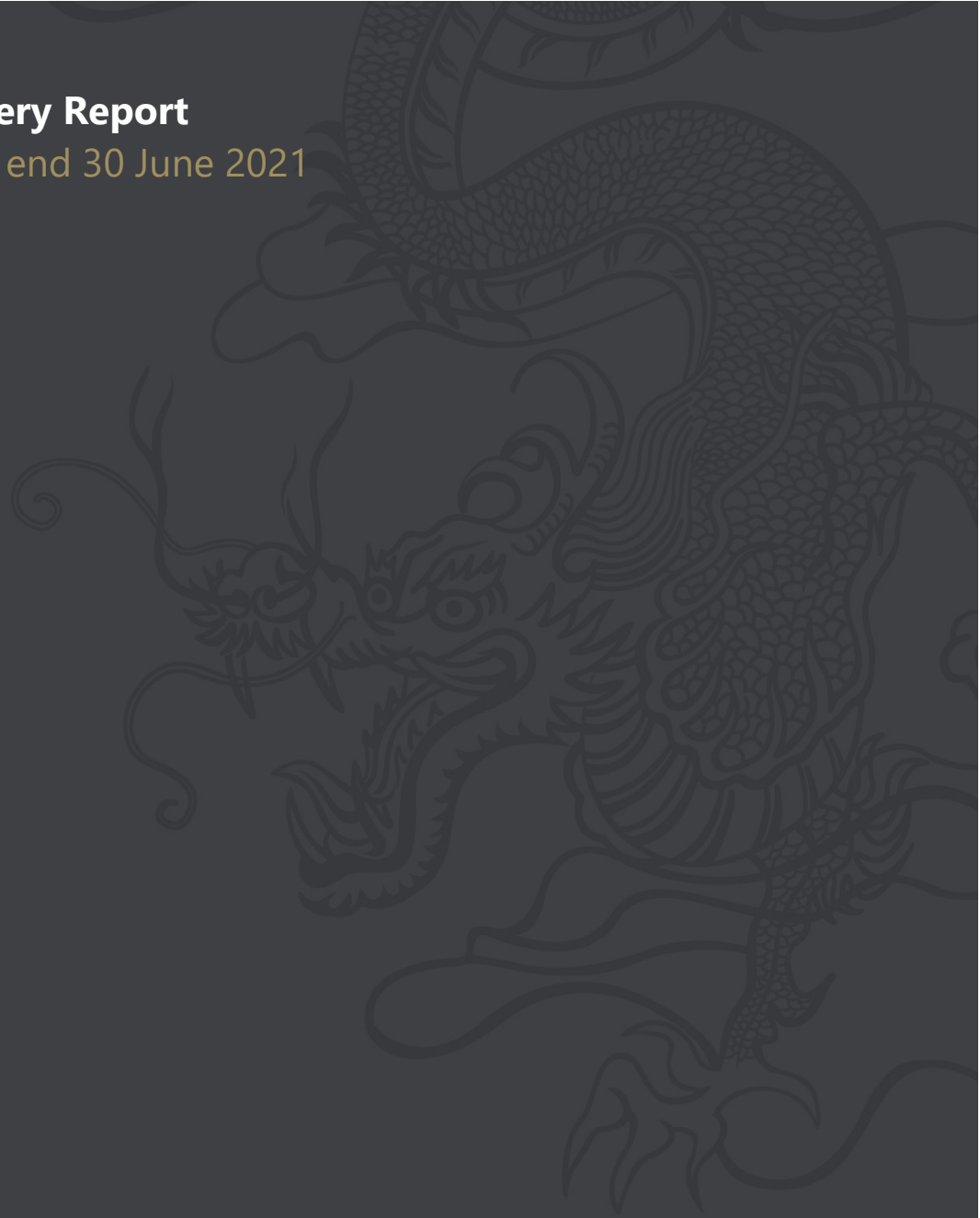




Utilities Trust of Australia

Modern Slavery Report

Financial year end 30 June 2021



Modern Slavery Report

For the period 1 July 2020 to 30 June 2021



This is the modern slavery report made on behalf of Utilities Trust of Australia for the financial year ended 30 June 2021. It has been prepared pursuant to the requirements of the Australian Modern Slavery Act 2018.

