



IAST
APAC

**Investors Against
Slavery and Trafficking**
Asia Pacific

Annual Report 2023–2024



Contents

Foreword	01
Snapshot:	02
Modern slavery in the Asia-Pacific region	
Governance and Membership	03
Introduction	04
Work stream 1:	05
Investor Advocacy	06
• Case Study 1 – Why data and transparency matter	07
Work stream 2:	08
Company Engagement	09
• FY23-24 Company Engagement Process	10
• Case Study 2 – Coles	15
• Case Study 3 – A Large Clothing Retail Company	16
• Case Study 4 – Wesfarmers	17
Knowledge Sharing	18
Appendix 1:	20
IAST APAC Membership FY23-24	21

Foreword

Welcome to the 2023-2024 Annual Report for the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative. It is a privilege to chair the Steering Group for this coalition, which today represents 50 investors with a combined AU\$12 trillion in assets under management, as we work towards ending modern slavery.

A key driver of increasing global demand for goods is customers desiring more but wanting to pay less. Behind the closed doors of the companies producing these goods (farms, restaurants, construction sites, workshops and workplaces globally) is an estimated 50 million victims of modern slavery.¹ The APAC region is responsible for 59% of this exploitation, and discrimination based on factors such as gender, race and ethnicity only heightens the risk.

Increasing awareness is being drawn to the complex, systemic and urgent issue of modern slavery, but many challenges persist; supply chain traceability and verification, a lack of dedicated company resources, and a general aversion to the term 'slavery' curbing engagement efforts. As investors, we recognise that in addition to the human cost, these challenges can represent material financial risks for investee companies.

Our coalition has spent the last four years promoting effective action in finding, fixing and preventing modern slavery in operations and supply chains, whether it be through policy advocacy, information sharing or collaborative company engagements. Our

coalition is expanding geographically, as is our focus into the realms of data-driven metrics to complement our existing resources.

For our work in advancing responsible investor strategies to address modern slavery, IAST APAC received the Principles for Responsible Investment (PRI) Recognition for Action - Human Rights award in October 2024. This builds on previous acknowledgements of the initiative, including recognition from the Anti-Slavery Australia's Freedom Award received in March 2023. We hope that this global recognition will increase awareness of the role investors can play in addressing modern slavery.

I extend my thanks to the members of IAST APAC, Walk Free, the FAST initiative, and to the companies and broader stakeholders that have openly engaged with us. There is still a long way to go, but we are stronger together in this global fight against modern slavery.

Kate Turner
Global Head of Responsible Investment,
First Sentier Investors Chair, IAST APAC.

¹ For the purposes of the Global Estimates of Modern Slavery, modern slavery includes forced labour, concepts linked to forced labour (debt bondage, slavery and slavery like practices, human trafficking) and forced marriage. Global Slavery Index 2021, <https://www.walkfree.org/global-slavery-index/>



Snapshot:

Modern slavery in the Asia-Pacific region

Of the **50 million people** estimated to be living in modern slavery worldwide:



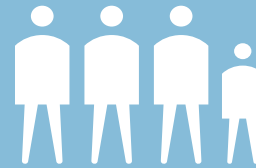
29.3 million

are in the Asia-Pacific region



54%

are women and girls



1 in 4

are children



Labour

The majority of all modern slavery cases are forced labour

Governance and membership

Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) is a multistakeholder, investor-led initiative.

IAST APAC comprises 50 investors with AU\$12 trillion in Assets Under Management (AUM), joined by the Australian Council of Superannuation Investors (ACSI), Walk Free and Finance Against Slavery and Trafficking (FAST). Walk Free and FAST continue as knowledge partners with modern-slavery and financial sector subject matter expertise.

During the 2023-2024 financial year, seven new members joined IAST APAC, including Australian-based members, AMP Limited, Emit Capital Asset Management, QIC Limited and Telstra Super Pty Ltd. We also welcomed our first India-based member, Arisaig Partners, and United Kingdom-based members, Impax Asset Management and Legal & General Investment Management Limited.

Founding Members



SteerCo Members



Kate Turner

Global Head of Responsible Investment,
First Sentier Investors
IAST APAC Chair



Liza McDonald

Head of Responsible Investment,
Aware Super
IAST APAC Co-Chair Work stream 1
Investor Advocacy



Clare Baldwin

Senior Director,
ESG & Stewardship, AustralianSuper
IAST APAC Co-Chair Work stream 2
Company Engagement



Gabriel Wilson-Otto

Head of Sustainable Investing Strategy, Fidelity International
IAST APAC Co-Chair Work stream 2
Company Engagement



Måns Carlsson OAM

Head of ESG and co-portfolio manager,
Active Sustainable Share Fund.
Ausbil Investment Management Limited
IAST APAC Co-Chair Work stream 1
Investor Advocacy



Ed John

Executive Manager,
Governance & Engagement,
ACSI



Serena Grant

Head of Business Engagement,
Walk Free



Maha Khan

Financial Sector Lead,
FAST

Knowledge Partners



Secretariat





Introduction

The Asia Pacific is the third most vulnerable region in the world to modern slavery, with an estimated 29.3 million people living in modern slavery.¹

Tackling an issue of this scale and complexity poses a multifaceted challenge. Factors such as an increasingly interconnected global economy clouding supply chains, climate-related disasters limiting access to essentials, turmoil plaguing our geopolitical landscape and widening wealth gaps only exacerbate modern slavery practices. Given the Asia Pacific region's significant role in the global economy, accounting for approximately 39% of global nominal exports,² companies and investors in the region face heightened exposure to modern slavery risk.

