

Modern Slavery Statement 2023

 First Sentier
Investors



Contents

CEO foreword	01
01 About us	02
Who we are	02
Vision, purpose and values	03
Reporting entities	04
Governance of First Sentier Investors' Modern Slavery Statement	04
02 Our corporate operations and supply chains	06
03 Our progress leading up to 2023	08
04 Mitigation of modern slavery risk	09
Case study: Supplier due diligence initiative	12
Case study: Modern Slavery Toolkit for Supplier Business Owners	13
05 Our investment teams' approach to modern slavery	14
06 Addressing risks and reporting on progress	16
Case study: Stewart Investors on finding, fixing and preventing modern slavery	17
07 Benchmarking our effectiveness	18

CEO foreword

Escalating global unrest, cost of living crises and ongoing pandemic fallout have contributed to an environment that makes modern slavery more prevalent than ever.

First Sentier Investors has continued its focus on addressing the modern slavery risks relating to its operations in 2023. Notably, we have honed our ability to assess risks relating to our own supply chains, in line with our 2022 Modern Slavery Road Map. We have also worked on developing a specialised toolkit to help our employees further address modern slavery risks in the selection, on-boarding and management of suppliers.

In parallel, our investment teams continue to develop their approach to addressing modern slavery risks. Further expert training has taken place across our teams, while engagement with investee companies on the issue has continued. Alongside this, we have also maintained industry engagement through collaborative initiatives to encourage meaningful action, supportive policy setting and better company disclosure.

We firmly believe a proactive approach to find, fix and prevent modern slavery, with a focus on improving the lives of victims, offers the best way forward in the fight against modern slavery practices. We remain committed to contributing to this fight and continuously improving our approach to addressing modern slavery risks.

This report describes our efforts over the past year and our goals for the year ahead.



Mark Steinberg

CEO First Sentier Investors



01 | About us

Who we are

First Sentier Investors is a global asset management group providing high quality, differentiated and relevant investment capabilities to deliver exceptional investment performance for our clients and profitable growth for our shareholder.

Our combined global investment capabilities span global and regional equities, cash and fixed income, and infrastructure and property securities.

We are home to investment teams and brands including FSSA Investment Managers, Igneo Infrastructure Partners, RQI Investors, (formerly known as Realindex Investments) and Stewart Investors. In November 2023, we added to these brands by forming a strategic partnership with AlbaCore Capital Group (**AlbaCore**), a European alternative credit manager.

All investment teams operate with discrete investment autonomy, according to their investment philosophies and based on a common commitment to principles of responsible investment, stewardship and quality.

Our investment approach is to provide clients with quality investment products that deliver exceptional investment performance over the long term and through market cycles. Our different investment teams offer a variety of investment styles and options to help achieve this goal, always in line with our investment philosophy. We have more than 900¹ employees across Asia, Australia, Europe and North America.

Figure 1: First Sentier Investors ownership structure



Our Board includes representatives of First Sentier Investors Holdings Pty Limited's (**FSIHP**) immediate holding company, Mitsubishi UFJ Trust and Banking Corporation (**MUTB**).

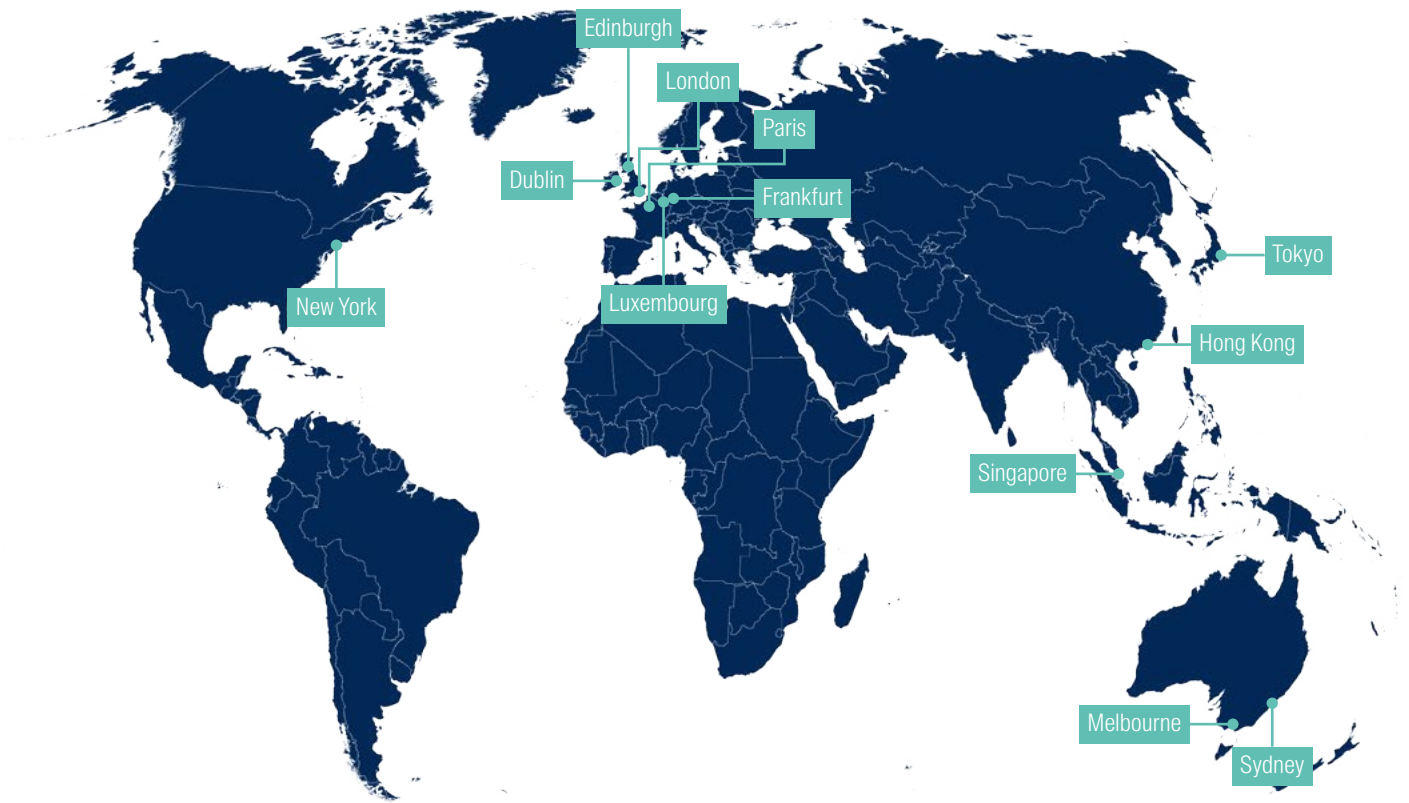
We are part of the broader Mitsubishi UFJ Financial Group, and our ultimate parent company is Mitsubishi UFJ Financial Group, Inc. (**MUFG**).

