

# Vanguard Australia Modern Slavery Statement

June 2022

## Introduction

Vanguard condemns modern slavery and abuses of human rights. We are committed to proactively monitoring and mitigating the risk of modern slavery and human trafficking practices within our investment portfolios and supply chains.

This statement provides an overview of how we address this risk across our business, and outlines the actions we've taken to manage the risk of modern slavery exposure in our operations during the 2021 calendar year.

## Important Information

This Modern Slavery Statement (Statement) is made on behalf of Vanguard Investments Australia Ltd ABN 72 072 881 086 (Vanguard, Vanguard Australia, VIA, we, us or our) describing actions that were undertaken to assess and address modern slavery risk exposures during the 2021 financial year. Our Board of Directors is responsible for the oversight and approval of our Statement.

This Statement's scope reflects Vanguard Australia's role as a provider of managed investment products and services in Australia. There are no other entities that Vanguard Australia owns or controls.

This Statement may reference events occurring after the end of the reporting period. Where statements are made of current intention, opinion, and predictions as to possible future events, these statements are not fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within our control. Statements about past performance are not necessarily indicative of future performance.

## **About Vanguard**

Vanguard Australia is a wholly owned subsidiary of The Vanguard Group, Inc. (VGI) – one of the world's largest global investment management companies. In Australia, Vanguard has been serving retail clients, financial advisers, and institutional investors for more than 25 years.

The Vanguard Group, Inc. is owned by Vanguard's US domiciled mutual funds, which in turn are owned by investors in those funds. Vanguard's unique structure aligns our interests with those of our investors – benefiting investors worldwide – and drives our organisation's culture, philosophy, policies and practices. Our core purpose is 'To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success'.

## **Our Operations**

Vanguard Australia's core activity is investment management.

Our supply chains include vendors providing trade execution, clearing and settlement services, providers of electronic trading platforms and suppliers of market data, office supplies, office space, consulting services, IT services and infrastructure, storage services and rating services.

More information about Vanguard Australia can be found at [www.vanguard.com.au](http://www.vanguard.com.au)

## **Our Approach to Modern Slavery Risk**

At Vanguard, we consistently seek to earn and maintain the trust and loyalty of our investors by adhering to the highest standards of corporate ethical behavior and fiduciary responsibility. We conduct ourselves in accordance with all applicable law and regulations, and the standards of conduct as set out in Vanguard's Code of Ethics. The Code of Ethics has been approved and adopted by the Boards of all Vanguard's entities, including Vanguard Australia.

We take a risk-based approach in respect of the mitigation of modern slavery related risks associated with our business, supply chains, and crew (Vanguard employees).

We consider that, as our business is extensively regulated and does not have complex supply chains, the risk of modern slavery and human trafficking occurring within our supply chains, business operations and human resources is relatively low, though still requiring active

vigilance and sound processes to successfully manage. In the latter part of this Statement we summarise how these internal risk exposures are addressed in our supply chain management, procurement, recruitment and staff training practices.

We acknowledge, however, that as a large institutional investor with extensive portfolio holdings around the world, modern slavery risks are present within our investment holdings. The following section addresses how we identify and address these risks from our perspective as a responsible investor and steward of our clients' assets.

## **Our Products**

Vanguard Australia offers equity, fixed income and multi-sector unlisted managed funds and exchange traded funds. Each of these is supported by portfolio management which is either internal to Vanguard or through an agreement with an external fund manager. Through the application of our various processes including our approach to investment stewardship, we actively identify and address modern slavery risks that are present in the underlying entities in which our funds invest.

Vanguard offers several equity and fixed income products tracking indices that exclude company stocks that do not meet specific socially responsible criteria related to the environment, human rights, health and safety, labour standards, or diversity. These products also exclude index constituents that are or have engaged in activities that result in serious violations of the United Nations Global Compact (UNGC).

