

# Modern Slavery Statement 2022





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## Our commitment to the cause

Modern slavery continues to be a large-scale, complex and serious issue. Recently, it has been exacerbated by the COVID-19 pandemic, the humanitarian crisis created by the Russia-Ukraine conflict and the implications of climate change on human rights.

At First Sentier Investors, we have an opportunity to positively contribute towards the goal of ending modern slavery, through the investment decisions we make, how we operate as a business and the suppliers with whom we engage.

Over the last year, our commitment to addressing modern slavery has seen us provide feedback on the Australian Federal Government's periodic review of the Modern Slavery Act 2018 (Cth), and update our Human Rights Toolkit to provide further guidance on engaging with companies on the human rights risks of armed conflict.

Our Modern Slavery Statement outlines the progress we have made in bringing this issue into sharper focus for the companies we engage with, and within our own business and supply chains. We hope that our actions and our collaboration with others will continue to drive meaningful progress. This report outlines our roadmap for combatting modern slavery in our systems, processes and supply chains.

Thank you for your support in our journey towards tackling this important issue.

**Mark Steinberg**

CEO First Sentier Investors



## 01. About us

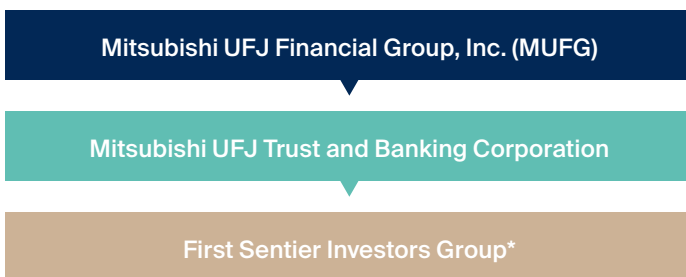
### Who we are

We are a global asset manager that offer its clients high quality, long-term investment capabilities. We bring together 15 independent, specialist investment teams who share a commitment to responsible, sustainable investment.

Together, we offer deep expertise across global and regional equities, fixed income, listed and direct infrastructure and multi-asset solutions. Our brands include FSSA Investment Managers, Stewart Investors, Igneo Infrastructure Partners, and Realindex Investments.

We have more than 1,000 employees working together across Asia, Australia, Europe and North America to invest responsibly over the long-term for the benefit of our clients.

Figure 1: First Sentier Investors ownership structure



Mitsubishi UFJ Financial Group, Inc. (MUFG)

Mitsubishi UFJ Trust and Banking Corporation

First Sentier Investors Group\*



Our approach to investment is driven by a commitment to provide the best possible outcomes 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 that vary across our investment teams. Each of our investment teams has the ability to make autonomous investment decisions. While the investment teams work autonomously, all decisions are underpinned by a common commitment to the principles of Responsible Investment, stewardship and quality.

Our Board includes members of FSI and First Sentier Investors Holdings Pty Limited's (FSI HP) immediate holding company, Mitsubishi UFJ Trust and Banking Corporation (MUTB). We are part of the broader Mitsubishi UFJ Financial Group, and our ultimate parent company is Mitsubishi UFJ Financial Group, Inc. (MUFG).

In November 2022, FSI became a globally Certified B Corporation (B Corp). B Corp provides a framework that we can use to effectively assess our operations against and gain assurance that our business is operating to high standards from an environmental, social and governance point of view, as well as to identify areas where we can enhance and improve, including in relation to our supply chains.

\*In order to comply with the regulatory requirements of the US Federal Reserve Board, First Sentier Investors (US) LLC is held under MUFG Americas Holdings Corporation

## Global business footprint



Region	Total staff (Q4 2022 )
UK and Europe	401
Asia	180
Australia and New Zealand	413
North America	44
<b>Total</b>	<b>1,038</b>

## Reporting entities

This Modern Slavery Statement (Statement) is made by First Sentier Investor Holdings Pty Limited ACN 630 725 558 (FSI HP) for the financial year ending 31 December 2022 (Reporting Period).

It has been prepared to comply with section 14 of the Modern Slavery Act 2018 (Cth) (Australian Act) and Section 54 of the United Kingdom Modern Slavery Act 2015 (together the Modern Slavery Acts).

