

Our commitment to human rights

Funds SA believes that respecting human rights is essential to our responsible investment approach and sustainable long-term investment returns for our clients. We seek to address the risks related to modern slavery and broader human rights issues in our investment portfolio, consistent with our fiduciary duty and our risk management approach.

Our approach is informed by international frameworks, including but not limited to, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's Core Conventions and Australia's *Modern Slavery Act 2018* (Cth).

Human rights violations, including modern slavery, present risks for investors

Modern slavery is defined by the Australian Government as situations '*where offenders use coercion, threats or deception to exploit victims and undermine their freedom*'. Practices that constitute modern slavery include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and the worst forms of child labour. We understand that modern slavery occurs on a spectrum that ranges from safe workplace at one end through to dangerous or substandard working conditions and to serious criminal exploitation or modern slavery at the other end.

Funds SA recognises that modern slavery has severe consequences for its victims. We consider human rights issues including modern slavery through a lens of *saliency*. This means we seek to address risks to people while recognising that where risks to human rights are the greatest, there is also often risk to investment value.

Examples of modern slavery risks which can materialise for companies and present as investment risks include:

- **Regulatory risk:** An increasing number of jurisdictions globally are introducing legislation that requires companies to report on modern slavery risks and the steps taken to address them. If companies we invest in fail to meet these evolving requirements, they could face legal action, which can adversely affect their performance and our investment returns.
- **Reputational risk:** The uncovering of unmitigated, unmanaged modern slavery practices in a company's supply chain can lead to public backlash, resulting in a loss of customers, erosion of client trust and brand damage. Employees may also avoid companies with poor human rights records.
- **Operational risk:** If a company or its suppliers are found to be implicated in modern slavery, the company may lose contracts, need to find new suppliers or be required to restructure supply chains. There may also be remediation implications, productivity losses and sanctions. Import bans could also disrupt product availability and revenue streams.

Beyond modern slavery, the poor management of broader human rights issues, such as unsafe working conditions or a failure to respect the rights of First Nations peoples, can also lead to regulatory, reputational and operational challenges.

Funds SA's role in addressing human rights and modern slavery in its investments

Funds SA's governing legislation, the *Superannuation Funds Management Corporation of South Australia Act 1995 (SA)* stipulates an objective of achieving the highest return possible on investment while having proper regard for:

- The need to maintain the risks relating to investment at an acceptable level
- The need for liquidity in the funds, and
- Such other matters as are prescribed by regulation.

While Funds SA is not a reporting entity under the *Commonwealth Modern Slavery Act 2018*, we seek to address modern slavery risks and other human rights issues in our investment portfolio while safeguarding the long-term value of our clients' investments.

What is Funds SA doing to address human rights issues and the risks of modern slavery?

Funds SA's Responsible Investment Policy outlines our explicit inclusion of environmental, social and governance (ESG) factors in investment analysis and decision making. The integration of human rights and modern slavery risks is a focus area in this approach. Funds SA takes a 'manager of managers' approach to investment management, and as such, engagement with our external investment managers is the most important lever through which we can address human rights issues and modern slavery risks in our investment portfolio.

Funds SA seeks to take the following actions to address our potential human rights related risks:

- Integrating human rights and modern slavery considerations into our due diligence of external investment managers. We evaluate prospective managers through our ESG Manager Survey on how they identify, assess and address modern slavery risks in portfolio management.
- Continued monitoring of, and engagement with, our investment managers for human rights and modern slavery risks. We engage existing managers through our regular ESG Manager Surveys to monitor the manager's own processes. We also engage managers as well as our proxy voting advisor on other human rights issues, such as WHS incidents, and in evaluating an investee company's remuneration report for proxy voting in accordance with our proxy voting guidelines.
- Taking an engagement approach that prioritises our efforts on those investments and managers where *salient* risks are present and where we have the most practical influence for change.
- Seeking to participate in industry-wide collaborative initiatives for policy and/or corporate engagement as part of active ownership to promote effective action in identifying, addressing and mitigating modern slavery risks in corporate operations and supply chains.

How does Funds SA respond if modern slavery is identified?

If Funds SA learns of actual or potential modern slavery cases in its investment portfolio, we will engage with the relevant investment manager(s), investigate the circumstances and determine appropriate actions, including remediation.

Updated: February 2026