Where Vanguard uses external investment managers for portfolio management, environmental, social and governance (ESG) considerations are integrated into their investment processes.

## **Our Investment Stewardship program**

The majority of Vanguard's global assets under management are held in index funds that are designed to track broad market indices. This approach is fundamental to our ability to deliver efficient, low-cost access to market returns to over 30 million investors globally, and to give our investors the best chance of investment success.

This investment approach means that Vanguard's funds may be indirectly exposed to modern

slavery risks through the operations of the public companies in which the funds invest. Vanguard addresses these risks through its dedicated investment stewardship team which is responsible for portfolio company engagement and proxy voting on behalf of Vanguard's internally managed equity funds. Investment stewardship activities, including proxy voting, for Vanguard's externally managed active funds are supported by those funds' external advisors.

The team actively engages with the boards and executive management teams of portfolio companies to understand how they oversee long-term strategy and any material risks.

Those risks can range from business, governance, and operational risks, to environmental and social risks, such as those related to companies' human capital and climate policies. Vanguard has a responsibility to understand how a company's business activities that pose a risk to society may also pose a material risk to the long-term value of our funds.

The Investment Stewardship team comprises approximately 60 professionals located in the United States, United Kingdom, Ireland and Australia. The team employs a regionally focused model. All engagement, company research, analysis, and voting activities are overseen by senior leaders responsible for particular regions and markets. These leaders, and a dedicated team of analysts who are further aligned by sector, maintain responsibility for their respective coverage areas.

Our Investment Stewardship program is extensively communicated to clients, portfolio companies and the general public through materials published on our websites, including:

- Annual Reports and half-yearly updates, detailing engagement, voting and advocacy activities, including case studies
- Periodic commentary and insights items focusing on particular themes, votes, and topics across the spectrum of ESG issues
- Disclosure of proxy voting activities on a quarterly basis in arrears, accessible and searchable by country, company, or Vanguard fund.

## **Approach to Human Rights**

Vanguard condemns crimes against humanity and abuses of human rights. The Vanguard funds have an established procedure to identify and monitor portfolio companies whose involvement in crimes against humanity or activities rise to a level of abuses of human rights that may warrant actions on behalf of the funds. We believe our approach effectively integrates our commitment to our fiduciary obligations.

The Investment Stewardship team is responsible for identifying and monitoring human rights practices of the Vanguard funds' portfolio companies. The team's approach begins with analysis of third-party research based on the United Nations Global Compact. We use both proprietary research and external data sources to identify human rights risks within our portfolio companies. From this starting point, we assess the severity of the impacts of a company's operations on human rights, including whether the alleged violations were intentional or if the company is deemed to have mismanaged risks that led to the allegations.

As part of our analysis, we may seek to engage with directors to understand the board's oversight of alleged human rights violations. Through our engagement, we may be seeking to understand whether a company has launched an investigation into the allegations, consulted with experts, enhanced human rights policies and disclosures, remediated the allegations, and/or mitigated the risk. Engagement provides an opportunity for companies to share demonstrable changes to their human rights risk oversight process; in these cases, we continue to monitor the situation.

The Investment Stewardship team looks for progress by a portfolio company if we have expressed our concerns on a specific governance matter. Failure to respond to shareholder feedback on material risks or continued poor governance practices may result in escalation of the matter to the global Investment Stewardship Oversight Committee and the funds' board for further guidance. If improvements are not made, the funds' board will take appropriate actions that are in the best interests of each Vanguard fund, with input from Vanguard's Investment Management group and/or relevant external managers.

Our escalation approach provides flexibility to take actions relevant for each specific situation, such as direct company engagement; voting in support

of a relevant shareholder resolution; withholding support for relevant directors and/or voting against the board of directors; outreach from the Investment Stewardship officer; public advocacy of our perspective on the topic; or recommending board action to have some or all Vanguard funds restrict purchases of, or divest from, a company's security.

