stewardship includes:

- Processes relating to company risk assessment, engagement, and proxy voting activities.
- A procedure to identify and monitor portfolio companies whose involvement in crimes against humanity or whose activities rise to a level of egregious abuses of human rights would warrant engagement or potential divestment.

Our approach to human rights begins with analysis of third-party research based on the United Nations Global Compact (UNGIC). Our Investment Stewardship team uses proprietary research as well as research providers such as ISS Ethix and Sustainalytics to identify human rights risks within our investment portfolio. The

research includes information on companies operating in zones or regions that are at a high risk of human rights and modern slavery violations. From this starting point, we assess the severity of the impacts of a company's operations on human rights, including whether the alleged violations were intentional or if the company actively disregarded risks that led to the allegations.

During our analysis, we may request to engage in further discussion with company directors or management to understand their perspectives. In some cases, engagement may provide an opportunity for companies to share demonstrable changes to their human rights oversight process, which we continue to monitor going forward.

A cross-functional working group of senior analysts from the Investment Stewardship team regularly reviews companies with potential violations. The working group is responsible for assessing human rights risks in our portfolio and preparing updates and recommendations for Vanguard's board of trustees and the Investment Stewardship Oversight Committee (ISOC), a senior management panel led by Vanguard's chairman and CEO. Guidance from the ISOC is carried through how we vote, engage, and advocate on behalf of our Australia-domiciled funds, in relation to both their domestic and offshore equity holdings.

Where Vanguard uses external investment managers for actively managed funds, these managers are responsible for proxy voting and stewardship activity on behalf of the assets they manage. Each manager has proxy voting guidelines that govern their assessment of ESG risks and voting decisions, and we are confident in their ability to act in the best interest of the Vanguard funds they manage.

Vanguard is committed to the continual refinement of our investment stewardship approach, which may manifest in a variety of ways, including changes to our voting and engagement strategy, enhancements of our research, monitoring and data capabilities, and additional disclosure of our other stewardship activities.

Our global investment stewardship program is extensively communicated to clients, investee companies and in public website communications, including:

- Annual Reports and half-yearly updates, detailing engagement, voting and advocacy activities, including case studies;
- periodic thought leadership items focusing on particular themes and topics across the spectrum of ESG issues; and
- disclosure of proxy voting activities on a quarterly basis in arrears, accessible by country, company, or Vanguard fund.

Our Supply Chains

Vanguard Australia uses external vendors to provide a range of goods and services to the organisation.

Risk Factors

For the purposes of this Statement, Vanguard has considered a variety of supply chain risk factors, including:

- Country of operation – for example, some suppliers are in countries with higher incidences of modern slavery practices than that experienced within Australia.
- Category of supplier service – for example, we procure facilities maintenance services, which is an industry with known domestic incidences of modern slavery.
- Type of workforce – for example, contingent workers employed across parts of our operations can be at increased risk of modern slavery.

With regard to the above factors, we consider that the risk of modern slavery and human trafficking occurring within our supply chains is low.

Procurement Framework

Our established procurement framework defines our processes when procuring goods and services from external vendors and incorporates various vendor oversight activities. These processes apply to all crew and are designed to ensure that procurement is carried out in a manner that:

- Mitigates legal, business, and financial risks associated with vendor contracts.

- Promotes the highest standards of ethical business conduct.
- Instils client, crew, and community confidence in Vanguard.

Coupled with the continual evolution of our Third-Party Risk Management Policy and associated processes, we regularly assess, manage, and monitor both our established and prospective/new suppliers. We are committed to embedding, reviewing, and recalibrating our supply chain due diligence processes, contractual provisions, and assessment protocols to ensure modern slavery risks are effectively addressed and all applicable anti-slavery and human trafficking laws are addressed.

The governance and monitoring of our Third-Party Risk Management Policy and practices is overseen by the Vanguard Australia Risk Committee in conjunction with all other key risks identified in our business.

In the case of material, multiple or continuous breaches of its policies, Vanguard may choose to discontinue its relationship with a supplier.

Our Crew

Vanguard Australia has over 700 permanent and contingent Australian-based Crew, the majority of whom are based at our head office in Melbourne, Victoria.