Modern slavery risks are also business risks. Ongoing and effective management of human rights and modern slavery risks can have material commercial implications including supply chain efficiency and resilience, access to capital and funding, reputational risk including lower consumer demand, and regulatory risks such as import bans and fines.

IAST APAC's progress remains incremental but is moving in the right direction. Two years ago, we made a submission under the statutory review of the Australian Modern Slavery Act calling for an independent Anti-Slavery Commissioner in Australia. This year, Australia awaits the Commissioner's appointment as the Australian government passed the Modern Slavery Amendment (Anti-Slavery

Commissioner Bill 2023). This year we also expanded our efforts to broader regions and policy areas and began engaging with standard settings and research providers on the identification and collection of ESG data points related to modern slavery that are most valuable to investors.

The focus of our engagements with companies also continues to progress. In the 2022-23 financial year our engagement objectives began to shift from 'Finding' to 'Fixing' modern slavery risks in operations and supply chains. In the 2023-24 financial year this evolution continued with our engagements across 21 focus companies shifting from 'Fixing' to 'Preventing' modern slavery.

This annual report delves into IAST APAC's progress over the 2023-24 financial year, featuring three companies exemplifying best practice when it comes to finding, fixing and preventing modern slavery. These case studies not only act as a valuable reference for other organisations wanting to forge their own modern slavery prevention efforts, but also act as proof that in our own ways, we can make efforts to contribute to a better future for those living in, or at risk of modern slavery.

¹ <https://www.walkfree.org/global-slavery-index/findings/regional-findings/asia-and-the-pacific/>

² unescap.org/kp/2022/trade-trends-goods-and-services-asia-pacific-20222023

Work stream 1

Investor Advocacy

Work stream 1: Investor Advocacy

Initially, this work stream was founded on an investor statement on modern slavery. This statement, created by IAST APAC and signed by many of its members, was distributed to ASX200 companies and led to a small number of individual company engagements.

The key message of the investor statement emphasised the need for companies to go beyond compliance with the Australian Modern Slavery Act, in order to make a meaningful contribution to combatting modern slavery. The investor statement, which promoted a number of what IAST-APAC perceives as leading practices, has also been assisting work stream 2 and its engagement plans for individual companies. Since then, this work stream has expanded beyond an investor statement into policy advocacy, ESG data metrics and information sharing.

Public advocacy

Initially, work stream 1 focused on Australian-listed companies, however it has recently ventured into policy advocacy globally. This work stream seeks to facilitate opportunities for IAST APAC members to participate in global, regional or national policy advocacy, including investor statements and submissions to policy makers. Please see **IAST APAC's Updates and Resources**¹ for our recent advocacy, including to the International Sustainability Standards Board (ISSB) Request for Information Consultation on Agenda Priorities, and the Australian Government's National Victims Compensation Scheme.

In practice, the initial focus has been on Australia but IAST APAC continues to seek similar opportunities

elsewhere relevant to investor members operating in the Asia-Pacific. In 2022 IAST APAC made a submission under the statutory review of the Australian Modern Slavery Act, which included calling for an independent Anti-Slavery Commissioner in Australia. Subsequently, this became a recommendation by the review of the Act in 2023 led by Professor John McMillan, and in 2024 the Modern Slavery Amendment (Anti-Slavery Commissioner Bill 2023) was passed by the Australian parliament. At the time of writing, we are awaiting the appointment of the Commissioner and an announcement on whether any of the other 29 recommendations proposed by Professor McMillan's review will be taken up by the Federal Government. In the meantime, we are encouraged that Australia will have its first federal Anti-Slavery Commissioner to lead the fight to combat modern slavery. The Government committed AU\$8 million over four years in the 2023-24 Budget to support the Commissioner's establishment and operation. The inspiration behind this additional request in IAST APAC's submission stemmed from the UK Modern Slavery Act, where the equivalent role has positively impacted awareness of the issue. The Commissioner will also play a key role in helping to shape the implementation of future modern slavery reforms, including those arising from future statutory reviews of the Act.

Information sharing

IAST APAC does not wish to be a prescriptive engagement initiative, but rather a disseminator of information and opportunities to get involved. To that end, the work stream 1 co-chairs send regular information via email to its members, highlighting relevant news, training sessions, webinars, investor tools, as well as opportunities to join collaborative engagement and public advocacy activities. Individual members participate or co-sign as their individual organisations see fit. IAST APAC also encourages individual members to raise such opportunities to the co-chairs who then disseminate these to other members.

For example, in the last year a small group of investors came together to write to the Australian government, requesting the consideration of a national compensation scheme for modern slavery victims. This act stemmed from an individual member sharing the initiative with IAST APAC to gain additional support from other members. The arguments included that a national scheme could complement the Commonwealth modern slavery offences in Divisions 270 and 271 of the Criminal code, reporting obligations under the Modern Slavery Act and alignment with Australia's commitments under the ILO Forced Labor Protocol 2014 and more. This letter was co-signed by a number of investors and sent to the relevant government authority.

In the last 12 months, the co-chairs have sent eight information sharing emails to work stream 1 members which included five sign-on and collaboration initiatives in public advocacy and general investor statements, as well as various articles and practical investor tools for risk assessment and modern slavery engagement for members' interest and consideration.

