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Modern slavery statement

Reporting criteria

Criteria	Referenced in this statement
Identify the reporting entity	About us and our approach to human rights and modern slavery
Describe the reporting entity's structure, operations and supply chains	Our structure, operations and supply chain
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Risks of modern slavery in our operations and supply chain
Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes	Actions taken to assess and address modern slavery risks
Describe how the reporting entity assesses the effectiveness of these actions	Effectiveness
Describe the process of consultation with any entities the reporting entity owns or controls	Consultation
Provide any other relevant information	Other relevant information
Approval by principal governing body	Approval

Australian Ethical's approach to modern slavery at a glance



Australian Ethical's areas of influence

Actions taken in FY24 relating to human rights and modern slavery

Going forward

Measuring effectiveness

Investments

- Excluded higher risk companies due to human rights and modern slavery concerns.
- Trained new analysts in the application of our Human Rights framework and assessment process.
- Engaged with companies on human rights and modern slavery.
- Supported increased reporting on risks to human rights through our proxy voting.
- Explored improvements to our assessment process (e.g. via trials with data providers).

- Continue to explore how we can improve our process, for example, via incorporating new tools and datasets for monitoring, assessing and addressing modern slavery risks in our investment portfolios.
- Continue to engage with select companies to improve key business practices, including those related to modern slavery and human rights more generally.

- Track assessments and # exclusions due to human rights concerns.
- Report identified breaches of our ethical assessment process and divestments due to human rights concerns to the Investment Committee.
- Track company engagements related to the People element of our Charter. Monitor how many engagements result in positive change (reported in annual Stewardship reporting).
- Monitor and report on our proxy voting related to human rights.
- Assure key metrics related to our ethical investment and engagement practices.

Procurement

- Monitored and assessed procurement requests (and their alignment with the Charter) through our internal procurement platform.
- Conducted supplier due diligence (where relevant), for example, request for tender documents included modern slavery questions for selected suppliers.
- Modern slavery clauses included in legal contracts/agreements with new material suppliers (where possible).

- Update our Ethical Procurement guidelines and Procurement, Vendor Management and Accounts Payable Policy and consider ways to improve process.
- Monitor and assess procurement requests (and their alignment with the Charter).
- Conduct training with relevant people across the business to educate them about the guidelines.

- Monitor implementation of ethical procurement guidelines – e.g. # suppliers assessed, # engagements in relation to modern slavery.
- Track inclusion of modern slavery clauses in contracts, and instances of when clauses were enforced.

Our Foundation

- Funded charities in Australia that support the rights of vulnerable populations.
- In our grant agreements, sought that grantees avoid causing or contributing to modern slavery or human trafficking.

- Continue to seek to include modern slavery clauses and declarations in funding arrangements with charities.
- Continue our funding towards leading charities addressing human rights issues.
- Engage and leverage expert human rights knowledge and insights from the charities we work with. Endeavour to incorporate insights into future funding efforts.

- Track how many charity assessments raised modern slavery concerns, and their severity.
- Continue to track charities funded and dollars donated directly to supporting the advancement of human rights, including safeguarding against modern slavery and human trafficking.
- Stay informed and continue active communication with charity partners on modern slavery and human trafficking trends.
- Actively monitor risk factors of our partners.

A close-up photograph of a person's face, focusing on the right cheek. There is a visible, bloody laceration on the cheek. The person has long, light brown hair. The background is blurred, showing what appears to be a white garment.

About us and our approach to human rights and modern slavery

Who we are

Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229 949) ('Australian Ethical') is an Australian Public Company listed on the ASX. We are a leading Australian ethical investment manager, providing superannuation and managed investment products¹. At Australian Ethical we believe that by investing in assets that have a positive impact on the world around us, and restricting investments with negative impacts, we can have a positive influence on the planet and all its inhabitants. We believe that the power of money can be harnessed to both deliver competitive returns and support positive change for people, planet and animals. These beliefs have been driving our investment philosophy and business

practices since 1986 and we pursue these ethical investing goals and develop and apply our Ethical Criteria in accordance with our duty to act in the best interests of investors. In 2014, we became the first listed company in Australia to earn Certified B Corporation status, an independent assessment on whether a 'for-profit' company is meeting high standards of social and environmental performance, accountability, and transparency. At our most recent recertification on 13th July 2023, we were awarded the highest score for any B Corp in Australia and Aotearoa New Zealand of 168.5, which is more than double the score needed to gain B Corp accreditation.²



¹ <https://www.australianethical.com.au/why-ae/investment/>

² <https://www.australianethical.com.au/about/>



Our approach to human rights and modern slavery

The Australian Ethical Charter guides all our investments and other business activities. Our Ethical Charter sets out 23 ethical principles, unchanged since our founding. These 23 principles guide our examination of whether companies and other investments are part of a path to a better future for people, planet and animals. We interpret and apply these general principles of the Charter using our more detailed Ethical Criteria. Our Ethical Charter forms part of our company constitution overseen by the Australian Ethical Board (Board). Relevant to human rights and modern slavery, the Charter specifies:

Types of potential benefit we aim to **promote** include:

- a. the development of workers' participation in the ownership and control of their work organisations and places

- h. activities which contribute to human happiness, dignity and education
- k. the alleviation of poverty in all its forms.

[and] Types of potential harm we aim to **restrict** include:

- iii. extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment
- ix. exploit people through the payment of low wages or the provision of poor working conditions
- x. discriminate by way of race, religion or sex in employment, marketing, or advertising practices
- xi. contribute to the inhibition of human rights generally.

The principles of our Ethical Charter

The Ethical Charter specifies the types of benefits and harms we consider when we develop our more detailed Ethical Criteria for the ethical assessment of potential investments

Positive principles

Types of potential benefit we aim to promote:

- a. the development of workers' participation in the ownership and control of their work organisations and places
- b. the production of high quality and properly presented products and services
- c. the development of locally based ventures
- d. the development of appropriate technological systems
- e. the amelioration of wasteful or polluting practices
- f. the development of sustainable land use and food production
- g. the preservation of endangered eco-systems
- h. activities which contribute to human happiness, dignity and education
- i. the dignity and well-being of non-human animals
- j. the efficient use of human waste
- k. the alleviation of poverty in all its forms
- l. the development and preservation of appropriate human buildings and landscapes.

Negative principles

Types of potential harm we aim to restrict:

- i. pollute land, air or water
- ii. destroy or waste non-recurring resources
- iii. extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment
- iv. market, promote or advertise, products or services in a misleading or deceitful manner
- v. create markets by the promotion or advertising of unwanted products or services
- vi. acquire land or commodities primarily for the purpose of speculative gain
- vii. create, encourage or perpetuate militarism or engage in the manufacture of armaments
- viii. entice people into financial over-commitment
- ix. exploit people through the payment of low wages or the provision of poor working conditions
- x. discriminate by way of race, religion or sex in employment, marketing, or advertising practices
- xi. contribute to the inhibition of human rights generally.

