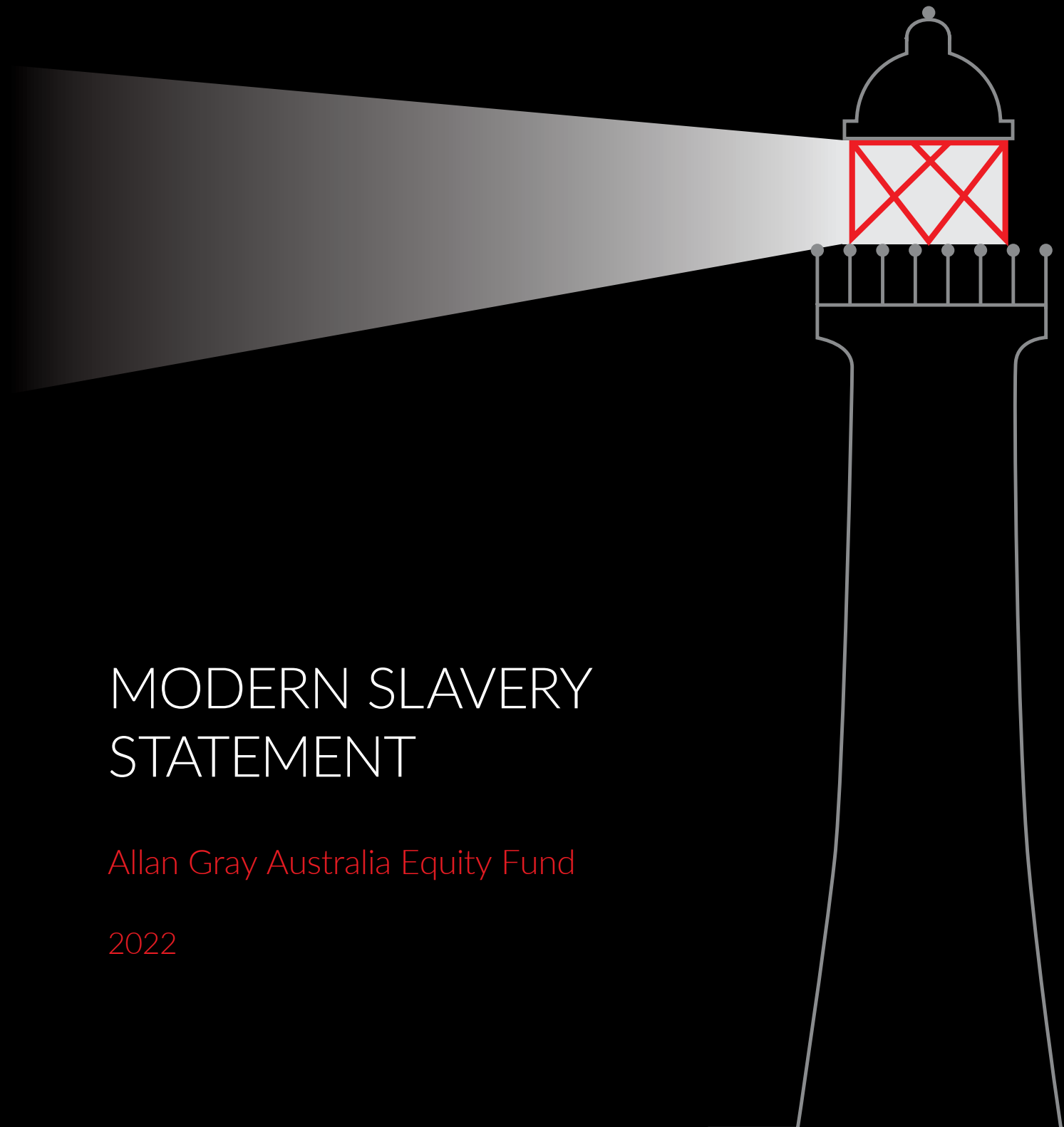




Equity Trustees

ALLAN GRAY

CONTRARIAN INVESTING



MODERN SLAVERY STATEMENT

Allan Gray Australia Equity Fund

2022

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Background

This document is a Modern Slavery Statement (**'Statement'**) made pursuant to section 14 of the *Modern Slavery Act 2018 (Cth)* (the **'Act'**) in respect to the financial year ending 30 June 2022 (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 second Statement produced by the Fund. To view the first Statement produced by the Fund, please [click here](#).

