



ETHICAL  
PARTNERS  
FUNDS  
MANAGEMENT  
VOLUNTARY  
MODERN  
SLAVERY  
STATEMENT  
FY 2019-2020

[www.ethicalpartners.com.au](http://www.ethicalpartners.com.au)

# About us

Ethical Partners Funds Management (EPFM) is a boutique Australian Fund Manager that is fully owned by its staff and founders.

EPFM has a dual focus on performance and investing ethically. EPFM's approach directly manages risk for our clients, provides the ability to invest in line with our clients' values, and actively advocates for change.

EPFM is a bottom up, long only stock picker that invests in Australian Equities. We pursue investment in companies that pass both our investment process screens, examining financial strength, cash flow metrics, shareholder structure and management and our proprietary Ethical Partners Operational Risk Assessment (EPORA).

Our proprietary in-house process uses ESG information from over 600 different, diverse sources, including commercial sustainability providers, domestics and international government, non-government and academic sources, as well as liaison with and data from non-profits, community groups, environmental and human rights activists, consultants and ethical investment bodies.

EPFM also chooses an active advocacy role in encouraging better corporate behaviour. Ethical investing is fundamental to assessing a company's business risk. We believe that businesses that take seriously how they treat people and the environment will ultimately do better than those companies that don't. We furthermore believe that the benefits of businesses behaving with more thoughtfulness and care for people and the environment will be enjoyed by society, their people, their environment, as well as their shareholders.

EPFM operates a unit trust open to Australian based investors as well as mandates for large superannuation clients.

The Tatrai Giving Fund is a division of Ethical Partners Funds Management that aims to support underprivileged areas in society. The Giving Fund is funded from company profits and Director donations, with our clients also welcome to donate alongside us.

## OUR VALUES

**Responsibility:** We are responsible for our clients' money. We are responsible, where appropriate, for influencing the way companies conduct their businesses. The industry as a whole has a responsibility to do things better and have a positive influence on the environment, human rights and society. We want to play an important part in this.

**Accountability:** We are accountable for the decisions we make to all our stakeholders. We are accountable for our clients' money. We realise that there are consequences to the actions we take. We will stand by our decisions and what we believe in. We won't always be right but we will always be accountable.

**The confidence to be different:** We understand that our views on companies, the market and the way we invest may be different to a majority of others. We have the confidence in our process, our approach and our decisions. Sometimes the best decisions for the long term are the ones that aren't recognised at the time or require courage of their conviction in the short term.





# Ethical Partners Funds Management Voluntary Modern Slavery Statement FY 2019-2020

## REPORTING CRITERIA:

The Australian Modern Slavery Act 2018 requires entities based, or operating, in Australia which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of Modern Slavery in their operations and supply chains, and actions to address those risks. Other entities, based or operating in Australia may report voluntarily.

Whilst Ethical Partners does not meet the threshold for mandatory reporting, we have chosen to report voluntarily, as we believe that investors, asset managers and the financial sector have a crucial role to play in addressing Modern Slavery.

Furthermore, we believe that if investors are demanding corporates provide transparency, accountability, disclosure and attention to Modern Slavery within their operations, that we as investors must also be transparent and accountable as to how we address Modern Slavery ourselves. This clearly reflects our Ethical Partners core value of accountability, as well as our commitment to the legislation we have actively advocated for. We also believe that the process of putting together this report has been educational for our team, to better understand the process the companies we are investing in are required to undertake.

The Department of Home Affairs has provided two avenues for voluntary reporting. One is to make a voluntary statement to the ABF, through which will be bound as though you are a mandatory reporting entity, and appear on the online register. The other avenue is to prepare a voluntary statement and make it available on your website.

Ethical Partners FY 2019-2020 Modern Slavery Statement has been reported under the second avenue, and therefore has not been submitted to the ABF, but is publicly available on our website.

## DEFINITIONS UNDER THE ACT:

The Act defines Modern Slavery to include eight types of serious exploitation – trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour (where children are subjected to slavery or similar practices, or engaged in hazardous work) and deceptive recruiting for labour or services.

Modern Slavery is further defined as - Situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Modern Slavery is only used to describe serious exploitation. It does not include practices like substandard working conditions or underpayment of workers.