Human rights, including the right to freedom from slavery, are basic entitlements that belong to all people – regardless of who they are, what they look like, where they come from, what they think or believe or their abilities. Article 4 of the Universal Declaration of Human Rights states that ‘No one shall be held in slavery or servitude: slavery and the slave trade shall be prohibited in all their forms’. Businesses have a responsibility to respect the human rights of all people in all aspects of how they do business.

The UN Guiding Principles on Business and Human Rights is a global standard of expected conduct for all business enterprises to respect human rights regardless of the business’ size, sector, operational context, ownership and structure. This expectation on business exists independently of countries’ abilities and/ or willingness to fulfil their own human

rights obligations and it exists over and above compliance with national laws and regulations protecting human rights. Business responsibility for human rights and how it should be actioned is complex, but at a high level it requires businesses to:

- Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and
- Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

These core obligations represent **“Business Responsibility for Human Rights”**.³

Australian Ethical acknowledges this responsibility and is committed to taking genuine actions to meet it. We expect our business partners to do the same. Australian Ethical’s philosophy, as embodied in the Australian Ethical Charter, is that businesses should be a force for good, including with respect to protecting human rights and dignity.

Accordingly, we are committed to actively seeking to protect and promote human rights (including the right to freedom from slavery) and where we can, influence others to do the same. We seek to do this through:

The investments we make on behalf of our customers

Our stewardship and advocacy including shareholder voting, company engagement and contribution to public policy

Our participation in our investment industry

Our procurement

Our treatment of employees and contractors

The actions of our employees and contractors

The causes and organisations we support through the Australian Ethical Foundation

³ More information at <https://www.ungpreporting.org/resources/the-ungps/>

Our structure, operations and supply chains



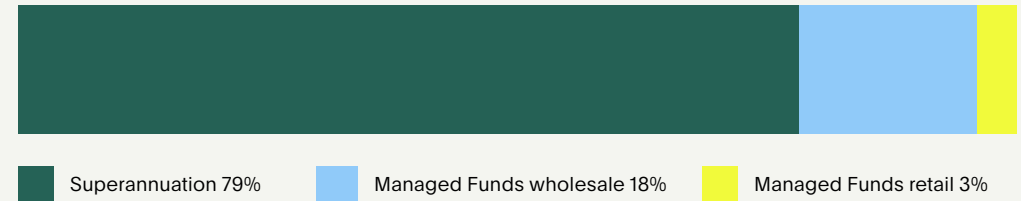
Structure

Australian Ethical Investment Limited (ABN 47 003 188 930, AFSL 229949) ('AEI') is the investment manager and responsible entity for the Australian Ethical managed funds (12 managed investment schemes as at 30 June 2024). In addition, Australian Ethical has a wholly owned subsidiary, Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, RSE L0001441, AFSL 526 055) ('AES') which is the Trustee of the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743) ('Super Fund'). Australian Ethical is the primary investment manager for the Super Fund. Australian Ethical is also the sole member of the Australian Ethical Foundation (ABN 14 607 166 503) ('Foundation'), a public company limited by guarantee and registered as a charity with the Australian Charities and Not-for- profits Commission. As at 30 June 2024 we had 140⁴ employees and we managed \$10.4 billion for over 134,000 customers (\$2.2 billion in managed funds and \$8.2 billion in superannuation and pension funds – see FUM by product)⁵. Our reporting throughout this statement relates to all the entities we own or control (i.e. AES, the Foundation).

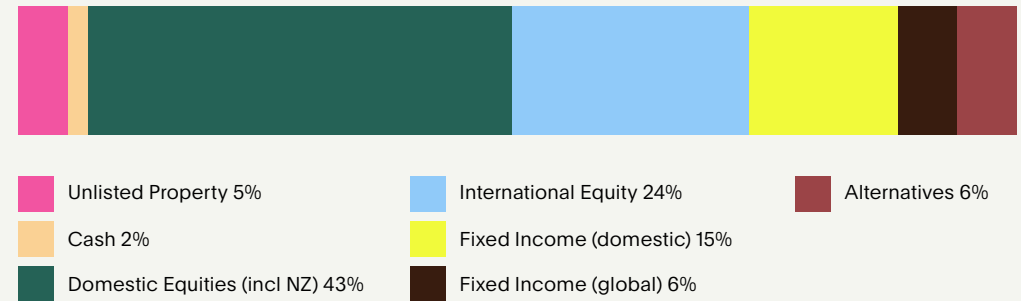
Operations

Our operations are based in Australia, with one head office in Sydney and satellite offices in Melbourne, Brisbane, Perth and Canberra. We internally manage the majority of our investments in listed companies (both domestic and international) and domestic (Australia and New Zealand) fixed income investments. We also utilise external fund managers in global credit, real estate, infrastructure, private equity and venture capital (more detail on this below). Our portfolio is weighted towards domestic equities (see FUM by asset class). Beyond Australia, the United States and New Zealand (see Equities by country) are key markets where we invest. All our products (superannuation and managed investment schemes) are offered to customers in Australia and some of our managed investment schemes are also offered in New Zealand through the mutual recognition scheme.

FUM by product



FUM by asset class

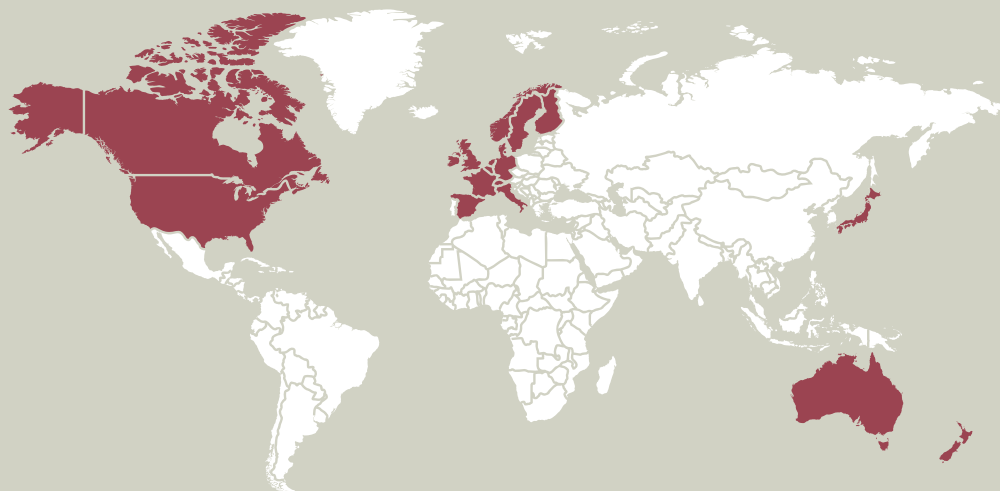


⁴ Including fixed term project contractors.