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 their 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 2022.

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 (Cth) 2001.

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 high levels of ethical and professional standards and in accordance with relevant laws in Australia. The Fund is committed to mitigating the risk of modern slavery in the business and supply chains of the Fund and the assets in which it invests.

About Equity Trustees

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 License (**'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 16 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 clients.

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 undervalued prospective investments in places others overlook or underappreciate. Research efforts are applied to determine the major drivers of future profitability of those investments and in trying to predict how they might impact the company's performance and therefore its value over the next five or even ten years.

There are three distinct characteristics that define Allan Gray Australia's strategy:

- **Long-term:** In an increasingly competitive market, practicing patience can provide a distinct advantage. By waiting for the right opportunity to buy and giving an investment time for its value to develop, the Fund may discover enormous potential for an undervalued company.
- **Contrarian:** In a highly competed market, where everyone has access to the same information, Allan Gray Australia thrives by not following the crowd. As contrarians, the investment team resists trends and uncovers opportunities in places others overlook or undervalue. It puts the firm in a space where they face little competition, where an investor's greatest assets are patience and independent thinking.
- **Fundamental:** Allan Gray Australia seeks out companies that are out of favour and waits for an opportunity to buy at a price well below their value. The investment team studies a company's fundamentals, and then calculates what they believe to be its intrinsic value.

Investment decisions are backed by Allan Gray Australia's bottom-up research approach which applies scrutiny to every investment proposition. The investment research includes an environmental, social and governance ('**ESG**') consideration which is explicitly set out in the investment thesis for robust consideration.

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. Due to a restructure of the PRI assessment criteria, Allan Gray Australia only has a rating for the year 1 January 2020 – 31 December 2020, with no assessment for 2021 being completed. As at 31 December 2020 Allan Gray Australia were rated:

- Investment Stewardship & Policy: 64/100 (3 stars)
- Listed Equity – Active Fundamental – Incorporation: 80/100 (4 stars)
- Listed Equity – Active Fundamental – Voting: 64/100 (3 stars)

Please note that this rating does not reflect the reporting period covered by this Statement, however, in the absence of a 2022 assessment report, this is the most up to date information available. 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.

In 2021, the Fund performed an initial risk assessment on its immediate suppliers and investments for key inherent modern slavery risk indicators.

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

The Fund has entered into agreements with each of its service providers which govern the nature and scope of the services provided. The Fund considers that the risk of modern slavery in these direct supplier levels 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 Limited	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

Risks of modern slavery practices in the Reporting Entity's investments

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

Allan Gray Australia invests overwhelmingly in companies with Australian operations, although the firm acknowledges that some of these companies may also operate in high-risk jurisdictions, source from high-risk jurisdictions or deal with high-risk industries or vulnerable populations (including in Australia). For example, a small number of investee companies have direct or indirect exposure to mining and quarrying in developing countries that may carry a higher inherent risk of modern slavery practices. Conversely, those companies that only operate in Australia and have predominantly Australian-based supply chains carry lower modern slavery risks.

As at June 2022, the Fund had 84% invested in companies with Modern Slavery Statements. Of these companies, 21% have significant operations or known tier 1 suppliers in higher-risk overseas jurisdictions, specifically the top 50 high risk countries as per the Global Slavery Index, 2018. Of the companies that did not produce a Modern Slavery Statement, Allan Gray Australia estimates that none of them have operations in higher-risk overseas jurisdictions. Allan Gray Australia believes it is useful to divide companies into those with and without Modern Slavery Statements as an indicator of a company's own awareness of modern slavery risks in their operations.

Much of the risk of modern slavery, Allan Gray Australia believes, comes from sourcing or contracting in these higher-risk jurisdictions. Those with Modern Slavery Statements, by and large, describe some of the controls and procedures they have in place to identify and address modern slavery risk. Engagement with these companies, however, still suggest that this is an ongoing and evolving effort because visibility deep into their supply chains can be limited.

