



Equity Trustees

ALLAN GRAY

CONTRARIAN INVESTING

MODERN SLAVERY STATEMENT

Allan Gray Australia Equity Fund

Financial Year Ending 30 June 2023

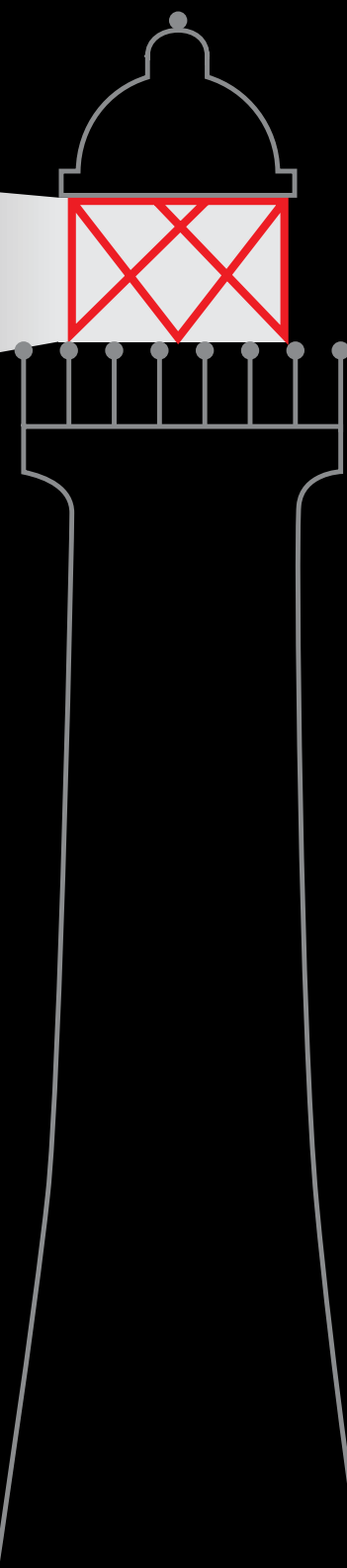


Table of contents

Table of contents	2
Background	3
Structure, operations and supply chains of the Reporting Entity	3
Fund Structure	3
About Equity Trustees Limited	3
About Allan Gray Australia Pty Limited	3
Understanding modern slavery risk	4
Risk of modern slavery practices in the Reporting Entity's immediate operations and supply chains	4
Risks of modern slavery practices in the Reporting Entity's investments	5
Actions taken to assess and address modern slavery risks in the Reporting Entity's investments	6
Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes	8
How the Reporting Entity and ETL assess the effectiveness of actions to assess and address modern slavery risks	8
Consultation process	8
Other relevant information	9
Approval	9

Background

This Modern Slavery Statement (**'Statement'**) is made pursuant to section 14 of the *Modern Slavery Act 2018 (Cth)* (the **'Act'**) in respect of the financial year ending 30 June 2023 (the **'Reporting Period'**) in relation to the Allan Gray Australia Equity Fund (the **'Fund'**) which is a **'Reporting Entity'** under the Act. This is the third Statement produced by the Fund.

The Statement is issued by Equity Trustees Limited ABN 46 004 031 298 (**'ETL'** or **'Responsible Entity'**) in its capacity as the responsible entity of the Reporting Entity in accordance with the Act and has been approved by the Board of ETL as its principal governing body.

This Statement discloses ETL and the Fund's commitment and steps taken in identifying and addressing modern slavery risks within its business and supply chain, which includes the activities implemented in financial year ending 30 June 2023.

Structure, operations and supply chains of the Reporting Entity

Fund Structure

The Fund is a registered managed investment scheme, ARSN 117 746 666 regulated by ASIC. ETL is the Responsible Entity of the Fund. Its investors are classified as retail and wholesale clients pursuant to the Corporations Act 2001 (Cth).

