

VFMC Modern Slavery Statement

FY2024



Investing for Victoria’s future

1 Australian Modern Slavery Act 2018 (Cth)

Reporting Criteria

Criterion	Reference Page
<i>Identify the reporting entity</i>	<i>Section 2: Reporting Entity</i> Page 3
<i>Describe the reporting entities':</i> <ul style="list-style-type: none"> • Structure • Operations • Supply chains 	<i>Section 3: About VFMC</i> Page 4 Page 6 Page 5
<i>Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls</i>	<i>Section 4: Approach to Modern Slavery Risk</i> Page 8
<i>Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes</i>	<i>Section 4: Approach to Modern Slavery Risk</i> Page 8-9
<i>Describe how the reporting entity assesses the effectiveness of these actions</i>	<i>Section 4: Approach to Modern Slavery Risk</i> Page 14
<i>Describe the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)</i>	<i>Section 2: Reporting Entity</i> Page 3
<i>Provide any other relevant information</i>	<i>Section 5: Modern Slavery Activities for the year ahead</i> Page 15

2 Reporting Entity

Victorian Funds Management Corporation (**VFMC**) provides investment and funds management services to Victorian public authorities.

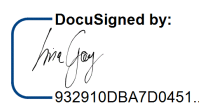
VFMC and the following investment trusts, of which it is the sole trustee, are reporting entities of this joint Modern Slavery Statement (**Statement**):

- VFMC Emerging Markets Trust
- VFMC Balanced Fund
- VFMC Cash Trust
- VFMC Enhanced Income Trust (Class A & B)
- VFMC Equity Trust 1
- VFMC Equity Trust 2
- VFMC Fixed Income Trust
- VFMC Growth Fund
- VFMC Inflation Linked Bond Trust
- VFMC International Equity Trust 1
- VFMC International Equity Trust 2
- VFMC Investment Fund
- VFMC Investment Trust IV
- VFMC Low Volatility Equity Trust 1
- VFMC Low Volatility Equity Trust 2
- VFMC Opportunistic Strategies Trust

VFMC is the trustee for other Investment (unit) trusts, which are below the \$100m threshold requirement, as set out in the FY24 Annual Report. This is VFMC's fourth Statement under the Australian *Modern Slavery Act 2018* (Cth) (**MSA**), and it is a joint statement made pursuant to section 14 of the MSA, on behalf of VFMC in its own right and as trustee of the entities listed above. The trusts do not have employees and are used solely to facilitate VFMC's investments. As these entities are under the sole operation and governance of VFMC as trustee, VFMC policies and processes (including arrangements under the modern slavery program) were formulated in connection with, and apply to, all the investment trusts. VFMC is a single entity, but it is recognised as a separate reporting entity in its capacity as Trustee for each of the investment trusts listed above. In this respect, consultation across those respective reporting entities is effectively achieved through joint consideration, approval and application of its policies and processes by the VFMC Board of Directors, its Executives, Corporation Secretary, Investment Stewardship team and supporting business units.

This Statement outlines the actions taken by VFMC and all entities it owns or controls to identify and address the risk of modern slavery in its business operations, supply chain and investments for the year ending 30 June 2024 (FY24).

This Modern Slavery Statement was approved by the Board of Victorian Funds Management Corporation.

Signed – <i>Lisa Gay, Chair</i>	 <p>DocuSigned by: 932910DBA7D0451...</p>
Date 13-12-2024	

3 About VFMC

VFMC is a contemporary public authority investing for the benefit of all Victorians, managing funds of \$86 billion¹ for 32 Victorian public authorities and related organisations.

It was established under the *Victorian Funds Management Act 1994* and is governed by an independent Board of Directors, whose members are appointed by the Governor in Council. The Chair and Deputy Chair are appointed by the Treasurer.

3.1 Purpose

VFMC’s diverse team is united by a single purpose: Improving the future prosperity of Victoria.

VFMC’s main objective is to manage the long-term investments of Victorian State Government entities using its well-defined investment approach, including tailored asset mixes where appropriate and incorporating sustainability considerations.

3.2 Governance and Policy Framework

The Investment Stewardship team has responsibility for identifying, managing and monitoring modern slavery related issues, with ultimate ownership by the Chief Investment Officer and oversight by the Board by way of a range of risk and compliance related committees.

A number of policies, as set out in Figure 1 below, support VFMC’s modern slavery risk and compliance activities. Please refer to VFMC’s corporate [website](#) for further information on its approach to corporate governance.