For the Fund's investments as to 30 June 2022, Allan Gray Australia did not specifically screen out investment ideas due to their inherent or actual exposure to modern slavery risks. It is important to note that Allan Gray Australia considers that share ownership is an effective avenue for advocating for necessary change as it enables consultation, accountability and agitation. In Allan Gray Australia's view, the 'not in my backyard' (divestment) approach often shifts responsibility towards different shareholders who may be less likely to have goals that are compatible with long-term sustainability and who are not subject to public accountability. As a result, where a modern slavery risk is detected within a company, the Fund may still choose to invest where Allan Gray Australia are satisfied that the company demonstrates a transparent, consistent commitment to addressing that modern slavery risk.

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 modern slavery risk during its entire period of ownership, primarily through engagement.

Assessing modern slavery risk

Before making an investment in a company, Allan Gray Australia uses its research process to conduct an assessment of modern slavery risk, among other ESG factors.

- 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 Modern Slavery Statements, company remuneration reports and climate change reports, similar reports of the company's peers or competitors, media reporting, publicly available government or NGO information (e.g. U.S. Customs and Border Protection Withhold Release Orders and Findings List), and sell-side broker reports.
- When an investment analyst proposes an idea for inclusion in the Allan Gray Australia portfolio, the investment analyst writes a report with a dedicated ESG section that lists and analyses the key issues facing the company. This report is distributed to the wider investment team for peer review.
- In conjunction with the investment analyst report, the responsible investing analyst writes an independent assessment of the ESG risks facing the company. This independent view can help identify other risks that may have been missed.
- 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 are modern slavery and wider ESG risks.

The process is designed to surface risks to the sustainability of earnings, including modern slavery risks through deep research, independent thought, peer review and vigorous debate.

Addressing modern slavery risk during ownership

Allan Gray Australia believes active ownership and engagement is an important part of addressing modern slavery and wider ESG risks, and also a vital part of good stewardship practices. During the period of ownership, Allan Gray Australia typically:

- Monitors a company's modern slavery and wider ESG reports for material new information. Monitoring of other sources of information relevant to these risks as outlined before is also continued.
- Engages with Boards and management on modern slavery 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 modern slavery practices. An example of engagement is set out below.
- 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 Limited shortly before 1 December 2021. In the pre-investment phase, the Fund's analysts identified potential modern slavery issues within Ansell's supply chain. These potential issues had already been identified by Ansell: supply chain audits had already been undertaken and remediation plans established where necessary. The investment team engaged with Ansell's CEO and CFO prior to investing on, amongst other issues, modern slavery issues. Subsequent to that initial meeting, the investment team have met with Ansell's CEO and CFO on three additional occasions and modern slavery issues have been discussed at each of those

meetings as well. Generally speaking, the investment team would meet with a company's management twice a year, however, in this instance, the investment team considered that it was necessary to engage more frequently as the risks and potential impact were high. In the various engagements, Ansell advised that they were (and have been) utilising 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, Whistle-blower policy and Human Rights Statement. A more extensive overview of Ansell's approach to modern slavery is set out in their Modern Slavery Statement. The Fund has engaged on the suitability and reliability of these third-party audits, including seeking to understand how the audits were conducted during covid.

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:

- assessed due diligence questionnaire responses with regards to potential modern slavery risks in the supply chains of the Fund;
- ETL was approved as a signatory to the United Nations supported Principles for Responsible Investment (UNPRI); and
- actively engaged with investment managers when any suspected modern slavery activity was detected.

How the Reporting Entity and ETL assesses 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 an objective ESG report card to be applied with respect to investee entities to assess and monitor progress, including in respect of modern slavery;
- developing and implementing further sophisticated modern slavery training for the Fund's investment team;
- developing and implementing a modern slavery policy within Allan Gray Australia;
- conducting independent research in respect of modern slavery, where we consider it to be beneficial to 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 15 December 2022



Philip Gentry

Chair of the ETL Board

Date: 15 December 2022

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

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