

HESTA Modern Slavery Statement

2021/22

HESTA FY2022 Modern Slavery Statement

Principle governing body approval

This Modern Slavery Statement was approved by our Trustee board, the principal governing body of HESTA as defined by the Modern Slavery Act 2018 (Cth)¹ (“the Act”) on 2 December 2022.

Signature of Responsible Member

This Modern Slavery Statement is signed by the Chair on behalf of the HESTA Trustee Board as defined by the Act²:

The Honourable Nicola Roxon, Chair



¹ Section 4 of the Act defines a principal governing body as: (a) the body, or group of members of the entity, with primary responsibility for the governance of the entity; or (b) if the entity is of a kind prescribed by rules made for the purposes of this paragraph—a prescribed body within the entity, or a prescribed member or members of the entity.

² Section 4 of the Act defines a responsible member as: (a) an individual member of the entity's principal governing body who is authorized to sign modern slavery statements for the purposes of this Act; or (b) if the entity is a trust administered by a sole trustee—that trustee; or (c) if the entity is a corporation sole—the individual constituting the corporation; or (d) if the entity is under administration within the meaning of the Corporations Act 2001—the administrator; or (e) if the entity is of a kind prescribed by rules made for the purposes of this paragraph—a prescribed member of the entity.

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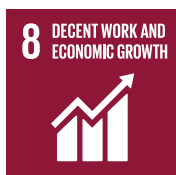
| Mandatory criteria | Section | Page number |
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| a) Identify the reporting entity. | About HESTA | Page 5 |
| b) Describe the reporting entity's structure, operations and supply chains. | About HESTA | Page 5-10 |
| c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls. | Our approach to identifying modern slavery Internal operations Procurement Investments | Page 12-13 Page 13-14 Page 15-19 |
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| e) Describe how the reporting entity assesses the effectiveness of these actions. | Assessing our effectiveness | Page 20 |
| f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement). | About HESTA | Page 5 |
| g) Any other information that the reporting entity, or the entity giving the statement, considers relevant. | The human right to a healthy & safe environment | Page 11 |

A message from HESTA

HESTA is pleased to release its third Modern Slavery Statement, which details progress made in Financial Year 2022 (FY2022) and ongoing commitments towards addressing the risk of modern slavery in our operations and supply chain (including the investment portfolio). Addressing modern slavery continues to be a priority for HESTA as we recognise that factors like gender equality, decent work, and good health and wellbeing all support strong and stable markets that help us to deliver strong, long-term returns for our members.

Our highlights for FY2022 include:

- Centralising our procurement function, helping us to better communicate our expectations to supply partners
- Issuing and reviewing modern slavery vendor self-assessment questionnaires for our major vendors
- Ongoing collaboration and advocacy through the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative and with the Responsible Investment Association Australasia (RIAA)
- Implementing modern slavery e-learning for all employees, and
- Continuing our Modern Slavery Working Group (MSWG) to collaborate across our key functions and operations.



As a large and diversified asset owner, we endorse the UN Sustainable Development Goals (SDGs) as a framework to guide our ambitions regarding a series of social and environmental issues that are most likely to affect member retirement outcomes. The SDGs are ambitious global goals established by the United Nations in 2015 to transform the world by 2030 and we recognise the important role that long term investors, like super funds, have in contributing towards outcomes aligned with the SDGs. Modern slavery is addressed under SDG 8: Decent work and economic growth.³

The goal, SDG 8, sets a target to take *immediate and effective measures to eradicate and address modern slavery, forced labour, and the worst forms of child labour*, and is included in HESTA's eight strategic priority focus areas of work framed through the SDGs. Our approach to modern slavery is also addressed in our organisational approach to human rights. Our focus on SDG 8 is not considered in isolation as we believe this issue is linked to SDG 13 Climate Action, SDG 5 Gender Equality, and other emerging themes. You can read more about the intersection of these key issues in our [2021 Modern Slavery Statement](#) as well as the case study on page 11 of this statement.

³ United Nations 2030 Agenda, Goal 8, read more [here](#)

About HESTA

This section of our statement has been drafted to satisfy mandatory criteria a, b and f of section 16 of the Act: identify the entity, describe the reporting entity's structure, operations and supply chains, describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls.

HESTA ABN 64 971 749 321 is the reporting entity for this statement and is a public offer superannuation fund, the trustee of which is H.E.S.T. Australia Limited ('the Trustee', 'we', 'us', 'our') ABN 66 006 818 695, AFSL No. 235249, a profit-to-member public company limited by guarantee. The Trustee is governed by a Board of Directors and the Trustee's address is Level 20, 2 Lonsdale Street, Melbourne, VIC 3000. There were no owned or controlled entities relevant to the development of this statement during the reporting year ended 30 June 2022.

During the development of this statement, subject matter experts representing teams across HESTA were given the opportunity to provide information for inclusion. External guidance⁴ was sought during the drafting and consultation process, with benchmarking conducted to make improvements against mandatory and additional good practice criteria. Through a robust due diligence process, feedback was gained from key stakeholders and the Executive group about the statement, prior to obtaining Board approval and submission with Australian Border Force.

What we do

At HESTA, we invest in and for people who make our world better. This is our purpose. We are focused on serving our 950,000+ members, many who work in health and community services (HACS) sector, by delivering our purpose through Super with Impact. Super with Impact reflects our ambition to create positive outcomes for our members by building their financial confidence, advocating for change and investing responsibly to deliver strong long-term returns. For more information see hesta.com.au/impact. Our ambition is to become the super fund of choice for all those who work in the health and community services in Australia.