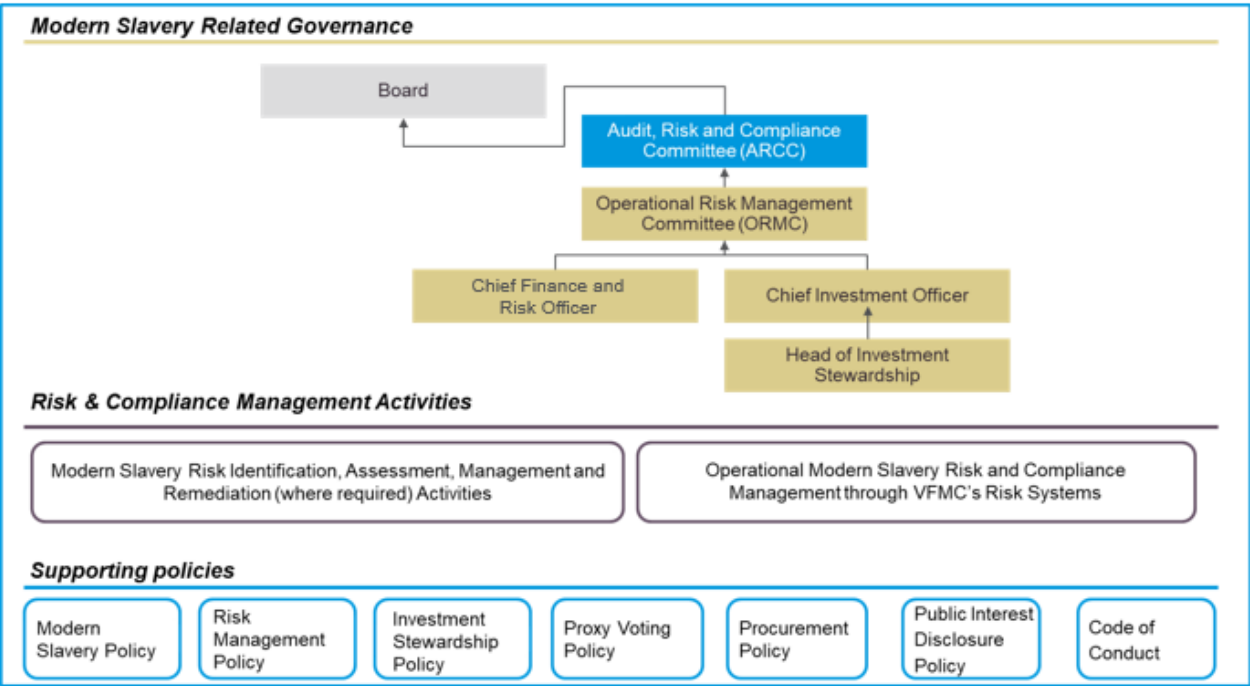


Figure 1: VFMC Modern Slavery Governance Structure

¹ As at 30 June 2024

3.3 VFMC's Supply Chain

VFMC recognises the value of human capital within organisations. It seeks to ensure investee companies and managers embrace business practices that safeguard labour rights and promote safe operating environments for their people.

In developing VFMC's [Modern Slavery Policy](#) and approach to managing modern slavery risk, VFMC has considered the nature of activities across its operations and supply chains where modern slavery risks may exist. VFMC's operations and supply chain include third parties and outsourced providers appointed for the purpose of providing investment services and supporting the business operations, which are asset management related. An indicative overview of VFMC's operations and supply chains is outlined below in Figure 2.