This report was approved by the Board of Utilities of Australia Pty Ltd in its capacity as Trustee of Utilities Trust of Australia on 16 December 2021.

Modern Slavery Report

For the period 1 July 2020 to 30 June 2021



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Foreword

The Utilities of Australia (**UoA**) Board, as Trustee of the Utilities Trust of Australia (**UTA** or the **Fund**), believes that the respect of human rights is an integral part of society, and that modern slavery, exhibited in any form, should be globally eradicated.

We are pleased to publish our second report on modern slavery in relation to the activities undertaken by the assets in which Utilities Trust of Australia is invested.

Our 2021 statement builds upon our first statement and provides an overview of our approach to modern slavery and the progress made towards identifying and addressing modern slavery risks within our portfolio companies' supply chain during the reporting period.

The UoA Board (the **Board**) acknowledges the work of the United Nations and accepts its standards of achievement for all peoples and nations within the Universal Declaration of Human Rights (the **UN Declaration**). Based on the UN Declaration, we understand that infringements on human rights can occur in many forms and across many countries and industries.

In 2020, in its Position Statement on Human Rights and Modern Slavery, the Board set out its views on human rights and modern slavery and its commitments to ensuring that the risk of modern slavery occurring within UTA's supply chain is minimised.

The Board believes that action should be taken globally to eradicate modern slavery. We understand that Utilities Trust of Australia's investments may be exposed to the risk of human rights breaches and modern slavery, particularly if the procurement activities undertaken by portfolio companies are not managed appropriately, and we do not tolerate activities, including within portfolio companies, that

prolong infringements on human rights and support modern forms of slavery.

Over the last 12 months, we have engaged with each of UTA's portfolio companies to understand the extent to which they are managing their risk of modern slavery, including monitoring labour conditions experienced by individuals, with a particular focus on the controllable risks that may arise through cleaning and security contracts.

While there is some variation between each company's approach, it is pleasing to report that substantial progress has been made since the first year of reporting as organisations mature in their approach and we have incorporated our findings into this report.

UTA is managed by Morrison & Co Utilities Management (Australia) Pty Ltd (the **Manager**), a wholly-owned subsidiary of H.R.L. Morrison & Co Limited (**Morrison & Co**). The Manager has established a human rights and modern slavery program which focuses on ensuring that the risk of human rights and modern slavery infringements within UTA's supply chain is minimised.

We are committed to understanding modern slavery risks that may arise within each of the industry sectors in which we participate, and the Manager actively engages with UTA's investments to determine the extent to which appropriate steps are taken to mitigate these risks.



Andrew Cooke

Chairman, Utilities of Australia Pty Ltd

Introduction

This Modern Slavery Report (the **Report**) has been prepared pursuant to the Australian Modern Slavery Act 2018.

The Report describes the activities of UTA, its investment portfolio and its operations, and outlines:

- UTA’s approach to the identification of risks of modern slavery practices occurring within its operations and supply chains, and within its portfolio companies.
- The actions taken by UTA and the Manager to assess and address these risks.
- The assessment of the effectiveness of actions to be taken to address modern slavery risk.

The Fund

UTA is an open-ended core infrastructure fund for institutional investors with a long-term investment horizon and a low to moderate appetite for risk.

UTA was established in 1994 and was one of Australia’s first infrastructure investment funds. The Fund has a diversified portfolio of nine high-quality assets in Australia and the United Kingdom, and a track record of delivering strong returns with low volatility over time. As at 30 June 2021, UTA had more than \$6.6 billion in assets under management and undrawn commitments.

UTA’s investments play many important roles in society, including supporting economic growth, enabling the decarbonisation of regional and national energy systems, providing resilience against acute shocks and chronic stresses, supporting local and global connectivity, and ensuring critical information security.