Risk of Modern slavery is defined as - The concept of “risk” when referring to Modern Slavery refers to the risk to people, rather than the risk to the reporting or related entities themselves. Severity of the risk to people, rather than the risk to the reporting or related entities themselves. Severity of the risk to people (Modern Slavery Risk) relates to the severity of Modern Slavery practices, likelihood of them occurring as well as the extent of it in terms of number of people affected and over what time period.

High Risk factors are defined as - Modern Slavery risks, including the potential labour-related rights, are risks which restrict or remove someone's freedom. Example of Modern Slavery risks flags include:

- Vulnerable populations – e.g., Low skilled, temporary jobs, migrant workers or minorities.
- High Risk Geographies – lack of regulation or enforcement agencies, poor track records on corruption and human rights, prevalence of criminal organisations.
- Business Models structured around high-risk practices e.g., complex and long supply chains with several intermediaries along the chain, oligopolistic industries exercising pricing pressure on suppliers; labour intensive industries and supply chains with pressure on shorter lead times.
- High Risk product and service categories, often sector specific – e.g., agriculture, mining, apparel industry, construction and building materials and electronics.



## THE ACT FURTHER SETS OUT MANDATORY CRITERIA FOR MODERN SLAVERY STATEMENTS.

A Modern Slavery statement must

- (1) Identify the entity that is reporting (section 16(1) (a))
- (2) Describe the structure, operations and supply chains of the reporting entity (section 16(1)(e))
- (3) Describe the risks of Modern Slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls (section 16(1)(c))
- (4) Describe the actions taken by the reporting entity (and owned and controlled entities) to assess and address those risks, including due diligence and remediation processes.
- (5) Describe how the reporting entity assesses the effectiveness of such actions (section 16(1) (e))
- (6) Describe the process of consultation with:
  - a. Any entities that the reporting entity owns or controls
  - b. In the case of a joint statement, entities giving the statement (section 16 (1)(f))
- (7) Include any other information that the reporting entity considers relevant (section 16 (1)(g)) and
- (8) Provide detail on approval of the Statement (section 16(2)).

Ethical Partners Voluntary Modern Slavery statement will be reported in line with these mandatory criteria.

“Modern Slavery can occur in every industry and sector and has severe consequences for victims. Investors can play a viral role in combatting Modern Slavery such as by addressing Modern Slavery risks in their investment portfolios”

### THE AUSTRALIAN BORDER FORCE



## 1. Identify the entity that is reporting

Ethical Partners Management Services Pty Ltd ABN 94 623 503 720 (“Ethical Partners” or Investment Manager”) is an Investment Manager and is an authorised representative of Ethical Partners Funds Management Pty Ltd (EPFM) (ABN 96 623 475 454, AFSL 504749). EPFM has an Australian Financial Services Licence (AFSL), authorising it to provide the following financial services to wholesale clients:

- provide general financial product advice only about securities, derivatives and interests in managed investment schemes (excluding investor directed portfolio services); and
- deal in financial products, being securities, derivatives, interests in managed investment schemes and basic deposit products.

Ethical Partners Funds Management has offices at Suite 3, Level 4 130 Pitt Street Sydney NSW 2000.

## 2. Describe the structure, operations and supply chains of the reporting entity

### STRUCTURE AND OPERATIONS:

Ethical Partners Funds Management Pty Ltd (EPFM) is an Australian equities fund manager that manages segregated investment mandates (Mandates) under Investment Management Agreements (IMAs) and also operates a managed investment scheme, called the Ethical Partners Australian Share Fund (Fund), in which investors' funds are invested in Australian-listed shares and derivatives.

The Ethical Partners Australian Share Fund is a unit trust open to Australian based investors. Equity Trustees Limited (EQT; ABN 46 004 031 298; AFSL 240975) is the issuer & responsible entity of the Ethical Partners Australian Share Fund.

<https://eqt.com.au/~media/equitytrustees/files/instofunds/ethical-partners-management-services-pty-ltd/ethical-partners-australian-share-fund-pds.pdf>

Mandates and the Fund are operated using a disciplined stock selection process. The stock selection process includes an assessment against both financial and ethical and sustainability criteria. The Fund is structured as a unit trust with units representing the interests issued to investors under the disclosure document. Investment in the Mandates are governed by IMAs.