In this report, '**First Sentier Investors**' refers to FSIHP and FSI US and each of their respective subsidiaries.

1 As at 31 December 2023. This includes permanent and fixed term employees only, i.e. excluding Non-Executive Directors, MUTB secondees and third-party contractors. These numbers exclude AlbaCore.

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

Global business footprint



Region	Total staff (31 December 2023) ³
UK and Europe	386
Asia	166
Australia and New Zealand	394
North America	45
Total	991

Vision, purpose and values

Our vision is to provide world-leading investment expertise and client solutions, led by responsible investment principles.

Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and shareholder.

Together, we work across multiple global markets to achieve our vision.

Our philosophy and culture are based on our 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

³ This includes permanent and fixed term employees only, i.e. excluding Non-Executive Directors, MUTB secondees and third-party contractors. These numbers also exclude AlbaCore.

Reporting entities

This Modern Slavery Statement (**Statement**) is made by First Sentier Investors Holdings Pty Limited ACN 630 725 558 for the financial year ending 31 December 2023 (**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 First Sentier Investors entities (**Reporting Entities**) for the Reporting Period:

- First Sentier Investors UK Holdings Limited⁴
- 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 RQI Pty Ltd
- First Sentier Investors Asia Holdings Limited⁵
- 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 completion of our strategic partnership with AlbaCore occurred on 14 November 2023. Accordingly, AlbaCore's supply chain and operations are not included in this statement.

Governance of First Sentier Investors' Modern Slavery Statement

The following key groups have responsibility for developing, overseeing and implementing our initiatives to combat modern slavery, including compliance with relevant legislation.

The Boards of our Reporting Entities

The Boards of our Reporting Entities received an initial draft of this Statement in March 2024 for feedback and input.

Following group consultation and approval by the Board of Directors of FSIHP, on 20 June 2024, this Statement was also approved by First Sentier Investors UK 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 Steering Committee

The Modern Slavery Steering Committee (**Steering Committee**) was introduced in 2023 and comprises senior leaders, including the Chief Financial and Strategy Officer, Managing Director EMEA & Chief of Staff, the Global Head of Responsible Investment, the Head of Corporate Sustainability and the Head of Corporate Operations.

It provides guidance, direction and endorsement for continual improvement in internal processes and procedures relating both to our own corporate operations and our supply chains, and addresses the progress and challenges faced in delivering on the Modern Slavery Road Map.

The Steering Committee also reviews and endorses key documents, including this Statement, and oversees the Modern Slavery Task Force. It aims to meet at least twice a year.

Modern Slavery Task Force and Working Groups

The Modern Slavery Task Force (**Task Force**) is the global team charged with reviewing and enhancing the way we address the risks of modern slavery and human trafficking within our Reporting Entities. Established in 2020, the Task Force includes representatives from various regions and different business areas.

The Task Force is focused on developing a framework to identify, assess and mitigate modern slavery risks which may be inherently embedded within our business operations via our supply chains. Task Force members are responsible for the continuous strengthening of this framework. The Task Force also assists in the preparation of the annual Modern Slavery Statement.

In 2023, the Task Force was restructured and refined to improve its effectiveness, including by introducing a number of targeted Modern Slavery Working Groups whose goals and actions are directly aligned with initiatives contained in our Modern Slavery Road Map.

⁴ Entity will be reporting on a voluntary basis.

⁵ Entity will be reporting on a voluntary basis.

Responsible Investment

The Responsible Investment team supports investment teams to identify and address modern slavery risks within their portfolios. It also engages with other investors and broader stakeholders, including policy makers, civil society organisations and data providers on environmental, social and governance matters.

It is supported by a Modern Slavery Toolkit (Investments) and reporting procedures that track the effectiveness of our engagement with companies in which we invest.

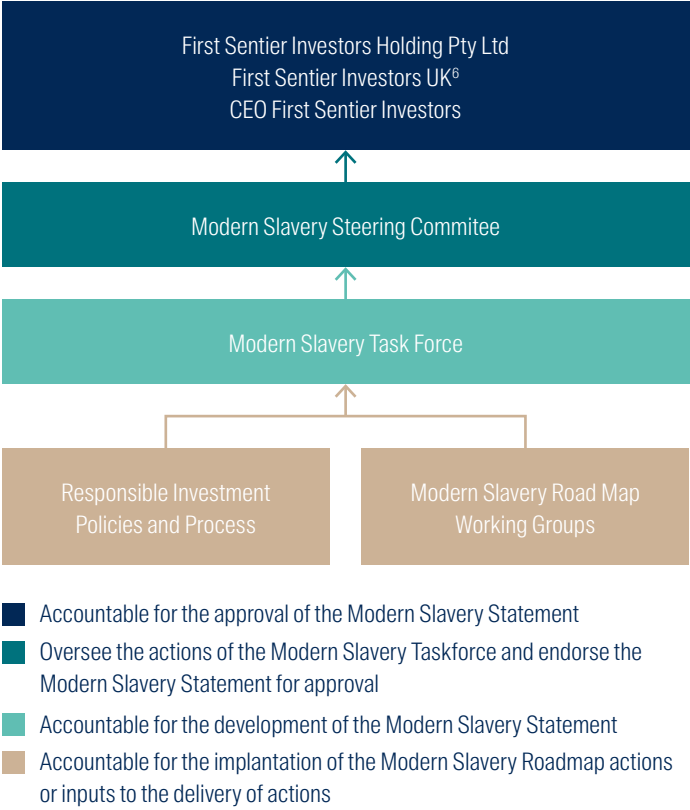
Corporate Sustainability

The Corporate Sustainability team partners across our business to find, fix and prevent modern slavery within our own corporate operations and supply chains, and is responsible for chairing the Modern Slavery Task Force and Modern Slavery Steering Committee.

The Head of Corporate Sustainability is the Modern Slavery Policy owner, responsible for reporting on the effectiveness of our approach and facilitating the annual development and approval of this Statement to the Boards of our Reporting Entities.