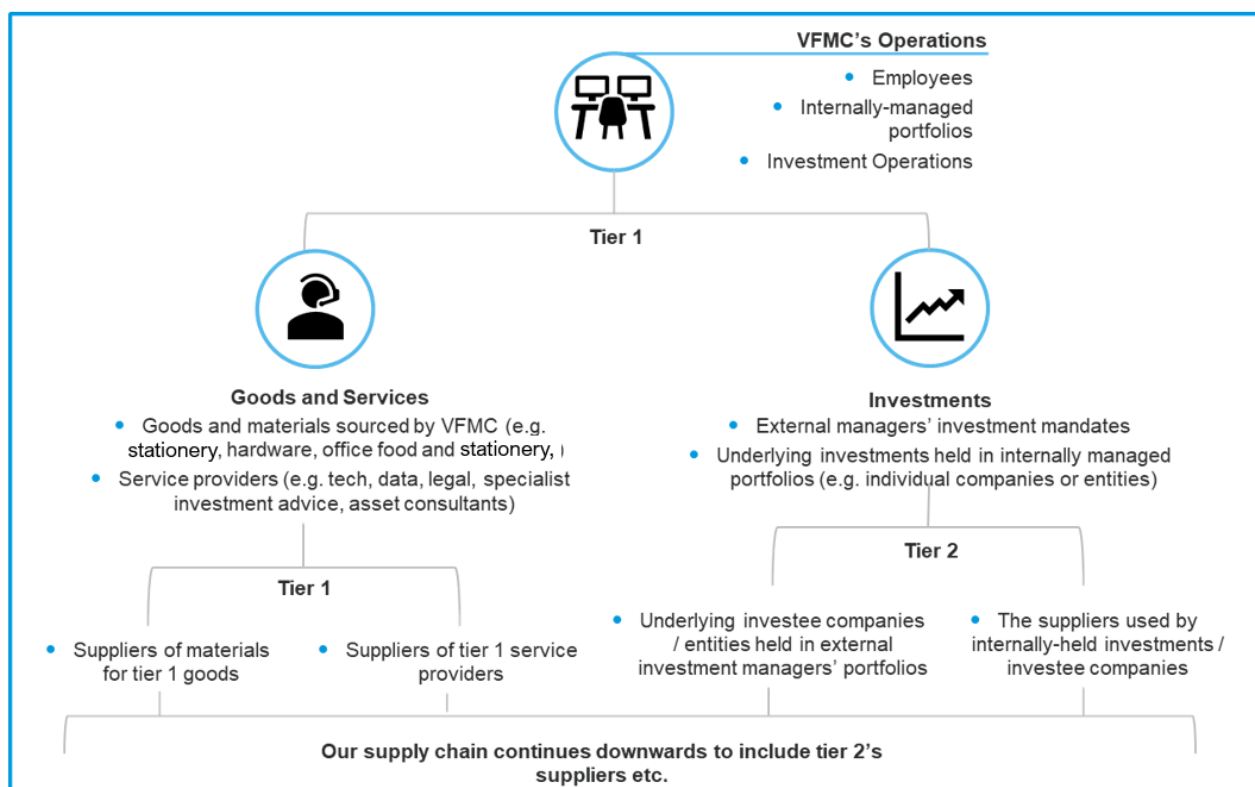


Figure 2: VFMC's high level supply chain

VFMC Workforce

VFMC employs 140 people, and its operations are headquartered in Melbourne, Victoria in Australia. In the general course of business and as part of its commitment to flexible and hybrid ways of working, some of its people may work in locations outside Victoria, from time to time in accordance with its Flexible Working Policy. All of these arrangements are undertaken in line with Australian employment law. VFMC's workforce consists of predominantly permanent employees across a variety of professional roles (a breakdown of employees is provided in the [VFMC Annual Report](#)).

Utilising its Modern Slavery Risk Assessment, at an organisational level, VFMC's potential exposure to modern slavery risk within its workforce is assessed to be low. This is attributed to its Victorian domiciled, office-based, professional workforce coupled with its strong commitment to health and safety in its workplace and robust governance framework. Relevant policies that support a safe working environment include:

- VFMC Code of Conduct
- VFMC Diversity, Equity and Inclusion policy
- VFMC Flexible Working Policy



- VFMC Guidance and Procedure for Workplace Complaints
- VFMC Occupational, Health and Safety Policy

VFMC Operations

VFMC provides investment and fund management services to Victorian public authorities and the State of Victoria in a commercially effective, efficient, and competitive manner. VFMC manages investment risks and builds portfolios that aim to optimise returns and meet client objectives, as such, VFMC’s supply chain includes third parties and outsourced providers appointed for the purpose of providing investment services and supporting business operations which are asset management related. Approximately 33% of VFMC’s funds are managed internally.

Effective management of environmental, social and governance (ESG) risks, including managing human rights risks within supply chains, is integral to VFMC’s investment processes. VFMC believes that being an active steward of investment capital adds value to clients’ portfolios by managing these risks, identifying opportunities and influencing positive ESG outcomes in the value chains of its operations and portfolio. VFMC became a signatory to the UN-supported Principles for Responsible Investment (PRI) in 2007 and regularly collaborates with peer investors and other industry participants.

VFMC Suppliers

VFMC has a significant network of local and global suppliers, with goods and services procured to support its investment management operations. VFMC has 248 Tier 1 suppliers with the main supply chain categories comprising professional and advisory services, software and technology, financial, and investment management expenses. These categories account for approximately 82% of suppliers by count and approximately 98% of supplier spend. A breakdown of VFMC’s key suppliers is summarised below.