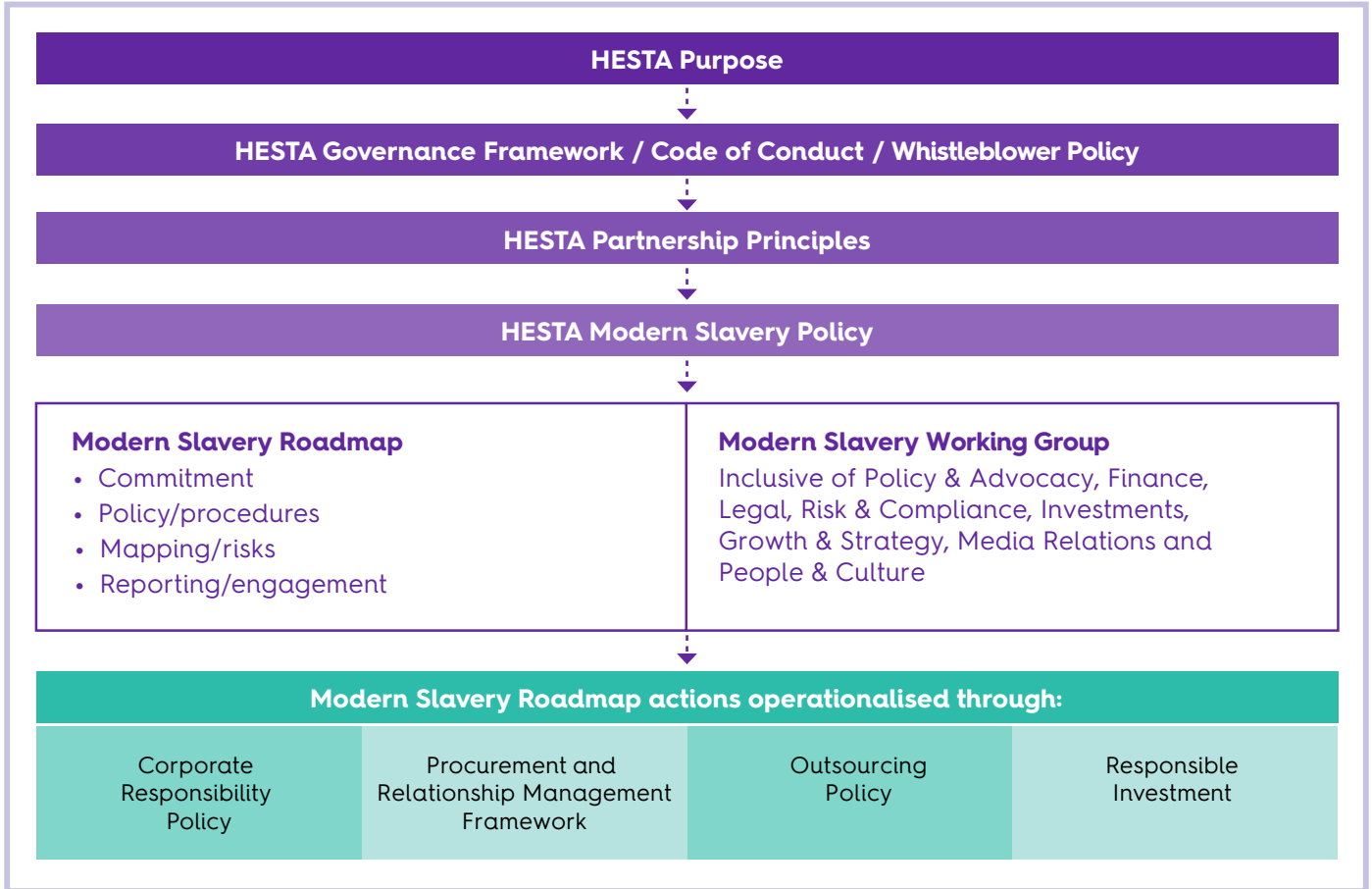
Business activities at HESTA are primarily focused on the management of members' retirement savings. This includes investment management and procurement, and the operations and corporate functions that support the organisation. We offer dedicated advice and member service teams that help members take action to improve their retirement readiness. The National office is based in Melbourne, Victoria, with seven other offices across every state and territory in Australia. You can read more about our team and their roles on our website. HESTA is subject to the regulatory and statutory requirements covering financial services entities regulated by the Australian Securities and Investment Commission (ASIC), the Australian Prudential Regulation Authority (APRA) and others.



⁴ <https://pointadvisory.com/>

HESTA Modern Slavery Governance Framework

The Board is responsible for overseeing the Trustee’s approach and governance of the Modern Slavery Policy and issuing the annual Modern Slavery Statement in accordance with the Act. During FY2022 regular governance reporting was changed and elevated from the Board Impact Committee to twice yearly reporting to the Board as a whole, effective from FY2023. The below table illustrates HESTA’s Modern Slavery Governance Framework, which is supported by the Modern Slavery Working Group.



In addition, the following policies act as guardrails to the framework:

| | |
|---|--|
| <p>Corporate Responsibility Policy⁵</p> | <p>The Corporate Responsibility Policy sets out HESTA's approach towards corporate responsibility within our organisation and beyond. We have three key areas of Corporate Responsibility commitment, each with a lead goal supported by a range of activities and initiatives; our environmental footprint, our supply chain, and our people and communities. This Policy references the sustainability and Responsible Investment functions at HESTA, both which promote modern slavery risk management within the business.</p> |
| <p>Modern Slavery Policy⁴</p> | <p>The Modern Slavery Policy sets out our approach in response to the Australian Modern Slavery Act 2018 and applies to HESTA's direct operations, our supply chains and our investments. The policy defines the roles and responsibilities with oversight for compliance with the Act across our operations, investments and procurement and outsourcing.</p> |
| <p><u>HESTA Code of Conduct</u></p> | <p>The HESTA Code of Conduct applies to all employees (including agency hire and daily rate contractors) and directors and sets out expectations for appropriate and lawful behaviour and conduct.</p> |
| <p><u>Whistle-blower Policy</u></p> | <p>The purpose of the Whistleblower Policy is to set out how to report concerns of potential or actual misconduct, as well as the approach taken by HESTA to manage these disclosures. The Integrity Line service, one of the pathways outlined in the Whistle-blower Policy, is fully independent and confidential. Reports may be made at any time via www.integrityline.com.au during business hours on 1800 468 456.</p> |
| <p><u>Partnership Principles</u></p> | <p>We believe that strong partnerships with organisations who demonstrate alignment with our values, culture, purpose and investment beliefs deliver better member outcomes. Information on the areas where we seek alignment with partners are provided in HESTA's Partnership Principles. These principles include explicit reference to our expectations towards human rights and workplace standards.</p> |
| <p><u>Responsible Investment Policy</u></p> | <p>The Responsible Investment Policy outlines the principles and commitments that direct our responsible investment approach including how we manage Environmental, Social and Governance (ESG) risks and opportunities throughout our investment process to promote the best financial interests of members. Some examples of the type of ESG factors we consider are human rights and labour standards, modern slavery, gender diversity and supply chain management.</p> |
| <p>Investment Due Diligence Policy⁴</p> | <p>Within the Investment Due Diligence Policy, the Investment Due Diligence Framework sets out the requirements for initial due diligence on proposed new investment managers as well as monitoring of existing investment managers. It includes assessment of investment managers processes to identify, assess and address risks of modern slavery.</p> |