Governance Structure

Figure 2: Modern Slavery Governance Structure



6 First Sentier Investors UK includes: First Sentier Investors UK 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

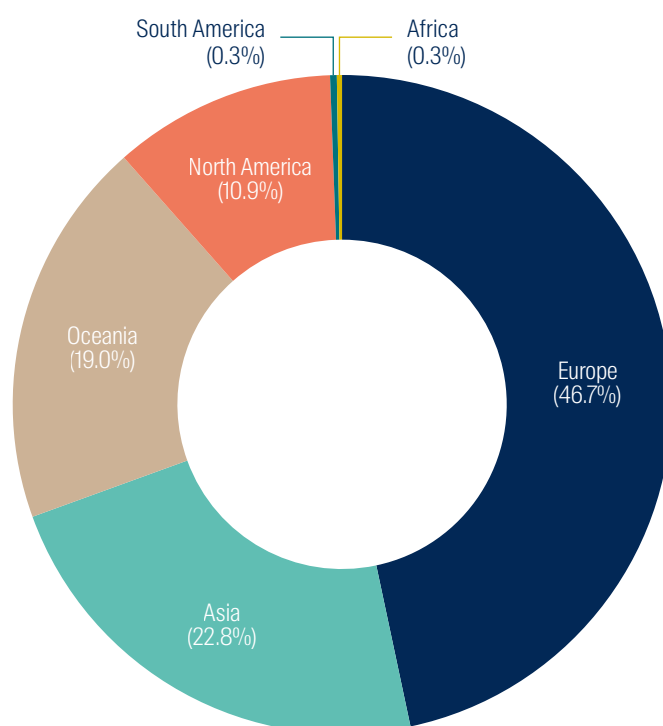
02 | Our corporate operations and supply chains

In the last year, we have been focused on enhancing our ability to identify, assess and mitigate risks of modern slavery and human trafficking both in our own operations and through our investment activities. In 2023, we were able to improve scrutiny of our own supply chains by expanding our risk identification and assessment capability to include both a sector and a geographical risk assessment.

Risk assessments on our operational supply chain in 2023 were undertaken using a new geographic risk assessment methodology that builds on the high-level sector risk assessment we carried out in 2022. This methodology used data drawn from the Global Slavery Index 2023¹.

Where our Tier 1² suppliers predominantly operate in the same jurisdictions as we do, they were assessed as having lower exposures to modern slavery risk than in some other jurisdictions. Broadly speaking, such third-party suppliers include professional services firms that support us in providing clients with pooled and segregated investment management services, along with businesses we engage to help run our corporate operations, information technology systems, support services, merchandising, facilities and premises (e.g. cleaning and catering services).

Figure 3. Geographical breakdown of Tier 1 suppliers based on contracted location



Source: Supplier information has been taken from First Sentier Investors finance system

- 1 With respect to any references to the [Global Slavery Index](#) 2023 Dataset, the Minderoo Foundation does not make any representation or warranty, express or implied regarding the contents or accuracy of the Global Slavery Index 2023 Dataset. The Minderoo Foundation is not in any way associated with First Sentier Investors and has not been involved in any way in the making of this Statement.
- 2 Tiers of suppliers – Tier 1: First Sentier Investors' directly contracted suppliers. Tier 2: First Sentier Investors' suppliers', suppliers or companies that subcontract to our direct suppliers. Tier 3: Suppliers or subcontractors of First Sentier Investors' Tier 2 suppliers.

To assess the geographical risk of our global suppliers, we used our finance systems to identify all payments made to third parties within a specified time period.

We adopted the vulnerability model³ from the Global Slavery Index that measures the extent to which a country's population is vulnerable to modern slavery. Using the total vulnerability score of each country (where a higher percentage means a higher risk of modern slavery) we analysed all our suppliers for geographic risk.

Any supplier located in a country that had a medium to high risk (i.e. a total vulnerability score of greater than 40 out of 100) was identified. This amounted to 91 suppliers, with the majority located in either China or India.

The 91 suppliers were then assigned a Global Industry Classification Standard⁴ (GICS) code and a further risk assessment was carried out based on the supplier's industry. Some suppliers were re-rated to medium/low risk due to their industry (i.e. professional services, law firms, banks and brokers).

In total, 12 suppliers were assessed as medium and medium to low risk, mostly transportation service providers in countries such as India, Thailand and South Africa. We intend to conduct further due diligence on these suppliers where an ongoing supplier relationship is in place.

In 2024, the results of the geographical risk assessment will be integrated onto our supplier management platform. This risk assessment will be updated periodically and will be visible to employees responsible for supplier relationship.

Our clients

As both an issuer and investment manager of collective investment vehicles, and an investment manager of client appointed mandates, we acknowledge that modern slavery risks are not confined to our direct supply chains.

Our actions in accepting investments and on-boarding clients have the potential to contribute to modern slavery. Anti-money laundering, counter-terrorism and 'know your client' screenings help us complete due diligence and understand who our clients are.

These measures are designed to mitigate the risk of accepting money from entities and organisations that contribute to various social harms, including (without limitation) money laundering, terrorism financing, human rights abuses and modern slavery.

³ Methodology | Walk Free <https://www.walkfree.org/global-slavery-index/methodology/methodology-content/#vulnerability>

⁴ GICS® – Global Industry Classification Standard – MSCI <https://www.msci.com/our-solutions/indexes/gics>