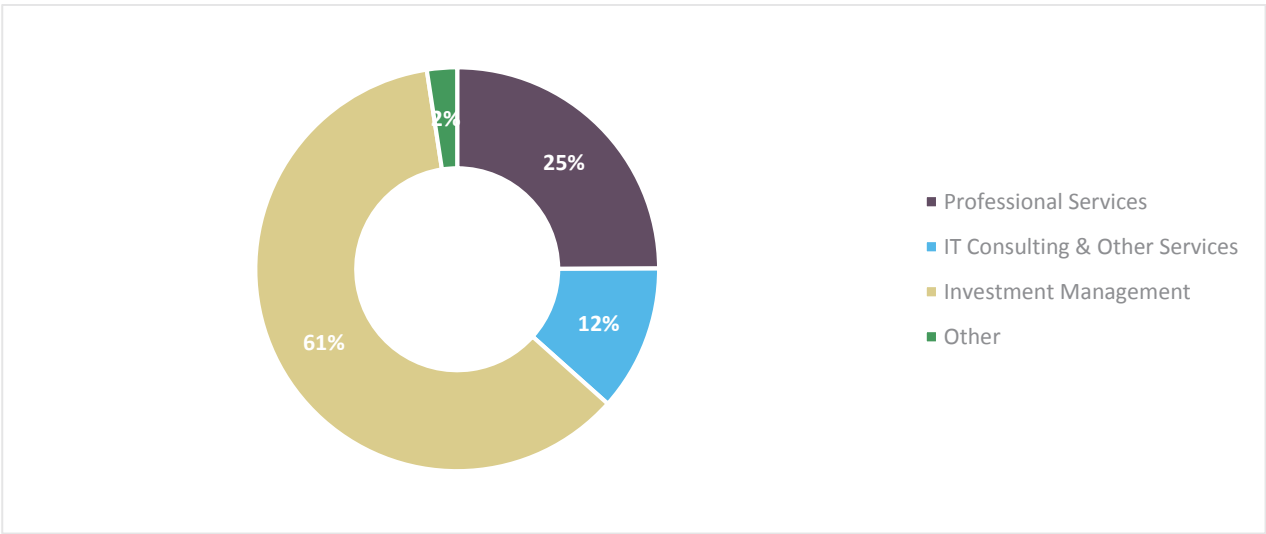


Figure 3: VFMC Supplier breakdown by Spend

Irrespective of whether they are themselves captured by the MSA, VFMC expects its suppliers to actively implement adequate measures to identify, assess and address the risk of modern slavery in their own operations, supply chains and investment activities.

The VFMC Procurement Policy aims to ensure goods and services purchased by VFMC are subject to appropriate financial governance and approval and its practices comply with relevant Victorian Government mandated requirements. Additionally, VFMC’s procurement activity also aligns with the Victorian Government’s Code of Conduct for suppliers, which works to ensure that businesses and supply chains meet expectations around integrity, conflict of interest, corporate governance, labour and human rights, health and safety and environmental management.



Additionally, VFMC also has a VFMC Social Procurement Policy aligned to the Victorian Government's Social Procurement Framework, which seeks to use VFMC's buying power to generate social value above and beyond the value of the goods and services being procured.

VFMC Investments

VFMC's internally and externally managed portfolios are invested across a range of asset classes and across the globe, with Tier 1 and 2 investments spanning 69 countries. These include Australian and International Equities, Infrastructure, Property, Hedge Funds, Private Credit, Emerging Market Debt, Inflation Linked Bonds, Australian Bonds, US Bonds and Cash. Figure 4 below provides a breakdown of VFMC's investment portfolio by geography and size of exposure (denoted by the size of the circle).



Figure 4: VFMC Investments by Geography

4 Approach to Modern Slavery Risk

VFMC's approach to understanding, identifying, assessing and managing modern slavery risks in its operations and supply chain is informed by regulation, industry guidance and research resources. An overview of VFMC's approach is set out in Figure 5.

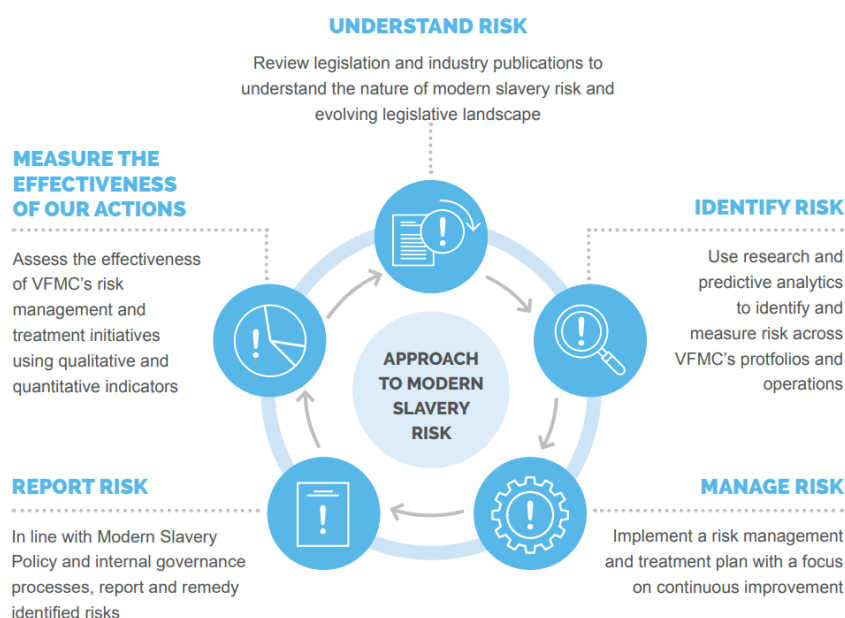


Figure 5: VFMC's approach to Modern Slavery Risk Assessment Management and Mitigation

4.1 Understanding Modern Slavery Risk

Modern slavery refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, or abuse of power. It is a hidden crime that affects every country in the world².