This Statement covers the following FSI entities (Reporting Entities) for the Reporting Period:

- First Sentier Investors Europe Holdings Limited
- First Sentier Investors (UK) Services Limited
- First Sentier Investors (UK) IM Limited
- First Sentier Investors International IM Limited
- First Sentier Investors (UK) Funds 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 Limited
- First Sentier Investors (Australia) Infrastructure Holdings Ltd
- First Sentier Investors (Hong Kong) Limited
- First Sentier Investors (Singapore)
- First Sentier Investors (Australia) RE Ltd as trustee of the Global Diversified Infrastructure Fund (Australia) and Global Diversified Infrastructure Fund (Active)



The Boards of our reporting Entities received an initial draft of this statement in March 2023 for feedback and input. Following this group consultation process and approval by the Board of directors of FSI HP, this document was approved on 22nd June 2023, by First Sentier Investors Europe Holdings Limited; First Sentier Investors (UK) Services Limited; First Sentier Investors (UK) IM Limited; First Sentier Investors International IM Limited; and First Sentier Investors (UK) Funds Limited.

## Modern Slavery Task Force – Group Consultation

In order to facilitate consultation between the Reporting Entities within the First Sentier Investors group, a Modern Slavery Task Force (Task Force) was established in 2020. The Modern Slavery Task Force is a global team responsible for reviewing and enhancing our policies and processes to address the risk of modern slavery and human trafficking within our Reporting Entities. Membership of the Task Force includes representatives from various regions and different business areas.

The Task Force will be focused on developing a framework to identify, assess and mitigate modern slavery in our supply chains, which may be inherently embedded within our investment and/or business operations. Members of the Task Force are responsible for progressing initiatives to strengthen this framework on an ongoing basis, which will include uplifting our internal policies and procedures. The Task Force also assists in the preparation of our annual Modern Slavery Statement.

## Purpose, vision and values

At First Sentier Investors, our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles. Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and shareholder. We work together across multiple global markets, with over 1000 employees collaborating to achieve our vision.

Our philosophy and culture are based on a set of shared values:

- **Care** – We care about our clients, society and each other
- **Openness** – We are open with each other and to different ways of thinking
- **Collaboration** – We collaborate to deliver the best solutions
- **Dedication** – We are dedicated to being experts in our respective fields



## 02. Our operations and supply chains

Our vision, purpose and values are integral to the way we operate our business, and our commitment to human rights is supported by the policies we have put in place. Now, we are establishing processes that will further support our efforts to identify, assess and mitigate risks of modern slavery and human trafficking.

In 2022, FSI established a Corporate Sustainability function, which took on the role of steering our Modern Slavery Task Force. Working with representatives from across the global FSI business last year, our Corporate Sustainability team has restructured and refined the function of our Modern Slavery Task Force to better position us to improve on our efforts to combat modern slavery.

The majority of FSI's third-party suppliers are professional services firms providing the services necessary to allow us to provide pooled and segregated investment management services to our clients. However, we also engage businesses that supply services related to the running of our operations, IT systems, support services, facilities and premises (e.g. cleaning and catering services).

As part of our supplier governance processes, FSI have enhanced our oversight by undertaking a high-level supply chain risk assessment, incorporating input from our Modern

Slavery Task Force at a supplier category level. The qualitative risk assessment has been supplemented by publicly available reports and assessments. The risk assessment includes risk ratings of 'high', 'moderate' and 'low' representing the potential risk that modern slavery may be present in the supply chains of a supplier category. We conducted the risk assessment across the following four risk areas: sector risk, geography risk, business model structure risk and business relationship risk. Our first-tier suppliers predominantly operate in the same jurisdictions in which FSI operates in and therefore can be considered to have lower exposures to modern slavery risk, however the rating reflects the potential for exposure through product and material sourcing from second and third-tier suppliers and sourcing of labour supply.

Through this analysis, we have identified potential risk sectors aligned to FSI business operations. We intend to conduct further analysis, as outlined in our Modern Slavery Road Map (in section 5).