Securities which EPFM invests in on behalf of investors in the Fund are held by a professional master custodian who will at all times meet the net tangible assets, cash holdings and liquid asset requirements imposed on licensees providing custodial or depository services by section 912AC of the Corporations Act 2001 (Cth) (Corporations Act). Likewise, assets managed pursuant to Mandates are held by professional custodians on trust for the individual clients.

EPFM is owned by its employees and invests only in Australian equities. It currently has nine employees and operates from offices in Sydney, Australia.

EPFM currently manages over \$2bn in funds under management. The business founders Nathan Parkin and Matt Nacard have combined over 35 years' experience in financial markets.

As per the Government Guidance on Modern Slavery reporting, we consider our internally managed investment activity to be part of our operations.

### SUPPLY CHAINS

Ethical Partners has mapped its material suppliers constituting over 80% of our supply chain spend. These include Link Financial Services, Iress (Financial Software), ANZ (Banking), Investa (Property Management) and Grant Thornton (Auditor).

Ethical Partners has no externally managed investment activities that would be considered part of supply chains, as per the Government Guidance on Modern Slavery Reporting.

### 3. Describe the risks of Modern Slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls EPFM Operations:

#### THE RISKS IN ETHICAL PARTNERS OPERATIONS (INVESTMENTS)

We agree with the Modern Slavery Reporting Guide for Investors (2019) that forced labour and related practices likely exist in the operations or supply chains of most businesses and in every region of the world. As such, Modern Slavery Risk in Ethical Partners operations could result from our investments in ASX companies, due to Modern Slavery or related practices within the operations or supply chains of our investments.

Ethical Partners has conducted extensive analysis and due diligence on our investment universe and portfolio holdings to assess this risk. As per the Government Guidance Appendix 1 Table 6 Risk Indicators for Modern Slavery, we acknowledge that there are sector and industry risks, product and services risks, geographic risks, entity risks, and indicators of Modern Slavery and have carefully screened our portfolio for these risks.

Potential Risks identified in our analysis include:

Portfolio exposure to areas of High Geographic Risk – Whilst we mitigate for Country Risk as an integral part of our investment process, as will be described in the next section, we do have some small exposures in countries that may be considered higher risk, such as Cambodia, Malaysia, Mongolia, Myanmar, Papua New Guinea, Philippines, Thailand, Turkey and Ukraine, China, India, Thailand, Vietnam. The actions taken to assess and address these risks will be discussed in Section 4 of this statement.

Portfolio exposure to high-risk sectors and industries - Our portfolio has some exposure to agricultural and fishing industries, the apparel industry, construction and building materials industry, the mining industry, the food and beverage industry, health care, hospitality, housekeeping and facilities, transport and warehousing and financial services which may be considered high risk for Modern Slavery. Our actions taken to assess and address these risks will be discussed in Section 4 of this statement.

Further risk analysis shows that the portfolio sectors that rely on the imports of products in their supply chain from countries with Modern Slavery risk include automobile and components, telecommunications and retail: electronics, automobiles and components, capital goods and retail: manufactured goods, retail: apparel and clothing accessories, REIT's: bricks.

Finally, the sectors of the portfolio which rely on a direct workforce at risk of Modern Slavery include: food, and beverage: farm workforce exploitation, Real Estate: cleaning services, Retail: cleaning services. The actions taken to assess and address these risks will be discussed below.

#### THE RISKS IN ETHICAL PARTNERS' SUPPLY CHAINS

Research suggests that high risks areas for financial services businesses supply chains includes IT procurement, logistics and property, and building services such as facilities management, utilities, cleaning, waste management, security and print and promotional goods.

Ethical Partners acknowledges that they could be exposed to any of these high-risk areas, and is cognisant of the need to mitigate these risks.

Within the five most material suppliers mapped by Ethical Partners: Link Financial Services, Iress (Financial Software), ANZ (Banking), Investa (Property Management) and Grant Thornton (Auditor), we note that Investa falls within the potentially high-risk areas of property and building services, cleaning, waste management and security, while Iress and Link fall within the potentially high-risk area of IT. The steps EPFM has taken to mitigate these risks are noted in the section below.

## 4. Describe the actions taken by the reporting entity (and owned and controlled entities) to assess and address those risks, including due diligence and remediation processes.