In complying with the MSA and in line with the UN Guiding Principles on Business and Human Rights, VFMC seeks to continually develop its understanding of modern slavery, its risk, and prevalence in its value chains, to better address human rights risks related to business activities. This understanding also supports VFMC's efforts to create resilient and stable operating environments, minimising the potential risk of business disruptions, penalties for non-compliance with human rights-related regulations, productivity challenges and broader reputational issues.

4.2 Identifying VFMC's Modern Slavery Risk

The prevalence of modern slavery and human rights risks is influenced by factors such as labour force structures, social, political and environmental conditions in the geographies within which it and its suppliers operate, regulatory and governance regimes, as well company specific organisational values. As supply chains are becoming increasingly global, dynamic, and complex, companies are increasingly exposed to business risks stemming from human rights issues embedded in or associated with their supply chains.

VFMC employs a three-stage model to identify modern slavery risks in its investments and investment supply chain. This process enables VFMC to monitor and assess identified modern slavery risks, incidents, United Nations Guiding Principles on Business and Human Rights (UNGPR) breaches, remediation and ongoing risk management efforts. It also reflects industry best-practice guidance from ACSI, Investors Against Slavery and Trafficking (IAST), UNPRI, KPMG, Monash University and the Global Slavery Index.

² Walk Free (2022) "What is Modern Slavery?" <<https://www.walkfree.org>>

As outlined in Figure 2, VFMC's Tier 1 supply chain encompasses both Operations and Investments. Given the material size of investments in the broader context of VFMC's overall supply chains (accounting for over 60% of total spend) and due to it being a core function of the organisation, VFMC has prioritised undertaking supply chain risk analysis of the Tier 2 supply chains of 'Tier 1 Investment' suppliers.

VFMC expects to evolve this approach in future years to cover Tier 2 (and beyond) suppliers of its 'Tier 1 Operations' suppliers.

4.2.1 Methodology

To identify modern slavery risks across its organisational supply chains, VFMC developed a proprietary model that examines the relationship between industry (GICS), country and number of probable slaves. Part A of the model utilises country specific modern slavery risk ratings from the Global Slavery Index and GICS modern slavery risk ratings and regresses these on the number of probable slaves. These outputs are then used to classify VFMC's supply chain into different modern slavery risk categories (see results section) with suppliers categorised as high risk requiring further analysis and engagement.

Part B of the model (currently only applied to Tier 2 suppliers) carries out bottom up analysis of the companies from Part A ranked as very high or high risk on whether they have recorded any severe or very severe human rights controversies as they relate to the United National Guiding Principles on Business and Human Rights, United Nations Global Compact, the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises or the International Labour Organisation's Fundamental Conventions and ILO Declaration on Fundamental Principles and Rights at Work.

Lastly, Part C of the model examines whether any of the companies identified from Part A and B mitigate any of their risk via policies or frameworks to manage human rights risks within supply chains.

Figure 6 below details the three key steps that form VFMC's approach to modern slavery risk identification. This approach is deployed annually as part of VFMC's modern slavery risk management process.

Stage A) Top-Down Multi Factor Risk Assessment (Country and Industry risk factors)

- Inherent Country Risk as determined by The Force Labor Index calculated based on the prevalence of non-compliances in accordance's with ILO forced labour indicators (MSCI ESG Manager, ELEVATE)
- Inherent Sector Risk based on the prevalence of high-risk modern slavery factors because of their characteristics and processes, such as widespread use of low skilled labour or reliance on outsourcing.

Stage B) Bottom-up Company Assessment of Risk Factors, looking at issues including:

- Identification of severe and very severe human right controversies counter to UNGPs and Global Norms
- Actual identified cases of "Labour Controversies" and "Working Conditions" controversies
- Workers' payment related factors like minimum wage, overtime and working hours can be combined to highlight the companies with best practices in place as per their supplier code of conduct

Stage C) Overlay 3rd Party Assessments of Modern Slavery Reporting and Risk Management Efforts

ASX300 Holdings

C) Overlay ACSI and Monash University assessments of Modern Slavery Reporting in ASX200 and ASX300

All Other Holdings

C) Overlay measures from data vendors MSCI and Bloomberg including general transparency, reporting quality, disclosure of non-compliance or violations, and remediation actions

Figure 6: Overview of Modern Slavery Risk Identification Process in Investments

4.2.2 Risk Assessment Results

Tier One: Suppliers

Figure 7 below summarises the risk profile for VFCM’s top 10 investment and operations suppliers by spending. The purple bar indicates the combined country and GICS risk rating and the blue bar indicates the residual risk once mitigating controls, such as if the supplier is reporting and/or captured by the Modern Slavery Act in Australia or the UK, has governance and policy frameworks to manage human rights risk and/or whether they are captured by the US UFLPA and EU CSDDD, have been taken into account. As detailed below, after considering mitigating controls, 19 of VFCM’s largest suppliers are deemed to be low risk and 1 supplier is deemed to be medium risk.