The Fund's investment objective is to seek long-term returns that are higher than the Fund's benchmark, the S&P/ASX 300 Accumulation Index. The Fund aims to achieve this objective by investing predominantly in Australian listed securities. The Fund employs the investment manager's contrarian investment philosophy to research ASX-listed investments based on defined investment restrictions.

The Board of Directors of ETL govern the Fund's overall operations. The business activities of the Fund are conducted in accordance with relevant laws in Australia.

About Equity Trustees Limited

ETL is a wholly owned subsidiary of EQT Holdings Ltd which is a diversified financial services company publicly listed on the Australian Securities Exchange (ASX: EQT). ETL holds an Australian Financial Services Licence (**'AFSL'**) no. 240975. It acts as a trustee and Responsible Entity for a range of managed investment schemes and unit trusts of which the Fund is one. ETL's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000, Australia.

About Allan Gray Australia Pty Limited

Allan Gray Australia Pty Limited (**'Allan Gray Australia'**) is a privately owned investment manager that has been operating and investing in Australia for the past 17 years. Allan Gray Australia holds AFSL no. 298487 and acts as investment manager of the Fund, as well as the Allan Gray Australia Balanced Fund, the Allan Gray Australia Stable Fund as well as a number of institutional client portfolios.

The investments of the Fund are actively managed by Allan Gray Australia through an investment management agreement between ETL and Allan Gray Australia.

Allan Gray Australia's investment philosophy is clear – the investment manager takes a contrarian approach, applies it consistently and invests for the long term.

Allan Gray Australia seeks out investments that it considers to be undervalued. As part of the investment philosophy and process, Allan Gray Australia conducts its own assessment of companies' intrinsic value with reference to the present value of their potential future cash flows. Among other things, this involves a consideration the risks to a company's ability to generate future cash flows, including ESG-related risks. Allan Gray Australia forms its own view as to the materiality of the risk and then whether all identified, material risks are adequately reflected in a company's share price. ESG-related risks, including modern slavery risks, are considered consistently with any other material risk. All material risks are documented in the investment thesis, which includes an ESG Risk Matrix. Allan Gray Australia's responsible investing analyst also conducts an independent review of the ESG-related risks which may include modern slavery risks. The investment thesis is then subject to a peer review process.

Allan Gray Australia is a signatory to the United Nations-supported Principles for Responsible Investment ('PRI'), a voluntary framework for incorporating environmental, social and governance issues into investment and ownership decisions. For the reporting period ending 31 December 2022 Allan Gray Australia was rated:

- Policy Governance and Strategy: 59/100
- Listed Equity – Active Fundamental: 76/100
- Confidence Building Measures: 33/100

The PRI assessment methodology is available at www.unpri.org. For a copy of Allan Gray Australia's assessment report, more information on its approach to responsible investing including its Statement on Responsible Investment and Stewardship Report, please click [here](#).

Understanding modern slavery risk

The Fund's approach to understanding its modern slavery risk is to examine its supply chain and investments for any indication of the following: trafficking in persons, forced marriage, slavery, debt bondage, servitude, the worst forms of child labour, deceptive recruitment practices and slavery.

Risk of modern slavery practices in the Reporting Entity's immediate operations and supply chains

ETL, as the Responsible Entity of the Fund has entered into agreements with each of its service providers which govern the nature and scope of the services provided. ETL conducts annual service provider reviews which covers the service provider's modern slavery program and how risks are identified and addressed. The Fund considers that the risk of modern slavery in these direct supplier levels continues to be low, considering that all the suppliers are from lower risk jurisdictions as detailed by the Global Slavery Index and represent regulated financial and professional service companies.

A summary of the Fund's immediate supply chain and operations can be found below:

Relationship	Supplier	Jurisdiction
Responsible Entity	ETL	Australia
Investment Manager	Allan Gray Australia	Australia
Custodian	Citibank, N.A., Sydney branch	Australia and as part of a global group of companies
Administrator	Citigroup Pty Limited	Australia
Unit Registry Services	OneVue Fund Services Pty Ltd	Australia

Consultants	Ernst & Young (Auditors and tax advisers) Hive Legal and HWL Ebsworth (Legal advisers)	Australia and as part of a global group of companies
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Risks of modern slavery practices in the Reporting Entity's investments

The risk of modern slavery practices in the Reporting Entity's investments is considered to be moderate to low.