Supplier category		Risk areas identified
	<p><b>Professional services</b> The suppliers in this category are predominantly professional firms and financial services organisations employing highly skilled workforces with a number operating to industry codes (e.g. legal, accounting). We identified this category as low risk, indicating that the firms operating in this sector are not facilitating modern slavery on a systemic sector-wide basis.</p>	<p>Sector – low risk Geography – low risk Business model structure – low risk Business relationship – low risk</p>
	<p><b>Investment process</b> The suppliers supporting our investment processes are predominantly highly regulated financial services organisations (or are market leaders in servicing such firms) employing highly skilled workforces. We identified this category as low risk, indicating that the firms operating in this sector are not facilitating modern slavery on a systemic sector-wide basis.</p>	<p>Sector – low risk Geography – moderate risk Business model structure – low risk Business relationship – low risk</p>
	<p><b>Fund services</b> The moderate rating reflects where aspects of the services, especially those provided by large Trustees/Administrators are further outsourced to third-party affiliates where FSI may not have oversight over their business or where they may be located.</p>	<p>Sector – low risk Geography – moderate risk Business model structure – moderate risk Business relationship – low risk</p>
	<p><b>Information Technology</b> According to the Global Slavery Index 2018<sup>1</sup>, laptops, computers and mobile phones are products with the highest modern slavery risk imported by G20 countries. Our first-tier suppliers predominantly operate in lower risk geographies, however we understand they materially source products and services from suppliers.</p>	<p>Sector – high risk Geography – high risk Business model structure – moderate risk Business relationship – moderate risk</p>
	<p><b>Corporate services</b> Research<sup>2</sup> conducted by the Australian Council of Superannuation Investors (ACSI) indicates that the high-risk areas for the supply chains of financial services businesses include building services such as facilities management, utilities, cleaning, waste management and security, and print and promotional goods.</p>	<p>Sector – high risk Geography – moderate risk Business model structure – moderate risk Business relationship – moderate risk</p>

As both an issuer and investment manager of certain collective investment vehicles, and an investment manager of client appointed mandates, we acknowledge that modern slavery risks are not confined to our supply chains. Our actions in accepting investments and on-boarding clients have the potential to contribute to modern slavery if we do not appropriately screen who we on-board as clients. When engaging with new clients and accepting new investments, we undertake client due diligence to ascertain the point of origin of the investment funds. This client due diligence includes, but is not limited to, undertaking relevant *Anti-Money Laundering and Counter Terrorism* and *Know Your Client* screenings. These measures are designed to mitigate the risk of FSI accepting money from entities and organisations who contribute to various social harms, including (without limitation) money laundering, terrorism financing, human rights abuses and modern slavery.

<sup>1</sup> <https://www.walkfree.org/global-slavery-index/downloads/#gsi-2018>

<sup>2</sup> <https://acsi.org.au/wp-content/uploads/2020/02/ACSI-Modern-Slavery-Report.Feb19.pdf>



## 03. Our progress leading up to 2022

Year	Event/FSI milestone
2015	<ul style="list-style-type: none"> <li>UK Modern Slavery Act 2015</li> </ul>
2016	<ul style="list-style-type: none"> <li>FSI published its first Slavery and Human trafficking statement under UK Modern Slavery Act 2015 for the year 2015.</li> <li>FSI convened a Human Rights Working Group from investment teams across the business to develop a Human Rights Toolkit to help investment teams identify and address human rights risks within their portfolios.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Australian Modern Slavery Act 2018</li> </ul>
2020	<ul style="list-style-type: none"> <li>Published FSI's first Modern Slavery Statement under the Australian Modern Slavery Act 2018 for the year 2019.</li> <li>Established a dedicated Modern Slavery Task Force.</li> <li>Convened a Modern Slavery Investor Working Group from investment teams across the business to learn from experts and each other on the topic. The group developed the Modern Slavery Toolkit which was rolled out to investment teams in June 2020. The Toolkit provides guidance and tools for investment teams on how to engage with portfolio companies.</li> <li>Led an internal collaborative engagement on heightened modern slavery risks in the apparel and healthcare supplies sectors, in response to the COVID-19 pandemic.</li> <li>Convened an industry initiative to address modern slavery risks in the Asia-Pacific region, Investors Against Slavery and Trafficking APAC (IAST APAC).</li> <li>Targeted training was developed and deployed to investment teams in July 2020. This training is reviewed and updated annually.</li> <li>The Supplier Code of Conduct was reviewed, updated and tabled with FSI HP's Board and relevant FSI entities, to solicit any feedback.</li> <li>Compulsory company-wide modern slavery e-learning was deployed for the first time as part of the Financial Crimes Compliance module.</li> </ul>
2021	<ul style="list-style-type: none"> <li>Established a dedicated Global Procurement and Supplier Governance function who commenced deploying a standardised on-boarding and screening process for all new supplier relationships. This includes screening suppliers using the Refinitiv WorldCheck tool for any legal, regulatory or negative press findings to help identify the potential risk of modern slavery with our direct suppliers.</li> <li>Improved due diligence by adding additional steps, to our RFP (request for proposal) process to inform us on their approach to addressing modern slavery.</li> <li>Reviewed internal policies, including our Risk Appetite Statement and Risk Management Strategy, to ensure modern slavery and human trafficking principles were considered.</li> <li>We prepared a standard template of anti-modern slavery clauses for use in our global supplier arrangements, where appropriate, and we review the appropriateness of this clause on an ongoing basis.</li> <li>Developed and deployed internal Modern Slavery Policy.</li> <li>Continued mapping of where the key modern slavery risks lie in our investment portfolios and provided additional specialised training to investment teams.</li> <li>Developed management of information and reporting for mapping and measuring modern slavery risks within investment portfolios and reported this to the FSI Global Investment Committee for the first time.</li> </ul>