03 | Our progress leading up to 2023

Year	Event/First Sentier Investors milestone
2015	UK Modern Slavery Act 2015
2016	- First State Investments (now known as First Sentier Investors) published its first Slavery and Human Trafficking statement under the UK Modern Slavery Act 2015 for the year 2015. - First State Investments convened a Human Rights Working Group from investment teams across the business to develop a Human Rights Toolkit to help those teams identify and address human rights risks within their portfolios.
2018	Australian Modern Slavery Act 2018
2020	- Published First State Investments' first Modern Slavery Statement under the Australian Modern Slavery Act 2018 for the year 2019. - Established a dedicated Modern Slavery Task Force. - Convened a Modern Slavery Investor Working Group from investment teams across the business. The group developed the Modern Slavery Toolkit (Investments) containing guidance and tools on how to engage with portfolio companies. This was rolled out to investment teams in June 2020. - Led an internal collaborative engagement on heightened modern slavery risks in the apparel and healthcare supplies sectors in response to the COVID-19 pandemic. - Convened an industry initiative to address modern slavery risks in the Asia-Pacific region, Investors Against Slavery and Trafficking APAC (IAST APAC). - Developed and deployed targeted training to investment teams. This training is reviewed and updated annually. - Rebranded First State Investments as First Sentier Investors. - Reviewed, updated and tabled the Supplier Code of Conduct with FSIHP's Board and relevant First Sentier Investors entities to solicit feedback. - Introduced compulsory company-wide modern slavery e-learning as part of the Financial Crimes Compliance module.
2021	- Established a dedicated Global Procurement and Supplier Governance function that deployed a standardised on-boarding and screening process for all new suppliers, including using a risk screening tool to uncover legal, regulatory or negative media findings. - Improved due diligence by adding additional steps to our Request for Proposals process to inform us of our new suppliers' approach to addressing modern slavery. - Reviewed internal policies including our Risk Appetite Statement and risk management strategy, to include modern slavery and human trafficking principles. - Included a standard anti-modern slavery clause in global supplier arrangements where appropriate, which is reviewed regularly. - Developed and deployed an internal Modern Slavery Policy. - Continued mapping key modern slavery risks in investment portfolios and provided additional specialised training to investment teams. - Developed management information and reporting for mapping and measuring modern slavery risks within investment portfolios and reported findings to First Sentier Investors Global Investment Committee for the first time.
2022	- Updated the Human Rights Toolkit (Investment)¹ to include additional guidance on the human rights implications of armed conflict and engaged external human rights experts to provide relevant training for our investment teams. - Made a submission to the Australian Federal Government's review of Australia's Modern Slavery Act 2018 (Cth) indicating support for many of the proposed initiatives and made recommendations detailed here. - Provided training to selected staff on identifying risks of modern slavery in supply chains. - Continued to globalise supplier on-boarding processes to ensure new suppliers are consistently assessed before engagement, including from a regulatory and negative media perspective. - Continued reporting to the Global Investment Committee on our approach to mapping and measuring potential corporate modern slavery and human trafficking risks within our investment portfolios. - Developed a Modern Slavery Road Map defining our strategy to improve our efforts to mitigate modern slavery in our operational supply chains. - Reviewed and updated our Modern Slavery Policy.

1 Human Rights Toolkit for Investments <https://www.firstsentierinvestors.com.au/au/en/individual/insights/latest-insights/human-rights-human-wrongs.html>

04 | Mitigation of modern slavery risk

Throughout 2023, First Sentier Investors' efforts to combat modern slavery risk continued, in line with the road map contained in our 2022 Modern Slavery Statement¹.

Be Slavery Free², a coalition of modern slavery consultants and human rights advocates in Australia, provided training to the Task Force and other key employees in 2022. In these workshops, we identified a range of improvement opportunities. In addition to the work carried out in 2023, expansion on these opportunities has been incorporated into plans for 2024, as outlined below.

2023 planned initiatives	Status of delivery	2023 progress	2024 plan
Supply chain mapping Map supply chain of our high-risk suppliers (i.e. our Tier 2 and Tier 3 suppliers), ensuring (where possible) modern slavery risk is understood, mapped and assessed.	In progress	Conducted a geographic risk assessment, as outlined in section 2.0 'Our corporate operations and Supply Chain'. This was used to map the locations of Tier 1 suppliers relevant to the regions in which we operate.	- Conduct further due diligence on identified medium-risk suppliers with whom we have ongoing relationships. - Continue identifying countries and regions where suppliers are located, to demonstrate supply chain traceability and gather information on their tiered suppliers.
Supplier engagement Commence engagement with selected suppliers with the aim of aligning their modern slavery policies, processes and procedures with our Supplier Code of Conduct.	In progress	A supplier due diligence initiative to engage with our higher-risk IT suppliers commenced in late 2023 to help us understand more about their potential modern slavery risks in their supply chains. For more detail on this initiative see the case study on page 12.	- Hold workshops with selected suppliers in early 2024. - Develop a collaborative action plan to manage identified risks. Encourage suppliers to improve their modern slavery mitigation efforts, if required. - Apply lessons learned from this initiative to more suppliers in high-risk industries. - Encourage continued collaboration with suppliers through regular engagement and training.
Procurement Enhance the integration of modern slavery and broader ESG considerations into procurement processes for new and existing suppliers.	In progress	- Integrated modern slavery screening within supplier on-boarding processes designed to capture Modern Slavery Risk indicators³ such as: sector, product, geography and entity risk. - Conducted ongoing screening of new suppliers to identify any legal, regulatory and negative media before they are on-boarded. - Updated and globalised template anti-modern slavery contract clauses for inclusion in relevant supplier contract agreements.	- Share results from the geographical risk assessment on our supplier management platform to inform our staff of existing supplier risk profiles. - Review and better integrate the Supplier Code of Conduct.

1 First Sentier Investors, Modern Slavery Statement 2022 <https://www.firstsentierinvestors.com/content/dam/cfsgam/emea/uk-policies/modern-slavery-statements/2022-Slavery-and-Human-Trafficking-Statement.pdf>

2 <https://www.beslaveryfree.com/>

3 Commonwealth Modern Slavery Act Guidance for Reporting Entities May 2023, Modern Slavery Risk Indicators, https://modernslaveryregister.gov.au/resources/Commonwealth_Modern_Slavery_Act_Guidance_for_Reporting_Entities.pdf

2023 planned initiatives	Status of delivery	2023 progress	2024 plan
Grievance process Establish a modern slavery grievance process to build on existing whistleblowing procedures and provide staff training.	In progress	- Developed an internal modern slavery response plan as a guide to action if we identify a modern slavery incident in our supply chain. - Amended the definition of reportable misconduct under the Global Whistleblower policy to clarify that it includes a violation of human rights. - Globally, employees can make a whistleblower notification. - In Australia, the whistleblower provisions extend to past employees and their families as well as current and past suppliers and their employees and families.	- Provide training on the modern slavery response plan to Supplier Business Owners. - Review whether the broader provisions of the Whistleblower policy applied in Australia, can be practically applied to our regions globally. - Train Task Force members to follow a robust escalation process to help us respond effectively to suspected or actual cases of modern slavery.
Incident reporting Facilitate the disclosure of modern slavery incidents if identified in our supply chains.	In progress	Developed a modern slavery incident register to formally record, monitor and report on identified incidents. This forms an essential component of our modern slavery response plan.	Advance the implementation of the Modern Slavery Toolkit through relevant training of Supplier Business Owners. This will be piloted before it is fully operationalised.
Training and communication 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.	Completed	- Developed a Modern Slavery Communication Plan to drive awareness and educate individuals responsible for procurement and management of suppliers for implementation from 2024. - All employees are now required to complete mandatory online modern slavery training on commencement of employment, along with annual knowledge checks or training thereafter, with the content of the module reviewed and updated annually. This training and knowledge check combination had a 100% completion rate in 2023. - Walk Free, an international human rights group focused on the eradication of modern slavery, presented the findings of the 2023 Global Slavery Index to our investment teams in November 2023. The presentation covered the Index's global prevalence, government response and vulnerability assessment, and which data can be incorporated into risk assessments at an investment portfolio level.	- Implementation of the communication plan. - Share findings and highlights from relevant industry groups, conferences and forums that we participate in.
Key Performance Indicators (KPIs) for Task Force Assign KPIs for Task Force members to foster continued accountability.	Completed	All members of the Task Force and specific working groups were assigned KPIs.	- Review KPIs in accordance with the 2024 modern slavery road map. - Assign KPIs for Supplier Business Owners as part of the SBO Toolkit delivery.