⁵ The Corporate Responsibility, Modern Slavery and Investment Due Diligence Policies are not publicly available

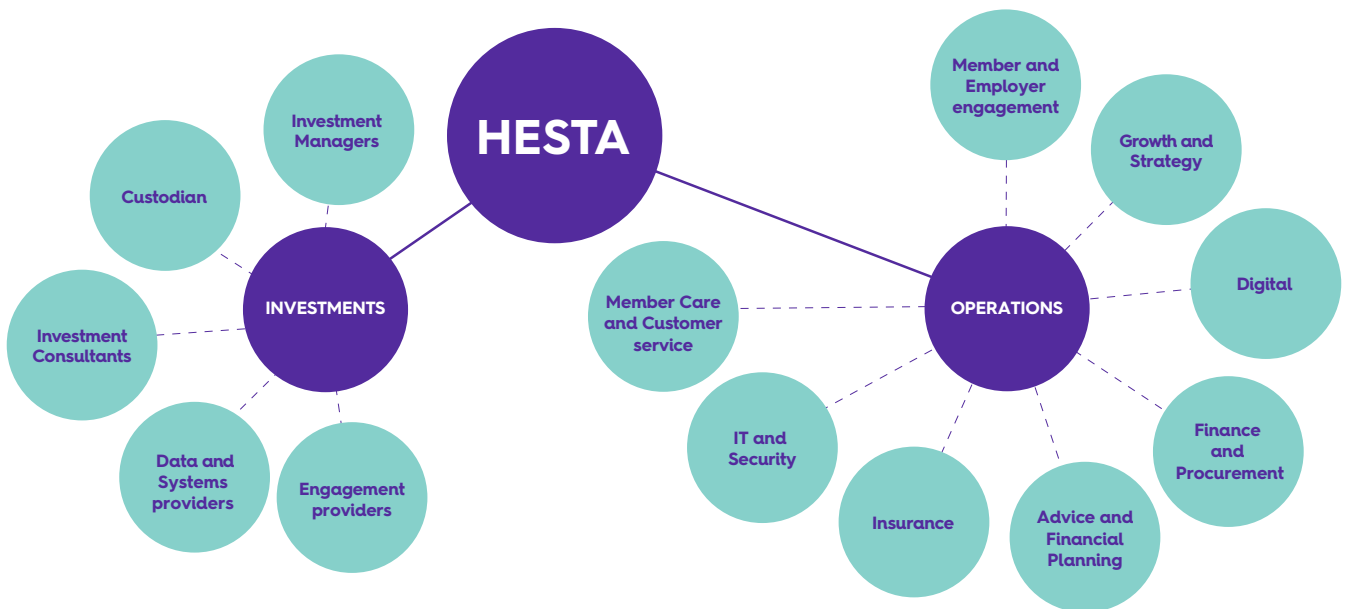
Modern Slavery Working Group

As highlighted in our FY2020 statement, we have developed a cross-functional Modern Slavery Working Group (MSWG) to deliver on the actions in the Modern Slavery Roadmap. In addition to the guardrails created by the Modern Slavery Governance Framework (see page 6), the MSWG has oversight for maintaining continuous improvement of processes and policies that identify and address modern slavery risks across the organisation and works to remediate risks identified. The MSWG meets quarterly and includes representation from Legal, Compliance, Brand and Marketing, Investments, Advocacy, Procurement, and People and Culture.

Internal operations

HESTA's own operations are based in Australia and encompass the provision of services associated with a financial services firm. As mapped out below, this includes executing investment functions, a financial advice offering, insurance, and marketing and digital functions to provide members with a seamless customer experience. Given the highly regulated nature of our business, we also have the relevant risk and control frameworks that support the corporate functions and the daily administration of a superannuation fund.

At the end of FY2022, HESTA directly employed 470 people in its own operations, the majority of whom are full-time with around 6% on temporary contracts.



Procurement and outsourcing

In FY2021, we established a central procurement function integrated within the Finance team, which works with teams across the Fund to standardise tendering and contract management.

All teams across HESTA make low-value purchases where goods and services are one-off, low risk or low value.⁶ We continue to procure goods and services from third parties, with 89% of our vendors based within Australia as represented in the below table. The arrangements we have with our vendors are generally stable long-term contracts. Our material service providers list is available on our [website](#) for an indication of the external professional services we procure.

| Region | Number | % |
|----------------|------------|-------------|
| Australia | 609 | 89% |
| USA | 38 | 6% |
| United Kingdom | 18 | 3% |
| Singapore | 4 | <1% |
| Ireland | 2 | <1% |
| Japan | 2 | <1% |
| Canada | 2 | <1% |
| Denmark | 2 | <1% |
| Netherlands | 2 | <1% |
| Belgium | 1 | <1% |
| Germany | 1 | <1% |
| Total | 681 | 100% |

Our largest purchasing categories⁷ for FY22 were:

| Category | % of Spend |
|-------------------------|-------------|
| Administration Services | 32% |
| Professional Services | 22% |
| Marketing | 13% |
| Technology | 12% |
| Leasing | 5% |
| Other* | 16% |
| Total | 100% |

*Other' denotes spend across remaining 25 purchasing categories

⁶ Low risk refers to low business and entity risk, not modern slavery risk.

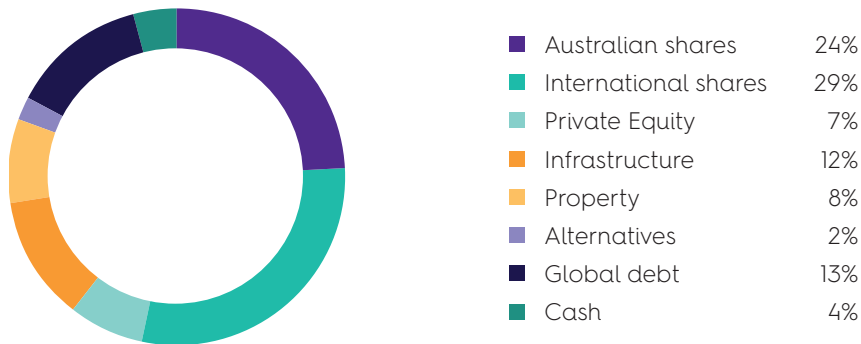
⁷ Excludes arrangements with external investment managers.