## 04. Mitigating modern slavery risks

Throughout 2022, First Sentier Investors has continued our journey to fight against modern slavery risk. We have made progress through:

### Staff training

- In 2022, we updated our Human Rights Toolkit to provide additional guidance for investment teams on the human rights implications of armed conflict, and arranged for human rights experts from an advisory firm, Pillar Two, to provide our investment teams with training on this topic.
- In September 2022, Walk Free, an international human rights group, briefed our investment teams on the new Global Estimates of Modern Slavery.
- In November 2022, Dr David Cooke (Chair and Managing Director of Konica Minolta, 2017 Anti-Slavery Australia Freedom Award winner, and winner of the 2018 Australian Human Rights Commission Business Award) spoke at a staff engagement session on his experience of being a responsible business leader and working to combat modern slavery within the supply chains of his business. Hosted in Sydney, the session was broadcast to all staff globally with a recording also made available.
- An external modern slavery training specialist, Be Slavery Free, was engaged to deliver a tailored program to both FSI's Modern Slavery Task Force members and representatives from teams across our global business, who can directly influence the progress of our strategy. The output of this training was a pathway to progress our efforts in mitigating modern slavery.
- In 2022, we reviewed and updated the content in our mandatory modern slavery online training module. Staff were expected to complete the training by December 2022.

### Supplier reviews

- Following the implementation of a dedicated Global Procurement and Supplier Governance function, we have continued to globalise and enhance supplier on-boarding processes and controls to ensure our key critical suppliers are consistently assessed and screened prior to engagement. This process includes screening from a regulatory and negative press perspective on all new potential supplier relationships.

### Risk assessment

- The Modern Slavery Task Force commenced investigation on a suitable risk assessment procedure that we can utilise for our global suppliers. This will allow us to better identify risk in our supply chains and develop targeted processes. The Task Force attended demonstrations with these providers and has undertaken a proof of concept. In 2023, we will look to include specific assessment of risks regarding modern slavery in existing and new supplier relationships.

### Management reporting

- Management information has been developed and is reported to the Global Investment Committee (GIC) annually to increase transparency on how we are reviewing potential risks of modern slavery and human trafficking in our investment universe.

### Staff remuneration

- In considering the risks of modern slavery in our operations, our People and Culture Team undertakes an annual review of all staff remuneration to ensure that we continue to pay above Living Wage rates in the locations where Living Wage information is available.

### Road Map

- In December 2022, the Modern Slavery Task Force commenced the development of a Modern Slavery Road Map. The road map defines our strategy to improve our efforts to mitigate modern slavery in our operational supply chains. An overview of the road map is included in section 5.

### Policy development and review

- In 2022, we updated the Modern Slavery Policy with the intention to provide training on the key objectives of the policy in 2023. Additionally, accountability for our Modern Slavery Policy transitioned from the Chief Operating Officer to the Chief Financial Officer, who has direct responsibility for the actions of the Corporate Sustainability function. FSI continues to review relevant toolkits and guidelines on a periodic basis, to include and update where relevant, principles to prevent modern slavery and human trafficking.