⁵ Page 6, Page 42. Australian Ethical Investment FY24 Full Year Results Investor Presentation.

Source: Australian Ethical Investment FY24 Full Year Results Investor Presentation.

Equities by country



North America	27.8%	Western Europe	6.3%	Pacific Rim	66.0%
Canada	1.9%	Belgium	0.1%	Australia	55.9%
United States	25.9%	Denmark	0.4%	Hong Kong	0.3%
		Finland	0.1%	Japan	2.1%
		France	1.0%	New Zealand	7.4%
		Germany	0.6%	Singapore	0.2%
		Italy	0.2%		
		Netherlands	0.9%		
		Norway	0.1%		
		Spain	0.4%		
		Sweden	0.3%		
		Switzerland	1.0%		
		United Kingdom	1.2%		

Indicative proportion of equities in our portfolio by country as at 30 June 2024.

Every year, 10 per cent of our profits (after tax and before bonuses) is distributed to charitable organisations and social impact initiatives through the Australian Ethical Foundation (ABN 14 607 166 503) ('Foundation'), a public company limited by guarantee and registered as a charity with the Australian Charities and Not-for- profits Commission. In FY24, \$1.8M was allocated by Australian Ethical Investment to the Foundation, funding a range of social and environmental initiatives through our grants program. The Foundation has funded several grant recipients that are supporting the advancement of human rights, including safeguarding against modern slavery and human trafficking.

Supply chains

Our supply chain includes material operational procurement such as fund-related services (administration, fund accounting and registry services), marketing, IT equipment, licences and services across the business, and professional assurance and consulting services. Other standard corporate procurement includes insurance broking services, property and building/facility management services, cleaning and office food and beverages. Types of procurement unique to our business activities include master custodian, fund and superannuation administration services, ESG research services and proxy voting services.

Some of our investment strategies include investments which are not directly managed by us, for example investments in infrastructure, real estate, private equity, early-stage companies and international fixed income securities. These investments are managed by external investment managers including through pooled managed funds, limited partnerships or mandates (Externally Managed Investments). See the following section for details on our approach to assessing and addressing modern slavery across our internally and externally managed investments.

The Board is ultimately responsible for protecting and furthering the aims of the Australian Ethical Charter, as well as approving the appointment of material service providers and having oversight of the performance of, and reporting provided by, each provider.

In preparing this statement we have considered the operations and supply chains of Australian Ethical Investment and its wholly owned subsidiaries, AES and the Foundation (described above).

Risks of modern slavery practices in our operations and supply chains

Identifying risks

The Board has ultimate responsibility for the Australian Ethical Risk Management Framework. Processes for identifying modern slavery risks in our operations and supply chains have been embedded across the business, with day-to-day responsibility shared between:

- Head of Impact and Ethics for risks and impacts related to our investment activities
- Heads of business units for procurement undertaken by those units
- Chief People and Culture Officer for recruitment and the culture and performance of our workforce
- Head of Foundation for risks in our granting program

Australian Ethical will continue to explore opportunities to strengthen our processes for identification of modern slavery and other human rights-related risks in the context of our existing governance, management and compliance approach.

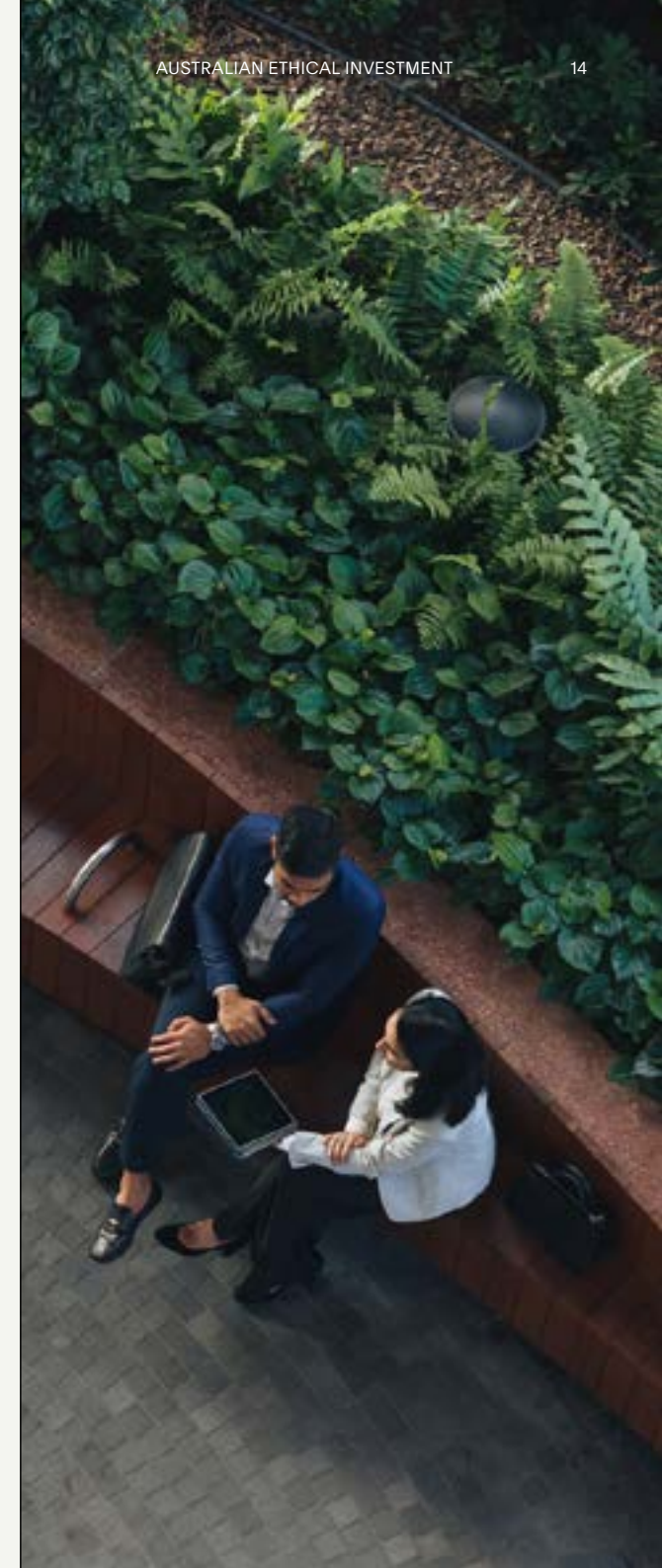
In FY20 we voluntarily reported under the Australian Modern Slavery Act (2018). Our inaugural Modern Slavery Statement reported on the work we undertook assessing and mitigating modern slavery and broader human rights impacts and risks across our value chain. We have included Modern Slavery reporting updates as part of our subsequent sustainability reports.