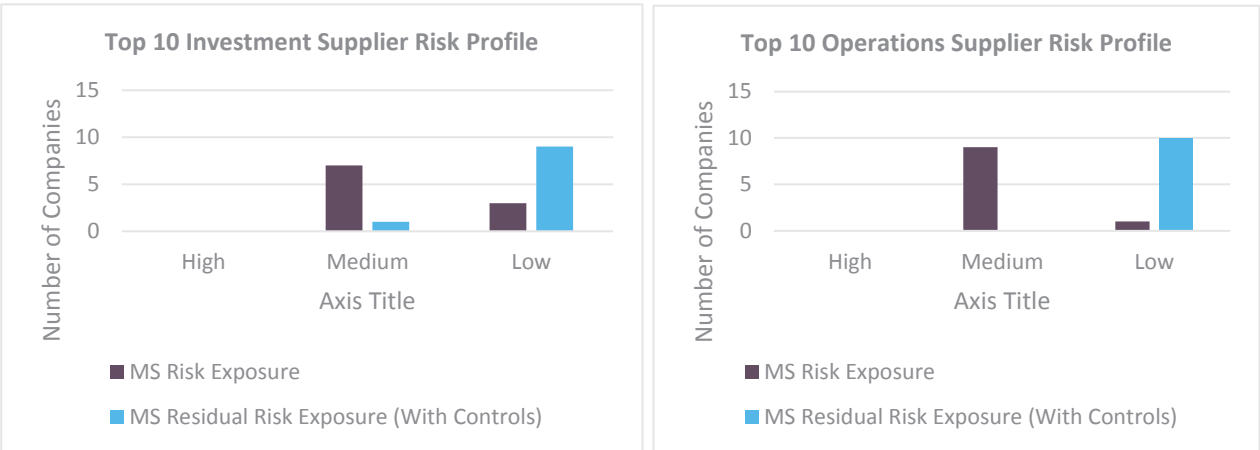


Figure 7: VFCM Top 10 Operations Suppliers and Investment Management Modern Slavery Risk Rating

Tier Two: Investee Companies

VFCM analysed modern slavery risk based on both country and sector across 12,586 underlying holdings (categorised as *tier two suppliers*) held within the VFCM investment portfolio (ex-hedge funds) as at 30 June 2024.

Disaggregating the country and risk factors used as inputs into the model, the following sectors and geographies were assessed to be highest risk for VFCM holdings:

Highest Risk Countries	Highest Risk Sectors
1. Liberia ³	1. Beverages
2. China	2. Construction and Engineering
3. Thailand	3. Containers and Packaging
4. Philippines	4. Paper and Forest Productions
5. Mexico	5. Auto components
6. Malaysia	6. Health Care Services
7. Indonesia	7. Integrated Oil and Gas
8. Turkey	8. Steel
9. India	9. Automobile Manufacturers
10. Taiwan	10. Food Distributors

Figure 8: VFCM High Risk Geography and Sector Exposure

³ VFCM does not directly invest in Liberia. VFCM is invested in a company headquartered and listed in the United States, but is incorporated in Liberia for tax purposes.



The assessment found that the majority of VFMC holdings were in the low risk (37.8%) and medium risk (56.6%) categories. Of these, 296 holdings were identified as having a high-risk rating (5.6%). No holdings were categorised into the highest risk category (for context, an example of a company rated as highest risk would be an Indian steel factory).