¹ <https://www.iastapac.org/tools-resources/>

Case Study 1:

Why data and transparency matter

A company's exposure to modern slavery risks can be complex due to both the contextual nature of the risks (different issues can be present based on sector, industry, geography) as well as the rise of distributed, dynamic and fragmented supply chains. Given this complexity, data disclosure and collection should not be seen as a substitute for qualitative analysis when assessing modern slavery risks.

Disclosure of a core set of metrics can help provide an initial scalable step towards analysing company performance and facilitating discussion and engagement with companies and other stakeholders, to better understand modern slavery risks and move towards positive outcomes. We mapped available data sources, worked out what we would like to see as investors, seeking feedback from specialists throughout the process. Our **core metrics**¹ are divided into input and output metrics and are focused on understanding whether a company has the right policies and processes in place (input metrics) and how they are applying them in practice (output metrics).

A working group of work stream 1 members socialised the core metrics with a number of parties including ESG data providers, ASX listed companies, standard setters (e.g. ISSB), stock exchanges, United Nations agencies and civil society organisations, encouraging adoption in either disclosures or data collection.

IAST APAC was pleased to partner with ISS Stoxx to embed the core metrics into their modern slavery solution. ISS Stoxx continues to expand its modern slavery data and analytics to provide a comprehensive tool that can support investors in their engagement, reporting and portfolio risk management workflows. This includes a recently launched Portfolio Report and the continued collaboration with investor groups, such as IAST APAC, to improve availability of data on companies' disclosure of modern slavery related policies and risk management. Supporting the operability of frameworks such as Find it, Fix it, Prevent it through data gathering and qualitative assessments of disclosures is an important component in ISS Stoxx's approach to developing its holistic modern slavery offering.

Given the important role ESG research providers play in influencing company disclosure, we see this as an important driver for the disclosure of information that will better support investors to identify modern slavery risks within investment portfolios.

We do not anticipate that this will be a complete solution to understanding modern slavery risks within portfolios, but it should help us to better narrow down areas of focus, particularly in large portfolios.

¹ <https://cdn.iastapac.org/content/uploads/2023/09/27061036/IAST-APAC-Core-Modern-Slavery-Metrics-September-2023.pdf>



Work stream 2

Company Engagement



Work stream 2: Company engagement

Work stream 2: Company Engagement was established in January 2021 to support and enable investors to work collaboratively towards a common goal of mitigating modern slavery risks in investee companies across the Asia-Pacific region.

The Company Engagement work stream involves collaborative engagement with focus companies to address modern slavery risks in their operations and supply chains. As part of this work, investors are invited to nominate themselves as either a lead or support investor. Each investor group is allocated a focus company and all investors play an active role in engaging directly with the focus company. The approach takes inspiration from the 'Find It, Fix It, Prevent It' investor initiative being run by CCLA Investment Managers in the United Kingdom.

This involves direct investor engagement to support companies with identifying and preventing modern slavery risks within their operations and supply chains. Due to the complexity of issues related to modern slavery in the supply chain, it is anticipated that this will be a multi-year initiative.

During the 2023-2024 financial year, we engaged with 21 focus companies across consumer discretionary, consumer staples, technology, and healthcare sectors as part of the work stream.

Companies are listed on the following exchanges: Australia, Hong Kong, Japan, the Philippines, Singapore, South Korea, Taiwan and Vietnam.

FY23–24 Company Engagement Process

Engagement with focus companies continues, with lead and support investors working together to further develop and implement engagement plans using the ‘Find it, Fix it, Prevent it’ framework.

Table 1: Engagement Framework

Investor groups have developed engagement plans for focus companies including setting specific objectives and key milestones. Outlined below are the steps taken to develop the engagement framework.

- | | |
|----|--|
| 1. | Investor group develops focus company engagement plan under the ‘Find It, Fix It, Prevent It’ framework – lead investor drafts it and support investors review it; |
| 2. | Investor group contacts focus company and requests first meeting; |
| 3. | Engagement commences with company – generally one to four direct engagements per year; |
| 4. | Investor group conducts risk assessment post-engagement with company; and, |
| 5. | Investor group reports on engagement half-yearly. |

Table 1 outlines an example of the process for developing an engagement plan.

Approach to Engagement

Each focus company differs in their understanding and management of modern slavery supply chain risks. Consequently, the engagement plans are tailored accordingly, and include the unique challenges the focus company faces, such as industry, company size, geographic location and supply chain complexity. Lead and support investors are responsible for evaluating the focus company’s exposure, management strategies and disclosure practices. This evaluation underpins engagement plans, which are then further refined in consultation with the focus company.

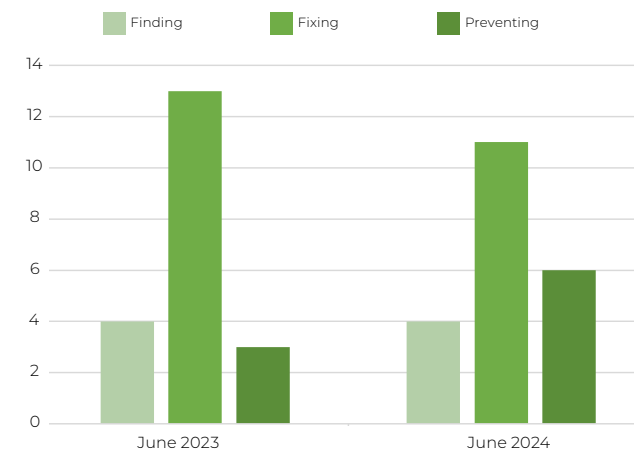
Since 2021, IAST APAC investors have fostered relationships with focus companies and as a result, many are now tracking progress against their engagement plan milestones. This has allowed investors to effectively monitor progress.