We consider that we may be directly linked to human rights harm (including modern slavery) through our **investments, procurement, and support for charities and social impact initiatives** (via the Foundation). We consider that we are unlikely to be directly linked to human rights harm through our **staff and members and shareholders** (see next page). We also consider the likelihood that we are causing or contributing to human rights harm (including modern slavery) to be low.

In preparing this report for FY24, key stakeholders across the business reviewed and updated key areas of risk across our business operations and supply chains. This included people from relevant teams including:

- Ethics Research (responsible for ensuring that all our investments are aligned with the Australian Ethical Charter)
- People and Culture (responsible for recruitment, the culture and performance of our workforce and general office procurement)
- The Foundation (responsible for selecting recipients of our charitable and social impact funding)
- Australian Ethical Superannuation (responsible for member administration, insurance and operations oversight).
- Finance (relevantly responsible for procurement oversight)
- Legal (relevantly responsible for reviewing contracts with suppliers)
- Projects (relevantly responsible for new material supplier due diligence)
- Risk (responsible for overarching risk management)

As with our inaugural Modern Slavery statement, we have chosen to focus our reporting for FY24 on our **investments, procurement and Foundation**.



Identifying risk across our business

Investments

Australian Ethical may be directly linked to human rights harm (including modern slavery) occurring in the operations and supply chains of investee companies. Our ethical assessment process identifies companies and sectors that are higher risk for human rights harm (including modern slavery).

Procurement

Australian Ethical may be directly linked to human rights harm (including modern slavery) through the operations of our direct suppliers and their own supply chains. Our ethical procurement process identifies suppliers which may be higher risk for modern slavery issues.

Support of charities and social impact initiatives

Australian Ethical may be directly linked to human rights harm (including modern slavery) through the operations and supply chains of the organisations we support through the Foundation. Our charity partners have a strong commitment to positive social change and as such we believe are lower risk for modern slavery issues.

Staff

Australian Ethical is unlikely to be directly linked to human rights harm (including modern slavery) given the nature of our workforce (educated and skilled with majority employed on a permanent basis).

Members and Shareholders

Australian Ethical is unlikely to be directly linked to human rights harm (including modern slavery) through our members or shareholders. We do not consider that we are directly linked to their actions.

Investments

As mentioned above, our equities portfolio is heavily weighted to companies in Australia, the United States and New Zealand. We restrict+ investments in companies operating in occupied or disputed territories where they are supporting illegitimate government control of those territories. We also restrict+ investment in companies that have connections with authoritarian regimes that prevent those companies from fulfilling their human rights responsibilities. Because of the application of the Australian Ethical Charter, we tend to be underweight in sectors that may be higher risk for human rights harm (including modern slavery) such as Materials, Energy and Consumer Discretionary and Consumer Staples (see Figure 3 for a breakdown of the sectors we are underweight in compared to the benchmark). For example:

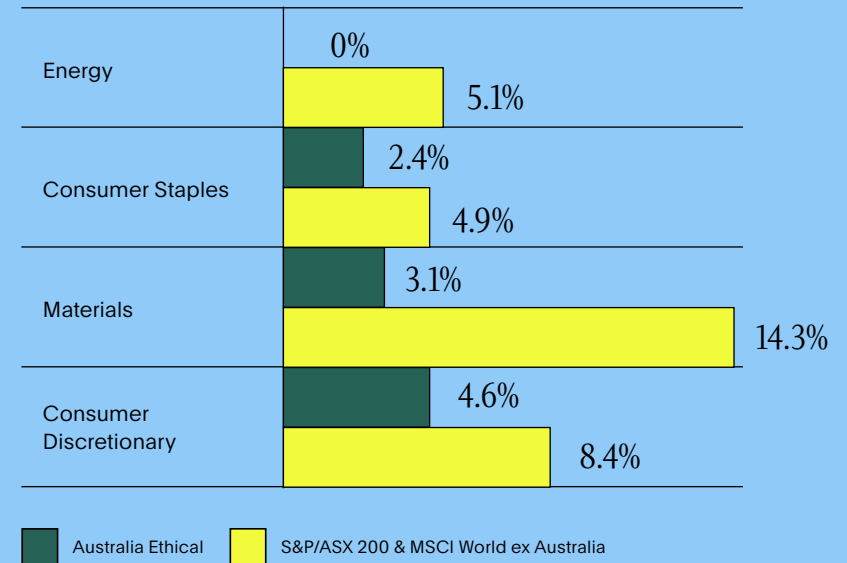
- We are underweight in the Materials sector. We restrict+ investment in most mining companies, including those mining fossil fuels and uranium. Individual mining companies are ethically assessed for responsible management of impacts on people, planet and animals in their operations (see further below).

- We are underweight in Consumer discretionary and Consumer staples, like clothing and consumer electronics, as well as agriculture, food processing/ manufacturing and food retailing. We do not rule out investment in these sectors entirely, but we have criteria and performance standards which result in many companies in these sectors being uninvestible.

Notwithstanding our comparatively lower risk exposure and our assessment processes for human rights (see following section on assessing and addressing modern slavery risks) we recognise that there will inevitably be human rights risks including modern slavery in some of the operations and supply chains of the entities we invest in. It is not possible for companies to guarantee that breaches will not occur, and it is not possible for us to have perfect visibility over the operations and supply chains of all the entities we invest in.

+ Our investment restrictions include some thresholds. Thresholds may be in the form of an amount of revenue that a business derives from a particular activity, but there are other tolerance thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our [Ethical Criteria](#).

