



FIL Investment Management
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FIL Investment Management (Australia) Limited Modern Slavery Statement

1. Introduction

This modern slavery statement (the “**Statement**”) is made by FIL Investment Management (Australia) Limited (ABN 34 006 773 575) (“**FIMAL**”, “**we**” or “**our**”), and sets out FIMAL’s approach and ongoing commitment in combating modern slavery and human trafficking during the period from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”).

Although the Statement is produced in accordance with the reporting requirements under Australia’s Modern Slavery Act 2018 (Cth) (the “**Act**”), FIMAL is not considered to be a reporting entity under the Act, and accordingly, the Statement is produced on a discretionary basis and is only available on FIMAL’s website <https://www.fidelity.com.au/funds/>. For the avoidance of doubt, this Statement has not been submitted to the Australian Border Force as a voluntary statement.

2. Organisational structure, operations and supply chains

(i) Organisational structure

FIMAL is a public company incorporated in Australia and a member of the group of companies known as “**Fidelity International**”, or “**Fidelity**”, which comprise of FIL Limited and its subsidiaries. Fidelity International is a dedicated investment management company that was established in 1969 and now operates in over 25 locations worldwide. It provides world class investment solutions and retirement expertise to institutions, individuals and their advisers and is today owned mainly by management and members of the original founding family. As at 30th June 2021, Fidelity International is responsible for A\$217.1 billion in assets under administration.

FIMAL is owned by FIL Asia Holdings Pte Limited, which is in turn wholly owned by FIL Limited. As of the date of this Statement, FIMAL does not own or control any other entities.

In Australia, Fidelity offers a range of investment choices including Australian equities funds, global equities funds and a range of Asian-based equities funds. In Australia, Fidelity’s asset management business is carried out through FIMAL and FIL Responsible Entity (Australia) Limited (ACN 148 059 009, AFSL 409340) (“**FREAL**”), which acts as the responsible entity of the following managed investment schemes currently offered in Australia:

No.	Fund name	APIR code / ARSN
1	Fidelity Asia Fund	FID0010AU
2	Fidelity Australian Equities Fund	FID0008AU
3	Fidelity Australian Opportunities Fund	FID0021AU

4	Fidelity China Fund	FID0011AU
5	Fidelity Future Leaders Fund	FID0026AU
6	Fidelity Global Demographics Fund	FID0023AU
7	Fidelity Global Emerging Markets Fund	FID0031AU
8	Fidelity Global Equities Fund	FID0007AU
9	Fidelity Global Future Leaders Fund	FID5543AU
10	Fidelity Global Low Volatility Equity Fund	FID9876AU
11	Fidelity Hedged Global Equities Fund	FID0014AU
12	Fidelity India Fund	FID0015AU
13	Fidelity Sustainable Water & Waste Fund	FID0239AU
14	Fidelity Global Emerging Markets Fund (Managed Fund) (ASX ticker: FEMX)	627 296 959

(collectively referred to hereinafter as the “**Fidelity Funds**”)

FIMAL has been appointed as the investment manager of the Fidelity Funds by FREAL and has the power under the terms of its appointment to sub-authorise other members of Fidelity to manage some or all of the assets of the Fidelity Funds.

FIMAL is the holder of Australian Financial Services Licence No. 237865. As of 1st August 2021, FIMAL has 59 employees and operates mainly from its principal place of business at Level 17, 60 Martin Place, Sydney, New South Wales, Australia 2000.

(ii) Operations

FIMAL’s main operations is the provision of discretionary investment management and advisory services to the Fidelity Funds and institutional investors.

FIMAL is an active asset manager with a fundamental research philosophy. It builds investment funds stock by stock through on-the-ground analysis of companies, their customers, suppliers and competitors. This intensive research process sets FIMAL apart from other fund managers and provides a significant advantage when choosing companies for its portfolios.

(iii) Supply chains

Across FIMAL’s corporate supply chain, FIMAL’s key suppliers consists of providers of corporate property services (e.g. property maintenance, office and business support services, cleaning and storage), marketing services, professional services (e.g. financial advisory services), market data and IT services and human resources services (e.g. training and recruitment).

3. Identifying and assessing risks of modern slavery practices

FIMAL recognises that modern slavery is a significant worldwide issue which can occur in every industry and sector and can often lead to severe consequences for victims. FIMAL will not knowingly support or conduct business with any organisation involved in slavery and human trafficking and aims for high standards of governance throughout the organisation.

Based on our business model, FIMAL considers that the risk of FIMAL being exposed to modern slavery practices may arise from two main sources - FIMAL's corporate supply chain and within its business operations relating to the companies in which FIMAL may invest on behalf of its clients and funds.