While these and other actions are available to the Vanguard funds, the global Investment Stewardship Oversight Committee and the funds' board assess each potential human rights violation case by case and implement the measure or measures that they believe are appropriate to each situation.

## Human rights issues in global supply chains

The COVID-19 pandemic has put an intense spotlight on the health and safety of workers. The scrutiny has proved challenging for global companies who source ingredients, components, and parts from suppliers in countries or regions that may have unacceptable labour policies. Last year, in our engagements that covered oversight of strategy and risk, we frequently raised the issues of human rights due diligence and ethical sourcing.

For example, we met with board members and executives from Woolworths Group, Premier Investments, and Wesfarmers, three Australian companies that we believed had unique supply chain risks. Woolworths operates supermarkets and discount department stores. Premier Investments operates specialty retail fashion brands. Wesfarmers has diversified operations that include apparel and general merchandise.

Our engagements at each company focused on identifying and managing risks in the sale of products that contain materials from areas where there are allegations of forced labour—and where the oversight responsibilities for monitoring those risks sit in the portfolio companies' overall risk management framework. Vanguard seeks to understand how company boards oversee work to improve their supply chain traceability and their approach to remediation.

Woolworths leaders highlighted the importance of cooperation among different parts of its business to ensure that the right frameworks are in place to identify human rights issues. The company has an ambitious plan to provide more visibility into its supply chain beyond its primary suppliers.

## Human Rights Activity in 2021

In 2021, Vanguard engaged with board members and management of 89 companies to assess their oversight of human rights risks. These engagements covered many different regions and industry sectors and focused on how companies are managing human rights risks related to health and safety, labour practices, indigenous rights, involvement in conflict regions, allegations of forced labour in the supply chain, and more.

Below we have provided an example case study, originally published in our 2021 Stewardship Annual Report, that describes our engagement on human rights risk in the supply chains of some major Australian retail companies:

Woolworths has also included a reputation metric in its variable-remuneration plan. Some companies' reputations have been damaged because of lax human rights monitoring in their supply chains.

We were interested in the number and impact of initiatives that Premier Investments was involved with to support improvements in global cotton production. The company had made a public commitment not to source fabrics from Uzbekistan or Turkmenistan, two countries linked to forced and child labour. (All three companies in this case study are members of initiatives that pursue best practices in the cotton industry.)

Our engagement with Wesfarmers covered the oversight responsibilities for human rights risk at different levels of the organization. The company's approach is noteworthy because it focuses on remediation efforts instead of audit data that can lead to the termination of supplier contracts. The company prefers to strengthen its relationships with underperforming suppliers so it can work to improve labour issues. Wesfarmers also raised the issue of lack of consistency in global reporting frameworks.

We note there are challenges in product sourcing and traceability. But we were encouraged that all three companies were receptive to shareholder feedback and by the emphasis each of them places on identifying, monitoring, and remediating human rights issues in their business. All three companies were also committed to continued improvement and to upholding their policies.

These engagements deepened our understanding of supply chain risk oversight. We will continue to monitor the progress these companies make on this important topic.

We also published various Insights pieces on our website demonstrating our engagement and voting activity in relation to human rights. One focused on workers' rights at Boohoo, a UK online fashion retailer, where we described our approach to a board accountability vote against two directors at the 2021 AGM due to the board's failure to monitor and govern material risks in the company's supply chain. Another explained how we approached voting on a human rights shareholder proposal at American Tower Corporation, a US real estate investment trust that owns, operates, and develops wireless and broadcast communications infrastructure globally, 2021 AGM.

Both are available on our website at: <https://www.vanguard.com.au/personal/en/Investment-stewardship>

Vanguard is committed to regularly reviewing its approach to human rights risks, including modern slavery and other labour rights issues, as an element of its fiduciary responsibility to investors. We look forward to continuing to report on the progress of our program in subsequent reports.