Process Update

IAST APAC monitors the progress of engagements with focus companies by tracking the objectives in Engagement Plans using a ‘traffic light’ system. This assessment takes place twice a year and the results are summarised in the annual report.

During the 2024 financial year, IAST APAC members continued to report modest progress amongst target companies. Key changes in focus include a shift in the focus of engagement objectives from ‘Fixing’ to ‘Preventing’ and a significant increase in engagement objectives seeking the introduction of grievance mechanisms. This is encouraging as it highlights incremental progress and builds on the outcomes in the 2023 financial year which saw a shift in engagement objectives from ‘Finding’ to ‘Fixing’.

Key focus of target companies Find it, Fix it, Prevent it



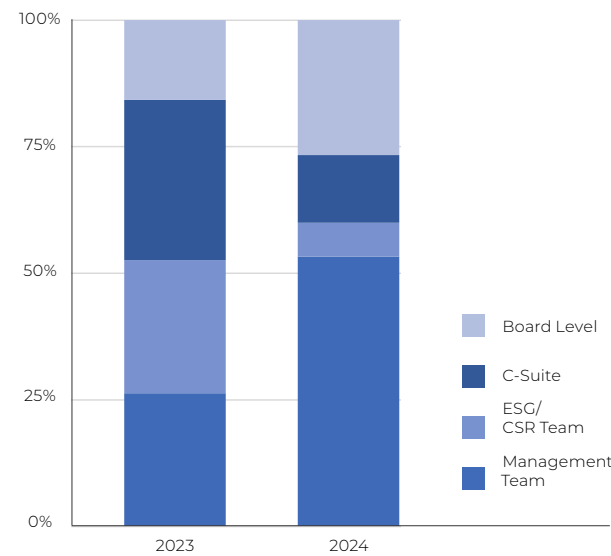
FY23-24 Company Engagement Process (continued)

During 2024 there was a slight change in the composition of engagement meetings; a 'barbell' has emerged with a concentration of meetings at both the board level and with ESG and CSR specialists. This could be due to the shift in composition of engagement targets towards more technical elements of 'Fixing' and 'Preventing' modern slavery (i.e. Board level engagement for senior 'buy-in' and technical teams for implementation).

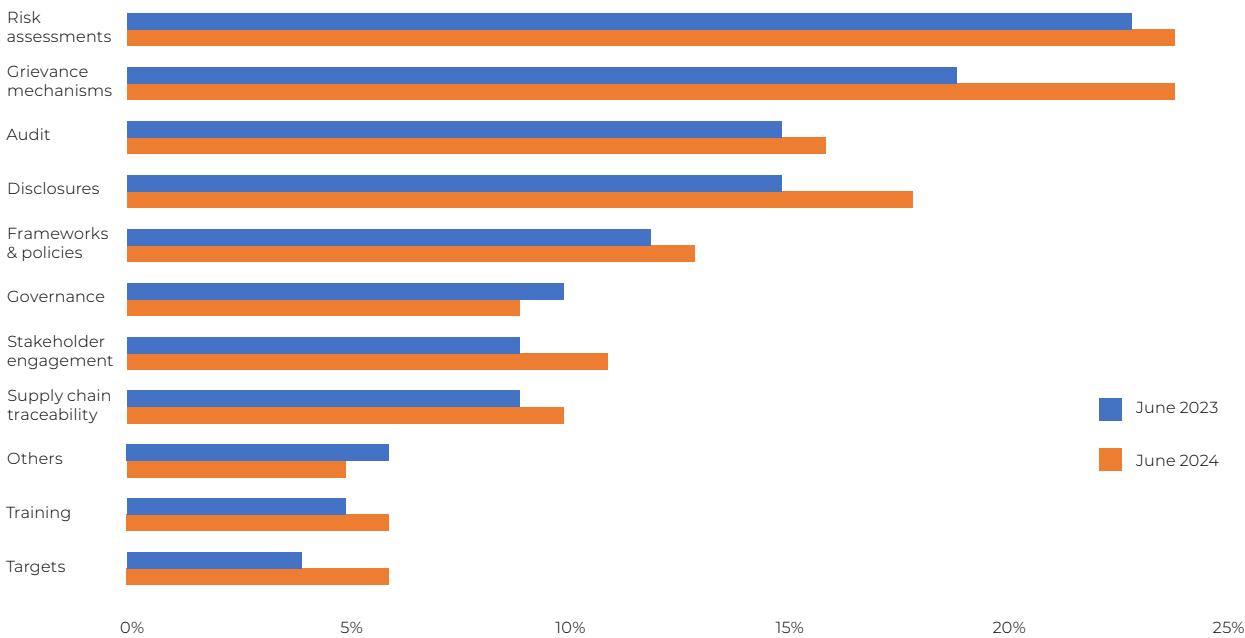
Key continued areas of focus for IAST APAC members' engagement include:

- Risk assessments;
- Introducing grievance mechanisms;
- Performing audits;
- Enhancing disclosure; and
- Introducing frameworks and policies targeting modern slavery.

Seniority of company representatives met
12 months to June, % of total meetings



Engagement objectives by topic



FY23-24 Company Engagement Process (continued)

There was a slight increase in the number of objectives within engagement plans, and modest overall progress on targeted outcomes.