Ethical Partners is committed to upholding:

- The UN Declaration of Human Rights
- The International Labour Organisation Declaration on Fundamental Principles and Rights at Work
- The UN Guiding Principles on Business and Human Rights
- The UN Sustainable Development Goals, particularly SDG 8 – Decent Work and Economic growth.

These frameworks and commitments are fundamental to the way we assess and address Modern Slavery Risk in both our operations (investments) and supply chains.

### ACTIONS TAKEN TO ASSESS AND ADDRESS THE RISKS OF MODERN SLAVERY IN OUR OPERATIONS (INVESTMENTS)

Ethical Partners assesses the risks of Modern Slavery through our proprietary EPORA investment process.

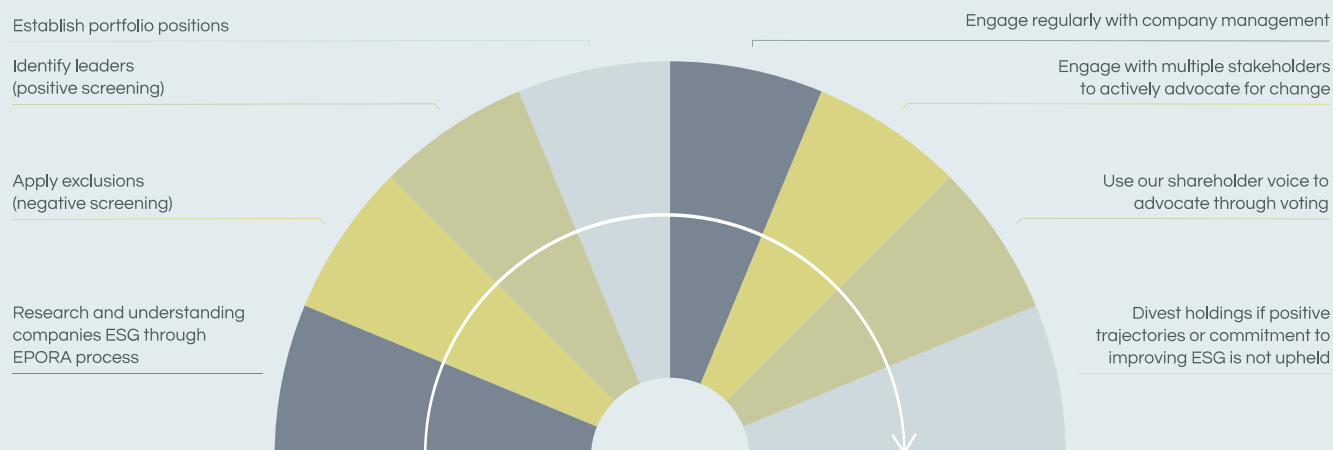
The EPORA investment process systematically considers such issues as where a company does business, what products or services they sell, their human rights policies and practices, and their environmental policies and impact.

Specifically, the EPORA process analyses Modern Slavery Risks, policies and actions taken to prevent, mitigate and remediate Modern Slavery for the 200 plus ASX companies we consider for investment. The EPORA process also identifies the companies needing improvement and engagement, as well as their specific risk factors and gaps in their management of Modern Slavery, and how we can then best engage with the company to use our shareholder voice to call for change.

The information gained in this EPORA process then informs whether or not a stock passes into our investable universe for the unit trust. The EPORA analysis forms the first step in our investment process. Any company that fails the EPORA process will not be considered for investment for our unit trust and for mandates this risk is taken into account in investment decisions.

Each stock is given a rating of high, medium or low. If a stock is rated after this analysis as high risk, it is removed from our unit trust investable universe. Medium and low risks stocks are monitored closely however, as we are aware that risk levels can easily change over time.

### ETHICAL PARTNERS INVESTMENT PRINCIPLES





The EPORA investment process also addresses risk in our investments by:

- Identifying best practice, leaders and laggards in Modern Slavery Risk Management.
- Allows us to monitor the progress a company has made on Modern Slavery over the years of EPORA analysis, and to hold our portfolio companies accountable for ever improving practice and depth of analysis, remediation and prevention of Modern Slavery.
- Culminates in the formation of an engagement plan for every company we invest in, which we continually meet with the senior management about. These engagements are then used to update our screening of these companies on an ongoing basis, as well as to advocate for better risk management and attention to Modern Slavery issues.