2023 planned initiatives	Status of delivery	2023 progress	2024 plan
Risk assessment 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.	In progress	- Adopted and integrated modern slavery risk indicators to support initial screening of new suppliers within our supplier management platform. - Modern Slavery Risk indicators (based on existing supply chains) adopted for screening purposes are: - Sector and industry risk - Products and services risk - Geography risk - Entity risk - Suppliers identified as higher risk in initial screening will be subject to enhanced due diligence, to be developed in 2024. - Screening of new suppliers to identify any legal, regulatory and negative media before on-boarding has continued.	- Develop the enhanced modern slavery due diligence questionnaire to provide further information related to the suppliers' operations. - Continue to identify high-risk suppliers both from additional sectors in our supply chain and through ongoing supply chain mapping.
Staff remuneration Monitor results from annual remuneration review for our own employees.	Completed	In considering modern slavery risks in our operations, our People and Culture team reviews all employee remuneration annually to ensure we continue to pay above living wage rates in locations where living wage information is available.	Continue monitoring results from the annual remuneration review.
Our policies Periodic review of policies and procedures	Completed	- Reviewed a range of First Sentier Investors' policies for alignment with human rights principles and identified improvement opportunities in the following: - Global Whistleblowing Policy - Global Supplier Management Policy - Supplier Code of Conduct	- Review and update the Modern Slavery Policy in line with the Supplier Business Owner Toolkit. - Review and suggest updates to the Supplier Code of Conduct in line with enhanced procurement procedures.

The planned initiatives set out above are indicative of our plans as at the date (June 2024) 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.



Case study Supplier due diligence initiative



Background

The Global Slavery Index 2018⁴ identified laptops, computers and mobile phones as the products with the highest modern slavery risk imported by G20 countries. In 2023, further data from the updated Global Slavery Index⁵ confirmed that electronics continue to be the highest value at-risk import for the majority of G20 countries.

While our Tier 1 IT suppliers predominantly operate in lower risk geographies, we anticipate that they are likely to source products and services from some suppliers operating out of higher risk geographies such as China.

With this context, in 2023 we piloted a supplier due diligence initiative with 10 IT hardware (electronics) suppliers and service providers, whose services include supply of hardware such as handheld devices, laptops, computers, network providers, data centres and other IT solutions.

Our objective is to collaborate with our suppliers so we can understand more about their businesses and be better positioned to identify and support remediation of modern slavery risks in their supply chains.

Approach

To support us in this initiative, we engaged State of Flux⁶, a global supplier management specialist with extensive experience in sustainable supplier relationships.

Key steps and milestones are:

- **Training.** Training of relevant IT team members on modern slavery.

- **Supplier Identification.** Identification of our key IT hardware suppliers, based on spend and usage.
- **Supplier Survey.** Development and distribution of survey questions to the selected suppliers to collect information identifying modern slavery risks and evaluating ethical commitments. The survey comprises seven sections: policies; supply chain due diligence; human rights and modern slavery mitigation; staff employment conditions and practice; migrant workers; and sourcing and manufacturing overseas and forced labour.
- **Evaluation of Response.** Evaluation of responses against the International Labour Organisation's Indicators of Forced Labour⁷, intended to identify whether suppliers are aware of, or have indicators of, forced labour within their workforce or extended supply chain.
- **Supplier engagement and collaboration.** Workshops with suppliers to discuss survey outcomes, response assessment and implementation of strategies to address identified risks and incidences.

Outcome

State of Flux has developed a scoring methodology to assess survey responses on a scale of 'high risk' to 'low risk' using weightings from each section. Responses are aggregated to deduce a final risk rating. This provides a view of the likelihood of modern slavery issues enabling us to prioritise suppliers for engagement and collaboration.

Next steps

In early 2024 we intend to complete the analysis of the 10 selected suppliers. From there, we aim to schedule workshops with any higher risk suppliers to enable us to understand more and find opportunities to collaborate on how to best address the risks we have identified.

We intend to share the learnings of the pilot with our employees as appropriate, and we will amend relevant policy and procedures to reflect the lessons learned.

We are also planning a second round of supplier due diligence with suppliers from other high-risk sectors, to be identified in 2024.

4 <https://cdn.walkfree.org/content/uploads/2023/04/13181704/Global-Slavery-Index-2018.pdf>

5 Global Slavery Index 2023, Importing Risk <https://www.walkfree.org/global-slavery-index/findings/importing-risk/>

6 <https://www.stateofflux.co.uk/>

7 International Labour Organisations Indicators of Forced Labour https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/presentation/wcms_346427.pdf



Case study

Modern Slavery Toolkit for supplier business owners



Background

In 2023, the Modern Slavery Task Force started developing a Modern Slavery Toolkit for Supplier Business Owners (**SBO Toolkit**). Supplier Business Owners are the stakeholders within our business who have ultimate accountability for supplier relationships. Ensuring they are equipped with the information and tools they need to actively address risks at the supplier relationship level is crucial for the success of our efforts to find, fix and prevent modern slavery.

Approach

By establishing a step-by-step framework reflecting our Modern Slavery Policy, the SBO Toolkit is intended to provide guidance to help our people identify, address, escalate, remediate and report modern slavery risk and incidents in our operational supply chain.

The SBO Toolkit sets out the following steps:

- **Identifying risk.** Screening suppliers for high-risk categories and due diligence questions.
- **Addressing risk.** Guidelines for assessing and registering risks of modern slavery.
- **Escalating and remediating.** Actions for escalating, investigating and remediating identified incidences.
- **Reporting.** Documenting the incidence, its root cause, the remediation response and ongoing monitoring.

Outcome

A practical guide and consistent processes will support our Supplier Business Owners to address potential modern slavery risks at the supplier relationship level.