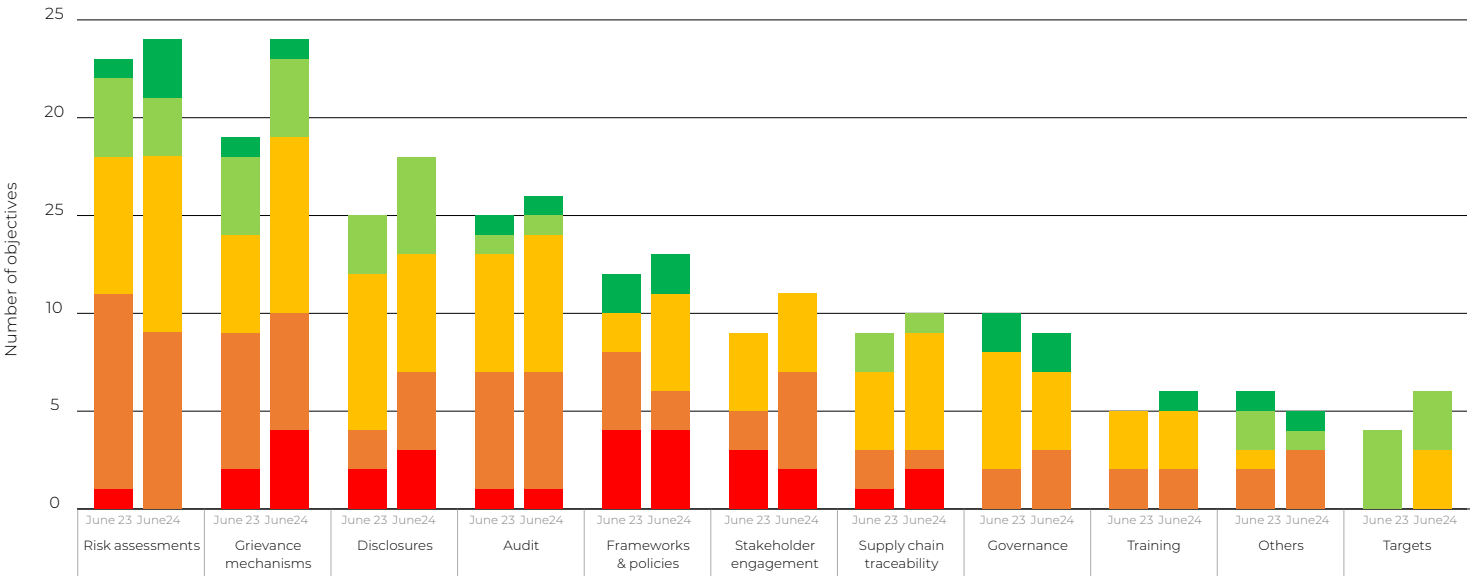
Further analysis of the data revealed that the most progress was seen in objectives related to Risk Assessments, Disclosures, and Training.

- Fully achieved
all elements delivered in full
- Partially achieved
some elements delivered in full
- Work in progress
deliverable is incomplete and gaps remain
- Action initiated
no material progress or tangible deliverables
- Not yet pursued

Objective level progress



Engagement topics and progress



Summary of Engagements

Since its inception, the investor groups have observed a range of outcomes: some companies have made significant progress, others are advancing slowly, and a few have made little to no progress. In most cases, the lack of progress is not due to a lack of willingness to take action, but rather external competing factors such as resource constraints, limited access to information, and the complexity of the issues.

Challenges

Complexity

One of the main challenges in these engagements has been the complexity of supply chains and the difficulty in tracing and verifying conditions down to the raw material level. Although Tier 1 and 2 suppliers are relatively easier for companies to assess and engage with, the challenges increase significantly beyond these tiers. Despite ongoing efforts, there remains a need for greater transparency and accountability across all supply chain tiers. The complexity of these issues is further highlighted by the necessity for some companies to investigate high-risk areas of their supply chain, such as cotton and polysilicon, which are located in geographies where access to suppliers is limited.

Resourcing

Another major challenge companies face in managing modern slavery issues is the difficulty in allocating sufficient internal resourcing. Many companies lack specialised personnel dedicated to these issues and must rely on employees across various functions, such as procurement or sustainability, to take the lead. Additionally, several companies experienced changes in executive leadership throughout the year, which in some cases led to a shift in focus and reprioritisation of addressing modern slavery.

Learnings

The engagements have provided several key learnings. For instance, the highly competitive manufacturing market in Southern China has led to a shortage of skilled labour, which has inadvertently acted as a form of self-regulation within the industry. Additionally, one company's efforts to diversify its supply chain away from China introduced new challenges associated with such a strategic move, highlighting the importance of careful planning and risk assessment.

When engaging with companies based in Asia, several investor groups encountered resistance when the issue was presented as 'slavery'. Reframing it as a social or financial issue, or directly addressing the issue led to more effective engagement. Taking this approach, investors aimed to facilitate discussion and education on the subject, whereas direct references to modern slavery led to cultural opposition.

Initially, some companies were opposed to holding joint meetings with multiple investors, preferring one-on-one engagements. However, once they understood that one engagement with multiple investors in a group meeting was more efficient, they became more open to the concept, increasing the time available for discussions on modern slavery issues.

Progress

While overall progress was mixed, some companies have demonstrated noticeable progress. One company improved its risk assessment within supply chain management, along with improvements in auditing, training and disclosure. Another company, following investor engagement, has started training its internal staff on modern slavery risk assessments using the International Labour Organisation's indicators for forced labour.