Each proposed investment is subject to a rigorous research process, which involves the identification of risks to the company's ability to generate future cash flows and an assessment of the materiality of those risks. Modern slavery risks are considered as part of this process. When assessing modern slavery risks, Allan Gray Australia's analysts adopt a holistic view of the relevant company. This may involve considering, for example, the industry in which it operates, the countries in which it operates, the characteristics of its workers.

During the Reporting Period, following research into indicators of geographical modern slavery risk, Allan Gray Australia's Responsible Investment Analyst conducted a comprehensive review of the geographical risk of modern slavery across its portfolio. That is, the risk of modern slavery that arises by virtue of the countries in which companies operate. Geographical modern slavery risk was assessed with reference to five relevant indices: The Global Slavery Index,¹ Transparency International's Corruption Perception Index,² the United States Department of State Trafficking in Persons Tiers,³ the World Bank Political Stability Index,⁴ and the World Justice Project Rule of Law Index.⁵ These indices were selected and used together in an attempt to overcome some of the unavoidable limitations of individual indices, though limitations in the assessment of geographical modern slavery risk still remain. Limitations include, for example, the unavailability and inaccuracy of relevant data and difficulties with assessing working and living conditions from afar.

The review considered the Allan Gray Australia portfolio during the Reporting Period. Overall, the review found the geographical risk of modern slavery risk in the portfolio to be low.

Of the countries in which portfolio companies have disclosed operations, 65% were found to have a very low or low risk of modern slavery, 24% were found to have a medium risk of modern slavery, and 11% were found to have a high risk of modern slavery. When assessed at a company level, 54% of portfolio companies were found to have a very low geographical risk of modern slavery, 44% of portfolio companies were found to have a low geographical risk of modern slavery, and 2% of portfolio companies (1 company) were found to have a medium geographical risk of modern slavery.

The in-depth review conducted in the Reporting Period considered only geographical modern slavery risk to Allan Gray Australia's portfolio or portfolio companies, not the overall modern slavery risk. Similar in-depth reviews relating to other indicators of modern slavery and / or an updated review of the geographical risk of modern slavery across the portfolio will be conducted over the next years.

¹ <https://www.walkfree.org/global-slavery-index/>.

² <https://www.transparency.org/en/cpi/2022>.

³ <https://www.state.gov/trafficking-in-persons-report/>.

⁴ <https://www.worldbank.org/en/publication/worldwide-governance-indicators>.

⁵ <https://worldjusticeproject.org/rule-of-law-index/>.

Actions taken to assess and address modern slavery risks in the Reporting Entity's investments

Allan Gray Australia assesses modern slavery risk through its research process prior to investment. It addresses material modern slavery risk during its entire period of ownership, primarily through engagement, if Allan Gray Australia considers such actions will be effectual to the value of the Fund's investments.

Assessing modern slavery risk

Before making an investment in a company, Allan Gray Australia uses its research process to identify risks to companies' long-term ability to generate future cash flows and assess the materiality of those risks.

- Investment analysts identify the key drivers of intrinsic value for a company as part of the research process. Drivers include ESG factors that may affect sustainability of a company's earnings stream. Sources for the identification of the ESG factors, in particular, include company Annual Reports, Sustainability / ESG Reports, and Modern Slavery Statements, , similar reports of the company's peers or competitors, media reporting, publicly available government and regulatory reports and sell-side broker reports.
- When an investment analyst proposes an idea for inclusion in the Fund's portfolio, the investment analyst writes a report with a dedicated ESG section. The report examines, among other things, whether material risks to the company's long-term ability to generate future cash flows are reflected in the share price. This includes any identified material ESG risks. The analyst also completes an ESG risk matrix, on which common ESG risks are rated using a "traffic light" system to indicate low, medium, or high risk. The analyst's report and ESG risk matrix is distributed to the wider investment team for peer review.
- In conjunction with the investment analyst report, the Responsible Investment Analyst conducts an independent assessment of ESG risks to the relevant company and prepares a separate report. This assessment is intended to cover ESG risks that are more specific to the relevant company and are therefore not covered on the EGS risk matrix. The proposal to invest is then debated by the investment team at an investment committee meeting. Amongst the considerations in making a decision to invest is whether material risks are reflected in the share price. Please note that we do not assess modern slavery risk alone for share price adjustment, but consider the overall risks to the business and their holistic impact on share price.