Portfolio

as at 30 June 2021

Portfolio companies and location

Australia Pacific Airports Corporation	Australia
Australian Registry Investments	Australia
ElectraNet	Australia
Perth Airport	Australia
Phoenix Natural Gas	UK
Porterbrook (divested in Nov 2021)	UK
South East Water	UK
Sydney Desalination Plant	Australia
Transgrid	Australia

Corporate Governance

Utilities of Australia Pty Ltd (**UoA**), the Trustee of UTA, is a special purpose company with shares owned by all investors and the Manager. The UoA Board (the **Board**) currently comprises eight directors.

The Board’s responsibilities are to ensure that the UTA Trustee complies with its duties as set out in the UTA Trust Deed and the UTA Trustee constitution. Its key responsibilities include acting in the best interests and protecting the risks of investors. The Board provides independent governance and, inter alia, oversight of the manager of UTA and of new investment decisions and related party transactions.

The Board meets frequently during the year and is provided with information on a timely basis to participate in an informed decision-making process. Committees have been established to further strengthen the Board’s rigorous governance. Presently, the Board has two sub-committees, the membership of which is comprised of subsets of the Board:

- Audit, Risk and Compliance Committee
- Environmental, Social and Governance Committee

The Board comprises six directors nominated by investors (or a class of investors), and up to three independent directors nominated by the Board. The Directors may change from time to time in accordance with the UoA constitution.

UTA’s governance structure is described in Figure 1.

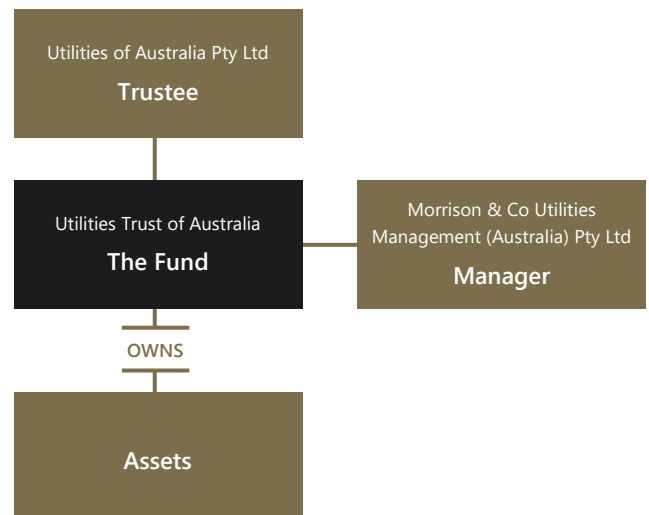


Figure 1: Utilities Trust of Australia governance structure

Supply Chain

The three key elements of UTA's supply chain are the Manager; other directly engaged professional service providers; and its investments.

Management services: The day-to-day management of UTA has been delegated to the Manager.

Other professional services: UTA engages specialists to provide professional services that include financial auditing, legal, accounting and taxation advice, and other such services. Professional services firms are generally categorised as low risk as they rely on a highly skilled professional workforce, however it is increasingly acknowledged that they may be exposed to modern slavery risk through their own supply chains

Investments: UTA is a long-term owner of privately owned infrastructure entities (**portfolio companies**). UTA typically holds significant minority positions in each investment, and UTA's level of control and influence over the portfolio companies varies depending on the level of UTA's ownership of each business. The portfolio companies carry on business in a number of different sectors and geographies and are managed by their own boards of directors and management teams – UTA does not directly operate any of these businesses. Accordingly, UTA's activities with respect to the portfolio companies focus primarily on UTA's role and responsibilities as an owner of those businesses, and the varying level of control and influence which UTA has in each business. Each portfolio company has its own supply chain which is a mixture of outsourced and in-house operations, and each portfolio company oversees its own outsourcing or in-house activities.

Impact of COVID-19

The ongoing issue of COVID-19 has created unprecedented challenges for businesses across the globe. Many of UTA's portfolio companies rely on essential services such as cleaning and security, as well as contract labour for development projects, which are all high-risk for modern slavery and human exploitation. If not managed well, abrupt changes in demand can amplify the risk of modern slavery, while decreases in demand can lead to employees being stood down without pay and without access to public benefits.