An Australian company developed a mature ethical sourcing program at a consumer goods subsidiary, with dedicated teams addressing the risk, and is determined to continue rolling this out across other divisions. An Asian manufacturer established an internal audit and monitoring team that now conducts more audits than the external auditors. In addition, an Australian retailer improved its supply chain management by implementing better auditing and disclosure practices, alongside increased engagement from senior executives on modern slavery issues.

Summary of Engagements (continued)

Examples of Best Practices

Best practices have emerged from these engagements. For instance, Coles has invested in Australia to train auditors on modern slavery, benefiting not just Coles but other businesses in their ecosystem. Another retailer has developed a mature ethical sourcing program with dedicated teams to address the risks. Additionally, several companies have been noted for providing mechanisms to amplify worker voices.

Looking Ahead (Future Engagement Focus Areas)

As we look to the future, the next steps for each company are tailored to their unique challenges and progress in managing modern slavery risks.

Examples include:

Supplier Information

Publishing information about suppliers beyond Tier 1 and including them in audits

Grievance Hotline

Reporting details of calls to its grievance hotline and resolving issues such as unpaid overtime.

High-Risk Divisions

Improving the remediation program in high-risk profile locations and seeking more granular reporting on non-conformance issues.

Decent Work and Living Wage

Committing to decent work and living wages, preventing worker exploitation at all stages of the employment cycle, and providing greater disclosure on human capital metrics.

Root Causes

Focus on the root causes of modern slavery and implementing changes in supply chain practices.

Transparency

Enhancements in the transparency of modern slavery reporting.

Internal Policies

Strengthening internal policies and procedures and reporting on progresses.

These next steps are crucial for each company to continue making progress towards effectively managing modern slavery risks. The focus will be on deepening the engagement with companies to ensure continuous improvement and adherence to best practices. This includes setting targeted achievement dates for specific milestones, developing comprehensive engagement strategies, and leveraging investor influence to drive change. The collaborative engagement framework, which includes principles like 'Find it, Fix it, Prevent,' will guide future actions.

This forward-looking approach reflects the ongoing commitment and concerted efforts by investors to address modern slavery and ensure better employment practices across global supply chains. The outlined future focus areas aim to build on this foundation to achieve even greater impact.





Case study 2: Coles

Elevating auditor capabilities and audit quality in Australia

Coles Supermarkets is a national full-service supermarket retailer operating more than 850 stores across Australia. One of the key industries Coles relies on - Australia's horticulture industry - depends on labour for variable and unpredictable picking seasons, often in remote locations. These factors, along with the prevalent use of labour hire agencies, can increase the risk of human rights violations for workers, and a consistent approach to baselining working conditions across Australia can be challenging.

Social compliance audits undertaken by qualified auditors can provide a valuable point-in-time assessment of standards for workers including pay, working hours, safety protections and grievance management practices. However historically, due to the limited availability of certified social compliance auditors in Australia, there are challenges around cost and long wait times.

Coles sought to address these challenges by directly commissioning and paying for selected certification bodies to conduct audits across their Australian supply base, with a key focus on horticulture suppliers including those in remote locations where travel costs significantly increase audit costs. Since 2021, Coles has funded over \$3.79m for 581 audits through their third-party audit program known as 3PAP. Prior to Coles' engagement, the selected certification bodies combined had only two fully qualified social compliance auditors. Coles' investment contributed to improved auditor availability with the firms adding more than 11 qualified auditors to their teams in Australia.

Of the 581 audits undertaken through the 3PAP program, over 380 sites were completing a social compliance audit for the first time. By undertaking

this work, Coles learnt that suppliers needed more guidance on how to make practical changes in their operations to result in positive change for workers. Coles quickly mobilised to develop and deliver targeted training to support suppliers. Through engagement in this program, Coles discouraged "pass/fail" language in audits, instead favouring communications from auditors centred on continuous improvement. Coles continues to build a culture of learning and development around social requirements, to contribute to better outcomes for workers and suppliers.

This process also highlighted the need for auditor capability building, which led Coles to conduct full-day in-person workshops for auditors to discuss common non-conformances in Australia, Coles' newly developed audit for service-based businesses, upcoming legislation changes, and suggested improvements to the social compliance landscape in Australia more broadly.

Coles' investment over recent years goes beyond the increase of auditors and audits undertaken in Australia; it focuses on improving the effectiveness and impact of audits. The Coles team takes a multi-prong approach which includes reviewing audit reports, providing feedback to audit scheme providers and audit bodies, as well as post-audit supplier engagement to close relevant non-conformances. Meaningful follow-up after each audit takes time, to ensure findings from audits are rectified, thereby improving outcomes for workers. Due to the volume of audits Coles commissions in Australia, this rigorous practice of following-up has a multiplier effect on improved awareness of the importance of worker rights and wellbeing in Australian supply chains.



Case study 3:

A Large Clothing Retail Company

Living wages and worker voices

The focus company is an Australian listed group that operates many well-known retail brands, operating across APAC and the UK.

Global garment supply chains are high-risk, with evidence of labour exploitation and modern slavery commonplace from raw materials to manufacturing. The sector faces complex challenges, with supply chains often operating in geographies where local laws protecting human rights do not exist, are weak, or are not enforced. Women also form the majority of workers in these supply chains, where worker rights and protection schemes often do not take a gender-sensitive approach. Workers in the industry are left particularly vulnerable to forced labour, illegal overtime and other forms of exploitation.

