



Modern Slavery Statement

Financial Year ended 31 December 2019

 **First Sentier**
Investors

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1. Introduction

This modern slavery statement is made by First Sentier Investors Holdings Pty Limited ACN 630 725 558 (**FSI HP**) for the financial year ended 31 December 2019. It covers the following entities:

- First Sentier Investors Holdings Pty Limited
- First Sentier Investors (Australia) Services Pty Limited
- First Sentier Investors (Australia) IM Ltd
- First Sentier Investors (Australia) RE Ltd
- First Sentier Investors Realindex Pty Ltd
- First Sentier Investors Asia Holdings Ltd
- First Sentier Investors (Australia) Infrastructure Holdings Ltd
- First State Investments (Hong Kong) Ltd

(together, **FSI Entities**)¹

This statement has been prepared to comply with section 14 of the Modern Slavery Act 2018 (Cth) (**Australian Act**) and covers the six months financial period ended 31 December 2019² (**Reporting Period**). FSI HP has acted in consultation with the FSI Entities in preparing this statement through the formation and operation of an internal working group consisting of staff from various support functions such as Regulatory Compliance, Risk, Legal, Supplier Management and Responsible Investment.

First Sentier Investors (**FSI, we or us**) is committed to continually improving our systems and processes to combat slavery and human trafficking. FSI understands the risks of modern slavery to mean the potential for our business to cause, contribute to, or be linked to modern slavery through our operations and supply chains. We recognise that particular types of suppliers (e.g. those employing lower-wage staff) may represent a higher risk of modern slavery and human trafficking. We also understand that slavery and human trafficking can occur in many forms, such as forced labour, child labour, domestic servitude and workplace abuse. Therefore, in this statement we will use the terms “slavery and human trafficking” to encompass these various forms of coerced labour.

FSI’s exposure to the risks of slavery and human trafficking emanate from two primary sources, our investment activities as shareholders of companies, and our procurement of goods and services (and their associated supply chains). This statement covers both of these sources of modern slavery risk.

¹ We note that a Modern Slavery and Human Trafficking Statement was prepared and issued pursuant to section 54 of the United Kingdom Modern Slavery Act 2015 (**UK Act**) for the following entities that also form part of the First Sentier Investors business: First State Investment (UK Holdings) Limited, First State Investment Services (UK) Limited, First State Investment Management (UK) Limited, First State Investments International Limited and First State Investments (UK) Limited.

² This statement covers the 6 month financial period ended 31 December 2019. This interim financial period was introduced in order to align the financial year end of the FSI Entities with that of their new ultimate holding company Mitsubishi UFJ Financial Group, Inc. (**MUFG**).

2. Organisational Structure

We are part of the broader Mitsubishi UFJ Financial Group, and our ultimate parent company is Mitsubishi UFJ Financial Group, Inc. (**MUFG**). FSI operates as a standalone global investment management business, with a Board comprising members of FSI and FSI HP's immediate holding company, Mitsubishi UFJ Trust and Banking Corporation (**MUTB**).³ FSI has over 800 employees working together across Asia, Australia, Europe and North America under a number of brand names (First Sentier Investors, First State Investments, FSSA Investment Managers, Stewart Investors and Realindex Investments) to invest responsibly over the long term for the benefit of its clients.

3. Our Business

FSI is an investment management business with expertise across a range of asset classes and specialist investment sectors. Our approach to investment is driven by a commitment to provide the best possible outcomes over the long term for our investors. Our underlying investment philosophy is to provide quality investment products to clients that deliver investment outperformance over the long term and through market cycles. We have a range of investment styles which vary across our investment teams. Each of our investment teams has the ability to make autonomous investment decisions. While the investment teams work independently of each other, all decisions are underpinned by a common commitment to the principles of Responsible Investment, stewardship and quality which are embedded across our business as a whole. We have 17 independent teams operating across equities, fixed income, listed and direct infrastructure and multi-asset. Our brands include FSSA Investment Managers, an Asian and global emerging markets equities investor; Stewart Investors, a pioneer in emerging market equities and sustainable investing; and Realindex Investments, a systematic equities manager.

4. Our Policies on Slavery

Our vision, purpose and values are integral to the way we operate our business. Our commitment to human rights is supported by policies that identify, assess and mitigate risks of modern slavery and human trafficking. These include, but are not limited to our:

- Global Code of Conduct;
- Supplier Code of Conduct;
- Supplier Management Framework;
- Mandatory Learning Policy;
- Remuneration Policies;
- Anti-Money Laundering and Counter-Terrorism Financing Policy;
- Anti-Bribery and Corruption Policy;
- Whistleblower Policy;
- Global Responsible Investment and Stewardship Policy and Principles;

³ Since the reporting period, FSI HP has appointed three independent non-executive directors to the Board.