#### ETHICALPARTNERS OPERATIONAL RISK ASSESSMENT (EPORA)



The proprietary EPORA analyses all ASX companies on the basis of Product, Place, People and Planet.

**Product:** Harmful industries are excluded/negative screening is applied. Ethical Partners Australian Share Fund excludes investment in alcohol, gambling, tobacco, predatory lending, uranium, weapons, fossil fuels and coal seam gas. This step is also used to consider whether a company's products fall within the high-risk category for Modern Slavery.

**Place:** Ethical Partners uses the Transparency International Corruptions Perceptions Index to assess for and address Country Risk in our investments. The EPORA process screens out the bottom third of the T.I Index due to the high risk of bribery, corruption, lax governance, poor regulatory and legislative environment and the high risk of human rights and environmental abuses in these countries – including Modern Slavery Risk. We also used the Global Slavery Index and the U.S Department of Labour list of Goods Produced by Child Labour or Forced Labour in our analysis for high geographical risk of Modern Slavery. We also look extensively at what companies have done to mitigate risks if they are in higher risk jurisdictions, what oversight they have into these risks, and what preventative steps or remediation they may have taken to further assess the actual level of risk.

**People:** This step assesses a company's Human Rights practices and policies and impacts on people, including but not limited to Modern Slavery, Forced labour, and Child Labour. It also assesses many of the underlying root causes and drivers of Modern Slavery including human rights issues such as living wages, displacement, inequality, freedom of association and exploitative corporate practices. The analysis of Modern Slavery in the EPORA will be discussed further on the next page.

**Planet:** This step assesses how a company is addressing their impacts on the environment, including climate change, carbon emissions, water, waste and circularity, biodiversity, deforestation, pollution and other environmental concerns. This step also notes that human rights abuses and environmental abuses often occur together and exacerbate each other, specifically how environmental damage can exacerbate poverty, displacement and vulnerability to Modern Slavery.

## THE EPORA ASSESSMENT AND MANAGEMENT OF MODERN SLAVERY RISK:

The EPORA assessment begins with reading all potentially investable companies' public disclosures on Modern Slavery and assessing their progress on Modern Slavery reporting against best practice frameworks. This also includes any Modern Slavery reporting submitted in other jurisdictions. It also involves direct engagement with a company's management, including Chair and Board, CEO, CFO, Sustainability team and other departments as relevant.

Specifically, Ethical Partners conducts analysis and extensive engagement with all portfolio companies regarding Modern Slavery issues such as:

- High risk areas, sectors and countries of operations
- Their understanding of their supply chains
- Child labour and forced labour
- Supply chain mapping and codes of conduct
- Their supplier policies and procedures. We expect to see that companies have adequate supplier codes of conduct and that these are enforce/adequately assessed for compliance
- Supply chain assessment, and any short-comings or issues with these. One of the key issues we engaged on during this period was the categorisation of "high/medium/low" risk suppliers and the issues arising from self-assessment, and the limitations and difficulties with audits
- Purchasing practices, procurement activities, sourcing guidelines and policies and contract provisions
- Unreasonable lead times or cost requirements
- Use of labour hire and contract labour, outsourcing or short-term contracts
- Use of foreign, temporary or unskilled labour
- Certifications or best practice schemes such as the Cleaning Accountability Framework, or the Fair Farms initiative
- Worker voice mechanisms
- Employee's rights education and workers understanding of entitlements and protections
- Worker protections from violence, abuse or degrading treatment
- Worker's knowledge of their terms of employment
- Indicators of Modern Slavery such as confined or isolated workers, retained documents, contracts not in accessible formats or language.
- Provision of protective equipment and training (including PPE during COVID)
- The company's training for staff on Modern Slavery
- Recruitment fees and wage deductions
- Recruitment strategies targeting disadvantaged and vulnerable communities
- Working hours and overtime safeguards
- Underpayments and living wages
- Industry structure and risk factors such as oligopolies
- worker accommodation and health and safety conditions
- Other human rights policies
- Remediation of Modern Slavery and human rights issues
- The companies understanding of their obligations under the UNGP, ILO and UNHCR frameworks, and their understanding of their impacts on SDG 8 (Decent Work)
- Their collaborations and partnerships on Modern Slavery: during this reporting period we specifically undertook engagements with health insurers regarding collaborating with other health insurers to address their Modern Slavery risks in their tier one suppliers, the hospitals, on Modern slavery risks
- Complaint's mechanisms and the ability of these to identify Modern Slavery. We specifically engaged with one company in our investment universe (but not held) about the lack of a complaint's mechanism in the appropriate language and accessible format in their African operations, and another (which is a portfolio

holding) we challenged to consider how accessible their complaints mechanism was within their high-risk horticultural supply chain. We also advocate for our companies to disclose the number of complaints cases each year, in line with best practice examples