Where we invest less compared to the market





Procurement

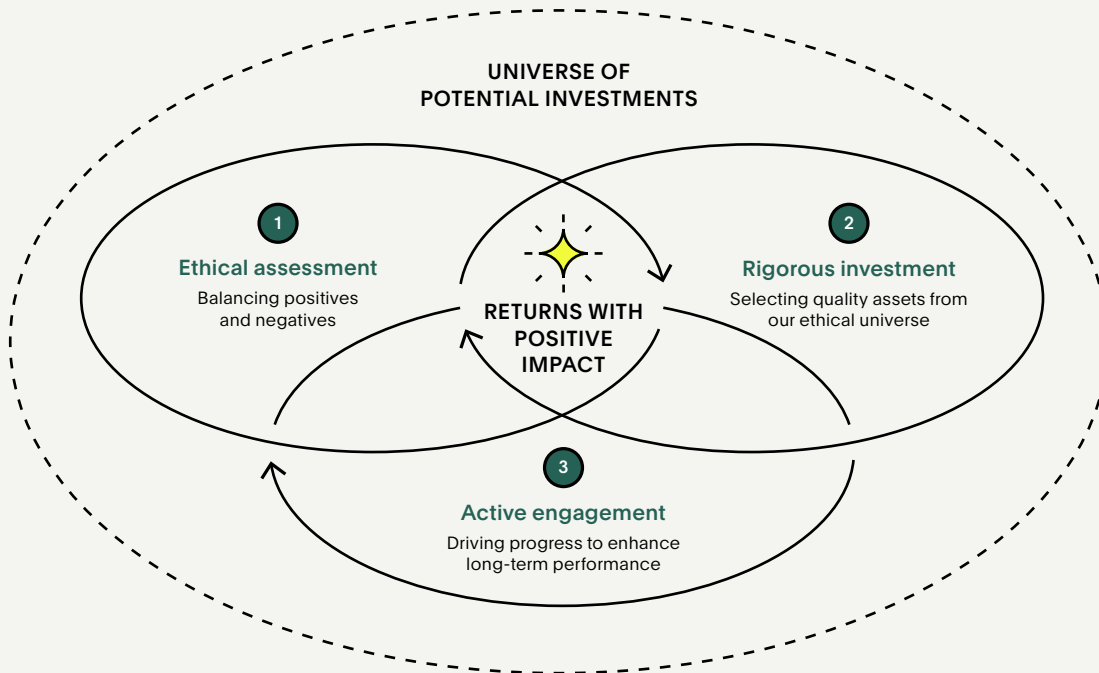
During the reporting period, we procured goods and services from 130 suppliers. Most of our largest spend suppliers are providers of professional services, for example, fund-related services, marketing, IT licences across the business, professional assurance and consulting services, master custodian and superannuation administration services, ESG research services and proxy voting services. We consider these suppliers to be lower risk for modern slavery. However, some of our suppliers are in, or source from, sectors that may be higher risk for modern slavery. Our Ethical Procurement guidelines (described on page 24) outline what suppliers we consider to be higher risk for modern slavery, including electronic equipment, property service providers, accommodation providers and entertainment venues, food and beverage providers, clothing/textiles providers. We have limited visibility over the operations and supply chains of these providers. We discuss our process for assessing and addressing risks related to procurement in the following section.

Support of charities and social and environmental impact initiatives

During the reporting period, through the Foundation, we supported charities working on a range of social and environmental initiatives in Australia. These organisations may also have modern slavery in their operations, particularly if operating overseas in high-risk countries and working directly with children or using a vulnerable workforce. We have close relationships with recipients of Foundation grants and the charities we work with have a strong commitment to positive social change. Consequently, we believe they are lower risk for modern slavery issues. We discuss the actions implemented to mitigate risks of modern slavery in the following section.

Actions taken to assess and address modern slavery risks

Investments



Our process for assessing investments

Our in-house Impact & Ethics team assess possible investments according to the 23 principles of our Ethical Charter, using our ethical evaluation process and applying a mix of rules and judgement to bring these to life (see our [Ethical Guide](#) for more details). This process identifies companies we believe can influence progress towards a better future for people, planet and animals, and restricts+ investment in those that we believe are a threat to that progress. This research defines our universe of potential ethical investments.

Where we invest via an external investment manager, we assess the extent to which they consider environmental, social and ethical factors (including human rights and labour standards) and engage in meaningful ethical stewardship including how they exercise voting rights.

Investments by external managers may either be internally or externally ethically assessed. Internal assessment is where we ethically approve inclusion of externally managed investments, and we can require divestment of individual investments on ethical grounds. External assessment is

applied in limited cases where we expect that the external investment manager’s implementation of its investment strategy will lead to investments that are consistent with our Ethical Criteria.

We don’t set and forget. After an initial ethical assessment and investment, we conduct periodic ethical reviews of investments, including those that are externally managed. If we assess that an investment is no longer consistent with our Ethical Criteria, we may divest (i.e. sell our investment), or we may choose to engage to attempt to address the issue. See our Ethical Guide available on our website at australianethical.com.au/why-ae/ethics for more information.

The principles of our Ethical Charter are applied by the Impact & Ethics team using a series of ethical frameworks and policies. New and revised frameworks and policies are approved by our Chief Investment Officer and Head of Impact & Ethics. The Board of Directors has oversight of our ethical research process with quarterly reporting via the Investment Committee of changes to frameworks and critical ethical issues.

⁷We assess investments across multiple asset classes including shares, property, alternatives, fixed interest and cash. Investments can be made through different legal forms such as a company or through a trust, partnership, loan or other instrument. Where we invest via an external investment manager, then our processes involve some important differences which you can read about in section 5.13 ‘Externally Managed Investments’ of our Ethical Guide, available on our [website](#)

+ Our investment restrictions include some thresholds. Thresholds may be in the form of an amount of revenue that a business derives from a particular activity, but there are other tolerance thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our [Ethical Criteria](#)

Our investment process considers human rights and modern slavery

In line with element xi of our Ethical Charter (see page 8), we strive to avoid any investment which is considered to unnecessarily contribute to the inhibition of human rights including the right to freedom from slavery. Assessing human rights and modern slavery risks has growing importance in an environment where companies and supply chains can be increasingly global and decreasingly transparent.

The **human rights framework** embedded in our ethical assessment process means every investment is assessed through this lens, and guides us to focus on high-risk companies and sectors. We use information and analysis from company, industry, government, sustainability research, academic, news, civil society and other sources to assess companies against our human rights framework.

At a high level, we may choose to exclude companies where:

1. The company is considered high-risk and their risk management efforts do not meet our policy and due diligence expectations,
2. The company's actions (or lack thereof) do not indicate genuine efforts to fulfil its human rights responsibility, or
3. The company fails to respond to an identified human rights breach.

We don't exclude companies automatically because of human rights breaches (including those related to modern slavery) because we believe companies have the potential to contribute to better protection of human rights by taking steps to help identify breaches and then to play their role in helping achieve remedy of breaches and action to safeguard against their recurrence.

We also have ethical frameworks for different ethical issues and sectors, and some address specific action we expect companies or other institutions to be taking to protect against adverse human rights impacts (including modern slavery).

For example, through our **governments framework** we exclude securities or other investments issued by states or governments which we assess to be undemocratic or militaristic (taking into account external military aggression and military influence in the government of the country). We include governments which are accountable, are bound by rule of law, and protect press freedom, political rights, civil liberties and democratic institutions. We also use indicators from civil society sources to rule out governments which score poorly in areas including equitable distribution of resources, acceptance of the rights of others and freedom from arbitrary arrest.



Actions taken during the reporting period

During FY24, three new analysts joined the team and all were trained in the application of our human rights framework and assessment process. Human rights related assessment examples and questions were discussed during regular meetings of the Impact and Ethics team.

When assessing companies against our human rights framework, we look for opportunities to engage and positively influence companies to change. However, we do not have the resources to engage with every company. So we prioritise engagements based on the severity of human rights risk and our ability to influence the company.