(i) Risks of modern slavery practices in FIMAL's operations

Although we do not tolerate modern slavery or human trafficking within our business operations, we understand that we may nevertheless be exposed to risks of modern slavery practices through our business operations of managing investments on behalf of our clients and the Fidelity Funds.

FIMAL's investments are generally made in Australian listed companies, many of which would also have regulatory responsibilities for managing modern slavery / human rights. However, there is nevertheless a risk that we may be connected to modern slavery through the activities of, for example, investee companies that may have inadequate governance structures or issues with their supply chain management.

In order to reduce such risks, FIMAL has, during the Reporting Period, undertaken a high-level risk assessment of the investee companies in its managed investment portfolios in order to identify general areas of modern slavery risk. As a result of this review, we have decided to focus on modern slavery engagement activities within a number of sectors where there are higher modern slavery risks.

One such area of focus is on the consumer discretionary sector. The apparel retail, textiles and luxury goods sectors are dominated by multi-tier supplier relationships, lack of traceability and rapid market-driven changes. This sector carries a number of significant risks to workers' human rights, in particular, forced labour and coercion.

The apparel sector in particular is often perceived as a steppingstone to economic and social growth providing employment opportunities to women, youth and low-skilled employees. The sector enables developing markets to pursue export-based development, but it does carry a number of significant risks to workers' human rights. This sector is complex and lacks transparency in its supply chains. While it might not be possible to eradicate supply chain risks entirely at this stage, they can be minimized with strict onboarding policies and careful, regular monitoring.

Another sector that we are focusing on is materials. The sector has a high exposure to the risk of slavery mostly due to large supply chains with suppliers who may have little incentive or ability to tackle exploitation in the production of goods, including within their own supply chains.

(ii) Risks of modern slavery practices in FIMAL's supply chains

At Fidelity, we take a risk-based approach regarding our supply chains. Fidelity's global procurement process includes performing a full risk assessment on every new supplier to determine the inherent risk the supplier and its service brings to Fidelity. In addition to a full risk assessment, all high-risk suppliers undergo enhanced due diligence screening activities which range from financial crime, information security, and data protection assessments along with more standard financial stability checking.

Fidelity's template supplier agreements also require new material suppliers to comply with all applicable anti-slavery and human trafficking laws. All new suppliers and any existing suppliers which are due for renewal are required to accept the Fidelity supplier code of conduct which sets out the standards and behaviours Fidelity expects from its suppliers, including adherence to employment standards, non-discrimination and human rights legislation. A new supplier management tool was also rolled out within the organisation during the Reporting Period which requires an annual attestation from all suppliers (other than low-risk suppliers) of their acceptance of the Fidelity supplier code of conduct along with a comprehensive set of requirements on monitoring the suppliers performance against its contractual obligations

An initial scoping exercise was also conducted during the Reporting Period in order to understand which parts of FIMAL's corporate supply chains may involve modern slavery risks. The results showed that the majority of FIMAL's suppliers are located in Australia (which has a lower risk of modern slavery) and have been assessed to fall with the "low risk" category. Given the professional and regulated nature of FIMAL's business, and the fact that FIMAL does not have intricate supply chains or obtain material services from external businesses located in high risk countries, we consider that we have a low-risk of modern slavery or human trafficking within our business operations and supply chains.

Notwithstanding the above, there is a recognised need for Fidelity to improve upon the visibility of its supply chain oversight with an increased focus on environmental, social and governance ("ESG") issues including modern slavery risks within its supply chains.

4. Actions taken by FIMAL to assess and address modern slavery risks

(i) Through FIMAL's investment process

Fidelity offers world class investment solutions and retirement expertise. We believe that high standards of corporate responsibility are of great importance and also have the potential to protect and enhance investment returns for our customers. Consequently, our investment process actively considers modern slavery and human trafficking among other ESG issues.

We do not screen out companies from our investment universe purely on the grounds of poor ESG performance but rather adopt a positive **engagement** approach whereby we discuss these issues with the management of the companies in which we invest on behalf of our customers. We believe that this is the best way to encourage constructive and positive corporate change.

During the Report Period, we continued our thematic engagement of focusing on investee companies in sectors that have a very high risk of modern slavery and human rights violations in their supply chains.

As mentioned above, an example of one such engagement is on sustainable supply chains focusing specifically on the apparel retail, luxury goods and textiles sectors across Asia Pacific. Fidelity's main objective for this thematic engagement is to increase transparency in its investee companies regarding supply chain management and to encourage more systematic ways to monitor human rights with their suppliers. For those companies that Fidelity believes are falling behind best practice in relation to human rights in the supply chain management and/or responsible sourcing, Fidelity will encourage a more sustainable strategy and increased disclosure in these areas.

