

# Fact sheet: Our approach to managing modern slavery risks

December 2022

## Purpose

This fact sheet has been developed to outline our overall approach to modern slavery management across our operations and investment activities

This fact sheet will be reviewed on an annual basis, or more frequently where required.

## Introduction

Alphinity strongly supports the United Nations Guiding Principles on Business and Human Rights and expect our investee companies to do the same. We believe that instances of modern slavery exist extensively throughout global supply chains and require a concerted effort by all members of the global economy to eradicate this issue. With the introduction of the Australian Government's Modern Slavery Act, and the increasing focus on modern slavery risks globally, this issue has become increasingly important for our business operations and investment practices.

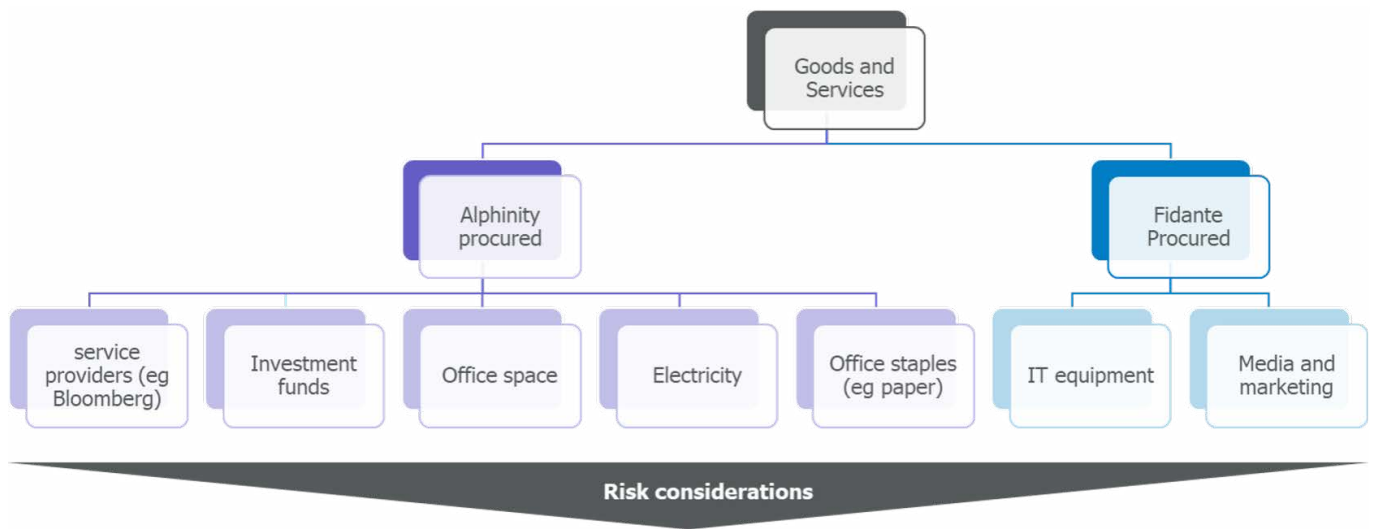
When considering the balance of risks between our operations and supply chains, we believe that addressing modern slavery and human rights issues within our investment practices is where we can leverage and deliver the biggest positive impact. We are also aware of these issues within our operations and supply chains and aim to manage them where relevant.

## Modern slavery risks in our operations and supply chain

Given the relatively small number of employees and the nature of our business, we believe there is a low likelihood that modern slavery or human rights violations are present in our operations and supply chain. We intend to conduct further reviews of these areas and, where required, develop action plans to mitigate the risks we might identify.

The following summarises our operational structure:

- **Organisational structure:** Alphinity is part owned by Fidante Partners, which is part of Challenger Limited.
- **Governance and oversight:** The Alphinity Board is responsible for ensuring that Alphinity and its supply chains comply with Modern Slavery standards.
- **Employees:** Alphinity has 18 employees, all of whom are members of the investment team or highly qualified specialists in their respective fields. Other non-investment functions, for example administration and distribution services, are outsourced to Fidante Partners.
- **Location:** All employees are based in Australia and operate from the company's office in Sydney NSW. We moved office locations from 169 Elizabeth Street Sydney to the Gateway Building, 1 Macquarie Place, Sydney in October 2022.
- **Revenue:** The firm's revenue is below both NSW and Federal legislative thresholds for mandatory reporting. At this point we will not make a voluntary report under the Modern Slavery Act but will still examine our business activities and relationships for any possible modern slavery exposures.
- **Procurement of goods and services:** The majority of Alphinity's procurement practices are related to technical or software services, office space and investment funds. Other procurement needs are outsourced to Fidante Partners.



### Alphinity procured

Of the above goods and services, we believe office staples, like paper, and services to our office space, like cleaners, present the highest risk of modern slavery:

- Office space: We have one office in Sydney which is operated by Dexus. Dexus has a human rights policy, anti-human rights management framework, and supplier code of conduct which includes human rights considerations in place. Dexus also produces a Modern Slavery Statement which outlines the various actions to management modern slavery risk and addresses the services risk identified above.
- Office staples: We purchase Australian made office paper from Officeworks (subsidiary of Wesfarmers). Both companies have published Modern Slavery statements with very progressive action plans in place.