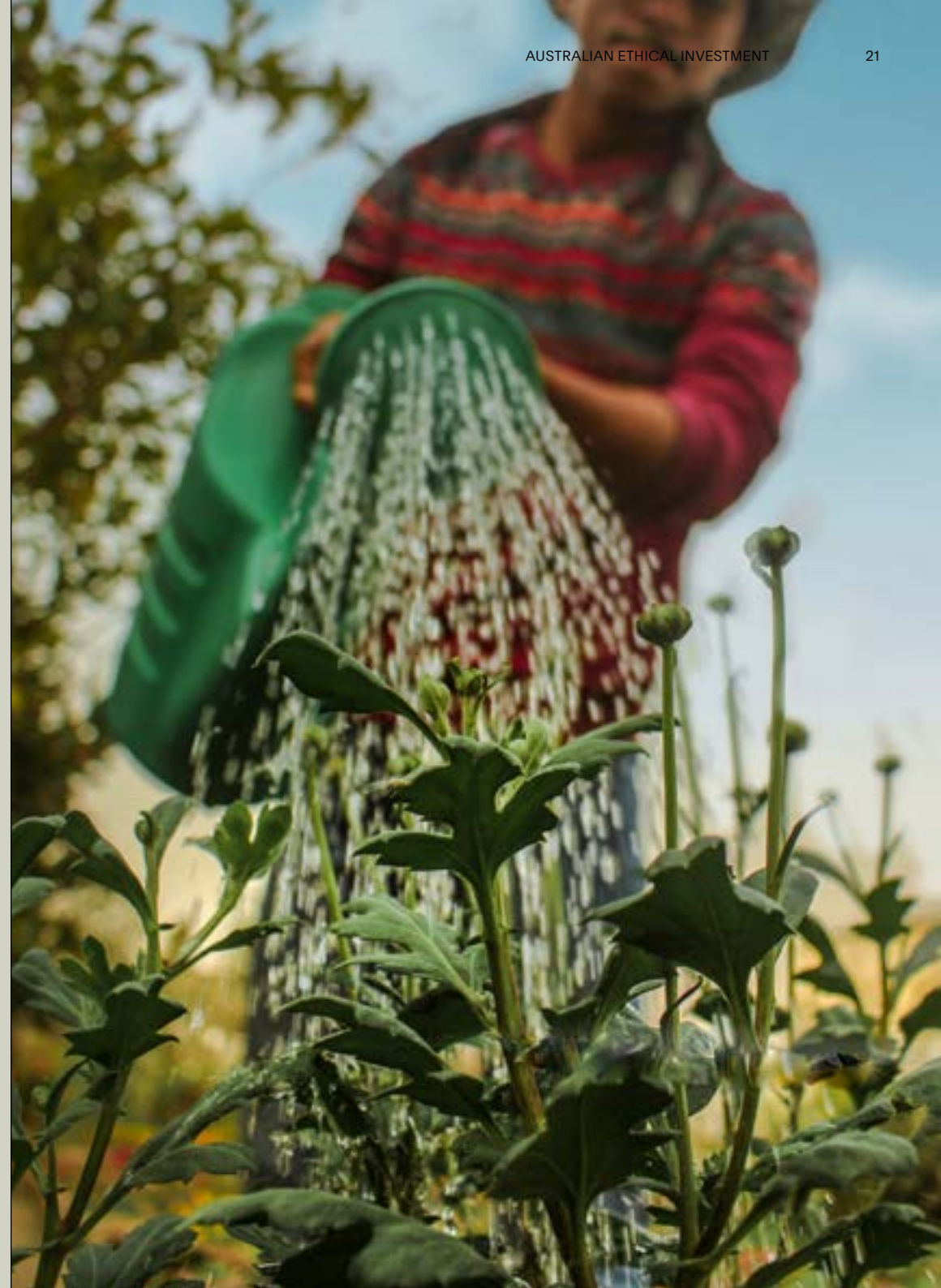
We ethically assessed around 240 companies in FY24. Our human rights framework was applied to 100% of these assessments. We excluded several higher risk companies due to concerns that their risk management efforts did not meet our policy and due diligence expectations or because we did not think they were taking genuine efforts to fulfil their human rights responsibility. For example, we ruled out

Marriott International, a multinational hotel operator, because we did not see evidence of sufficient action to identify, mitigate and remediate risks related to human trafficking. Hotel companies are high-risk for forced, child or bonded labour as well as human and sex trafficking, and we would expect a company operating in this sector to have and disclose strong policies and processes to manage these risks in order to be investable under the human rights framework. We also divested from two companies, one of which was based on human rights grounds.

During the reporting period, our Impact & Ethics team conducted 140 “proactive” engagements⁸ with entities, 30 of which were in relation to the People element of our Charter. We engaged⁹ with a number of companies on concerns regarding the risk of, or claims of, instances of human rights abuses in supply chains. For example, we engaged with Dell, Apple and SunPower regarding concerns of forced labour in their supply chain, specifically relating to suppliers based in China, to seek that

⁸ Our 'proactive' engagement count includes where we engaged directly with a company, government or other entity; we actively contributed to collective engagements (as distinct from simply 'signing on'); or we co-filed a resolution.

⁹ We count one engagement where we engaged with a company on a topic or series of topics. There may be multiple activities within that engagement. For example, our engagement with Westpac is counted as one engagement which included meetings, emails and co-filing a shareholder resolution. We may count two engagements with a company if there were separate activities on entirely separate topics. For example, we had one engagement with CBA in relation to its fossil fuel exposure and a separate meeting with CBA to discuss its exposure to deforestation in Australia



they conduct adequate due diligence to detect human rights abuses, that human rights policies are implemented, and that they have adequate processes in place to remediate harms when they're found (see Dell case study example). Some of our other engagements focused on understanding whether a company's products or services were contributing to the inhibition of human rights, for example through the facilitation of militarism. This is a difficult area. Many technologies such as computer chips are multipurpose and developed and sold for both commercial and military uses. Some are sold directly to military contractors, others to customers who incorporate them in products adapted for military use. In turn military equipment and weapons can be used for legitimate defence purposes as well as for military aggression. Through our engagement in this area, we are aiming to understand the extent of customisation of products for different uses, and the steps companies currently, or might feasibly, take to limit misuse of their technologies.

Voting is an important lever for shareholders to influence company boards and management. In FY24, there were six¹⁰ instances where we voted against management recommendations and in support of increased reporting of risks to human rights. These included proposals filed by shareholders at Alphabet Inc, Tesla

Inc, Microsoft Corporation, Microchip Technology Incorporated and Meta Platforms. If we are not satisfied with a company's response to shareholder proposals, we may choose to engage further, communicate our position publicly or, in some cases, divest. There were three instances where we did not support shareholder proposals related to increased reporting on human rights policies or risks, filed at Apple Inc, International Business Machines Corporation and Mastercard Incorporated. We also did not support one shareholder proposal filed at MSCI Inc on increased reporting around companies that supply goods or services to the Chinese military. In all cases, our decision to vote against these proposals was in line with our proxy voting policy and proxy voting advisor recommendations which assessed these companies to be already providing sufficient disclosure in regard to the shareholder proposal asks.