Generally, UTA's supply chains have remained resilient during the reporting period and existing supply chain relationships were actively maintained and monitored. The ability to conduct modern slavery audits was reportedly hampered by COVID-19 travel related restrictions for one portfolio company and alternative methods to conduct remote audits is currently being assessed.

Comprehensive 'COVID-safe' procedures were implemented across the portfolio including social distancing practices, the utilisation of personal protective equipment, and the provision of guidance on COVID-19 awareness.

Definitions

Modern Slavery: Describes situations where offenders use coercion, threats, or deception to exploit victims and undermine their freedom. Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and child labour.

Manager: The management of UTA has been delegated to Morrison & Co Utilities Management (Australia) Pty Ltd, a wholly-owned subsidiary of Morrison & Co. Morrison & Co is a leading alternative asset manager with experience across infrastructure and property in both private and listed markets. Morrison & Co's service offering spans the full spectrum of alternatives investment management, including research, origination, due diligence, deal/trade execution, debt arranging and capital management, transition management, portfolio management and long-term active asset management and governance.

Reporting period: UTA's financial year is 1 July to 30 June.

Utilities of Australia Pty Ltd (UoA): UoA is the Trustee of Utilities Trust of Australia (UTA) and is a special purpose company with shares owned by all investors and the Manager. The UTA Trustee Board currently comprises eight directors.

Utilities Trust of Australia (UTA): Utilities Trust of Australia is managed by Morrison & Co Utilities Management (Australia) Pty Ltd (ABN 66 624 308 809) (the Manager).

Modern Slavery Risk Management

The Board has defined its expectations for minimising modern slavery risk across the UTA portfolio. It expects that by delivering these expectations, the likelihood of modern slavery occurring within its supply chain will be minimised.

UoA's Human Rights & Modern Slavery Position Statement describes the commitments that UTA has made in relation to human rights and modern slavery. Commitments include:

- Understanding and monitoring the materiality of human rights and modern slavery risks within its portfolio, and considering these risks in the investment services that it provides;
- Optimising its corporate systems and processes to minimise the risk of UoA being complicit in human rights and modern slavery violations;
- Seeking to ensure that investee entities, where UTA has board representation, understand how they might be exposed to human rights and modern slavery violations, and the steps they can take to assess and mitigate these risks;
- Assisting investee entities in their reporting in accordance with legislation in the jurisdictions in which they operate, including the Australian Modern Slavery Act (2018), and the United Kingdom Modern Slavery Act (2015).

The Manager's sustainability specialists and investment professionals are responsible for understanding and, where feasible, seeking the mitigation of environmental, social and governance risks associated with the operations of portfolio companies.

To further strengthen our commitment to minimising modern slavery risk, Morrison & Co employees underwent online modern slavery training in October 2021 to increase their understanding of modern slavery, and to raise their awareness of where modern slavery risks can arise in the operations and supply chains of portfolio companies.

Morrison & Co has requested that any occurrences of modern slavery identified by portfolio companies are reported to the board of directors of the relevant company and, in the absence of a UTA nominee director, that such occurrences are reported directly to Morrison & Co.

Modern Slavery Risk Mapping

The Board is committed to understanding the materiality of human rights and modern slavery risks within each of the sectors that UTA's portfolio companies operate in.

To inform UTA's modern slavery-related engagements with its supply chain, the Manager has undertaken a review of operational activities that occur within each industry sector in which UTA materially invests or interacts. The aim of the review was to identify the activities being undertaken that are believed to be most exposed to the potential occurrence of modern slavery. The results of the risk mapping process are described in Table 1.