The principle of a living wage in supply chains is a key focus area for this company. In FY23, key management personnel met in-person with long-standing suppliers to discuss their position on living wages, and their plans to increase transparency and accuracy of worker wage information. Through this collaboration, both sides committed to this initiative and together, finalised the scope and tool for a living wage analysis which was piloted with these suppliers in FY24.

In tandem, the company provided modern slavery and responsible purchasing practices training to their procurement team which resulted in effective risk identification during site visits. This work was further reinforced by providing training to suppliers on modern slavery which included a living wage awareness component.

To deepen the emphasis on worker perspectives, the company's worker voice program seeks to understand the worker experience to identify, prevent and address modern slavery risks in their supply chain. During FY23, the company tested an externally supplied grievance mechanism and deemed it inadequate under UNGP 31 (effectiveness of non-judicial mechanisms). Subsequently, the company conducted an analysis on other grievance mechanisms adopted by industry peers, evaluating them against UNGP 31 and other factors that would deter workers from speaking out. These included operational hours (some only operational during production hours), user experience (i.e. online-only format, onerous process) and cultural alignment. Upon selecting a preferred mechanism, the company collaborated with the mechanism provider to run training for both workers and factory management in all supplier factories in Bangladesh. The rollout of this grievance mechanism has continued, and FY24 is the first full reporting cycle.

Through investor group engagement, the company has demonstrated strong progress in supply chain disclosure and implementing an outcomes-based approach in managing modern slavery risks. Their focus on worker perspectives, such as living wages and amplifying worker voices, are critical steps to proactively managing modern slavery in supply chains.

Case study 4: Wesfarmers

Best Practices in Addressing Modern Slavery Risk

Kmart Group, a division of Wesfarmers, has implemented best practices to manage modern slavery risks in its garment and apparel supply chain. This includes transparency through reporting, and the utilisation of a range of mechanisms to mitigate modern slavery risk.

Kmart Group, which includes Kmart and Target, sources retail merchandise from high modern slavery risk countries such as Bangladesh, China, India, and Indonesia. The garment and apparel supply chain is high-risk for modern slavery practices with multiple, complex tiers, and supplier relationships located across high-risk geographies.

‘Find It’ – Mapping and Risk Assessment

Kmart Group has mapped all tier one retail merchandise suppliers and improved traceability up to tier four of its supply chain (e.g. for raw materials, such as cotton). Kmart Group has published the location of tier one finished goods factories, and tier two and three processing facilities that produce own-brand clothing, towel and bedding products.

‘Fix It’ – Ethical Sourcing Policy and Program

To help manage risks relating to its supply chain workforce, Wesfarmers has a Group Ethical Sourcing and Modern Slavery Policy. Kmart Group has implemented an Ethical Sourcing Code and program, aligned with Wesfarmers' standards, prohibiting modern slavery and supporting safe working conditions and the implementation of grievance procedures. Of the Kmart Group's 3,993 suppliers in

FY24, 938 suppliers including all tier one own-brand suppliers, were in the ethical sourcing program. 103 sites were identified to have reportable breaches in FY24 with Kmart working to remediate these through corrective action plans with the suppliers.

‘Prevent It’ – Supplier Relationships, Monitoring and Training

Kmart Group has reduced the number of its suppliers by 16% since FY21, from 4,753 to 3,993 suppliers in FY24. Kmart has focused on its own brand retail merchandise, designing and sourcing products directly in very large volumes and having end-to-end control of over 80% of the goods it sells. Kmart Group has contractual controls with suppliers aligned with its Ethical Sourcing Code. Kmart Group has also strengthened supplier relationships through on-the-ground engagement assisted by its 14-person dedicated ethical sourcing team and around 480 team members located in major sourcing countries like Bangladesh, China, India and Indonesia. This in country presence has enabled engagement on desired values and responsible purchasing practices, helped embed minimum standards and strengthened supplier relationships.

Other best practice monitoring and training initiatives demonstrated by Kmart Group regarding its garment and apparel supply chain include:

- supplier pre-qualifications;
- six monthly modern slavery disclosures by suppliers of certain own brand retail merchandise;

- SpeakUp whistle blower / grievance mechanisms at 1,186 sites across 11 countries, enabling factory workers to report violations of the ethical sourcing code;
- an active program of site visits;
- third-party audits for all tier one factories in the Kmart Group ethical sourcing program, regardless of country location (in FY24, some 1,146 tier one supplier factories were subject to 1,293 third-party audits)
- ethical sourcing and modern slavery training for suppliers and team members; and
- partnering with BSR's HERproject to provide professional skills, health or education training to women in the Kmart Group garment and apparel supply chain. As of May 2024, 109,920 women were enrolled in different HERproject programs across 57 Kmart Group supplier factories in Bangladesh, India and Vietnam.

Wesfarmers and Kmart Group's structured approach to identifying, assessing, and addressing modern slavery risks draws on the UN Guiding Principles on Business and Human Rights and serves as a model for best practices in the industry.

For further information, please see **Wesfarmers Sustainability**,¹ or refer to **Wesfarmers' 2023 Modern Slavery Statement**.²

1 <https://www.wesfarmers.com.au/sustainability>

2 https://www.wesfarmers.com.au/docs/default-source/sustainability/sustainability-2023/modern-slavery-statement-2023_final.pdf

Knowledge Sharing

Knowledge Sharing

As knowledge partners of the IAST APAC initiative, Walk Free and FAST identify and implement knowledge events designed to support policy advocacy and company engagement work streams. In addition, they support the Chair, co-chairs and work stream participants on request to run events on topics that interest them.