Investments

In FY2022, HESTA has primarily maintained the same investment management structure and allocation of investments and assets selected in partnership with external investment managers. In addition, in October 2021 we launched our internally managed Australian direct equities portfolio which will operate as part of a hybrid model alongside our allocation to external managers. We continue to invest through over 70 external investment managers with personnel and offices based in Australia and globally. Investment managers and portfolio holdings⁸ are listed on our website.

At 30 June 2022, HESTA had over \$68bn in funds under management. The total portfolio asset allocation, across all investment options, remains diversified across Australian & international shares, infrastructure, property, private equity, alternatives, global debt, and cash. This is reflected in the chart below. At the end of FY2022, there were only minor changes to our asset class weights compared with FY2021, with a reduction in cash and a slight increase to Australian and international shares.⁹

Total portfolio asset allocation – 30 June 2022



Responsible Investment

We consider environmental, social and governance (ESG) risks and opportunities in investment decision making and active ownership to deliver strong long-term performance. We manage modern slavery risks and opportunities across the investment portfolio through our responsible investment program of work. Active ownership is an important tool in how we manage ESG risk, and we utilise the active ownership tools of engagement, voting and advocacy in our approach.¹⁰

⁸ <https://www.hesta.com.au/members/investments/our-portfolio-holdings>

⁹ Changes to our asset allocation can be found in the **Significant Event Notice** (SEN) released in August 2022

¹⁰ You can read more about our responsible investment approach at <https://www.hesta.com.au/about-us/hesta-impact/invest-with-purpose>

The human right to a healthy & safe environment (SDG 14 and 15)

As a superannuation fund, our primary duty is to serve the best financial interests of our members. We continue to strengthen our focus on climate change risks that pose a material, direct and current financial risk relevant to HESTA's management of its investment portfolio on behalf of members. Climate change is a global systemic challenge where climate risks exist across the whole economy, intersecting with other systemic issues such as human rights and modern slavery.¹¹

Research shows that alongside climate change, nature and biodiversity loss is one of the top 5 threats humanity will face in the next 10 years.¹²

The threat is so imminent, the UN General Assembly has declared a new human right to be respected and protected globally: *the right to enjoy a clean, healthy and sustainable environment*.¹³ The historic resolution calls upon member states to protect and respect the right to a clean, healthy, and sustainable environment as a human rights consideration. The United Nations [resolution](#) acknowledges that women, girls and other vulnerable people are affected by environmental degradation *more acutely*. We welcome the UN's declaration of access to a clean and healthy environment as a human right.

HESTA is a large and diversified global asset owner, where the financial performance of our portfolio is supported by strong and stable markets. Factors such as gender equality and decent work support market fundamentals including long-term economic growth and drive strong member returns, while systemic risks such as climate change and biodiversity loss have the potential to undermine these.¹⁴



Like climate change, biodiversity loss has the potential to impact other known modern slavery risk factors including displacement of people, scarcity of resources and mass supply chain disruption¹⁵.

Systemic risks are amplifying and intersecting across issues. We recognise this heightens the responsibility of investors and companies to effectively manage these risks. In FY2022, with over half of the global GDP – \$44 trillion – at risk as a result of biodiversity loss¹⁶, we added SDG 14: Life below Water and SDG 15: Life on Land to our priority SDGs. Other research shows the interconnections between addressing modern slavery and environmental SDGs like *life on land, life below water, and climate action*.¹⁷ This research concludes that acknowledging the intersections between vulnerable populations, like those vulnerable to modern slavery, alongside goals for sustainable development has the potential for accelerating positive outcomes.

¹¹ From a Vicious to a Virtuous Cycle, Anti-Slavery International

¹² The Global Risks Report 2020, World Economic Forum

¹³ UN General Assembly declares access to clean and healthy environment a universal human right, UN News 2022

¹⁴ Systemic risk are those that threaten the functioning of the economic, financial and wider systems on which investment performance relies (United Nations Environment Project Finance Initiative)

¹⁵ Decker, Sparks, Boyd, Jackson, Ives, & Bales, Growing evidence of the interconnections between modern slavery, environmental degradation, and climate change, One Earth (4) 2, 2021, 181-191

¹⁶ <https://www.unep.org/news-and-stories/story/biodiversity-our-solutions-are-nature>

¹⁷ Decker, Sparks, Boyd, Jackson, Ives, & Bales, Growing evidence of the interconnections between modern slavery, environmental degradation, and climate change, One Earth (4) 2, 2021, 181-191

Our approach to identifying modern slavery

This section of our statement has been drafted to satisfy mandatory criteria c and d of section 16 of the Act: describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls, 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.

We continue to review expert guidance and research resources to evolve our understanding of modern slavery risks, keeping across new information as relevant.¹⁸ We have embedded the following methodology to guide our approach in identifying modern slavery risk:

| Inherent risk of modern slavery ¹⁹ | Our relationship to the risk ²⁰ | Our ability to influence the risk |
|--|--|---|
| Likelihood and severity are determined through risks inherent to different geographies and industries across our operations, purchases, and investments. | Informed by the United Nations Guiding Principles (UNGPs), we consider our link to determine level of impact, response and engagement with risks as caused, contributed or linked . | Type of ownership or relationship with the investee company or leverage with the vendor. We consider our highest leverage in our own operations, the first tier of goods and service vendors with investments more reliant on other leverage factors. |

Internal operations

Assessing and addressing internal operations risks

The modern slavery risks across our internal operations remain low, as determined in prior years, due to the organisation operating in a low-risk industry with relatively low geography risk.²¹ We maintain our zero-tolerance approach to modern slavery within our internal operations and continue to provide strong protections to ensure we do not *cause* any risks.

Taking action

To progress the commitments made in HESTA's Modern Slavery Roadmap, in FY2022 we have focussed our efforts on assessing effectiveness and advocating beyond our supply chain. These activities are built on our previous actions to strengthen and update our policies and procedures and increasing our understanding of our vendors' capacity to assess and address risks.