The process is designed to assist with the identification of material risks to the sustainability of earnings, and to ensure that investment decisions are informed by independent thought, peer review, and vigorous debate.

The materiality of different risks depends on the specific context in which the risk arises. However, an example of a potentially material modern slavery risk could be when a company has significant operations in countries with a high modern slavery risk, has a complex ownership structure which makes ascertaining levels of control and oversight difficult, relies heavily on contract, temporary, and / or migrant workers, and does not have a Modern Slavery Statement that evidences satisfactory monitoring or control of the risk. Such a situation may present a risk to the company's earnings as the presence and discovery of actual modern slavery would necessitate significant changes to business practices, increased ongoing costs in relation to employees (e.g., paying higher salaries) and compliance, and remediation payments.

For the Fund's investments as to 30 June 2023, Allan Gray Australia did not specifically exclude companies as a result of any inherent or actual exposure to modern slavery risks.

Addressing modern slavery risk during ownership

Allan Gray Australia will engage in active ownership and engagement in respect of issues that are material to the investment's valuation and long-term ability to generate future cash flows. In some cases, this may include modern slavery risks. During the period of ownership, Allan Gray Australia typically:

- Monitors a company's ESG reports for new material information. Monitoring of other sources of information relevant to identified material risks is also continued.
- Engages with Boards and management teams in relation to material risks. For most companies, Allan Gray Australia has an opportunity to meet with Board members at least once a year and with management at least twice a year. Analysts use those opportunities to ask questions regarding the company. If potentially material, this may include modern slavery risks. Two examples of our engagement in relation to modern slavery risks are set out below. During the Reporting Period, we engaged with companies in relation to modern slavery on five occasions.
- Votes on resolutions. Allan Gray Australia will use its voting power if it is not satisfied with responses. To date, this has not been necessary in regard to modern slavery risks, but it has certainly been a way Allan Gray Australia has responded to poor capital allocation or poor corporate governance.

When all else fails, and assuming the price does not compensate the Fund for this elevated risk, Allan Gray Australia may sell its holdings in the company, as, although rare, sometimes walking away is the most responsible thing to do.

Example: Ansell Limited

The Fund invested in Ansell in 2021 (prior to the introduction of ESG risk matrix into the investment research process). In the pre-investment phase, the analyst identified potential modern slavery issues within Ansell's supply chain. The issues had already been identified by Ansell, which had undertaken supply chain audits and implemented remediation plans.

As part of the pre-investment phase, the investment team engaged with Ansell's CEO and CFO in relation to the identified modern slavery issues. The investment team have met with Ansell's CEO and CFO on three additional occasions, discussing the modern slavery issues, and Ansell's response to them, at each of those meetings.

In the various engagements, Ansell advised that they have utilised third party, independent audits as part of their efforts to accurately monitor, detect and address modern slavery concerns. These third-party audits were implemented to support compliance with their Labour Standards Policy, Supplier Code of Conduct, Whistleblower Policy, and Human Rights Statement. The investment team has engaged on the suitability and reliability of those third-party audits, including seeking to understand how the audits were conducted during the COVID-19 pandemic. The result of these engagements is that the Fund's analysts have been able to assess whether Ansell has suitably addressed, and is continuing to suitably address, the modern slavery risk issues within its supply chain.