- Human Rights Toolkit; and
- Modern Slavery Toolkit.

Our relevant internal processes and procedures designed to mitigate the risks of modern slavery and human trafficking include, but are not limited to the following:

- we monitor and review the effectiveness of relevant internal policies and how these have been implemented across our business areas;
- we undertake proportional supplier oversight and due diligence on proposed and existing key first tier suppliers;
- we implement practices to support an inclusive workplace; and
- our employees and third parties have access to a hotline and an external web-based reporting service providing an avenue to anonymously report or raise any concerns of suspected improper, unethical or corrupt behaviour and misconduct.

Over the forthcoming reporting period, FSI intends to expand the implementation of its Supplier Code of Conduct, further enhance its Supplier Management Framework, extend the supplier risk management process and implement more targeted training on the risks of modern slavery with a view to further minimising the risks of modern slavery and human trafficking.

5. Training

Staff receive training on group culture and investment teams have embedded processes designed to help minimise human rights risks in investment portfolios. Future developments will include developing general staff awareness training and targeted training for staff involved in the engagement of suppliers and our investment teams.

6. Approach of our Investment Teams to Modern Slavery Risks

We recognise that, as allocators of capital, stewards of our clients' assets and as active shareholders in companies on their behalf, the individual and collective decisions we make as investors have far-reaching implications. The opportunity to influence positive change for the millions of victims of modern slavery whilst securing sustainable long term investment returns is central to our stewardship responsibilities. As an organisation, FSI has been assessing and managing human rights risks within our portfolios for a number of years now. Over the Reporting Period we have worked closely with a number of NGOs and market leaders to continue to develop and refine our approach to better identify companies in our portfolios that are exposed to modern slavery risks within their operations and supply chains and to address these risks.

Using our Human Rights Toolkit and Modern Slavery Toolkit as a basis, we have conducted a mapping of where the key modern slavery risks lie within our investment portfolios and the salience of those risks, using data from a range of sources including the Walk Free Foundation, the US Department of Labor, Sustainalytics and Reprisk together with analysis from the individual investment teams and our internal Modern Slavery Investor Working Group. Over the coming year we plan to develop tools to help teams refine these risk assessments. At a very high level, the key risks identified by our equity and fixed income investment teams include companies in the following industries: consumer discretionary (in particular retailers, apparel and technology), health care supplies, energy

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and construction; and our emerging markets debt team include countries that are marked by conflict, have repressive regimes in place and rely heavily on migrant labour. Additional information is available at team level. We have prioritised risk identification for these teams given the higher risks they are facing. We intend to complete risk mapping for our direct infrastructure team during 2020, which faces lower risks given the type and location of the assets. There is greater risk where companies are based in emerging markets or importing goods from such markets so we have prioritised action in this area (particularly in Asia). However, we recognise that the prevalence of modern slavery in developed markets is higher than previously recognised, so addressing these risks also forms part of our response.

Where modern slavery risks are identified for an investee company, investment teams should engage with the company as soon as possible in order to further understand the situation. This can be done both individually and through collaborative engagement. We have developed an engagement guide and a set of general principles for engagement in relation to modern slavery risks to ensure that companies are taking meaningful action to identify these risks, address them and prevent further issues from arising. This forms part of our broader approach to engagement across the organisation.

By way of example, we have identified fresh food retailers in Australia as high risk, therefore our investment teams are taking a coordinated approach to engaging with these companies to ensure consistency and to encourage an industry solution to drive faster improvements.

Whilst engagement is the most common form of leverage used by investors, we encourage investment teams to consider whether there are complementary ways of addressing risks, for example: industry collaboration, joining initiatives that encourage greater disclosure or improvements in a particular country or sector and policy advocacy.

In the coming year we intend to increase our levels of collaborative engagement (both within FSI and with the broader investment community) and policy advocacy in high-risk countries.

A very important and often overlooked aspect of addressing modern slavery risks is a consideration of remedy. Where our organisation is linked to modern slavery through our investments we have an escalation process in place to ensure that we can play a role in enabling a remedy and ensuring that any issues are addressed so that risks are minimized going forward. This includes a series of steps to be taken both internally (including reporting to the Responsible Investment Team and the Global Investment Committee) and with the company in question. Divestment is considered as a last resort, as it is unlikely to go hand in hand with remedy for the victims of modern slavery.

Our investment teams have agreed to commence gathering the following metrics in 2020 to assess our effectiveness in addressing modern slavery risks within our investment portfolios:

- How many companies within our portfolios did we identify that were at low/medium/high risk of modern slavery?
- What percentage of those companies did we engage with (individually or collectively)?
- How many companies have identified incidents of modern slavery within their supply chain over the past 12 months?
- How many companies provided training to their employees on modern slavery?
- How many companies assess modern slavery risks beyond tier 1 of their supply chain?