- reporting channels, governance, management and board attitudes, attention to and understanding of Modern Slavery
- resourcing of Modern Slavery prevention/mitigation programmes and due diligence activities
- The company's impact through a lens of the SDG's, and how they are impacting root causes and drivers of Modern Slavery through issues such as poverty, inequality, environmental degradation and climate change.

#### **WHEN:**

We assess the entire investment universe on a deep analysis on yearly basis, as well as on a continuous basis as new information or relevant issues come to light or based on engagement with the company.

#### **HOW:**

The EPORA process draws on our own in-house research, controversy and media screening, using over 600 data sources and on direct and regular company meetings and engagements. It also draws on our relationships with NGOs working in the Modern Slavery space, most notably during this period, Anti-Slavery Australia, Be Slavery Free (formally known as Stop the Traffik), Oxfam, Monash University and ACCR. These relationships provide us with invaluable information and research to help us better understand the Modern Slavery risk in our investments as well as the opportunity to share advocacy on Modern Slavery Issues.

#### **WHO:**

All EPFM investment staff are involved in this research and engagement, including all analysts, the CEO and the Investment Director, working in conjunction with the sustainability team. We firmly believe that each analyst must understand the Modern Slavery Risks for their own stocks personally, and that this understanding cannot rest in a sustainability team, but must be integrated into each stock decision and every engagement with a company. This is because we believe that human rights and Modern Slavery risks is as pertinent to analysing stocks as financial risks and because we want to maximise all our opportunities to create positive change.

#### **GOVERNANCE OF MODERN SLAVERY RISK MANAGEMENT:**

The CEO and Investment Director, whom are also our board directors are involved in all our research, screening and engagements on Modern Slavery.

#### **TRAINING ON MODERN SLAVERY RISK MANAGEMENT**

- All our staff have received extensive training on Modern Slavery. This has taken the form of attending external conferences, required reading, in-house education sessions, webinars, NGO presentations and meetings, online training courses which all staff completed.
- Modern Slavery risks/issues and relevant case studies are constantly discussed with the relevant analyst, and educated on Modern slavery is circulated at least weekly in our ESG educational updates.

#### **ACTIONS TAKEN TO ASSESS AND ADDRESS THE RISK OF MODERN SLAVERY IN OUR SUPPLY CHAINS**

Ethical Partners has since inception made clear on our website and in conversations with suppliers our expectations that:

"We expect that our suppliers will not be a party to any violation of basic human rights including freedom from slavery and discrimination. We reserve the right not to do business with vendors that do not share and demonstrate our commitment to compliance with local and internationally accepted labour and employment laws. We seek partners that take ESG investing seriously and believe in investing responsibly. We do not believe that we can be investing sustainably but do not source sustainably. We endeavour to ethically source which includes an expectation that all vendors, including sub-contractors engaged by vendors, must comply with certain requirements such as wages, benefit policies, working hours, no forced labour, no discrimination, health and safety and business integrity".



Our FY 20-21 Modern Statement will show that we have formalised our supplier code of conduct which is now available on our website. We have also since developed a detailed supplier questionnaire which we have used to screen our most material suppliers, and will detail this in our next FY20-21 reporting period Modern Slavery Statement.

## 5. Describe how the reporting entity assesses the effectiveness of such actions

Our EPORA process is continually assessed and refined and monitored to ensure we are effective in our research, screening and advocacy on Modern Slavery.

We also commissioned an independent analysis and benchmarking by the Credit Suisse ESG team, to measure the effectiveness of our process and identified gaps. This benchmarking overall showed that EPFM's portfolio outperformed on Modern Slavery Resilience scores and Modern Slavery Business Model Scores, which was reassuring to our process.