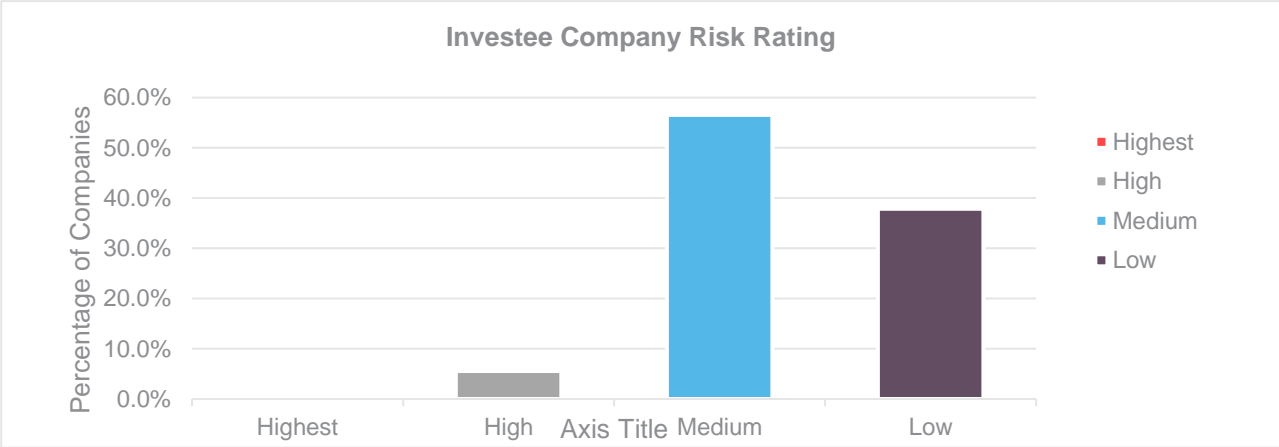


Figure 9: VFMC Multi-Factor Risk Model Result - Part A

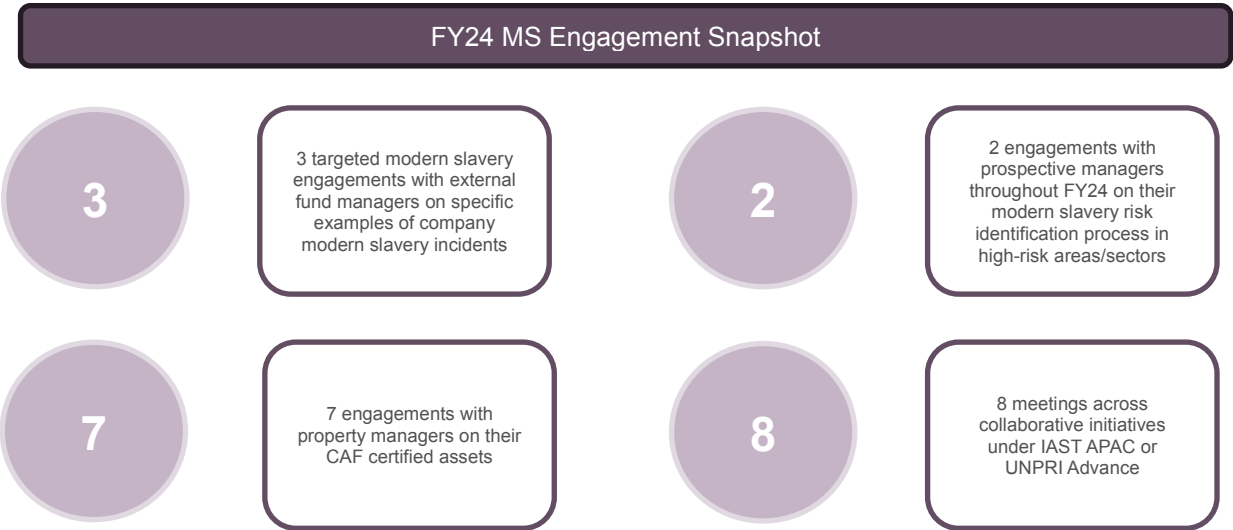
Analysis under Part B and C of the model found that of these 296 companies identified as high risk, 2 companies were rated as high risk and 4 were medium risk under UNGP, UNGC, OECD or ILO guidelines/compacts (as per VFMC’s third party data providers’ definition). Of these 6 companies, 5 had public documents that detailed their approach to managing human rights risks within their supply chains.

Sector	UNGP, UNGC, OECD, ILO Risk Rating	Evidence of Supply Chain Risk Policy
Petrochemicals	High	Yes
Mining	High	Yes
Mining	Medium	Yes
Railroads	Medium	No
Retailing	Medium	Yes
Auto Manufacturing	Medium	Yes

Figure 10: VFMC Multi-Factor Risk Model Result - Part B and C

4.3 Managing VFMC’s Modern Slavery Risks

Utilising the results of the MS risk analysis, VFMC integrates modern slavery risk and broad labour rights assessment analysis into its existing ESG assessment processes. VFMC engages directly with many of its largest external investment managers and underlying investment companies as part of its active ownership activities.



Tier One Suppliers: Operations

- In FY24, VFMC:
- updated the VFMC Modern Slavery policy to better reflect practice within the organisation;
 - identified process improvements within VFMC’s procurement function and governance frameworks; and
 - progressed a training module on modern slavery to be rolled out in FY25 to staff.

Case Study: ODD in Operations Supply Chain in High Risk Jursidictions

In FY24, Operational due diligence was carried out on two of VFMCs Tier 1 Operations service providers across regional APAC locations: Hangzhou (China), Singapore, Pune and Bangalore (India). The focus of the trip was to perform on-site reviews of regional and global operational locations and gain insights on VFMC partners’ people, process, technology, and overall business strategy. Overall, the service providers have given VFMC a high level of comfort around their strategy on sourcing talent in the regions and continued evolution of operational hub locations, with India being part of the improved footprint for operational services.