## 05. Modern slavery road map

The road map for 2023 and 2024 was developed in consultation with Be Slavery Free, expert consultants and advocates in Australia, helping industries and organisations to end modern slavery. We engaged Be Slavery Free to provide training to the Task Force and other key staff, and through these workshops, identify improvement opportunities within our processes.

<p style="text-align: center;"><b>2023</b></p> <p style="text-align: center;">Planned initiatives</p>	<p style="text-align: center;"><b>2024</b></p> <p style="text-align: center;">Planned initiatives</p>
<ul style="list-style-type: none"> <li>● <b>Supply chain mapping</b> – Map supply chain of our high risk suppliers (i.e. 2nd, 3rd tier suppliers to FSI), ensuring (where possible) modern slavery risk is understood, mapped &amp; assessed.</li> <li>● <b>Supplier engagement</b> – Commence engagement with selected suppliers with the aim of aligning their Modern Slavery policies, processes and procedures with FSI's Supplier Code of Conduct.</li> <li>● <b>Procurement</b> – Enhance the integration of modern slavery and broader ESG considerations into procurement processes for new and existing suppliers.</li> <li>● <b>Grievance process</b> – Establish a modern slavery grievance process to build on existing whistle blowing procedures and provide staff training.</li> <li>● <b>Incident reporting</b> – Facilitate the disclosure of modern slavery incidents if identified in our supply chains.</li> <li>● <b>Training and communication</b> – Develop an internal communication plan for 2023-2024 and deploy additional targeted training for staff to equip them with skills and knowledge to identify and address modern slavery.</li> <li>● <b>KPIs for Task Force</b> – Assign KPIs for Task Force members to foster continued accountability.</li> <li>● <b>Risk assessment</b> – We intend to embed a suitable risk assessment process in 2023 via uplifting our existing process or engaging a third party to support our process for existing and new suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Supply chain traceability</b> – Identify countries and regions where suppliers are located, to demonstrate traceability of supply chains and gather information on their tiered suppliers.</li> <li>● <b>Risk assessment</b> – Identify high-risk suppliers from additional high-risk sectors and continue with supply chain mapping and engagement.</li> <li>● <b>KPIs for FSI staff</b> – Extend Modern Slavery KPIs to other FSI teams.</li> <li>● <b>Communication</b> – Implement internal communication plan for 2024-2025 to increase awareness about Modern Slavery.</li> <li>● <b>Policies and procedures</b> – Review policies and procedures related to Modern Slavery, assess effectiveness, enhance and provide training where possible.</li> <li>● <b>Industry collaboration</b> – Participate in relevant industry groups, conferences and forums and share learnings internally.</li> <li>● <b>Supplier Engagement</b> – Improve engagement with high-risk suppliers and introduce supplier training.</li> </ul>

The planned initiatives set out above are indicative of our plans as at the date (June 2023) of this Statement. While we intend to exercise our best efforts to implement these, we acknowledge that the implementation of some of these initiatives will be dependent on certain factors that are outside of our control, including (but not limited to), the accuracy of representations made by suppliers to us, the reasonable co-operation of our suppliers and the completeness of information made available to us by our suppliers. As a result, these planned initiatives are subject to ongoing review and may change, however we will report on any changes and track our progress in future modern slavery statements.



## 06. Our investment teams' approach to modern slavery

We recognise that, as allocators of capital, stewards of our clients' assets and 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, while securing sustainable long-term investment returns, is central to our stewardship responsibilities.

As an organisation, we have been assessing and managing human rights risks within our portfolios for a number of years. Our position on modern slavery risks in our investments is set out in our Global Responsible Investment and Stewardship Principles and Policy and is further articulated in our Human Rights Toolkit and Modern Slavery Toolkit. Our Modern Slavery Toolkit (the toolkit) was finalised in June 2020 and culminated in a pilot period of implementation. The 2022 reporting period was our second full year of implementation.

The toolkit sets out the following steps that our investment teams take at both pre- and post-investment stages:

1. **Identifying risks:** includes a series of data sources to use to identify risks and questions to consider.
2. **Addressing risks:** provides guidelines and sample questions for engaging with companies identified as having modern slavery risks and lists other forms of leverage in addition to engagement, such as policy advocacy and building partnerships.

3. **Escalation and remediation:** includes a series of actions for escalating, remediation and ongoing monitoring in instances of identified modern slavery.
4. **Internal governance:** outlines the internal governance framework used to monitor both modern slavery risks and the effectiveness of our approach.
5. **Reporting:** provides a reporting template for investment teams to be completed each year.