Next steps

The SBO Toolkit will be finalised and implemented as a pilot program in 2024.



05 | Our investment teams' approach to modern slavery

More and more, stakeholders are recognising the critical role of investors as potential forces for positive change and human advancement – globally.

As an organisation with close connections, influence and oversight of significant flows of capital across multiple markets, geographies and sectors, we are unequivocally intent on ensuring, to the greatest extent we can, that our investment-related activities at every level do not contribute to the scourge that is modern slavery. This represents an investment risk as well as a human rights risk. Beyond prevention, our goal is active stewardship: to support open collaboration in the at-risk geographies and industries in which we operate with the ultimate goal of helping secure opportunities for sustainable, modern slavery-free practices that have the potential to deliver long term financial and social benefits to all.

A further articulation of our position is set out in First Sentier Investors' Global Responsible Investment and Stewardship Principles and Policy documents, our Human Rights Toolkit and our Modern Slavery Toolkit (Investment).

This year marked the third full year of implementation of our Modern Slavery Toolkit (Investments) (**Investment Toolkit**), which was finalised in 2020. In the 2023 reporting year, it continued to provide our investment teams with guidance to help refine their approaches to addressing modern slavery risks.

More specifically, the Investment Toolkit identifies the following steps to be taken 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, remediating 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.

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
Australian Equities	Supermarket sourcing, specialty retail, metals and mining, healthcare, apparel production (especially in Asia), 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.
Fixed Income and Credit	Companies that operate in higher risk sectors with complicated supply chains and/or operate in jurisdictions with lax labour laws present higher risks. For the Asian region specifically, the risks of modern slavery are particularly related to construction and mining, food production, and industrial production, especially among issuers with large regional footprints.
Emerging Markets and Asia Pacific Equities	Teams that invest across this asset class have taken various approaches to identifying risk, including focused specific company research (particularly where there are controversies); developing a list of high-risk countries and sectors to focus on; and exploring issues such as conflict minerals and smallholder farmers. At-risk countries identified thus far include China, Indonesia, India, the Philippines, and Vietnam. At-risk sectors are those focused on the production of goods (e.g. apparel, household, personal products) and the financial institutions that fund the production of these goods.
Systematic Equities	Based on the modern slavery risk assessment tool, the highest risk is amongst metals and mining, technology hardware firms and apparel companies. China, India and the US represent the countries with the highest modern slavery risks. The metals and mining sector comprises the greatest modern slavery risk in the portfolio. The team continues to monitor these companies as, while a large number of these holdings are Australian-based, they also have high-risk operations outside Australia.
Global Listed Infrastructure	The greatest risks of modern slavery in the Global Listed Infrastructure universe are found in listed infrastructure companies that operate in Africa, Latin America, and the Far East. The team is also aware of the risk of modern slavery in infrastructure companies with ties to the construction sector. Furthermore, many utilities are investing more in the development of renewable energy, which heightens the potential risk of modern slavery within the supply chains associated with the manufacturing of solar panels and wind turbines.
Igneo Infrastructure Partners	Overall, the companies in which the team invests operate in low-risk jurisdictions and low-risk industries. However, a modern slavery risk assessment led the team to investigate two issues in more detail: 1. Use of sub-contracted labour, for example on construction projects or to cover seasonal peaks in demand. Although this is standard practice in the infrastructure sector, it can increase labour rights risks, for example if migrant labour is employed, labour hire agencies are used, or if there is a high degree of subcontracting with multiple layers, it becomes more difficult to monitor labour practices. 2. The supply chains of portfolio companies, particularly forced labour risks in global solar panel supply chains. Igneo has issued guidance on this topic for portfolio companies, including a list of suppliers that should not be used due to a heightened level of risk, and additional mitigation measures the team expects companies to take when procuring solar panels such as enhanced supplier due diligence and including commitments to respect human rights in supplier contracts.
Global Property Securities	While the property sector poses a low risk of modern slavery in its own operations there is higher risk in wider sector supply chains. This is particularly the case in relation to the procurement of building materials, construction and within property management services (e.g. cleaning, repair, security or waste management), especially as these services involve high use of agency and migrant workers and have a high turnover of personnel. That said, in recent years, most companies have successfully identified, assessed and eliminated risk at the Tier 1 supplier level, albeit that these areas are considered relatively low risk overall. The Asian market remains a risk within the construction contractor and property developer sector, however, the portfolio's look-through exposure to this sector is immaterial. The team has been reassured, through its continuous engagement process with the companies in the portfolio, that the risks at the Tier 1 level are very low. Despite these efforts, the team acknowledges that the supply chain in this region is challenging and remains a focus in the medium term.



06 | Addressing risks and reporting on progress

Coming together as an industry, agreeing effective actions, pooling resources and knowledge and being transparent and consistent with reporting are all essential to our progress in combatting modern slavery risks, in both our own right and as part of the wider industry. During 2023, we continued our significant involvement in such collaborations, and shared examples of our own anti-modern slavery plans in action.

Industry collaboration

First Sentier Investors continues as convener and Chair of Investors Against Slavery and Trafficking APAC (**IAST APAC**). This investor initiative is to promote effective action by member companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

In the 2023 reporting period, a key focus for IAST APAC has been better disclosure.

Given that a company's exposure to modern slavery risks can be complex, so too is meaningful disclosure. The nature of the risk is contextual and dependent on many factors spanning sector, industry and geography – and more. The rise of distributed, dynamic and fragmented supply chains adds to a highly variable and multi-faceted picture, in which no single data point can be reliably used to provide a consistent 'answer'.

Understanding this, the members of IAST APAC believe that disclosure and collection of agreed core metrics offers a strong first step towards comparability, in turn facilitating meaningful discussion and engagement regarding a company's approach and outcomes.

To arrive at such core metrics, a group of ESG data providers was selected by a dedicated IAST APAC subgroup to share and compare insights into shortcomings in modern slavery analysis and help understand gaps in current metrics. The subgroup heard from data providers, standard setters and academics.

Arising from this work, a set of recommended metrics that companies can disclose to help better identify modern slavery risk was drafted. The recommended metrics are designed to distinguish between 'input' and 'output' metrics. Input metrics represent the inputs into effective management of modern slavery risk, while output metrics aim to provide a quantitative measurement of tangible outcomes from adopting and implementing relevant measures.

Further information is available on the IAST APAC website: <https://www.iastapac.org/>.