While modern slavery risks in our internal operations remain low, we continue to rely on our governance controls for the effective ongoing management of modern slavery risks within investments and procurement activity. The Modern Slavery Governance Framework established in previous reporting years is described on page 6.

¹⁸ Sources of guidance include; [Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities](#), ABF, 2019, [United Nations Guiding Principles on Business and Human Rights](#) (UNGPs), 2011, [Modern Slavery Reporting - Guide for Investors](#), RIAA & ACSI, 2019, [Modern Slavery Risks, Rights and Responsibilities- A Guide for Companies and Investors](#), ACSI & KPMG, 2019, [Property, Construction & Modern Slavery](#), KPMG & AHRC, 2020, [A Blueprint for Mobilising Finance Against Slavery and Trafficking](#), FAST, 2019, [Materiality Map](#), SASB [Global Slavery Index](#), Walk Free Foundation, 2017, [List of Goods Produced by Child Labor or Forced Labor](#), US Department of Labor ILAB, 2021

¹⁹ Note risk according to the Act considers *risk to people* rather than risks to our entity, although these may intersect

²⁰ As defined by the [United Nations Guiding Principles on Business and Human Rights](#), 2011

²¹ This is supported by the conclusions made by ACSI & KPMG in [Modern Slavery Risks, Rights and Responsibilities - A Guide for Companies and Investors](#), 2019

Collaboration and education

During FY2022, we developed an internal modern slavery training module delivered via HESTA's online learning platform alongside other mandatory e-learning. We believe ongoing collaboration, education and training is important for all HESTA employees to identify potential modern slavery risks and areas for improvement. The module includes important information such as:

- Definition of modern slavery and HESTA's requirements and actions under the Act.
- Statistics on modern slavery prevalence and contributing factors, including in Australia.
- Modern slavery risks in financial services and the relevance to HESTA.
- How we manage modern slavery risk across operations, procurement, and investments.
- Links to HESTA's FY2021 Modern Slavery Statement, Modern Slavery Policy, and roles and responsibilities across the business.
- Required process to follow if there are reports or concerns about modern slavery or harm to people where HESTA has exposure.

Aligned with the actions to grow internal capacity, we developed a *modern slavery scorecard* (see page 20) with metrics to track our year-on-year progress across operations, procurement and investments. This will be included in each statement under *Assessing our effectiveness* and will be developed further as we mature our approach.

Procurement

Assessing and addressing procurement risks

We are cognisant that modern slavery risks exist in any external activity through procurement and outsourcing and are heightened for geographies with higher inherent risk than Australia. We continue to recognise goods and services as identified in previous reporting periods as being high-risk:

- Cleaning contractors
- Stationery
- Promotional products
- Leasing & maintenance of IT equipment (including computers and smartphones)
- Office maintenance and security.

During the reporting period, our procurement team identified that our outsourced call centres did not constitute a heightened risk as initially thought, as these contracts are fulfilled using Australian operations, with employee conditions of work governed by the Fair Work Act and other supporting workplace-related legislation.

Under the UNGP framework, the connection between our procurement activities and potential impacts may be considered as *contributing* or *linked*. This means we do not have primary leverage with these risks but may continue to exercise our influence to lower the risks.



Facilities management contracts

One of our largest facilities management providers, ISPT, has been instrumental in the establishment of the Cleaning Accountability Framework (CAF) and is working toward certification for its entire portfolio. The Cleaning Accountability Framework (CAF) is a worker-driven social compliance scheme that advocates for improved labour standards.

Our Melbourne office at Casselden Place, 2 Lonsdale Street, is in one of ISPT's CAF certified buildings, which means the cleaners working at this building are being paid correctly, can exercise their workplace rights, and are involved in maintaining good labour standards and quality cleaning services.

In addition to their existing certified sites, ISPT has made a target to certify all 100% owned and operated properties using the CAF 3 Star Standard by 2025. The objective of the CAF is to end exploitation in property services and improve work standards through education and advocacy, including actions to mitigate and manage the risks of modern slavery. You can read more about the CAF on their [website](#).

Strategic procurement

In FY2022, we established a strategic procurement function within HESTA to help guide strategic purchasing decisions, track the number of vendors with modern slavery contract clauses, and ensure modern slavery risk is being considered in tenders where it is most relevant. The procurement team has a driving role in the MSWG and is continuing to work with business units across HESTA to ensure there are robust supplier processes and governance in our procurement activities.

Developing our vendor engagement and risk approach

To progress our understanding of the risks associated with our vendor supply chains, in FY2022 we assessed 590 vendors to determine both entity and high-level modern slavery risks. This assessment considered vendor materiality, contract length, whether a contract included our modern slavery clause, whether the vendor has a modern slavery policy, and whether the vendor is exposed to modern slavery in selected high-risk geographies and industries.

We have issued 117 vendor self-assessment questionnaires (SAQs) to understand more detailed modern slavery risk exposure and due-diligence activity. The questionnaire includes metrics covering:

- Compliance to the *Modern Slavery Act (2018)*
- Exposure to selected high-risk industries and work with children
- Location of operations and supply chains, exposure to highest risk geographies
- Employment of vulnerable groups or high-risk contracting arrangements
- Due diligence, verification, and remediation activities
- Existing policies and processes to mitigate modern slavery risks.

The assessment is manually assigned a risk grading based on the response given. The final grade then determines whether the vendor will be subject to further due diligence activity and the cadence of further risk assessment.²²

We are continuing to refine the methodology of this approach to help ensure we are placing our efforts where most effective in our supply chains and will provide updates in future statements.

²² Risk assessment plans will determine how often vendors are required to complete SAQs and conduct contract management meetings to address risk criteria

Investments

Assessing and addressing investment portfolio risks

HESTA's investment portfolio is invested globally across a range of asset classes, with majority of funds managed by external investment managers.

As noted earlier in this statement, HESTA has launched the internal management of Australian equities under a hybrid model alongside external investment managers. While still in its transitional phase, we aim to undertake risk assessment on internal holdings as the portfolio evolves and will disclose the assessment results in future statements. As part of the launch of the portfolio, we wrote to companies in September 2021 and signalled we would engage regularly with them on issues aligned with our responsible investment priorities which include modern slavery.