Over the Reporting Period, the Responsible Investment team continued to support our investment teams to refine their approaches to addressing this issue.

The Modern Slavery Investor Working Group is a group of investment team and Responsible Investment team members who developed and continue to oversee the implementation of the Modern Slavery Toolkit.



Investment teams completed the annual revision of their risk mapping. Below are the risks we have identified for each asset class. Further information is available at team level.

Asset class	Key risks
<b>Australian Equities</b>	Supermarket sourcing, specialty retail, metals and mining, healthcare and electronics industry supply chains are higher-risk areas. Regular auditing and accountability can be problematic, especially in manufacturing where suppliers are outsourced in offshore jurisdictions and where mining companies have remote overseas operations. International shipping also has high modern slavery risks for companies that utilise this in their supply chains.
<b>Fixed Income and Credit</b>	<p>The highest risks are among the auto and supermarket sector (suppliers from agriculture and textile businesses), service companies (especially those with high levels of minimum wage workers), and the oil sectors, especially those with operations in the Middle East. We also believe industries that are reliant on agriculture, raw materials (e.g. steel) and mined products including rare earths, are also at higher risk – these include technology hardware companies and supply chains servicing the production of electric vehicles.</p> <p>Companies or supply chains that rely on output from labour intensive sectors or imported labour from developing Asian countries are also higher risk.</p>
<b>Emerging Markets and Asia Pacific Equities</b>	Teams that invest across this asset class have taken various approaches to identifying risk, including bottom-up research (particularly where there are controversies); developing a list of high-risk countries and sectors to focus on; and research on cross-cutting issues such as conflict minerals and smallholder farmers. At-risk countries include China, Indonesia, India, the Philippines, and Vietnam, and sectors are those focused on the production of goods (e.g. apparel and personal products) and the financial institutions that fund the production of these goods.
<b>Systematic Global Equities</b>	The highest risks are among oil and gas, metals and mining and technology hardware firms in China and India. There are also moderate risks within Brazil and the United States, mainly in the oil and gas, metals and mining, specialty retail, technology hardware, and food product industries.
<b>Global Listed Infrastructure</b>	<p>Given the developed market focus of the strategy, modern slavery risks exist primarily in company supply chains. Other areas that we pay particular attention to include infrastructure companies with operations in developing markets such as parts of Asia and Latin America, and infrastructure companies with construction-related business segments.</p> <p>In addition, many utilities are increasingly investing in the build-out of renewables, which increases the potential risk of modern slavery within the supply chains associated with the production of solar panels and wind turbines.</p>
<b>Igneo Infrastructure Partners</b>	The highest risk appears to be within the solar panel and battery storage supply chains of Igneo’s renewable energy businesses. Otherwise, our portfolio companies operate in low-risk jurisdictions and low-risk industries – though we have identified a small number of companies as having elevated risk positions due to the use of contract labour, core business involvement in passenger transport, and having long and complex supply chains.
<b>Global Property</b>	We see significant risk in the sector’s supply chains, particularly in relation to the procurement of building materials, construction, as well as within property management services (e.g. cleaning, repair, security or waste management services), especially as these services involve the high use of agency workers, migrant workers and also see a high turnover of personnel. Asia and North America are the highest-risk regions.