It was also very useful in confirming our analysis of high-risk sectors and high-risk geographies, and for identifying the three companies within our portfolio with the lowest Modern Slavery resilience, and the highest Modern Slavery risk. Whilst we had already engaged extensively with these companies, we increased engagements with these companies as a result of this external analysis.

We have also received positive feedback from several portfolio companies, notably including one large ASX listed retailer, that our deep engagements regarding their Modern Slavery practices have been helpful, and that our recommendations have led to changes in the way they are assessing and preventing Modern Slavery risk in their supply chains. These changes have included increased transparency and disclosure, enhanced supply chain due diligence, risk detection and audit processes, increased collaboration with unions, worker associations and certification bodies, improved workers' rights and worker voice mechanisms and increased cross sector collaboration on Modern Slavery.

We note that the Government expects that reporting entities statements will improve in quality and demonstrate progress over time as entities increase their understanding of Modern Slavery. We continue to advocate for this with our portfolio companies, and we understand that this is also an expectation of our own processes and management of Modern Slavery risk in our own supply chains and investments. As such, we are committed to monitoring our effectiveness on a continual basis and are deeply committed to continual learning and improvement in our own processes wherever possible.

## 6. Describe the process of consultation with:

- c. Any entities that the reporting entity owns or controls
- d. In the case of a joint statement, entities giving the statement (section 16 (1)(f))

This criterion is not applicable to Ethical Partners Funds Management.

## 7. Include any other information that the reporting entity considers relevant

Ethical Partners conducted extensive advocacy and engagement about Modern Slavery in this reporting period.

We undertook 123 engagements on Human Rights issues with ASX companies, including engaging with all our portfolio companies on Modern Slavery. Areas of discussion with companies included high risk areas and countries of operation, child labour, forced labour, understanding of supply chains, supply chain mapping, codes of conduct, supplier assessments and audits, grievance mechanisms, human rights policies, remediation of issues and human rights training. More information on these engagements can be found in our Engagement Report detailing EPFM's engagements to July 2020 here <https://www.ethicalpartners.com.au/post/2020-engagement-report>

We also specifically engaged with all our portfolio companies in March and April 2020 to advocate for increased attention to Human Rights and Modern Slavery risk during COVID. We specifically discussed our expectations for our portfolio companies around maintaining supplier relationships as much as possible, including timely payments in order to mitigate Modern Slavery risk, as well as their policies around leave, health and safety.

We also strongly believe in the investor voice in creating change, so the second part of our approach to Modern Slavery is to engage with wider stakeholders from our position as an investment manager. As such, during the FY 19-20 reporting period EPFM:

- Wrote to the NSW inquiry into the Modern slavery Act 2018, stating our support for the Act, which we believe to be the strongest and most holistic in the world. This submission is publicly available here, and can also be found in the appendix of this statement. [https://uploads-ssl.webflow.com/5b4d31c5e11a78eff0022917/5db78b243e14233a1d4e46f7\\_Ethical%20Partners%20Submission%20-%20%20Inquiry%20into%20The%20Modern%20Slavery%20Act%202018%20and%20associated%20matters.pdf](https://uploads-ssl.webflow.com/5b4d31c5e11a78eff0022917/5db78b243e14233a1d4e46f7_Ethical%20Partners%20Submission%20-%20%20Inquiry%20into%20The%20Modern%20Slavery%20Act%202018%20and%20associated%20matters.pdf)
- Published our Standards Report in August 2019 which discussed overall Australian company ethical standards and reporting. This report detailed the need for markedly improved reporting on Modern Slavery, increased attention to supply chain understanding by ASX 200 companies that we screened through our EPORA process. It showed that only 49% of the ASX companies we screened had adequate knowledge of their supply chains, and that only 29% of ASX companies had policies around child labour and Modern Slavery. This report is publicly available here. [https://uploads-ssl.webflow.com/5b4d31c5e11a78eff0022917/5d4a0792faeb2d57433073b5\\_EPFM%202019%20Ethical%20Standards%20Report.pdf](https://uploads-ssl.webflow.com/5b4d31c5e11a78eff0022917/5d4a0792faeb2d57433073b5_EPFM%202019%20Ethical%20Standards%20Report.pdf)
- Produced a report for clients on our analysts visit to the London Metals Exchange, which we undertook to better understand their new and ground breaking responsible sourcing requirements for its brands. This visit was very educational in terms of understanding their process of Red Flag assessments, higher and lower focus brands and OECD due diligence and auditing processes and frameworks, both for understanding Modern Slavery Risks in the Metals supply chain, as well as a leadership example for our own assessment processes, and for our advocacy activities with other exchanges and companies.
- During this reporting period, we also met several times with the NSW Anti-Slavery Commissioner, to discuss relevant issues and the important role of investors in Modern Slavery prevention.
- We advocated publicly in the media for better attention to human rights and exploitative practices by companies in the Healthcare and Banking industries during this period, and called for company accountability at high levels, as well as the need for better supply chain analysis, risk identification, and consideration.
- EPFM met with the President and CEO of the Association of Professional and Social Compliance Auditors to better understand the codes and standards and frameworks of auditors, as well as the limitations, difficulties and best practice in auditing supply chains. This was very helpful to our risk management analysis of portfolio companies' use of audits.
- We met with the Accounting Standards Board and the Australian National University to assist in research on supply chain reporting with on social and environmental issues including modern Slavery.
- Engaged with the Trafficking and Slavery Research Group at Monash University, and was part of an investor roundtable on their research into measuring effectiveness in corporate responses to Modern Slavery.