Fidelity's findings through this thematic engagement during the Reporting Period are -

- Human rights in the supply chain are monitored by most companies but they disclose very limited or no information on these programmes.
- In the past year, more companies are adding human rights as part of their systematic supplier assessment process, some giving a weighting to human rights which really puts the supplier on the hook to ensure better practices.
- Fidelity has encouraged its investee companies to increase their disclosure in this area and, if not already doing so, to introduce systematic ways of incorporating human rights assessment as part of their due diligence into their suppliers. Fidelity has received commitments from companies to reconsider our requests regarding increased disclosure and transparency.
- More companies are providing increased details on their supplier audit process, specifically on the number of audits occurred, what form they took, learnings from these audits and remediation taken.
- Fidelity is continuing to engage with its investee companies to further encourage increased disclosure and a more regular and systematic process for ensuring human rights and environmental management are monitored within their supply chain.
- Monitoring suppliers past tier 1 to investigate tier 2, 3, 4+ is rare but becoming a recognized risk to many companies. Fidelity has added this as a new focus to these engagements going forward.

By proactively engaging with our investee companies to discuss modern slavery, human rights, labour management and health and safety in the workplace, our goal is to encourage better practices amongst our investee companies to increase transparency and disclosure regarding supply chain management and to ensure systematic monitoring of human rights in their supply chain.

As part of our fundamental research process for Australian equities, FIMAL has also introduced a specific engagement agenda during the Reporting Period focusing on modern slavery by requiring each analyst covering Australian equities to ask specific mandatory questions to **all** companies within their coverage at least on an annual basis or as is required depending on feedback received from each company.

We have also joined collaborative engagements in the UK and APAC with peers in each region to use our collective voice to encourage companies to take action against modern slavery in their own operations and that of their suppliers. We are specifically asking companies to run a detailed risk-based mapping exercise of their suppliers in order to achieve better visibility of the supply chain beyond the first tier and to mitigate the risk of modern slavery and other labour exploitative conditions in their value chains and business relationships. For example, Fidelity became a founding member of Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC), a newly formed coalition that aims to prevent modern slavery and address human trafficking risks. IAST APAC is a coalition of leading investors including with collective assets under management of approximately US\$4.27 trillion.

The initiative has two work streams:

1. Investor Statement - IAST APAC sent an investor statement to the ASX200 setting out the group's expectations of reporting companies under the Act. We are seeking to influence the way these companies report by setting clear expectations to go beyond the legal requirements and address labour exploitation as a leading indicator of modern-day slavery.
2. Collaborative Engagement - the group is embarking on a multiyear initiative to address complex and systematic human rights issues in the value chain through collaborative engagement with companies at risk across APAC. Fidelity is leading on three engagements and acting as a support investor on two engagements across the region.

Furthermore, Fidelity has recently updated its Proxy Voting Policy which now specifically incorporates modern slavery management as a key aspect of its voting decision. Fidelity believes that exercising its ownership rights by voting at company meetings is a fundamental responsibility for shareholders. Voting is a key tool for investors to improve client returns, improve sustainable business behaviour and advance Fidelity's purpose to build better financial futures.

The new policy states that Fidelity will vote against the election of members of a company's board of directors, including the chair and CEO, and other appropriate proposals where, in Fidelity's view, the company has not met the minimum standards of monitoring and overseeing itself and its suppliers with regard to human rights and minimising the risk of modern slavery or human rights violations occurring within its organisation or supply chain.

Fidelity is also a signatory to the United Nations Principles for Responsible Investment ("UNPRI"), a voluntary framework for incorporating ESG issues into investment decision-making and ownership practices. Fidelity's approach to responsible investment is consistent with the UNPRI Principles and reflects our view that ESG integration should be encouraged when it enhances long term financial return. We report annually to the UNPRI on our ESG integration practices and have received an A+ rating for the last three years.

(ii) Through FIMAL's supply chain management

Fidelity's Global Procurement team is in the process of introducing a new sustainability ratings provider, "EcoVadis", which will focus on assessing the ESG performance of Fidelity's suppliers on four aspects: environment, labour and human rights, ethics and sustainable procurement. It includes an assessment on child labour, forced labour and human trafficking practices of suppliers. These individual audit assessments are to be carried out by EcoVadis and the results (scores) will be made available to Fidelity for ongoing monitoring and oversight. Fidelity's Supplier Relationship Managers will be tasked to include sustainability in their supplier management activities with the aim to turn improvement areas identified by EcoVadis into corrective action plans for remediation or continuous improvement.