### **External investment managers**

Where Vanguard uses external investment managers for actively managed funds, these managers are responsible for proxy voting and stewardship activity on behalf of the assets they manage. Each manager has proxy voting guidelines that govern their assessment of ESG risks and voting decisions.

Our external manager selection and oversight processes ensure that external investment managers have both the ability and governance practices required to carry out this responsibility in the best interests of the Vanguard funds they manage.

## **Our Supply Chains**

Vanguard Australia uses external vendors to provide a range of goods and services to the organisation.

### **Risk Factors**

For the purposes of this Statement, Vanguard has considered a variety of supply chain risk factors, including:

- **Country of operation** – for example, some suppliers are in countries with higher incidences of modern slavery practices than that experienced within Australia.
- **Category of supplier service** – for example, we procure facilities maintenance services, which is an industry with known domestic incidences of modern slavery.
- **Type of workforce** – for example, contingent workers employed across parts of our operations can be at increased risk of modern slavery.

With regard to the above factors, we consider that the risk of modern slavery and human trafficking occurring within our supply chains is low.

### **Procurement Framework**

Our established procurement framework defines our processes when procuring goods and services from external vendors and incorporates various vendor oversight activities. These processes apply to all crew and are designed to ensure that procurement is carried out in a manner that:

- Mitigates legal, business, and financial risks associated with vendor contracts.
- Promotes the highest standards of ethical business conduct.
- Instils client, crew, and community confidence in Vanguard.

In 2021, we conducted a review of our supplier contract template to ensure that they remain fit for purpose. The governance and monitoring of our Third-Party Risk Management Policy and practices is overseen by the Vanguard Australia Risk Committee in conjunction with all other key risks identified in our business.

In the case of material, multiple or continuous breaches of its policies, Vanguard may choose to discontinue its relationship with a supplier.

## **Our Crew**

Vanguard Australia has over 800 permanent and contingent Australia-based Crew, the majority of whom are based at our head office in Melbourne, Victoria.

### **Recruitment**

Vanguard is an equal opportunity employer that seeks to ensure that recruitment is handled with fairness and integrity. All recruitment is conducted in accordance with our Talent Acquisition Policy and Gender Equality Policy. We carry out background checks and pre-employment screening during our recruitment process. To ensure that our resources are not used for the furtherance of slavery, we maintain a robust recruitment and onboarding process, which include checks to ensure our Crew members are eligible to work in Australia, are not subjected to human trafficking or forced labour, and are paid a fair salary in compliance with all relevant rules and regulations.

We require that contingent worker suppliers comply with all applicable laws relating to or affecting the work to be performed by that supplier, including all rules and regulations related to equal employment opportunity and immigration, and that the supplier will obtain and maintain all permits, visas, licenses, and consents required in connection therewith. We work closely with our labour hire partners to ensure that their rates of pay for contractors provided to Vanguard comply with all relevant rules and regulations.

### **Policies**

Vanguard's policies apply to our executives, crew, contractors, and visitors to our work sites. We require crew to comply with our policies and implement them as required. Vanguard takes compliance with its policies seriously and, in the event of a breach, requires its crew to act quickly to take corrective actions as appropriate.

All visitors to our work sites must comply with our Health and Safety Policy.

In addition to compulsory training at the commencement of employment, crew are required to certify annually that they have read and understand Vanguard's compliance policies, including the Code of Ethics, anti-money laundering and workplace discrimination policies, and have disclosed any potential

conflicts of interest. Any crew member who breaches such policies may be subject to disciplinary action. Any issues identified in relation to modern slavery will be reported in accordance with Vanguard Australia's policies.

In addition, Vanguard maintains a Whistleblowing policy whereby Crew can raise any concerns regarding unethical behavior or potential wrongdoing in confidence and without fear of action being taken against them. We also have a hotline for crew to anonymously report any concerns. The whistleblowing policy and reporting hotline are explained to crew when they join the organisation and reinforced through training and communication channels.