Recruitment

Vanguard is an equal opportunities employer that seeks to ensure that recruitment is handled with fairness and integrity. All recruitment is conducted in accordance with our Talent Acquisition Policy and Gender Equality Policy. We carry out background checks and pre-employment screening during our recruitment process. To ensure that our resources are not used for the furtherance of slavery, we maintain a robust recruitment and onboarding process, which include checks to ensure our Crew members are eligible to work in Australia, are not subjected to human trafficking or forced labor, and are paid a fair salary in compliance with all relevant rules and regulations.

We require that contingent worker suppliers comply with all applicable laws relating to or affecting the work to be performed by that supplier, including all rules and regulations related to equal employment opportunity and

immigration, and that the supplier will obtain and maintain all permits, visas, licenses, and consents required in connection therewith. We work closely with our labor hire partners to ensure that their rates of pay for contractors provided to Vanguard comply with all relevant rules and regulations.

Policies

Vanguard's policies apply to our executives, crew, contractors, and visitors to our work sites. We require crew to comply with our policies and implement them as required. Vanguard takes compliance with its policies seriously and, in the event of a breach, requires its suppliers to act quickly to take corrective actions as appropriate.

All visitors to our work sites must comply with our Health and Safety Policy.

Crew are required to certify annually that they have read and understand Vanguard's compliance policies, including the Code of Ethics, anti-money laundering and workplace discrimination policies, and have disclosed any potential conflicts of interest. Any crew member who breaches such policies may be subject to disciplinary action. Any issues identified in relation to modern slavery will be reported in accordance with Vanguard Australia's policies.

In addition, Vanguard maintains a Whistleblowing policy whereby Crew can raise any concerns regarding unethical behavior or potential wrongdoing in confidence and without fear of action being taken against them. We also have a hotline for crew to anonymously report any concerns.

Vanguard has subscribed to various third-party services to receive regular reporting, alerts, guidance, and information with respect to human rights and regulatory violations. Such information is regularly reviewed and promptly acted upon.

Training

Our crew are comprehensively and regularly trained. Crew training enables an understanding of our Risk Management Framework principles and application while working at Vanguard.

Vanguard crew are encouraged to identify risks, and, where relevant, report concerns. Our training is continually reviewed and adapted to ensure its relevance and suitability for our crew.

To supplement our established training program, we are in the process of implementing specific modern slavery awareness training for all crew. This training is envisioned to be rolled out as part of each crew member's annual training program and be reviewed on an on-going basis.

COVID-19

The COVID-19 pandemic has brought further challenges to modern slavery and human trafficking and highlighted social and economic inequalities worldwide. Vanguard continues to monitor the impact of the COVID-19 pandemic on its practices and risks to modern slavery and human trafficking, to protect vulnerable workers through this crisis.

Governance and Monitoring

Governance

The Vanguard Investments Australia Board has overall responsibility for Vanguard's Modern Slavery Statement.

Our Executive Leadership Team has also been involved in the compilation and endorsement of this Statement and shall have responsibility for implementing the objectives considered in this Statement.

Monitoring

We believe that regular review and assessment of the effectiveness of our policies, codes, standards, and procedures as part of our Risk Management Framework, combined with the Modern Slavery Working Group and associated oversight and reporting will ensure that Vanguard is able to proactively and assertively address regulatory and ethical obligations pertaining to modern slavery risk management.

Actions

During the past year, we have focused on the following key initiatives:

- Formalised our understanding and management of key risks associated with modern slavery;
- Formed a cross-functional working group to identify and mitigate modern slavery related risks and generate this Statement;
- Built awareness throughout Vanguard of the risks associated with modern slavery and the areas most at risk;
- Identified key policies and processes which

have significant impact on the key risks associated with modern slavery; and

- Completed our initial due diligence review on our current practices to identify areas for future and continuous improvement to help reduce the key risks associated with modern slavery.

Looking Ahead

We will continue to focus on assessing our practices and engage with our crew and vendors to raise awareness and manage the risk of modern slavery and human trafficking occurring in our organisation and supply chains.

This Statement was approved by our Board of Directors in 18 June 2021.



Frank Kolimago
Chair of Vanguard Investments Australia Ltd
Date: 18 June 2021

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