The source of our investment funds also present a risk from a modern slavery perspective. Our funds are sourced from a range of wholesale investors, including Fidante. These include Sovereign and State Governments, Superannuation Funds, Investment Platforms and Insurance Companies. All but one, a Sovereign Wealth Fund, are based in Australia.

### Fidante procured

Challenger Group released their Modern Slavery Statement in FY 21. They identified the procurement of IT equipment in the Asia Pacific region and marketing branded items as high-risk areas in the supply chain.

To address these risks Challenger have an approved Human Rights Policy, have implemented a thorough supplier due diligence process, rolled out staff training to teams exposed to the high-risk areas and conducted industry engagement through the FSC and Investors Against Slavery and Trafficking.

## Modern slavery risks in our investments

As investors, we have a responsibility to ensure, to the greatest extent possible, that modern slavery does not occur in the companies in which we invest, including in their supply chains. We assess a company's ability to manage modern slavery risks within their supply chains and operations based on governance and oversight, existing policies, and management strategies that enables them to identify and respond to incidences as they arise.

We subscribe to external ESG research providers and closely monitor any flags against for UN Global Compact Compliance or controversies related to human rights violations.

In the last couple of years there has been a notable increase in modern slavery disclosure. This enhanced disclosure supports our efforts to complete due diligence in this area and supports more effective engagement with companies that we own. We actively encourage our investee companies to disclose their risks related to modern slavery, include case studies, outline their governance practices, and highlight mechanisms to manage issues when they arise.

Melissa Stewart is a member of our Australian Sustainable Share Fund and Global Sustainable Equity Fund Sustainable Compliance Committees and provides us with important expertise in human rights. Melissa is a human rights lawyer, with past roles at the United Nations, NGOs, government, and private sector, and has specific expertise in modern slavery.

Our actions to manage modern slavery in our investment are summarised below.

## Risk assessment

We use a standard risk framework to identify companies on our portfolios that present a high level of risk within their upstream supply chains, downstream value chains, or operation:

- **Upstream supply chain risks:** Risks related to supply chain components, including key high-risk commodities, which support product development, manufacture, and company operations.
- **Downstream value chain risks:** Risks related to the application and use of a company's products or services. For example, modern slavery exposures through lending practices.
- **Operational risks:** Risks associated with employees and/or contract workforce, operational locations including factories and distribution centres, and overall working conditions.

We assess a company's response to modern slavery risks by considering governance and oversight, any specific strategies to address risks, and the quality of disclosure. We engage with companies to discuss specific risks in more detail and to confirm our views on the company's management response.

We use the Australian Modern Slavery Act as a guide for good practice, particularly in relation to disclosure, and encourage companies to enhance their management of key risks over time. We also use a number of other frameworks and guidelines to assess modern slavery risk including the UN Global Compact, Global Slavery Index, International Labour Organisation and World Economic Forum.

We complete a full risk assessment at least once per year as part of our end of financial year ESG analysis, however we use this framework consistently throughout the year to inform company level ESG reviews. Where we cannot collect adequate information through disclosures or industry research we have assigned a temporary risk level and will aim to validate the exposure further through company engagement or research.

Supply chain presents the highest overall risk across our portfolios. We have therefore integrated management indicators into our assessment for FY22. By the end of FY24, we will have developed further indicators that also cover the operational and downstream value chain risks categories.

Supply chain management indicators include:

- Specific human rights policies and modern slavery statements
- Modern slavery disclosure quality
- Board ownership and resourcing
- Supply chain audits and reporting incidents and remediation
- United Nation's Global Compact commitments
- Explicit consideration of human rights in the Supplier Code of Conduct

The purpose of this assessment is to identify companies and sectors which present the highest overall concern related to human rights and modern slavery. The outcomes are used to inform our internal management strategies, including focused company engagement on these issues, further research, and required adjustments to the investment case.

## Engagement

Modern slavery is one of our core engagement thematics. We use insights from our risk assessment to inform engagement. Typical engagement objectives for modern slavery are:

- Encourage enhanced disclosure on modern slavery risks consistent with the Australian Modern Slavery Act. This should include disclosure of incidents and remediation actions.
- Encourage management of all three risk categories (supply chain, operational, and value chain).
- Provide feedback to companies where we believe the approach to managing modern slavery risks is lacking, building from the high-level disclosures we are seeing in Australia.

## Research

Modern Slavery is an evolving ESG thematic. Research is therefore an important tool to effectively assess risks related to human rights regulation, disclosure requirements, investor and stakeholder expectations, and location specific issues. Its also important to allow us to benchmark best practice and understand the specific issues associated with particular commodities or sectors.

## Further information

Further information on our annual modern slavery assessment outcomes can be found in our annual ESG and Sustainability Report.

### Disclaimer

This material has been prepared by Alphinity Investment Management (ABN 12 140 833 709 AFSL 356895) (Alphinity), the investment manager of the Alphinity Australian Share Fund, Alphinity Concentrated Australian Share Fund, Alphinity Sustainable Share Fund, Alphinity Global Equity Fund and Alphinity Global Sustainable Equity Fund (Funds).

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