## 07. Addressing risks and reporting on progress

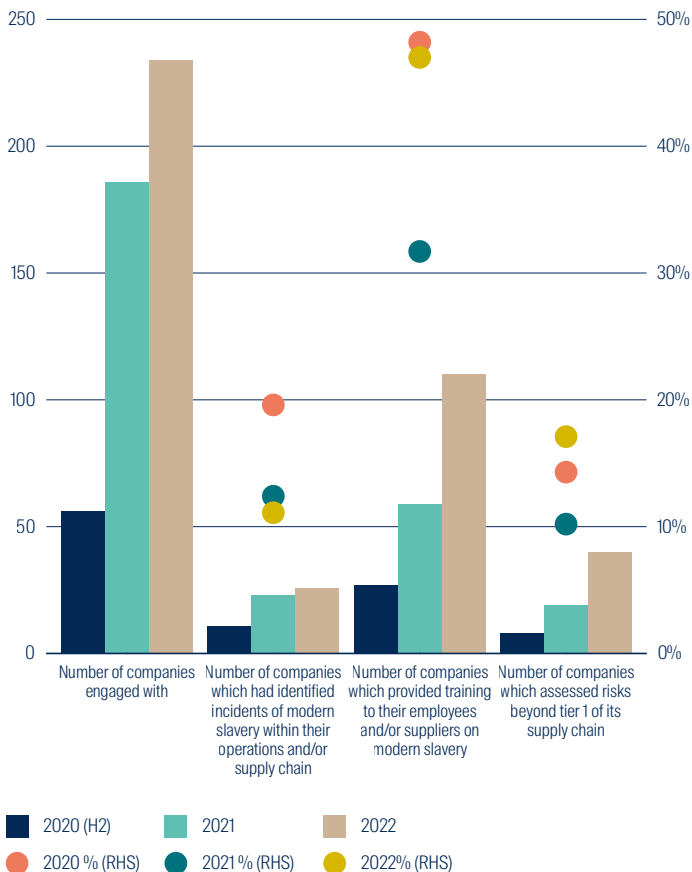
At FSI, in order to assess our progress when engaging with companies on this topic, we collect quantitative and qualitative information.

The quantitative information we collect includes:

- the number of companies engaged with;
- the number of companies which had identified modern slavery incidents within their operations and/or supply chain;
- the number of companies which provided training to their employees and/or suppliers on modern slavery; and
- the number of companies which assessed risks beyond tier 1 of the supply chain.

Data alone is not enough to assess effectiveness, so we also collect qualitative information in the form of case studies. The chart below shows that company engagements increased again in 2022, and in addition to this, the proportion of companies that provided training to employees and/or suppliers on modern slavery and assessed modern slavery risks beyond tier 1 of their supply chains increased, an indicator that awareness on this topic is growing.

### FSI engagement overview



Source: First Sentier Investors

Unfortunately, the proportion of companies that have identified modern slavery incidents has continued to decrease. While we have seen some transparent disclosure on this topic, particularly in Australia and Europe, this continues to be an exception, as companies remain reluctant to disclose modern slavery incidents globally. We will continue to engage with companies on the importance of this step, as until companies find incidents of modern slavery, they will not be in a position to remedy and put preventative measures in place. Transparency about this topic will encourage improved practices across companies, sectors and regions.

### Industry collaboration

FSI continues to be involved as convener and Chair of Investors Against Slavery and Trafficking APAC (IAST APAC), an investor initiative to promote effective action by companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

In 2022, IAST APAC focused on facilitating policy advocacy opportunities for members specifically in relation to the Australian Modern Slavery Act review, and it engaged with 24 focus companies across the consumer discretionary, consumer staples, technology and healthcare sectors and listed on the following exchanges: Australia, Hong Kong, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Vietnam.

The findings revealed that companies are at various stages of tackling modern slavery, and that many companies are still coming to grips with the scale of the problem and what is required to address it. However, the findings also revealed that several companies have made significant strides in finding, fixing and preventing modern slavery in their operations and supply chains. IAST APAC's aim is to help these leaders go further, modelling best practice for other industry participants as they make progress on the issue, which will assist us to more effectively support the companies that are earlier in their journey. Further information is available in the [IAST APAC Annual Report](#).





## 08. A case study: Australian horticultural workers

Woolworths is one of Australia's largest grocery retailers, with sales worth more than A\$60 billion annually<sup>1</sup>. The Australian Equities Growth team has been discussing modern slavery risks with Woolworths for many years and has focused on Woolworths' Australian horticultural supply chains since 2018.

In May 2022, Woolworths announced a partnership with a horticultural industry alliance to tackle the risk of worker exploitation in the sector – a step that the Growth team has been encouraging for four years.

### Background

Modern slavery risks are high in the Australian horticultural sector because of the nature of work and the vulnerability of the workers. Low-skilled manual labour comprising casual, seasonal workers or migrant workers on temporary visas typically work in the horticultural sector, picking and sorting produce.

Workers are often paid piece rates, which can be harder to quantify than a standard hourly rate. The hours can be long and the working conditions can be tough.

In 2018, after a five-year investigation of the horticultural industry in all states and territories, the Fair Work Ombudsman (FWO) found the following<sup>2</sup>:

- widespread non-compliance with workplace laws covering pay and conditions, with more than half of the 836 investigations finding breaches of Australian workplace laws;
- misuse of piece rates;
- significant reliance by growers on overseas workers; and
- a negative impact where labour hire arrangements were illegally used.