In the last financial year, the initiative's knowledge partners and members delivered the following knowledge events:

PRI in Person (October 2023)

FSI and Walk Free ran a side event during the PRI in Person conference in Tokyo to showcase the IAST APAC initiative and encourage regional asset owners and asset managers in attendance to consider joining the initiative in the future. Walk Free gave an overview of the Global Index findings for Asia, Japan and Indonesia, as a key regional recipient of Japanese FDI. Following this, FSI moderated a panel featuring speakers from MUFG Asset Management, Caux Roundtable Japan and Know the Chain.

Addressing Forced Labor in Malaysia (October 2023)

FAST shared their learnings from their **research**¹ with investors in Southeast Asia and Sub-Saharan Africa on how their peers are addressing social risks within their ESG priorities, their challenges, and five actionable recommendations. The focus of the webinar was on Malaysia, given the private sectors' proactive response to address forced labour over the last five years, the high prevalence of forced labour, and being the world's second-largest producer of palm oil, a high-

risk sector for experiencing forced labour. The webinar also heard from a Malaysian-based NGO, North-South Initiative, on the working conditions of migrant workers, particularly in the agriculture sector, the red flags investors should look for in their due diligence and company monitoring processes, and the need for engagement with policymakers on modern slavery risks.

Human rights due diligence (HRDD) in South Korea and Thailand (March 2024)

Walk Free organised a meeting for Asia members to hear from APIL and UNDP Thailand on the latest HRDD developments. APIL provided a detailed explanation of the HRDD bill tabled in September 2023, while UNDP Thailand described Thailand's first and second Business and Human Rights National Action Plans and discussed the second NAP's commitment to HRDD.

ACSI (March 2024)

ACSI offered insights from its engagements with companies to discuss the findings of the second ACSI/ Pillar 2 review of Australian modern slavery statement compliance and quality.

Second Masterclass (April 2024)

CCLA presented a case study on an engagement company journey through the Find it Fix it Prevent it framework. Rathbones discussed its Votes Against Slavery campaign to use voting to improve UK modern slavery reporting. FSSA Investment Managers shared its experiences on Asian company challenges. The participants explored the issues raised by the presenters in breakout sessions and considered how the lessons learned can be used to accelerate IAST APAC company engagements and overcome any current blocks.

AI Risk Mitigation: Safeguarding Your Portfolio and Operations (June 2024)

In this event, led by FAST, an investor who co-authored the Responsible Investment Association of Australasia (RIAA) **AI and Human Rights Investor Toolkit**² discussed why and how investors should prioritise human rights due diligence on AI companies and the reputation and financial risks associated with not doing so. The event also heard from the Research Lead for the UN's High-Level Advisory Body on AI on global governance frameworks; and an early-stage company using causal AI, survivor expertise, and behavioural science to develop forward looking solutions to address modern slavery.

1 https://collections.unu.edu/eserv/UNU:9269/accelerating_change.pdf

2 https://responsibleinvestment.org/wp-content/uploads/2024/04/AI-and-Human-Rights_Investor-Toolkit-FINAL-27.4.2024.pdf

Appendix



Appendix 1: IAST APAC Membership

As of 30 June 2024, IAST APAC comprised of 50 investors with AU\$12 trillion in AUM

A

abrdrn
Acadian
ACSI
AllianceBernstein
American Century Investments
AMP Limited
Arisaig Partners
Ausbil Investment Management
Australian Ethical Investment
Australian Retirement Trust
AustralianSuper
Aware Super

B

BNP Paribas Asset Management
BT Financial Group

C

CBUS Super
Challenger Limited
Colonial First State
Commonwealth Superannuation Corporation

D

Duxton Capital (Australia) Pty Ltd

E

Emit Capital Asset Management
Ethical Partners Funds Management
Equip

F

Fidelity International
First Sentier Investors

G

GMO

H

HESTA

I

IFM Investors
Impax Asset Management

L

Legal & General Investment Management Limited

M

Macquarie Investment Management Global Limited
Maple-Brown Abbott
Melior Investment Management
Mercer Investments
MFS Investment Management
Mint Asset Management
MUFG Asset Management

P

Paradise Investment Management Pty Ltd
Perennial Value Management
Platypus Asset Management

Q

QIC Limited

R

Resona Asset Management
Retail Employees Superannuation Trust
Russell Investments

S

Schroders
Spheria Asset Management
Stewart Investors

T

Telstra Super Pty Ltd
Triple Eight Capital Pty Ltd

U

U Ethical

V

VFMC

Disclaimer

Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) is an investor-led multi-stakeholder initiative convened to promote effective action among companies in the Asia-Pacific region to find, fix and prevent modern slavery, labour exploitation and human trafficking in their value chains. Membership to IAST APAC is open to any asset owner or asset manager with an office in the Asia Pacific region. This document has been prepared for general information purposes only. The views expressed in this document are the views of IAST APAC and do not necessarily reflect the views of individuals or members associated with IAST APAC. Such views are subject to change without notice and may substantially differ from the views of individuals or members associated with IAST APAC. To the extent permitted by law, no liability is accepted by IAST APAC nor any members of IAST APAC for any loss or damage as a result of any reliance on this material. This material contains, or is based upon, information that IAST APAC believes to be accurate and reliable, however neither IAST APAC nor any individuals or members associated with IAST APAC offer any warranty that it contains no factual errors.