The EcoVadis platform is currently in the process of being implemented, with an initial focus on material outsourced and critical suppliers, and with suppliers from other risk categories to be added thereafter. The EcoVadis scores will be translated in a risk rating which will form part of the calculation of the aggregated supplier risk rating. Our risk appetite for supplier ESG performance will be incorporated into Fidelity's Procurement Policy and the associated key performance

indicators (KPIs) will be included in the reporting packs published to the various Fidelity senior management forums, including the Board of Directors.

(iii) Staff training

Fidelity is also in the process of enhancing training for those individuals in Procurement and Corporate Services involved in recruiting and sourcing/managing a supply chain so that they are able to identify risk factors, understand the implications and assist us with our effective implementation of our policy not to tolerate modern slavery or human trafficking.

(iv) Internal monitoring

Our General Counsel functions work in conjunction with our Corporate Services, HR and Procurement functions to manage any concerns and to ensure that they are reported to the relevant Boards of Directors for remedial action. We also have a clear Whistleblowing Policy published to all staff: if there are any genuine concerns about any wrongdoing or breaches of law these concerns can be raised in confidence without fear of disciplinary action.

5. How FIMAL assesses the effectiveness of actions being taken to assess and address modern slavery risks

(i) Through FIMAL's investment process

In terms of assessing the effectiveness of FIMAL's approach to modern slavery through its investment process, we are initially concentrating on sectors that have a very high risk of modern slavery and human rights in their supply chain and encouraging increased focus and improved performance on the topic.

If modern slavery risks are identified, FIMAL will typically seek to address those risks through engagement. The aim of our engagement with investee companies on modern slavery and supply chain management is to get a view as to how well they are monitoring their suppliers with regard to human rights to ensure that they minimise the risk of modern slavery occurring in their supply chain.

Through our engagements, we aim to get comfortable with the company's practices or encourage companies that are not monitoring these aspects within their supply chain to improve their processes to meet best practice (this includes all suppliers no matter how deep in the supply chain they are, i.e. suppliers of suppliers, tier 1, 2 3, etc) and to have a process for addressing and remediating human rights violations with their suppliers. We believe companies illustrating best practice behaviour include the following strategies:

- Disclosing detailed risk-mapping of their supply chain to gain superior visibility of its suppliers beyond tier 1 in order to address the exposure the company has to modern slavery risks across regions.
- Giving a weighting to a human rights review as part of the overall annual supplier assessment and due diligence process.
- Investing in traceability down their complete supply chain and detailed disclosure of their supply chain management processes and supplier lists.

- In-person annual audits of suppliers and high-level disclosure of their annual audits (i.e. how many suppliers audited, amount of violations, remedial actions taken).
- Collaborating with peers, NGOs, unions and other stakeholders to minimise human rights risk.
- To provide robust grievance mechanisms for workers in their supply chain to report violations.
- Clear remediation action plans and protocols to address violations.
- Transparency on progress and effectiveness.

We identify objectives and milestones for our engagements and track progress on these regularly. Our engagements with our investee companies are on-going and our goals with these engagements are long-term, however, we are already seeing some real positive improvements through these conversations.

(ii) Through Fidelity's supply chain management

In terms of assessing the effectiveness of FIMAL's approach to modern slavery through its supply chain management, we have been concentrating on a stringent due diligence process to identify potential blind spots. We are running this process at the time of supplier onboarding and on a yearly basis for our non-low risk supplier population. It is our expectation that the implementation of the EcoVadis platform will provide Fidelity with greater visibility and the ability to track modern slavery risks of our suppliers through the improvement areas identified in their responses to the EcoVadis questionnaire.

6. Consultation with any entities owned or controlled by FIMAL

As of the date of this Statement, there are no entities that are controlled or owned by FIMAL.

7. Closing remarks - our vision ahead

Modern-day slavery and labour exploitation have been an important focus for Fidelity over the years as we seek to continuously drive effective action among our investee companies to find, fix and prevent modern-slavery, labour exploitation and human trafficking. It is our firm belief that a company that manages its supply chain sustainably can add competitive value to its strategy in the long-term and will improve their organisational performance. Additionally, a corporate's social impact is more heightened during the current pandemic and their management of suppliers is crucial. We believe that engagement is key to addressing and encouraging positive change on these issues and we seek to continue to play a significant role among the industry to bring a strong collaborative voice to the discussion.

As an organization and a steward of our clients' capital, we also believe that it is just as important for Fidelity to achieve high performance against ESG principles as the companies in which we invest. In this respect, we seek to continuously improve and strengthen our assessment of, and response to, modern slavery risks in the years to come.

This Statement was approved by the Board of Directors of FIL Investment Management (Australia) Limited (ABN 34 006 773 575) on 30TH AUGUST 2021.

Alva Devoy

Alva Devoy
Managing Director