- With the knowledge that cleaning has been recognised as a key risk for Modern Slavery, we undertook education for our team on the Cleaning Accountability Framework with the Australian Centre for Corporate Responsibility (ACCR), which has since informed a detailed engagement with 8 ASX property companies, advocating for them to consider CAF certifications, which will be detailed in the FY 20-21 Modern Slavery Report.
- As an indication of our commitment to this issues, Ethical Partners first donation at our giving fund launch was to a Modern Slavery Awareness Charity, Be Slavery Free, with whom we regularly engage around Modern Slavery Advocacy and Research.
- We were member to several collaborations either addressing Modern Slavery Risk, or addressing the root causes that can predispose to Modern Slavery during this period.

These included:

- Member of the Responsible Investing Association of Australia, and the RIAA human rights working group
- Member of PRI
- Signatory to the investor statement on coronavirus response and member of the PRI collaboration groups ESG response to covid 10 in the short term
- Know the Chain Investor Statement of Expectations addressing Forced Labour in Global Supply Chains
- Investor Statement calling on Improved Performance on the Corporate Human Rights Benchmark
- PRI Investor Statement on Living Income and wages and the PRI Collaboration on Living Wage and Income
- Investor Case for Mandatory Human Rights Due Diligence Statement
- Signatory to the Investor Statement in Support of Human Rights- RIAA

Ethical Partners Future Plans for actions to mitigate Modern Slavery Risk:

As noted in other sections of this portfolio, actions planned for the FY 20-21 Reporting Period include:

- Formalising our Supplier Code of Conduct - achieved
- Formalising our Supplier Questionnaire - achieved
- Surveying our most material suppliers with the Supplier Questionnaire, and analysing and liaising with them on their responses - achieved
- Formalising our Human Rights in Investments Policy - achieved
- Publish our 2021 Annual Standards Report and 2021 Engagement Report detailing our analysis and engagements on Modern Slavery
- Continue to address Modern Slavery risk, and root causes and drivers of Modern Slavery risk through our engagement and advocacy activities. We expect to see the companies continually improving their attention to and reporting on Modern Slavery, and as the information on Modern Slavery and supply chain visibility increases, we also continue to increase our calls for accountability and remediation.
- Continue to refine and improve our EPORA analysis to remain best practice and at the forefront of Modern Slavery risk mitigation in investments.
- Continue to advocate for improved Modern Slavery
- Continue our ongoing training of our team on Modern Slavery issues, analysis and advocacy.



## 8. Provide detail on approval of the Statement

This statement has been signed by the principal governing body of Ethical Partners Funds Management, which is our Board Directors Nathan Parkin and Matt Nacard.

A handwritten signature in black ink, appearing to be 'NP', written in a cursive style.

**Nathan Parkin**  
Director, 30 March, 2021

A handwritten signature in black ink, appearing to be 'MN', written in a cursive style.

**Matt Nacard**  
Director, 30 March, 2021