Management reporting

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



Case study Stewart Investors on finding, fixing and preventing modern slavery



Stewart Investors

Background

Stewart Investors monitors portfolios quarterly using a third-party ESG data provider to check that investee companies are not involved in harmful industries or breaching social norms, such as internationally agreed standards for business, including the UN Global Compact and United Nations Guiding Principles on Business and Human Rights (UNGPs).

The team also receives regular updates from another third-party controversy monitoring service. Where issues are flagged by these services, it assesses the materiality and credibility of the reported issue. This includes engaging with the company where required.

In January 2023, Stewart Investors received a controversy alert in relation to allegations that an investee company had links to forced labour through one of its subsidiaries. This was based on a claim by a former prisoner in Chishan prison in China, alleging the facility was using prison inmates to make investee company-branded gloves for export to the United States.

Approach

Stewart Investors wrote to the company to clarify the allegations and better understand its approach to ensuring its supply chain is free of forced labour and other issues.

In reviewing the investee company's reporting, the Stewart Investors team was surprised that the 2021 ESG report indicated no labour rights issues in its supply chain. In correspondence with the company, Stewart Investors shared details of IAST's 'Find it, Fix it, Prevent it' framework. They also explained that the prevalence of modern slavery in China was such that it was likely to be occurring in most companies' supply chains, but that existing methods for identifying incidents, such as third-party audits, are not always effective. The company was asked to confirm how it ensured that its supply chain checks were effective.

The Stewart Investors team then had a call with the company's Investor Relations (IR) team to discuss the issue in more detail, understand how the company ensures its suppliers comply with its human rights policies and to encourage more disclosure on this issue.

Stewart Investors wrote to the company to note their progress, and suggested additional areas and details that it would like to see added to their future reporting in future.

Outcomes

The company's IR team shared its formal statement and response on the forced labour allegations, confirming that it has strict policies in place and does not tolerate forced labour. The company explained that it reviews its global operations and supply chain regularly.

Following the Chishan prison allegation, an investigation was conducted which included senior leaders from the company visiting the suppliers in question. The company found no evidence to support the adverse claims. The company remains committed to its Code of Conduct and Policy Against Modern Slavery.

During a follow-up call with IR in January 2023, the company noted that Stewart Investors was the first investor to have asked about this issue. The IR team reaffirmed that the company takes human and labour rights seriously, and confirmed that Stewart Investors' questions and suggestions for improving disclosure were passed on to the relevant departments.

In April 2023, the company released its 2022 ESG report. The report included enhanced disclosures relating to grievance mechanisms, breaches, and remediation practices, in line with Stewart Investors' requests.

In December 2023, Stewart Investors wrote to the company offering support and further feedback on their updated reporting. The company acknowledged Stewart Investors' suggestions for continuous improvement in disclosure and practice.

While no signs of forced labour were detected during the company's supply chain checks, the process did lead to the discovery of multiple examples of counterfeit equipment accessories, namely gloves, originating in China and bearing their brand name. The company has since cut ties with the glove manufacturer in question and is moving those operations outside of China.

Next steps

Stewart Investors will continue to encourage the company to improve its practices. The team is pleased with the enhancements in the company's disclosures and reporting and its openness during this engagement.

07 | Benchmarking our effectiveness

The ability to objectively monitor and measure the impact of our efforts to address modern slavery risk at every stage is key to our ability both to report accurately on our progress and, even more importantly, to continue to refine and improve our effectiveness. In doing so, we rely both on benchmarks that are widely recognised in our industry and the input of industry experts, while remaining attuned, open and responsive to the wider regulatory and social environment.

When we engage with investee companies to arrive at our benchmarks, we collect both quantitative and qualitative information.

The quantitative information we collect includes:

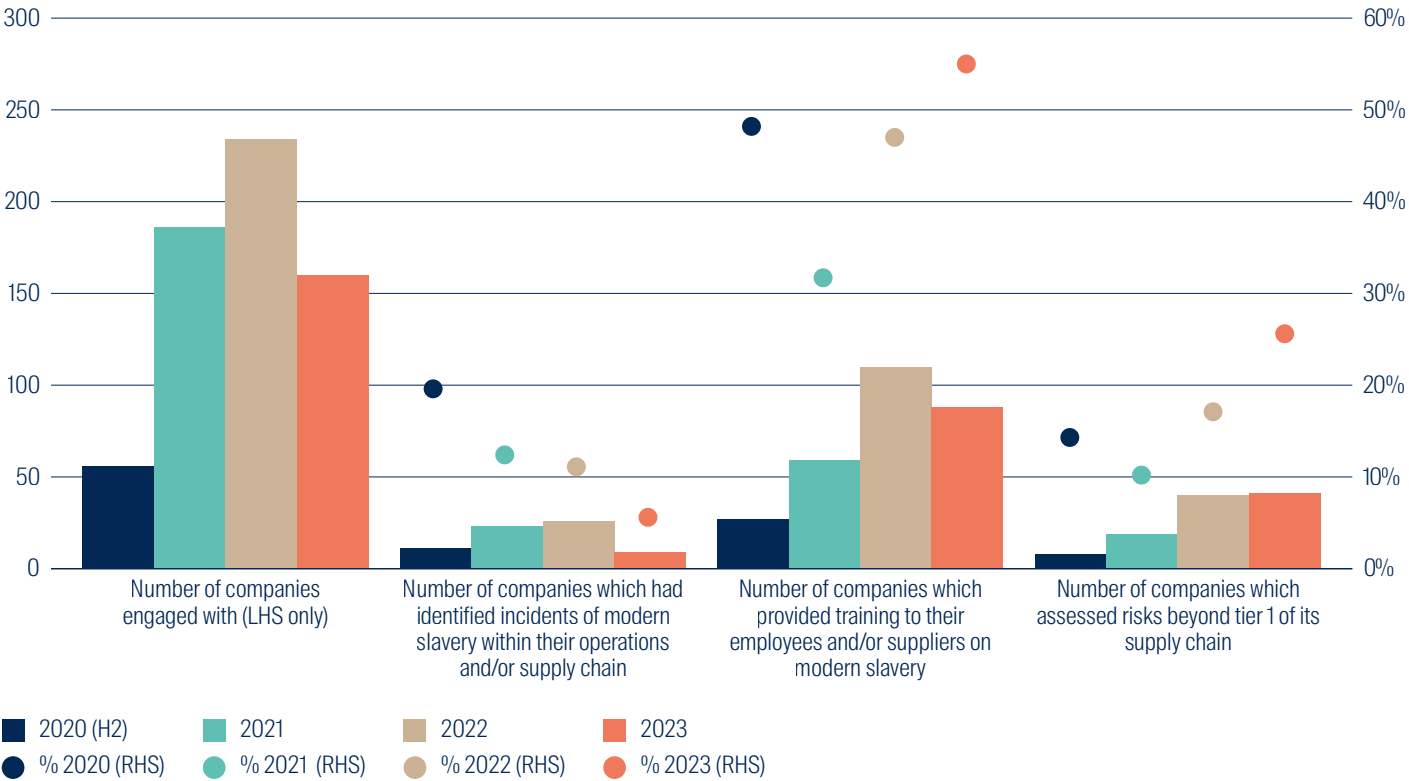
- the number of companies engaged with;
- the number of companies which had identified modern slavery incidents within their operations and/or supply chain;
- the number of companies which provided training to their employees and/or suppliers on modern slavery; and
- the number of companies which assessed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

Because data alone is not enough to assess effectiveness, we also collect qualitative information in the form of case studies.

