



## Modern Slavery Statement

### 1 Introduction

This Modern Slavery Statement is prepared by Australian Foundation Investment Company Limited (ACN 56 004 147 120) (**AFIC** or the **Company**) pursuant to the requirements of the Modern Slavery Act 2018 (Cth). The Statement covers AFIC and its subsidiary Australian Investment Company Services Limited (**AICS**) (together the "Group"). It describes the risks of modern slavery practices in the operations and supply chains of AFIC and AICS, and the steps we are taking to minimise those risks. The reporting period for this Statement is 1 July 2020 to 30 June 2021. In preparing this Statement, we have had regard to the Modern Slavery Act 2018: Guidance for Reporting Entities.

#### 1.1 About AFIC

AFIC is a listed investment company investing primarily in Australian and New Zealand equities. The Company aims to provide shareholders with attractive investment returns through access to a growing stream of fully franked dividends and growth in capital invested.

##### Our Purpose

- To deliver attractive investment returns which exceed the Australian equity market over the long term.
- To invest in quality companies taking a long term, low turnover approach, which aims to provide both capital growth and a growing stream of dividends over time.
- To produce tax effective returns that are less volatile than the market, at a very low cost with no performance fees.
- To effectively utilise the internally managed, listed closed-end company structure to support our investment approach, ensure transparency for all stakeholders, provide strong governance oversight, and produce alignment of interests between employees and shareholders.
- To sustain our culture over time through a team of high-quality people who have a deep sense of purpose, passion, and conviction for: the way we invest, the way we manage the business, our long history of success, and our privileged position of serving our shareholders.

##### Values

To deliver on our purpose we are guided by the following qualities:

- Professionalism, Passion and Experience
- Integrity
- Respect
- Collaboration

## **1.2 Our Structure & Operations**

AFIC is a listed public company with one subsidiary, AICS. AFIC in turn is owned by over 160,000 shareholders.

### ***Our operations***

AFIC has been operating since 1928. AFIC invests directly in large companies listed on the ASX and NZX. It holds a diversified portfolio and would rarely hold a substantial holding (i.e. above 5% of share capital) in the investee company. During the period under review AFIC invested a small part of its portfolio in overseas listed companies.

AICS undertakes the day-to-day administration of AFIC's investments and its operations, including financial reporting, whilst the AFIC Investment Committee, through powers delegated by the Board, reviews and approves investment transactions. AICS holds an Australian financial services (AFS) Licence (303209).

AICS has one office, located in Melbourne, Australia, and currently employs 23 people.

### ***Our supply chain***

The services that AFIC and AICS utilise are office-based, and relate to the purchase of products and services needed for the business's day-to-day operations. These products and services include office supplies, the employment and training of staff, external audit services, external legal advice, external share registry services and the leasing of office space which includes office cleaning, IT infrastructure, and support services and travel.

## **1.3 Modern slavery risks in our operations and supply chain and how we address these risks**

### ***Our operations***

We are committed to complying with relevant local and national laws, community expectations and ethical standards related to human rights and modern slavery in respect to our employees and our business operations. The majority of the AICS employees are on permanent employment arrangements and we have not traditionally engaged contractors. We are committed to ensuring our employment conditions meet at least minimum wages, appropriate hours of work and leave provisions, as well as the ability to sustain the health, safety and wellbeing of our employees, and visitors.

### ***Our supply chain***

AFIC considers its supply chain to be low risk in relation to modern slavery. In addition to services provided largely by other regulated professional services firms on a contracted basis the remaining transactions take place on a retail basis with no formal agreement in place. In circumstances where longer term contractual relationships are in place, we engage with those suppliers on the issue of modern slavery risks. Prior to entering into any material relationship with a supplier we seek to conduct appropriate due diligence.

### ***How we assess and address modern slavery risks in the companies in which we invest***

The Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities states that “an investment firm is not required to individually monitor or report on each of its investees and their operations and supply chains”.

Although the companies in which AFIC invests do not form part of our supply chain, we operate a responsible investment policy that includes environmental, social and governance (**ESG**) issues as an important part of the investment process.

AFIC regularly reviews companies to ensure ongoing alignment with our investment framework:

- We believe environmental factors, including the impact of climate change, can have a material impact on society. These factors are considered when assessing a company’s assets, long term sustainability of earnings and cash flow, cost of capital and future growth opportunities.
- We believe that aligning ourselves with high-quality management and boards building sustainable long term businesses is the best approach to avoiding socially harmful businesses. We are attracted to companies that act in the best interest of all their stakeholders, including their employees, customers, suppliers, and wider communities.
- We invest in high-quality companies with strong governance processes, and management and boards whose interests are closely aligned with shareholders. The investment process includes an assessment of their past performance, history of capital allocation, level of accountability, mix of skills, relevant experience and succession planning. We also closely scrutinise a company’s degree of transparency and disclosure.

In this respect, the risk of modern slavery would be included within the meaning of "ESG" in this investment process.

As stated above, AFIC holds a diversified portfolio and would rarely hold a substantial holding in the investee company and therefore is limited in its ability to exercise control over the investee company. Following the introduction of the Modern Slavery Act 2018, Modern Slavery Statements are now available for the majority of the Australian domiciled companies in which AFIC invests. The Investment Team seeks to review the Modern Slavery Statements as part of the investment process as they provide a useful insight into the investee company’s practices and the potential exposure to modern slavery. AFIC acknowledges that high-quality companies may face ESG challenges (which may include matters related to Modern Slavery) from time to time. We seek to stay engaged with the companies and satisfy ourselves that the issues are taken seriously and worked through constructively. As there is less consistency of reporting on Modern Slavery for the international portfolio a risk-based approach is applied to those holdings.

## **2 Controls to address the risk of modern slavery in our operations and supply chains**

In summary, as an Investment Company with a small office and an office-based supply chain it is the Board’s opinion that the risk of modern slavery is relatively low.

AFIC has processes in place to identify and manage the risk of modern slavery in its operations and supply chains. This is done primarily through:

- Seeking to identify, assess and monitor potential higher risk areas in our supply chains and investments;
- Engaging with key suppliers to ensure they are aware of modern slavery and are taking appropriate action.
- Training our employees as to these risks and the need to manage them; and

- Providing opportunities for concerns to be raised through our relevant policies detailed below.

### ***Policies***

AFIC has in place an Anti-Bribery and Corruption Policy and a Whistleblower Protection Policy, which provide detail and guidance on how employees and third parties can raise issues in a confidential manner without victimisation or retaliation. These issues would include risks of modern slavery or other human rights breaches.

### ***Effectiveness of Controls***

AFIC will continue to review its exposure to modern slavery risk as part of its risk management framework. A copy of the current Risk Management Policy and Framework is included on the Company's website, [www.afi.com.au](http://www.afi.com.au).

In terms of assessing the effectiveness of AFIC's approach to modern slavery the Company will use best endeavours to review :

- The engagement of our key suppliers on Modern Slavery including the provision of the suppliers own modern slavery statements or the updating of suppliers contract to include contractual provisions related to modern slavery considerations; and
- The outcome of the assessment of the publicly available information on our investee companies as part of the investment framework.

## **3 Process of consultation**

For the purpose of preparing this Modern Slavery Statement, AFIC has consulted with the AICS Board who have the opportunity to review and comment upon the draft statement. Three Directors of AICS sit on the Board of AFIC, and so both entities are aware of any actions they need to take.

This Modern Slavery Statement was approved by the Board of AFIC.

Signed



R Mark Freeman  
Managing Director and Chief Executive Officer  
Australian Foundation Investment Company Limited  
Dated: 10 November 2021