For the majority of the portfolio that is held through external managers, it is the underlying investment holdings where potential risks are more likely to occur.²³ As we hold assets across varied arrangements including mandates, pooled fund investments, fund-of-one and direct investments, the ability of HESTA to exert influence and manage modern slavery risks may differ depending upon on the type of investment vehicle.

Risk exposure in the HESTA investment portfolio

Australian shares – HESTA's top 20 ASX listed shareholdings at 30 June 2022 included companies with relatively higher modern slavery risk exposure due to the industries in which they are involved. These included:

- materials companies with mining operations in high-risk countries or with exposure through supply chains to building products
- consumer staples companies which have exposure through supply chains to agriculture
- consumer discretionary companies which have exposure through supply chains to apparel
- financial companies which may unintentionally facilitate transfers that supports modern slavery.

International shares – HESTA's top 20 international shareholdings at 30 June 2022 also included companies with comparatively higher modern slavery risk exposure due to the industries²⁴ in which they are involved. These included:

- electronics manufacturing companies or consumer discretionary and information technology companies with a strong reliance on electronics for their operations or supply chain.

Less than 1% of HESTA international shares were invested in companies listed in high-risk countries.

Property – Through a reliance on cleaning, security and construction and maintenance services, the property sector has a comparatively high local risk exposure to modern slavery. However, the sector has made significant progress to mitigate these risks. Some of the tools used by our property managers include the PCA modern slavery supplier platform and the Cleaning Accountability Framework certification process. Specific risks identified by investment managers through the FY2022 survey focused on small property exposures within high-risk countries²⁵.

Infrastructure – HESTA's infrastructure assets span airports, seaports, energy and water utilities, transportation and communications. Like property, these assets are exposed to modern slavery risk through a reliance on cleaning, security, construction and maintenance. That risk is somewhat mitigated by the countries in which the assets are located with the majority of assets located in Australia, North America, UK and Europe. A small number of assets are held in high-risk geographies.

Private Equity – HESTA's private equity assets operate primarily in the financial and information technology sectors. The portfolio includes a small number of assets with exposure to high-risk industries and or high-risk countries.

Similar to the procurement risks we have previously identified, the connection between HESTA's investment activities and potential impacts under the UNGP framework may be considered as *contributed or linked*. This means we do not have significant leverage over these risks but may continue to exercise our influence to ensure investment managers are engaging with investees to mitigate any known risks.

²³ Read more about the managers we utilise [here](#)

²⁴ Industries identified using the RIAA Investor Toolkit; ACSI Modern Slavery Risks, Rights and Responsibilities: A guide for companies and investors; and the Responsible Sourcing Tool.

²⁵ As identified by the Global Slavery Index 2018

Taking action

During FY2022, our investment related modern slavery actions included:

- Ongoing advocacy and collaboration through the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative.
- Ongoing collaboration and involvement with the Responsible Investment Association Australasia (RIAA) through both its Human Rights Working Group and Modern Slavery Policy and Advocacy sub-group.
- Issuing a survey to investment managers across our unlisted asset classes to assess exposure to modern slavery risk. The unlisted asset classes capture private equity, infrastructure and property. You can read more on page 17.
- Continued revising Investment Manager Agreements with relevant modern slavery clauses.

Advocacy and collaboration

| | |
|------------------|--|
| IAST APAC | <p>Through our collaborative work with the IAST APAC initiative, HESTA is lead investor for engagement with two ASX listed companies and acts as support for an additional two companies. IAST APAC utilises investor representatives in a targeted manner to maximise investor impacts through shared representation to investee companies. This framework encourages a minimum of two annual meetings to meet with and drive investee engagement on salient modern slavery and trafficking initiatives.</p> <p>Through the IAST engagement program, HESTA is lead investor on a company with widely publicised human rights concerns. The engagement with this company is ongoing and HESTA will continue the targeted and collaborative IAST engagement to seek change in company behaviour.²⁶</p> <p>In addition to engagements, IAST has continued to issue surveys to assess the impacts of COVID on modern slavery risk to investee companies. We will share any findings that are relevant to HESTA in next year's statement.</p> |
| RIAA | <p>In FY2022, HESTA joined the RIAA Modern Slavery Policy and Advocacy subgroup. This group was created to facilitate collaboration on the review of the Modern Slavery Act. With members from across the finance, investment and research sectors, the subgroup discussed the legislative review of the Modern Slavery Act at length and is working to coordinate investor perspectives.</p> |
| ACSI | <p>In FY2022, we participated in the Australian Council of Superannuation Investors (ACSI) engagement meetings on modern slavery and the decent work thematic.</p> <p>In July 2021, ACSI commissioned the Moving from paper to practice report, showing key modern slavery reporting trends for 151 ASX 200 companies. The report includes statistics on reporting trends according to the mandatory criteria and broader good practice trends. HESTA has conducted a review of our own statements incorporating relevant good practice inclusions beyond the mandatory criteria for FY2022.</p> |

²⁶ We are unable to share further information about this investee and hope to transparently report on any positive outcomes of this engagement in ongoing statements

Investment managers

In FY2022, we continued to include standardised modern slavery clauses in Investment Manager Agreements, with significant progress in rolling out the provision in older Agreements.

To progress our Modern Slavery Roadmap goal of ensuring investment managers are addressing modern slavery risk in their investment value chains, we issued a survey to 34 investment managers across the unlisted portfolio.

Building upon the results of the FY2020 survey issued to all managers, in FY2022 we have focused on unlisted assets classes that are within our ability to leverage²⁷ and will focus on the other asset classes identified as 'able to leverage' in FY2023. Focus asset classes for leverage across the portfolio are indicated in the following table:

Focus areas for leverage



| | |
|--|-----|
| ■ Less ability to leverage | |
| ■ Ability to leverage through ownership, engagement or influence | |
| ■ Australian shares | 24% |
| ■ International shares | 29% |
| ■ Infrastructure | 12% |
| ■ Property | 8% |
| ■ Private Equity | 7% |
| ■ Alternatives | 2% |
| ■ Global debt | 13% |
| ■ Cash | 4% |

As at 30 June 2022

We aim to take a risk-based approach to identify where the greatest potential or actual harm to people lies in our portfolio. Manager responses were collated and scored across the following categories:

- Risk assessment processes
- Internal capability and approach
- Expertise and training
- Incident reporting and tracking
- Engagement and leverage
- Effectiveness and continuous improvement approach.