In 2023, the number of engagements dropped compared to the previous reporting period. This drop was not systemic, but rather was driven by the activities of one team, which engaged with a large number of companies in 2022 and far fewer in 2023.

Significantly however, the proportion of companies that provided training to employees and/or suppliers, and assessed modern slavery risks beyond Tier 1 of their supply chains, has continued to increase year on year. This is a positive indicator of growing awareness of modern slavery as an issue of concern.

Figure 4. First Sentier Investors engagement overview
Company engagement presented as a percentage for each year



Source: First Sentier Investors

While there has been some positive news, the proportion of companies that have identified modern slavery incidents has continued to decrease, seemingly reluctant to disclose such incidents globally.

Increased transparency will encourage improved practices across companies, sectors and regions and will be an area of focus for us in 2024.

First Sentier Investors Corporate Operations

For our own corporate operations and supply chain we currently assess the effectiveness of our actions by way of reference to the following metrics:

- Our progress against our modern slavery road map as outlined in our 2022 Modern Slavery Statement and above in section 5: "Mitigation of Modern Slavery Risk".
- The percentage of First Sentier Investors staff completed mandatory online Modern Slavery training and knowledge check (100% in 2023).
- Supplier engagement – 10 suppliers were sent a comprehensive questionnaire for modern slavery as part of the modern slavery due diligence initiative.

There are no identified incidents of modern slavery in our corporate operations and supply chain, yet, we recognise the likelihood of modern slavery existing within the tiers of our supply chain. We continue to collaborate with our Tier 1 suppliers to identify and manage these risks within their operations and/or supply chain.

In 2024, we will continue to establish more effective measurement indicators and qualitative information, to guide and represent our continuous efforts to combat modern slavery in our own corporate operations and supply chain.

Important Information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should consider, with the assistance of a financial advisor, your individual investment needs, objectives and financial situation.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication. To the extent this material contains any measurements or data related to environmental, social and governance (ESG) factors, these measurements or data are estimates based on information sourced by the relevant investment team from third parties including portfolio companies and such information may ultimately prove to be inaccurate. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

To the extent this material contains any ESG related commitments or targets, such commitments or targets are current as at the date of publication and have been formulated by the relevant investment team in accordance with either internally developed proprietary frameworks or are otherwise based on the Institutional Investors Group on Climate Change Paris Aligned Investment Initiative framework. The commitments and targets are based on information and representations made to the relevant investment teams by portfolio companies (which may ultimately prove not be accurate), together with assumptions made by the relevant investment team in relation to future matters such as government policy implementation in ESG and other climate-related areas, enhanced future technology and the actions of portfolio companies (all of which are subject to change over time). As such, achievement of these commitments and targets depend on the ongoing accuracy of such information and representations as well as the realisation of such future matters. Any commitments and targets set out in this material are continuously reviewed by the relevant investment teams and subject to change without notice.

About First Sentier Investors

References to 'we', 'us' or 'our' are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group. Certain of our investment teams operate under the trading names FSSA Investment Managers, Stewart Investors and Realindex Investments, all of which are part of the First Sentier Investors group.

We communicate and conduct business through different legal entities in different locations. This material is communicated in:

- Australia and New Zealand by First Sentier Investors (Australia) IM Ltd, authorised and regulated in Australia by the Australian Securities and Investments Commission (AFSL 289017; ABN 89 114 194311)
- European Economic Area by First Sentier Investors (Ireland) Limited, authorised and regulated in Ireland by the Central Bank of Ireland (CBI reg no. C182306; reg office 70 Sir John Rogerson's Quay, Dublin 2, Ireland; reg company no. 629188)
- Hong Kong by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities & Futures Commission in Hong Kong. First Sentier Investors, FSSA Investment Managers, Igneo Infrastructure Partners, Stewart Investors and RQI Investors are the business names of First Sentier Investors (Hong Kong) Limited.
- Singapore by First Sentier Investors (Singapore) (reg company no. 196900420D) and this advertisement or material has not been reviewed by the Monetary Authority of Singapore. First Sentier Investors (registration number 53236800B), FSSA Investment Managers (registration number 53314080C), Stewart Investors (registration number 53310114W), RQI Investors Investments (registration number 53472532E) and Igneo Infrastructure Partners (registration number 53447928J) are the business divisions of First Sentier Investors (Singapore).
- Japan by First Sentier Investors (Japan) Limited, authorised and regulated by the Financial Service Agency (Director of Kanto Local Finance Bureau (Registered Financial Institutions) No.2611)
- United Kingdom by First Sentier Investors (UK) Funds Limited, authorised and regulated by the Financial Conduct Authority (reg. no. 2294743; reg office Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB)
- United States by First Sentier Investors (US) LLC, authorised and regulated by the Securities Exchange Commission (RIA 801-93167)
- Other jurisdictions, where this document may lawfully be issued, by First Sentier Investors International IM Limited, authorised and regulated in the UK by the Financial Conduct Authority (FCA ref no. 122512; Registered office: 23 St. Andrew Square, Edinburgh, EH2 1BB; Company no. SC079063).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.

Reference to the names of each company mentioned in this communication is merely for explaining FSI's approach to modern slavery, and should not be construed as investment advice or investment recommendation of those companies. Companies mentioned herein may or may not form part of the holdings of FSI.

With respect to any references to the Global Slavery Index 2023 Dataset, the Minderoo Foundation does not make any representation or warranty, express or implied regarding the contents or accuracy of the Global Slavery Index 2023 Dataset. The Minderoo Foundation is not in any way associated with First Sentier Investors and has not been involved in any way in the making of this Statement.