Sector	Sector traits	Key risk areas
Professional services <ul style="list-style-type: none"> Morrison & Co (Manager) KPMG (Auditor) Other consultants 	Professional service sector participants such as companies that provide investment and asset management services are commonly office based. Contractors are engaged to provide facility management services such as cleaning. Suppliers include companies that provide IT equipment and office catering.	<ul style="list-style-type: none"> Office-related procurement (IT equipment and catering) Cleaning services
Airports <ul style="list-style-type: none"> Perth Airport Australia Pacific Airports Corporation 	Airports typically employ a relatively limited direct workforce but engage a multitude of contractors and subcontractors to undertake facility services. Further, there are many tenants on site that may employ their own contractors (aeronautical, retail and commercial). Major and minor construction works occur frequently on site. Directly engaged contractors are considered a key focus to alleviate any modern slavery risks from company-controlled operations, followed by tenants and their contractors associated with the airport.	<ul style="list-style-type: none"> Cleaning and maintenance Construction activities Human trafficking and detainment
Water Utilities <ul style="list-style-type: none"> South East Water Sydney Desalination Plant 	Organisations associated with the provision of water for public use are primarily office based with some infield operations required for maintenance, testing and engineering purposes. Contractors are often engaged for construction and design of major works and specialist engineering services are required across the network. Equipment may be sourced from countries with an increased risk of modern slavery occurrences.	<ul style="list-style-type: none"> Construction activities Equipment manufactured offshore Support services procured offshore e.g., IT helpdesk, HR & payroll
Energy Transmission & Distribution <ul style="list-style-type: none"> Transgrid ElectraNet Phoenix Natural Gas 	Organisations associated with electricity or natural gas distribution or transmission are primarily office based with many infield operations required for maintenance and engineering purposes. Contractors are often engaged for construction or major works and specialist engineering services are required across the network. Equipment may be sourced from countries with an increased risk of modern slavery occurrences.	<ul style="list-style-type: none"> Construction activities Equipment manufactured offshore Support services procured offshore e.g., IT helpdesk, HR & payroll
Rolling Stock Leasing <ul style="list-style-type: none"> Porterbrook 	The rolling stock leasing sector has a small number of office-based employees. Rolling stock is leased, managed and maintained by rail operators. Active repairs and specialist engineering are required on an ad hoc basis which would likely be outsourced. The cleaning services of the stock would also be sub-contracted by the rail operator. The stock itself may be manufactured in countries at risk of modern slavery infringements.	<ul style="list-style-type: none"> Equipment manufactured offshore Cleaning and maintenance Support services procured offshore e.g., IT helpdesk, HR & payroll
Data Infrastructure <ul style="list-style-type: none"> Australian Registry Investments 	Organisations operating within the data infrastructure sector are wholly office-based, with little to no contractors. Electronics, telecommunication equipment and furnishings used at the office site by staff may be sourced from countries with an increased risk of modern slavery occurrences.	<ul style="list-style-type: none"> Support services procured offshore e.g., data warehousing, customer call centres Telecommunications and IT equipment manufactured offshore Contracted facility services (i.e., cleaning and security)

Table 1: Results of modern slavery risk mapping investigation

Supply Chain Engagement

UTA is committed to ensuring that its suppliers and portfolio companies are adequately assessing and managing the risk of modern slavery occurrences and that each portfolio company is aware of its responsibilities associated with assessing and managing the risk of human rights and modern slavery within its operations and supply chain.

The actions taken by UTA and its Manager are outlined in Table 2. Each of the actions taken are informed by the modern slavery risk mapping process outlined above.

UTA's portfolio companies are located in Australia and the UK and each have a predominantly local supply chain. As such, the supply chain review process has determined that, sub-contracted facility services such as cleaning and security together with sub-contracted labour forces that undertake operations, construction and maintenance works, are the most likely portfolio company-controlled activities in which occurrences of modern slavery could exist within UTA's current supply chain. These categories have a higher risk of modern slavery due to the presence of a vulnerable workforce (high prevalence of low skilled, migrant background), low profit margins as well as extensive use of subcontracting and labour hire which creates complexity and a lack of supply chain transparency.

Stakeholder(s) Actions

Professional services Morrison & Co	<p>The Manager conducted an assessment of the potential for modern slavery occurrences within its corporate supply chain in 2019. The assessment was reviewed in 2020 by the Morrison & Co compliance team to support the integration of modern slavery considerations into Morrison & Co's External Service Provider & Outsourcing Policy. Morrison & Co typically undertakes this review annually at the commencement of each calendar year.</p> <p>Morrison & Co periodically undertakes modern slavery reviews of its higher risk suppliers and service providers. In 2021, catering suppliers to the Wellington and Sydney offices were replaced due to a lack of understanding of the modern slavery risks within their supply chains.</p>
Professional services Other	<p>Given that it typically engages top tier organisations, UTA currently expects that professional services suppliers are appropriately managing the risk of modern slavery occurrences within their supply chains. On this basis, UTA does not currently engage with this stakeholder group on modern slavery matters.</p>