We acknowledge that it is important that we evolve our approach as new information and tools for companies and investors emerge. In this regard, during the reporting period we explored ways to improve our assessment process. For example, we conducted trials with two ESG data providers who offer specific modern slavery related ESG datasets.

Case study: Engagement with Dell

As part of our periodic ethical reviews of our investments, we engaged with Dell between June and August 2024 regarding labour rights within their supply chain. Specifically, two of their suppliers had been accused of benefiting from the use of Uyghur workers outside Xinjiang China through coercive labour transfer programs.

We requested information regarding due diligence efforts Dell engages in to determine if forced labour occurs in their supply chains generally and in these two supplier's operations specifically.

Dell confirmed that when made aware of the accusations, they worked in partnership with the Responsible Business Alliance and industry peers, to conduct surveys, worker interviews, and in person audits over several months. Through these efforts, they found no instances or presence of forced labour in these suppliers' operations.

Dell also confirmed that they do not engage in or support the use of forced labour within their supply chains, nor do they provide inputs produced with forced labour, and that they will consider all available actions against suppliers for violations of their code of conduct principles, including without limitation the termination or reduction of business.

Although we think there is more work to be done to prevent the use forced labour in supply chains, we are satisfied that Dell is taking genuine efforts to fulfil their human rights responsibility. Going forward we expect Dell, and similar companies, to continue assessing the risk of forced labour use in their supply chains, interviewing and surveying workers, auditing workplaces, implementing corrective actions and remediating incidents where they are uncovered, and building capacity within their supply chains to address human rights concerns.

¹⁰ In our FY24 Stewardship report we reported that there were 5 instances where we voted against management recommendations and in support of increased reporting of risks to human rights. There was another instance where we supported increased reporting of risks to human rights (at Gildan Activewear) however this was not recorded as a vote against management and therefore was not included in our proxy voting data.



Going forward

We will continue to apply our human rights framework in our ethical assessment process and explore how we can improve our process, for example, via incorporating new tools and datasets for monitoring, assessing and addressing modern slavery risks in our investment portfolios.

We will continue to look for opportunities to influence progress towards a better future for people, animals and the environment by engaging with select companies to improve key business practices, including those related to modern slavery and human rights more generally.

Procurement



Our process for assessing and engaging suppliers

Our Ethical Charter requires that we seek to have a positive impact on people, planet and animals. This extends to who we choose to do business with, including the organisations from which we procure goods and services. Where possible, we preference suppliers that are certified B Corps, Fairtrade (where relevant) or run by, owned by or benefitting First Nations people.

We have a *Procurement, Vendor Management and Accounts Payable Policy* and *Ethical Procurement Guidelines* which set out the process for the appropriate engagement of vendors across Australian Ethical Investment and its wholly owned subsidiaries. Every person in the business who procures a good or service from a third party on behalf of Australian Ethical is responsible for considering alignment of their decision with the Charter. For smaller procurements (valued at under \$50,000 per year) the requester is expected to conduct their own supplier due diligence¹¹. The *Ethical Procurement Guidelines* outline which sectors are higher risk for modern slavery and what information should be considered to assess whether the supplier is taking steps to

mitigate modern slavery risks. This may include looking at information published on company websites (e.g. sustainability reports, modern slavery statements), searching for controversies and contacting the supplier directly to request information. If the supplier is deemed to be not appropriately managing risks, or is exposed to serious controversies, these requests are generally referred to the Impact & Ethics team for further assessment. For larger procurements (valued at over \$50,000 per year), our procurement policy stipulates that suppliers should be assessed by the Impact & Ethics team before being appointed.

We recognise that there can still be significant risk of human rights harm from both small and large procurements, not least because the risk of modern slavery depends less on contract value and more on factors like the nature of the goods or services acquired and relevant supply chains. However, given the types of things we procure as an investment management firm, we use contract value as the trigger for our more formal ethical screening, including because higher contract values often indicate higher capacity for influence.

¹¹ We don't always have much choice about who we do business with and sometimes we will decide that, in the interests of our various stakeholders, we need to work with someone whose actions or business model we don't agree with. Sometimes purchases are small or urgent, and investigation of a supplier won't be appropriate or justified.

In cases where legal contracts/agreements are made with new material suppliers, we include modern slavery clauses. Material suppliers mean those that meet the Australian Prudential Regulation Commission (APRA) material outsourcing standards policy.

These clauses stipulate (either in the form below or words with similar effect) that the parties will:

1. comply with Modern Slavery Laws;
2. the parties will take commercially reasonable steps to identify, assess and address risks of modern slavery practices in its operations and supply chains;
3. promptly inform the other party of any risks or issues the party becomes aware of within its own operations or supply chain involving or connected to modern slavery;
4. promptly provide information reasonably requested from time to time required to comply with the other party's obligations.

We monitor and track material procurement requests through our internal procurement platform.

Actions taken during the reporting period

We continued to monitor procurement requests (and their alignment with the Charter) through our internal procurement platform. The majority of procurements for FY24 were reviewed for alignment with the Charter. There were nine procurement requests where the spend was over \$50k for the year and all of these were for professional services (e.g. consulting, legal services, research and data providers).

During the reporting period, we included questions relating to modern slavery in our request for tender documents for selected suppliers. This included requests for details on policies and practices to ensure the company's operations and those of its suppliers are not contributing to abuses of human rights (including modern slavery).

We continued to include modern slavery clauses in our legal contracts with new material suppliers. We recognise that on their own, contractual clauses of this nature can have limited effectiveness. Further, we are not always able to negotiate terms and conditions with our suppliers. However, where we can use them, modern slavery clauses are an important part of communicating to suppliers our commitment to addressing modern slavery and provide a basis on which to terminate supplier contracts in circumstances where it comes to light that a supplier is involved in modern slavery.

Case study:
Merchandise procurement for AE Giving



In FY24 we introduced a new initiative, AE Giving, a month-long volunteering event to bring our purpose driven culture to life. Employees were encouraged to utilise a day of volunteering leave to volunteer with one of five partner organisations, with 450+ hours completed in total. For AE Giving, we wanted to procure company branded T-Shirts for people participating in the volunteering days.

In line with our *Ethical Procurement Guidelines* (and as a B Corporation committed to our Reconciliation Action Plan), we aim to prioritise working with ethically aligned suppliers where possible. We recognise that clothing/ textile production is higher risk for modern slavery and can also have a very high environmental impact.