Vanguard has subscribed to various third-party services to receive regular reporting, alerts, guidance, and information with respect to human rights and regulatory violations. Such information is regularly reviewed and promptly acted upon.

### **Training**

Our crew are comprehensively and regularly trained. Crew training enables an understanding of our Risk Management Framework principles and application while working at Vanguard.

Vanguard crew are encouraged to identify risks, and, where relevant, report concerns. Our training is continually reviewed and adapted to ensure its relevance and suitability for our crew.

To supplement our established training program, we have implemented specific modern slavery awareness training for all crew. This training was piloted in 2021, and has since been rolled out as part of each crew member's annual training program and is now mandatory for all crew.

### **COVID-19**

The COVID-19 pandemic has brought further modern slavery and human trafficking challenges and highlighted social and economic inequalities worldwide. Vanguard continues to monitor the impact of the COVID-19 pandemic on its practices and risks to modern slavery and human trafficking, to protect vulnerable workers through this crisis.



## Governance and Monitoring

### Governance

The Vanguard Investments Australia Board has overall responsibility for Vanguard's Modern Slavery Statement.

Our Executive Leadership Team has also been involved in the development and endorsement of this Statement and has responsibility for implementing the objectives considered in this Statement.

### Monitoring

Regular review and assessment of the effectiveness of our policies, codes, standards, and procedures as part of our Risk Management Framework, combined with the Modern Slavery Working Group and associated oversight and reporting will ensure that Vanguard is able to proactively and assertively address regulatory and ethical obligations pertaining to modern slavery risk management.

### Actions

During the past year, we have focused on the following key initiatives:

- Maintained a cross-functional working group responsible for identifying and mitigating modern slavery related risks and ensuring compliance with legislative requirements in respect of modern slavery, in addition to appointing an executive steering committee to oversee this work.
- Delivered mandatory Modern Slavery training to all crew in Vanguard Investments Australia Pty Ltd. The training is now part of the

on-boarding process for new crew, and a component of mandatory annual training and certification for all crew.

- Completed a comprehensive review of our supplier contract templates to ensure that they remain fit for purpose.
- Vanguard's Investment Stewardship program continued to identify and engage with companies exposed to alleged human rights violations and risks.

### Looking Ahead

We remain committed to an ongoing assessment of our practices alongside engagement with our crew and vendors to raise awareness and proactively mitigate the risk of modern slavery and human trafficking occurring in our organisation and supply chains.

This Statement was approved by our Board of Directors on 16 June 2022.



**Daniel Shrimski**

Chair of Vanguard Investments Australia Ltd.  
16 June 2022.

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# Modern Slavery Act 2018 (cth)

## – Statement Annexure

### Principal Governing Body Approval

This modern slavery statement was approved by the principal governing body of Vanguard Investments Australia Ltd as defined by the Modern Slavery Act 2018 (Cth)<sup>1</sup> ("the Act") on 16 June 2022.

### Signature of Responsible Member

This modern slavery statement is signed by a responsible member of Vanguard Investments Australia Ltd as defined by the Act.<sup>2</sup>

### Mandatory criteria

Please indicate the page number/s of your statement that addresses each of the mandatory criteria in section 16 of the Act:

MANDATORY CRITERIA	PAGE NUMBER/S
a) Identify the reporting entity.	1
b) Describe the reporting entity's structure, operations and supply chains.	2-5
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.	2-5
d) 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.	2-6
e) Describe how the reporting entity assesses the effectiveness of these actions.	7
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).*	Do not own or control any other entities
g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.**	

\* If your entity does not own or control any other entities and you are not submitting a joint statement, please include the statement 'Do not own or control any other entities' instead of a page number.

\*\* You are not required to include information for this criterion if you consider your responses to the other six criteria are sufficient.

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- 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.
  - Section 4 of the Act defines a responsible member as: (a) an individual member of the entity's principal governing body who is authorised 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.