<sup>1</sup> Woolworths Group Full Year Results, Aug 2022 <https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/2022/full-year/Full%20Year%20Results%20Announcement.pdf>

<sup>2</sup> Fair Work Ombudsman "Inquiry into the wages and conditions of people working under the 417 Working Holiday Visa Program", 2016

While the FWO recovered A\$1.02 million for 2,503 workers during this inquiry, it commented that underpayments were likely to be significantly higher – it was impossible to calculate the extent of the underpayments because record keeping was so poor<sup>1</sup>.

The FWO noted that temporary workers on visas were particularly vulnerable. It found that almost 70% of growers source temporary visa holders as seasonal workers via labour hire firms. These workers are vulnerable because of cultural and language barriers, low awareness of workplace rights and barriers to accessing assistance. If they are working illegally, their vulnerability increases because they are even less likely to report poor pay and conditions<sup>2</sup>.

The challenge for supermarkets, including Woolworths, is the length and complexity of horticultural supply chains. There are many layers between the supermarkets and the workers on the ground because of the number of intermediaries and the degree of industry fragmentation.

### Approach

Given this fragmentation, FSI's Australian Equities Growth team has been encouraging Woolworths to lead an industry-wide collaboration to target grower and worker education. If workers understand the pay and conditions they are entitled to, instances of exploitation are more likely to be detected and reported, and if growers understand the legal framework that applies, they are less likely to break workplace laws.

The Australian Equities Growth team has discussed the need for this with the management team, the board, and members of Woolworths' ESG team at least twice a year since 2018.

### Outcome

In May 2022, we were pleased to see Woolworths announce a partnership with the Retail Supply Chain Alliance, an alliance of unions set up in 2019 to tackle worker exploitation in the Australian horticultural sector. The Retail Supply Chain Alliance (RSCA) is a partnership between the Transport Workers' Union (TWU); Australian Workers' Union (AWU); and Shop, Distributive and Allied Employees Union (SDA).

The groups will collaborate on worker education initiatives and industry engagement, including forums and workshops in key growing regions to enhance awareness of challenges and promote positive outcomes for all workers. The practices of third-party labour-hire companies and increased transparency will be core to the objectives of the partnership.

RSCA will hold at least two worker forums in key high-risk growing areas in horticulture regions in 2023.

Woolworths has also committed to publicly disclosing instances of modern slavery in its supply chains when detected.

This is a pleasing step forward and we will encourage others in the industry to join the RSCA. We will also continue to encourage Woolworths to consider other industry-wide initiatives in this sector.

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<sup>1</sup> Harvest Trail Inquiry Report 2018 at p17

<sup>2</sup> Fair Work Ombudsman "Inquiry into the wages and conditions of people working under the 417 Working Holiday Visa Program", 2016





## 09. Benchmarking our effectiveness

We recognise the power of collaboration and that taking coordinated approaches is necessary if any meaningful remediation is to take place. We also recognise the role that collaboration and wider industry engagement on modern slavery can play to benchmark our effectiveness.

This year, we engaged with two advisory firms, Be Slavery Free and Pillar Two, to provide training to FSI staff and assist with reviewing our existing processes. The engagement with Be Slavery Free supported in the development of our forward-looking roadmap and provided a step towards establishing a benchmark for future years.

More broadly, we have actively continued our collaborative efforts on modern slavery. FSI is proud to convene and Chair the Investors Against Slavery and Trafficking APAC, a group of investors working to help end modern slavery in the Asia Pacific region. The group comprises 37 investor organisations, together with the Australian Council of Superannuation Investors, Walk Free and the Finance Against Slavery and Trafficking initiative.

We are also leading a Responsible Investment Association Australasia Working Group on Human Rights and Armed Conflict, developing a toolkit outlining issues, risks and considerations for investors. The toolkit will launch in 2023.

We recognise that while we cannot control the external forces that may contribute to human rights abuses, including modern slavery, we can address and evolve our actions related to the complex challenges of this issue both as a business as well as responsible investors of our clients' capital. We also believe that meaningful action will come as part of a collective effort dedicated to creating positive change for victims of modern slavery worldwide.



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