As such, we chose to work with the Common Good Company for our branded merchandise procurement. The Common

Good Company are an Australian company that manufacture more sustainable apparel made from 100% recycled materials (pre-consumer recycled cotton and recycled polyester). We assessed that the Common Good Company met our criteria for a more ethical provider and appeared to be taking steps to mitigate modern slavery risks in their supply chain. We were encouraged to see The Common Good Company is a certified B Corporation and reports that its factory is certified Fairtrade (which includes requirements around forced labour, child labour, human rights and due diligence) and materials used are Global Recycled Standard (which includes requirements to ensure good working conditions). The Common Good also receives the highest rating (Great) in the Good On You initiative, which rates clothing companies on environmental sustainability, human rights and animal welfare.

Going forward

In FY25, we will update our *Ethical Procurement Guidelines* and *Procurement, Vendor Management and Accounts Payable Policy*, including providing more specific guidance on the process for assessing and managing modern slavery risks in our procurement decision-making. As part of this, we will review and consider ways to improve the procurement and risk assessment process (e.g. appropriateness of monetary thresholds).

We will continue to monitor and assess procurement requests (and their alignment with the Charter) through our internal procurement platform.

Further, we will run a training session in FY25 with relevant people across the business to educate them about the guidelines. We look at other ways we can improve awareness and engagement with the guidelines.

Foundation

Our process for assessing charities and social and environmental impact initiatives

All charities that receive a donation from the Australian Ethical Foundation are reviewed against our Foundation Impact Assessment Framework. The framework ensures all charities we support have, among other things, strong governance, an experienced team, a clear impact methodology, effectively and efficiently deploy funds, a robust impact measurement approach and a meaningful collaborative approach with partner groups. The review process draws information from a charity's public reporting documentation, such as their annual impact and financial reports, as well as compliance with national regulators, such as the Australian Charities and Non-Profit Commission.

Throughout the review process, we assess how professional a charity is and how their values and commitment to an issue are reflected in their work, staffing and outcomes. An online controversies search is also conducted on all charities prior to funding. However, we do recognise there is a limit to the extent we can unearth and understand a charity's entire operational process and their connections with other groups and people, particularly in relation to any human rights risks. As such, we have implemented some actions to help mitigate any issues and to also educate and raise awareness of modern slavery risks for charities. These are set out below.



Actions taken during the reporting period

Grant agreements

Every charity that receives financial support from the Foundation signs on to a grant agreement that stipulates terms for funding. In our grant agreements, we seek that grantees avoid causing or contributing to modern slavery or human trafficking.

Direct funding of human rights charities

Between 2018 and 2023 we funded Human Rights Watch, a global leader in human rights investigative research and advocacy campaigns. Its work exposes modern slavery and human trafficking abuses in supply chains around the globe. In 2024, we funded charities in Australia that support the rights of vulnerable populations. For example, we funded Australian Council of Social Services (ACOSS) which is a national voice advocating for the rights of people affected by poverty, disadvantage and inequality.



Going forward

The Australian Ethical Foundation will continue to seek to include modern slavery clauses and declarations in funding arrangements with charities.

We will continue our funding towards leading charities addressing human rights issues.

We will look to engage more deeply with, and leverage expert human rights knowledge and insights from the charities we work with. We endeavour to incorporate these insights into future funding efforts.

Remediation and grievance mechanisms

Australian Ethical has assessed the risk of being directly linked to human rights harm (including modern slavery) to be higher than the risk of causing or contributing to human rights harm. While the responsibility of remediating any adverse impacts falls to the entities that cause or contribute to them, we acknowledge we can still play a role in the remediation process. Where we discover we are directly linked to modern slavery or other human rights harm, Australian Ethical will look to

leverage our business relationship with the entity to prevent further harm or future recurrences. If we consider engagement to be unsuccessful and the modern slavery or other human rights harm is not appropriately remediated, we will consider exiting the business relationship.

Our Whistleblowing Policy outlines how directors, employees, former employees, contractors and service providers and their employees can disclose instances of reportable conduct, and the support and protections available. The policy applies to Australian Ethical Investment Limited and all subsidiaries and is available on our [website](#). The purpose of the policy is to encourage the raising of any concerns (including concerns related to modern slavery or other human rights issues) about actual or potential misconduct, or any improper state of affairs, in relation to Australian Ethical, without fear of reprisal or victimisation.



Effectiveness

We aim to assess the effectiveness of our actions to address modern slavery in the following ways:

Investments

- Tracking that all potential investments are assessed consistent with our ethical assessment process, including our human rights framework, and the number of exclusions due to human rights concerns. Identified breaches of our Ethical Investment Policies are reported to the Investment Committee. There were none during FY24.
- Tracking how many companies are engaged with in relation to the People element of our Charter (including engagements related to modern slavery) and monitoring how many of our engagements result in positive change. We collect data on our stewardship efforts throughout the year and report on this in our annual Stewardship report – available [here](#) for FY24.
- Reporting divestments due to human rights concerns to the Investment Committee.
- Monitoring and reporting on our proxy voting activities in relation to human rights.

KPMG have assured key metrics related to our ethical investment and engagement practices reported in our Sustainability Report FY24 – see further details [here](#).

Procurements

- Monitoring how many suppliers are assessed against the ethical procurement guidelines during the reporting period, were engaged with in relation to human rights, or were ruled out as a provider because of human rights concerns, during the reporting period. We have set up internal processes to monitor procurement requests, where relevant.
- Tracking how many contracts included modern slavery clauses, and any instances of when those clauses were called upon or enforced. Any reported instances are reviewed by Risk.

Foundation

- Tracking how many charity assessments raised modern slavery concerns, and their severity.
- Continuing to track charities funded and dollars donated directly to supporting the advancement of human rights, including safeguarding against modern slavery and human trafficking.
- Staying informed and continuing active communication with all our charity partners on the modern slavery and human trafficking trends and actively monitoring risk factors of our partners.

In FY25, we will establish a process for periodic engagement internally (between key functions of the business) to review how we are tracking against our commitments and identify areas for continuous improvement across our investments, procurement and the Foundation.



Consultation

Our consultation process for this report included consulting key stakeholders involved in relevant activities for the Foundation and AES. The Statement has also been provided to the Boards of Australian Ethical Investment, AES and the Foundation.

Other relevant information

We are signatories to the [Investors Against Slavery and Trafficking Australia Pacific](#), an investor-led, multistakeholder project established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains.

We are also a member of the Responsible Investment Association of Australasia (RIAA) [Human Rights Working Group](#), which aims to build stronger stewardship capabilities through more deeply understanding human rights, being able to identify and comment on due diligence processes and understand investor and company roles in remedying human rights abuses and violation.

Approval

This statement constitutes our Modern Slavery Statement for the financial year ending June 2024, in accordance with the Australian Modern Slavery Act (2018). This statement has been approved by the Australian Ethical Limited Board in their capacity as principal governing body of Australian Ethical Investment on 16th December 2024.



This statement is signed by Kate Greenhill in their role as director of Australian Ethical Investment on 16th December 2024.

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