Tier One Suppliers: Investment Management

- In FY24, VFMC:
- evolved the modern slavery clause in side letters for external fund managers;
 - included questions in the modern slavery due diligence questionnaire for new managers on modern slavery regime compliance;
 - continued to engage managers on their modern slavery identification and engagement processes; and
 - continued to integrate Modern Slavery into key investment processes, including pre-investment due diligence and new legal contracts (where possible).

Case Study: Engagement via fund manager with an investee company within the Luxury Goods sector

After identifying two reported instances of modern slavery within an underlying investee company, VFMC engaged with the external fund manager that held the investments to better understand their approach to both managing and monitoring modern slavery risks within their portfolio. The engagement highlighted several improvement opportunities, including:

- ensuring the manager has appropriate systems in place for identifying, prioritising and reporting on modern slavery risks;
- engaging with the company to provide better transparency of their supply chain; and
- understanding how the company will comply with the new requirements under the EU CSDDD and CSDR.

Tier Two Suppliers: Investee Companies

In FY24, VFMC:

- participated in various modern slavery and human rights collaborative initiatives, including the Investors Against Slavery and Trafficking (IAST) initiative;
- voted in support of human rights related shareholder resolutions; and
- through its engagement provider, carried out 74 engagements with 61 companies on modern slavery to assess the due diligence practices, mitigation of risk and whether when modern slavery is found, how it is being addressed.

Case Study: Modern Slavery Risks within Clean Energy Supply Chains

During FY24, through its collaborative network, VFMC attended training on understanding and managing risks within the renewable energy supply chain. The outcomes of this learning support VFMC in prioritising the mapping of the materials or inputs known to be at highest risk of forced labour across its renewable energy value chain. For solar, this includes polysilicon and metallurgical-grade silicon and for electric vehicles, this includes lithium, lithium-ion batteries, copper and graphite, as well as ultra-low-carbon steel and aluminium.

4.4 Reporting Risk and Responding to Identified Cases of Modern Slavery Practices

Where incidents of modern slavery are identified in VFMC's indirect operations through its supply chain, VFMC will use its influence to promote a change in the supplier or investee company's business practices. In VFMC's investments, this will typically take the form of engagement with investee companies, fund managers and other suppliers and like-minded investors.

In line with VFMC's governance of modern slavery risk structure (refer section 3.2), any identified instances of modern slavery in its Tier 1 supply chains are reported to VFMC's Audit Risk and Compliance Committee (ARCC) via the Chief Finance and Risk Officer's reports.

VFMC reserves the right to explore and/or consider options to terminate subject to contractual arrangements or divest an investment in its portfolio in instances where a modern slavery impact is irreparable, or where an investment manager, other supplier or investee has consistently, over a set timeframe, failed to implement appropriate due diligence measures regarding modern slavery risks in their operations or supply chain. Where required by law, VFMC will report any identified instances of modern slavery practice to the relevant authorities.

4.5 Measuring Effectiveness

Drawing on the MSA Guidance for Reporting Entities, VFMC has developed a framework to monitor the effectiveness of its ongoing modern slavery activities, including tracking the following indicators of progress:

- percentage of engagements that discuss modern slavery and human rights;
- number of high-risk entities where further due diligence is undertaken;
- number and percentage of new or renewed contracts containing modern slavery clauses; and
- number and percentage of identified high risk suppliers reviewed, with discussions held around modern slavery compliance.

5 Modern Slavery Activities FY2025

VFMC is planning to undertake the following actions in FY25 as part of its continuous improvement approach:

Policies, Process and Governance	<ul style="list-style-type: none"> Review and refresh <i>Modern Slavery Policy</i> in line with evolving best practice expectations and updated Modern Slavery Act Formalise review of modern slavery risk management effectiveness by Operational Risk Management Committee
Procurement and Operations	<ul style="list-style-type: none"> Integrate and implement process improvements to the management of modern slavery risks across key operational teams Engage in a third-party vendor to deliver modern slavery risk training materials and deliver training to procurement, investment and operations teams on an annual basis Identify high risk suppliers and undertake engagement to understand the robustness of their approach to managing Modern Slavery risks within their supply chains
Investments	<ul style="list-style-type: none"> Continuously assess modern slavery risk, human rights related controversies and leading indicators of labour rights abuses, using its external ESG providers Engage with modern slavery risk laggards across the portfolio, and report outcomes as part of a multi-year engagement plan Where feasible, systematically integrate Modern Slavery Clauses in Investment Management Agreements (IMAs)
External collaboration	<ul style="list-style-type: none"> Continue active involvement in IAST APAC, working towards: <ul style="list-style-type: none"> Creating a consistent industry framework for assessment modern slavery risk Supporting modern slavery data development Undertaking a coordinated engagement program to encourage companies to adopt best-practice approaches to identifying and mitigating modern slavery risk in company supply chains Participate in UN PRI Advance Human Rights program to engage with high-risk entities around issues of modern slavery and human rights controversies