The survey enabled us to identify managers with examples of good or leading practice, as well as those with room for improvement. We found that managers subject to the Modern Slavery Act generally scored higher reflecting a greater maturity in their risk assessments and controls.

The results of the survey allowed us to identify a list of 'risk exposed holdings' based on modern slavery risk according to industry, commodity and geography. We will further engage managers on the survey findings, and the list of risk exposed holdings.

²⁷ <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Modern-Slavery-Report-2019-2020.pdf> (page 14)

ISPT and Property Council of Australia Supplier Engagement Platform

The Property Council of Australia (PCA) Supplier Engagement Platform enables ISPT (and others) to assess suppliers through a common database and use a shared resource of analysis and risk identification.

In 2021 ISPT were cautioned by the PCA Modern Slavery Working Group that solar panels sourced from China may potentially involve forced labour on the Uyghur people. This led ISPT to conduct an assessment of Tier 1 suppliers using the PCA modern slavery questionnaire, and request suppliers conduct due diligence and obtain written statements from their China-based manufacturers to confirm their efforts in preventing forced labour.

ISPT recognise that risks still exist, and their long-term strategy will be led by the PCA Modern Slavery Working Group.

Solar panels have been categorised as 'high risk' within the ISPT modern slavery risk assessment matrix.



Active ownership

Over the reporting period, HESTA supported shareholder resolutions aimed at global technology companies seeking greater transparency related to human rights. Notably, we supported resolutions filed at:

- Alphabet Inc – seeking an independent Human Rights Impact Assessment to be conducted and made publicly available,²⁸ and
- Apple – seeking an enhanced response and greater transparency to allegations of supply chain labour exploitation in the Xinjiang Uyghur Autonomous region of China.²⁹

We will continue to exercise our voting rights on company holdings where we can use our influence to minimise risks of modern slavery and other human rights violations.



Sustainable growth option member survey

In FY2022 we conducted a survey of members invested in the HESTA Sustainable Growth investment option. The purpose of the survey was to seek insight into member values and expectations of investing in the option to determine if it remained suitable for future growth. The results showed that more than 90% of surveyed Sustainable Growth members expect investment exclusions related to companies with human and labour rights breaches, in addition to a range of other controversies. Human rights or labour rights breaches may relate to:

Human Rights

- Support for controversial regimes
- Freedom of expression and censorship
- Other human rights abuses and adverse impact on a community

Labour Rights

- Labour management
- Employee health and safety
- Collective bargaining and unions
- Discrimination and workforce diversity
- Supply chain employee relations standards

In response to this survey, HESTA has enhanced the option's investment exclusions and from 1 July 2022 this option now excludes investment in companies identified with red flags relating to human or labour rights breaches. You can read more about these changes on our [website](#).³⁰

²⁸ https://investorsforhumanrights.org/sites/default/files/attachments/2022-03/2022%20Alphabet%20Inc.%20%28GOOGL%29%20Shareholder%20Proposals_0.pdf

²⁹ <https://sumofus.medium.com/request-to-apple-shareholders-9cb123a6638a>

³⁰ <https://www.hesta.com.au/members/investments/super-investment-options/hesta-sustainable-growth>

Assessing our effectiveness

This section of our statement has been drafted to satisfy mandatory criteria e of section 16 of the Act: describe how the reporting entity assesses the effectiveness of these actions.

We continue to measure our effectiveness through the roadmap strategy outlined in FY2020, our table of commitments and progress, and our newly defined modern slavery scorecard. Our ambition to develop processes to assess our effectiveness is ongoing, and we will continue doing so through the scorecard, table of commitments and roadmap in progress.

Modern slavery scorecard










During FY2022, we developed a modern slavery scorecard to track our year-on-year progress, with the aim of assessing our effectiveness in a consistent way. The scorecard includes effectiveness criteria we can use to assess our progress in relation to our operations, procurement and investments. The results shown below summarise our key activities in FY2022.

| Measure | Quantity |
|---|---|
| Operations | |
| Employee e-Learning module | 156 of 470 employees (32%) at end reporting period ³¹ |
| Procurement | |
| Vendors issued self-assessment questionnaires | 117 vendors completed Modern Slavery self-assessment questionnaires (17%) |
| Vendor contracts including modern slavery clause | 12 contracts with active modern slavery clauses 635 vendors with existing agreements which are to be transitioned to new contracts |
| Vendors declaring a modern slavery policy or equivalent ³² | 602 vendors (88%) |
| Investments | |
| Investor engagement meetings held | 6 |
| Quantity of external investment managers who completed the risk assessment survey | 33 responses received from a total of 34 surveyed investment managers (97%) |

³¹ The module was launched 1 June 2022 however the deadline passes into the next reporting period.

³² HESTA has not qualitatively reviewed the quality, extent, or due diligence enacted to support vendor policies.

Commitment and progress

| Set | Commitment | Status |
|---|--|---|
| Strategy and governance | | |
| FY21 | Procurement restructure Report on the creation of the strategic procurement function in FY2022. |  |
| FY22 | Roadmap development We will review our progress and commitments since FY2020 and define a new roadmap for future actions. |  |
| Risk identification and management | | |
| FY20 | Likelihood & harm to people index Develop and apply a risk-based approach to determine the likelihood of greatest harm to people & identification of target areas to apply leverage across the five focus asset classes. |  |
| FY20 | Risk indicators & leverage We will use risk indicators to understand our exposure to high-risk sectors and leverage through ownership, engagement or influence to affect change. |  |
| FY20 | Supplier SAQ In FY2021 we will further analyse supplier responses and work to understand our risks more deeply. Begin to formulate approach to addressing these risks and developing our assessment approach through our Modern Slavery Working Group. |  |
| FY20 | Internally managed portfolios We will adopt modern slavery considerations within the internally managed portfolios, where applicable. |  |
| FY20 | Non-investment contract clauses Update supplier contracts to ensure modern slavery clauses are included. Begin process to remediate existing supplier contracts to include relevant modern slavery clauses and current procurement principles and processes. |  |
| FY20 | Investment manager contracts Modern slavery requirements included in Investment Manager Agreements. |  |
| FY20 | Remediation approach Development of HESTA remediation approach and escalation process including feedback from HACS sector employers and industry groups, to understand, identify and respond to modern slavery risks in their supply chains. |  |