As it is difficult to measure effectiveness based on metrics alone, we also capture qualitative examples of how we are addressing modern slavery risks in a case study format. Our Modern Slavery Investor Working Group will continue to meet biannually to assess risks, identify areas for collaboration and assess the effectiveness of our approach.

7. Combating Modern Slavery in our Supply Chains

7.1 Overview of our Supply Chains

Our principal third party suppliers are professional services firms providing services to allow us to provide pooled and segregated investment management services to our clients. We also engage with businesses that supply services related to the running of our operations, premises (e.g. cleaning and catering services), IT systems and other support services and supplies.

7.2 Risk Assessment and Due Diligence Processes for Modern Slavery in our Supply Chains

FSI has in place a variety of systems and processes that are designed to identify and assess potential risk areas in our supply chain, monitor and mitigate such risks, as well as to protect whistle-blowers who identify any non-compliance with such systems and processes. Our risk assessment framework considers each category of supplier that supports our business against a range of factors, for example, sector, geography and business complexity, and will be used to further develop and target our modern slavery policies, procedures and practices. We are working to enhance the integration of the outcome of this assessment into our supplier on-boarding and management systems.

7.3 Supplier Adherence to our Values

FSI expects that its suppliers will:

- comply with international human rights laws and norms set out in the International Bill of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work;
- manage their operations and their own supply chain guided by applicable regulation;
- ensure compliance with relevant laws affecting forced or involuntary labour, child labour, discrimination and security practices;
- ensure that products, services or facilities are not used for human trafficking and/or labour or sexual exploitation;
- not use forced, bonded or involuntary labour so that, for example, workers are free to leave after their shift ends, or to resign their employment after giving reasonable notice. In particular, FSI makes it clear that we expect compliance with all applicable Modern Slavery legislation.

FSI has a framework in place which seeks to ensure that entities within our supply chain and contractors comply with our values. This framework is implemented through a co-ordinated effort by various teams within the global organisational structure.

As a global investment manager committed to operating with the highest standards of conduct to protect investors' interests and to behave ethically, we communicate with our suppliers on an ongoing basis with respect to our expectations of them.

7.4 Monitoring & Reporting Our Effectiveness in Combating Modern Slavery in our Supply Chains

We continue to monitor the effectiveness of our processes and procedures, to address the risks that our business causes, contributes to, or is directly linked to modern slavery through our operations and supply chains, and to take all necessary steps to ensure that our processes and procedures remain appropriate.

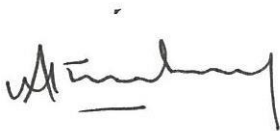
During the Reporting Period, the FSI business was sold by its previous owner Commonwealth Bank of Australia (**CBA**) to Mitsubishi UFJ Trust and Banking Corporation (**MUTB**). As a result, we have initiated a review of our risk and compliance framework to ensure that we are able to assess and address the risks of modern slavery. This review is currently underway and it includes the following:

- re-assessing the risk of modern slavery in our business and our supply chains and our approach to such risks;
- developing and implementing a specific modern slavery policy;
- enhancing current staff awareness of modern slavery including the specific risks of modern slavery through business-wide training and targeted training for staff involved in the engagement of suppliers and our investment teams; and
- identifying those standards against which to assess our progress on slavery and human trafficking issues.

Over subsequent reporting periods, we intend to take the findings of this review and determine the appropriate measures to further enhance our risk and compliance framework.

8. This Statement

This statement was approved by the Board of Directors of First Sentier Investors Holdings Pty Limited.



Mark Steinberg

Director

FIRST SENTIER INVESTORS HOLDINGS PTY LIMITED

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Disclaimer

This statement has been prepared and issued by First Sentier Investors Holdings Pty Limited ABN 49 630 725 558 (**FSI HP**), which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc (**MUFG**), a global financial group. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making any investment decision you should consider, with a financial advisor, whether this information is appropriate in light of your investment needs, objectives and financial situation. Any opinions expressed in this material are the opinions of FSI HP only as at the date of this statement and are subject to change without notice. Such opinions are not a recommendation to hold, purchase or sell a particular financial product and may not include all of the information needed to make an investment decision in relation to any such financial product. To the extent permitted by law, no liability is accepted by MUFG, FSI HP nor their affiliates for any loss or damage as a result of any reliance on this material. This material contains, or is based upon, information that FSI HP believes to be accurate and reliable as at the date of this statement, however neither FSI HP, MUFG, nor their respective affiliates offer any warranty that it contains no factual errors. No part of this material may be reproduced or transmitted in any form or by any means without the prior written consent of FSI HP.

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Modern Slavery Statement

A member of MUFG, a global financial group