Stakeholder(s) Actions

Portfolio companies	<p>The Manager actively engages with UTA's portfolio companies on modern slavery issues. In 2021 the Manager engaged with each of the portfolio companies to obtain a greater understanding of how cleaning and security contractors are managed in relation to the risk of modern slavery occurrences. Alongside these questions, the Manager also requested a response to the following organisational questions;</p> <ul style="list-style-type: none"> • Whether it is a reporting entity under the Australian Modern Slavery Act, or that of another jurisdiction • Who in the business has overarching responsibility for the governance and reporting of Modern Slavery risks • If any Modern Slavery policies or procedures had been updated in the past 12 months • Whether there is a formal process for supplier due diligence or auditing • If there is an established process for remediation <p>The outcomes and findings of the survey have been summarised below and will be used to inform future engagements with key UTA stakeholders such as the Board, UTA investors and portfolio companies.</p>
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Table 2: Further actions taken by the Manager on behalf of UTA

Pleasingly, and in line with the expectations under the Act, there is clear evidence showing an improvement in the level of understanding, resourcing, maturity, and supplier due diligence when comparing the information provided by the portfolio entities the previous year, particularly for the Australian entities where the Modern Slavery Act is in its second year.

Key findings include:

- All of the UTA portfolio companies are reporting entities under either the Commonwealth Modern Slavery Act or the UK Modern Slavery Act.
- Cross-functional working groups have been created by all portfolio companies to consider the risks of modern slavery and help ensure broad input from across the business. This approach helps to mitigate key risk exposures for companies and boards by ensuring a more comprehensive consideration of the business' operations and supply chains.
- Evidence of senior leadership involvement in the modern slavery working groups. Having members of senior leadership involved ensures that there is commitment and oversight for an organisation's modern slavery program from across the business, from the top down.

- No complaints or issues have been raised in the last three (3) years via the organisations' whistleblowing mechanisms in any of the entities.
- There is clear evidence of improvements made over the past year with additional resources and initiatives implemented. Improvements included supplier pre-qualification due diligence, updates to contract clauses to include the Modern Slavery Act, supplier risk assessments, due diligence questionnaires, supplier audits, employee training, and updated policies and procedures.

We expect that going forward all entities will continue to develop their modern slavery programs and we will continue to engage with each entity on the mitigation of modern slavery risk.

Assessing the Effectiveness of UTA's Approach

The Manager applies a disciplined approach to the ongoing identification, monitoring and management of modern slavery risk to ensure the effectiveness of its actions.

To date, the Manager has not identified any actual or potential cases of modern slavery within the UTA supply chain. However, as is typical of most large investment organisations with a global footprint, UTA's global supply chain (including its portfolio companies) is complex. It is acknowledged that the identification of modern slavery risk will require ongoing focus and attention. Regular engagement by the Manager with each of the portfolio entities on their approach to modern slavery risk management will help ensure we are across any potential red flags or incidents if they occur.

In the event that an actual or potential incident of modern slavery is identified within UTA's supply chain, it would be treated in a similar manner to a material environmental or a health and safety incident: namely, key stakeholders would be notified, remedial measures implemented (subject to UTA's level of control) and the incident response tracked to closure. Any modern slavery incidents that are identified would be recorded in UTA's incident register. UoA has not formalised a remediation policy for modern slavery incidents at present.

The Board will also periodically review modern slavery risks within its operating sectors to ensure its assessment of risks remains current and will review the overall effectiveness of its approach to the management of modern slavery risk on an annual basis.

Key Contacts

Manager

Morrison & Co Utilities Management (Australia) Pty Ltd
(ABN 66 624 308 809)

An authorised representative (AFS Representative Number 001264664) of H.R.L. Morrison & Co Private Markets Pty Ltd, the holder of an Australian Financial Services Licence (Licence Number 340502).

Utilities Trust of Australia Trustee

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