Collins Foods Limited

As part of Allan Gray Australia's review of the modern slavery risk across the Fund's portfolio, a possible modern slavery issue within Collins Foods' supply chain was identified. The company had disclosed that it had identified a high-risk supplier to its European restaurants and that the Sedex Members Ethical Trade Audit (SMETA) of that supplier had identified issues relating to safety and hygiene, overtime hour limits, and a lack of an appropriate grievance procedure. The company had not, however, disclosed whether actual modern slavery had been identified.

The investment team engaged with the company, which confirmed that there were no actual or suspected modern slavery breaches or practices by the supplier. We were told why the supplier was categorised as high-risk, how that triggered the company's internal requirement for a SMETA audit, and how the company had performed further due diligence in relation to the supplier. The investment team was told that the audit found no instances of actual modern slavery. The audit, which focused on reviewing the supplier's processes and controls around labour standards, workplace health and safety, environmental impact, and business ethics did, however, find that certain improvements were needed in the supplier's policies or processes. The investment team was also told that the supplier has implemented appropriate corrective actions which have been verified in a follow-up audit. The investment team does not have details of which specific policies or processes the audit found to need remediation but do not consider this material in light of the information with which it has been provided.

As a result of this engagement, the analysts were satisfied that there are currently no known instances of modern slavery within Collins Foods' supply chain and that the company has good processes in place for addressing potential modern slavery issues as and when they arise and making appropriate disclosures to shareholders.

Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes

ETL and the Reporting Entity are committed to continuously improving awareness and response to the risk of modern slavery in the Fund's operations and supply chains.

During the Reporting Period ETL undertook the following actions:

- Established an ESG working group of key internal business stakeholders with the purpose to assess ESG trends, standards and guidance relevant to EQT Group, recommend actions and report measures taken to mitigate ESG risks and implement strategic ESG opportunities and operational enhancements; and
- Engaged with external consultants to develop a sustainability material assessment to determine ESG topics which represent the greatest risks, sustainability framework and policies to assess, monitor and report on ESG matters, and sustainability roadmap and action plan on the short, medium and long-term horizons; and
- Continued to refine and design ETL's modern slavery onboarding questionnaires to service providers and investment managers.

How the Reporting Entity and ETL assess the effectiveness of actions to assess and address modern slavery risks

ETL as the Responsible Entity of the Fund, is in the early stages of assessing the effectiveness of the risk-based approach which includes the review of geographical jurisdictions the Fund is exposed to and the likely exposure within any investable assets that may align to areas of known modern slavery risks.

Future actions the Fund may take to assess and address modern slavery risks include:

- developing and implementing further sophisticated modern slavery training for the investment team; and
- conducting further independent research in respect of modern slavery, where we consider it to be beneficial to assessing and managing the modern slavery risk of the Fund.

ETL intends to provide its Board of directors with an annual assessment on the implementation and effectiveness of actions to ensure the obligations within this Statement are met. The ETL Board shall consider the effectiveness of the measures as set out above and have the authority to make amendments to this Statement as it sees fit.

Consultation process

There are no subsidiaries or entities owned or controlled by the Reporting Entity, which is a Trust. However, the trustee of the Trust and the investment manager of the trust consult on the preparation of this MSS.

The trustee of the Reporting Entity is ETL (the issuer of this statement). The trustee is responsible for holding the assets of the trust, issuing interests in the trust to investors and entering into agreements on behalf of the trust.

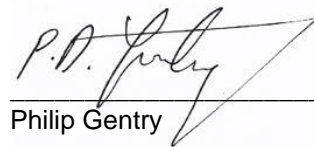
Senior management of the investment manager and the trustee consult on all content included in the MSS and jointly identify, consider and address modern slavery risks set out in the MSS. The MSS is then reviewed and approved by the Board of the trustee.

Other relevant information

No other relevant information for this Reporting Period.

Approval

This Statement was approved by the Board of Directors of ETL, as the principal governing body of the Reporting Entity, on 21 December 2023



Philip Gentry

Chair

Date: 21 December 2023

For clients wishing to discuss this statement, please contact your client service representative.

For media inquiries wishing to discuss this Statement, please contact:

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