Planned



In progress



Continuous




On track



Complete

Commitment and progress (continued)

| Capacity building | | |
|------------------------------|---|---|
| FY20 | Supplier engagement Engagement with material and major suppliers on modern slavery. |  |
| FY20 | Engagement Partners Regular and ongoing dialogue with investee companies on the risks of modern slavery. |  |
| FY20 | Engagement with investment managers Engagement with investment managers on modern slavery. |  |
| FY20 | Advocacy We will continue to seek to effecting change with our managers and suppliers. |  |
| FY20 | HACS advocacy Advocate for healthcare and community sector for considerations of modern slavery. |  |
| Effectiveness and disclosure | | |
| FY20 | MSWG to develop implementation of key actions & continuous improvement approach Our Modern Slavery Working Group will develop the approach to the operational implementation of key actions and consider remediation and assessing effectiveness as part of our commitment to continuous improvement. |  |
| FY20 | Effectiveness metrics Development of assessment of effectiveness measures – scorecard. |  |
| FY20 | Ongoing performance Continue to revisit our effectiveness measures and consider our role in further influencing our supply chain, including HACS sector employers and industry groups, to understand, identify and respond to modern slavery risks in their supply chains. |  |



Planned



In progress



Continuous



On track



Complete

Roadmap

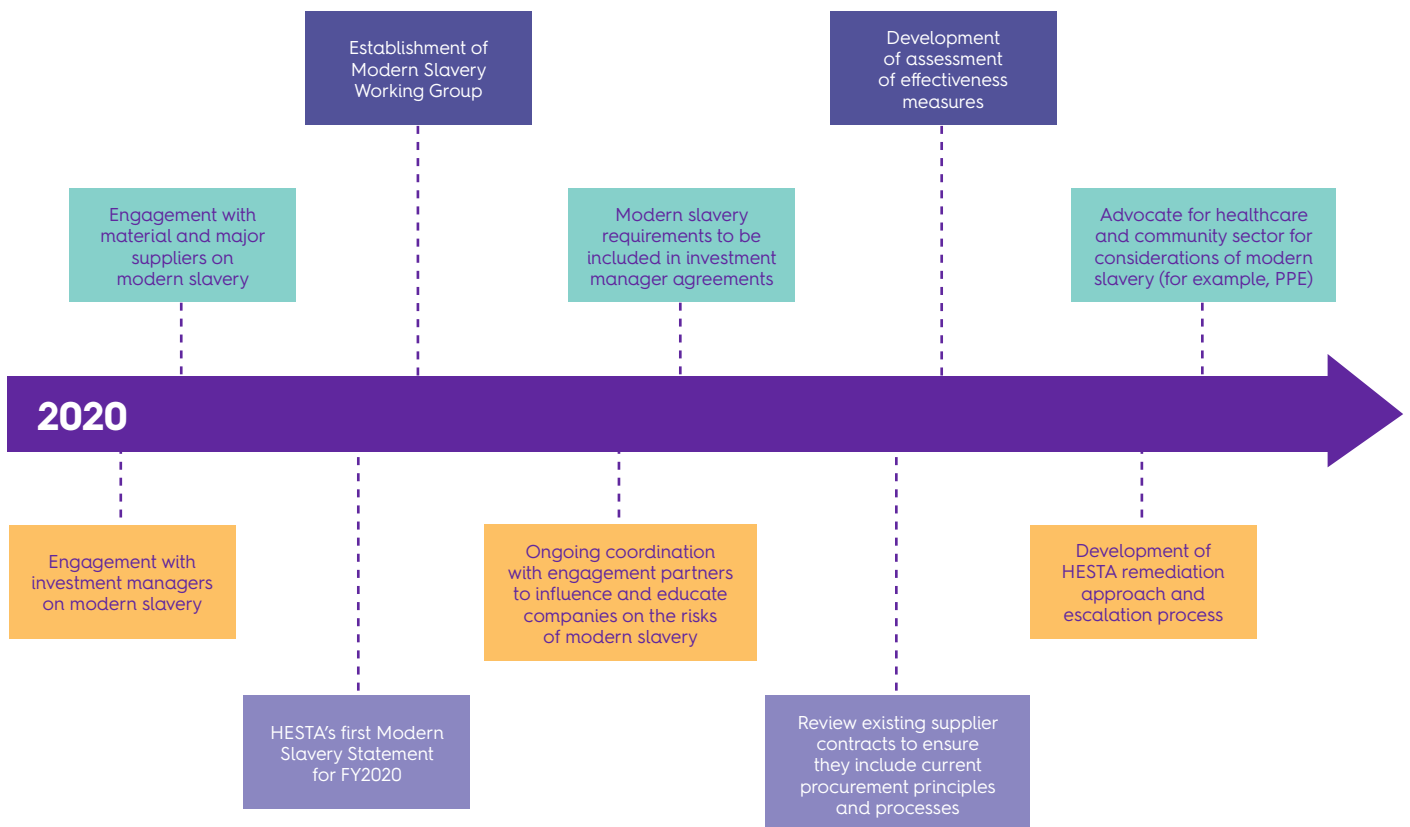
All actions and priorities detailed in this statement are derived from the objectives set out in our Modern Slavery Roadmap. This roadmap continues to evolve with how we seek to understand and manage modern slavery risks and outline our ambitions over the long term.

| FY20 | FY21 | FY22 | FY23 |
|--|--|--|--|
| Assessing modern slavery risks (mapping; early engagement) | Addressing modern slavery risks (operationalise Roadmap actions; further engagement) | Assessing effectiveness & advocating beyond our supply chain | Development of remediation approach and effectiveness measures |

For FY2023 and beyond, we will continue to develop a remediation approach, progress our effectiveness measures and consider our role in further influencing our supply chain and advocating for the HACS sector.

The development of the next iteration of HESTA's Roadmap will commence in FY23/24. We will consider any necessary evolution of our approach should there be changes to legislation resulting from the current Attorney General's Department review of the Act.

We will continue our purpose of delivering Super with Impact by building the financial confidence of our members, advocating for change and investing responsibly to deliver strong long-term returns.



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