

CFI Confidential

ITEM 4a)

CFI RI QUARTERLY ENGAGEMENT UPDATE

Prepared by:



Date:

15 February 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1. Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting;
- New companies for consideration for the CFI Global Focus List;
- Update on CTI and peer activities.

1.2 This paper is for discussion.

2. Engagement activities

2.1 There have been no direct engagements with during the period, apart from the companies engaged with on our behalf by Columbia Threadneedle Investments reo® service.

3. Global Focus List

3.1 Companies that have been involved in controversies and which might be considered for inclusion in the Global Focus List are listed in the table below. This is for discussion.

Company	Issue	Holdings
Section 9(2)(i) (commercial activities) Section 9(2)(g)(i) free and frank Section 9(2)(ba)(ii) not in the public interest to disclose confidential information Section 9(2)(ba)(i) prejudice supply of information	 company that is alleged to be involved in illegal activity in the OPT. provision of services and utilities supporting the maintenance and existence of settlements For discussion	NZSF holds Check CFI holdings

2

	environmental impact of the project and alleged human rights violations, For discussion based on CTI reo response	
	breaches of anti-money laundering and counter-terrorism financing laws. For discussion.	All CFIs have holdings.
	Details in November report Only NZSF holds – no further action	NZSF holds bonds
	Details in November report. Only NZSF holds – no further action	NZSF holds
	Details in November report Only NZSF holds – no further action	NZSF holds
	Details in November report. Only NZSF holds – no further action	NZSF holds

4. Portfolio disclosures and exclusions

4.1 We completed the six-monthly update of NZSF exclusions and published the updated list on our external website.

4.2 We have also published the portfolio disclosures for 31 December 2023. NZSF now holds 1,358 listed equities, which is a significant reduction. This is as a result of work to improve the ESG profile of the portfolio, which was rolled out to the multifactor mandates in Q3 2023. These changes have resulted in less exposure to stocks with low ESG ratings and red controversy flags.

5. Columbia Threadneedle Investments reo® update

5.1 The quarterly update meeting with CTI reo is being held on 20 February 2024.

6. Collaborations and initiatives

6.1 **ICGN investor statement** - In January 2024, NZSF signed a Statement on Corporate Governance as a Pre-requisite for Capital Market Competitiveness and Growth in the UK. The statement has been developed by the International Corporate Governance Network (ICGN) in response to concerns that UK regulatory proposals which could weaken the UK and global corporate governance standards and shareholder protections. ICGN announced the initiative on in February in a [news release](#). They will use the statement as part of a detailed submission to the UK's Financial Conduct Authority final consultation. ICGN is collecting more signatures until 1 March 2024 for submission on 22 March 2024.

6.2 **Mining 2030** - In September 2023 NZSF became a formal supporter of the Global Investor Commission on [Mining 2030](#). The initiative sets out an ambitious programme to address systemic issues in the mining sector. A copy of the invitation to join was included in the November meeting papers for CFI consideration.

6.3 We received an update on progress in January. Key developments are:

- Anglo American have joined the Global Investor Commission and appointed a senior executive to participate in the Commission deliberations.
- The Commission is in Phase 1 which is a research phase intended to provide the foundations for the Commission's deliberations. The first activity is to conduct a Landscape Study to establish a high-level overview of the industry and what the market looks like in terms of supply, demand and projections for the future.
- The second stage will dive deeper into specific minerals, associated impacts and the potential role of the circular economy.
- The UN has invited the Commission to be represented at the forthcoming UN Environment Assembly in Nairobi, Kenya.
- Investor Mining and Tailings Safety Initiative which we up to in 2019 is a separate undertaking but the results will inform the Global Investor Commission as a case study on investor engagement.

6.4 **CANDRIAM** – In June 2021 NZSF signed an investor statement on the use of facial recognition technologies and joined the engagement initiative led by CANDRIAM. The initiative aimed to address the human rights and societal risks associated with these technologies and advocate for their safe and ethical development and deployment. The initiative is now being integrated into the World Benchmarking Alliance's (WBA) Collective Impact Coalition for Ethical AI (Ethical AI CIC). The Ethical AI CIC currently works on promoting ethical AI policies and principles. However, it will expand its focus to

formally include the implementation of best practice on AI throughout businesses' operations. It will also cover a larger number of companies (200).

- 6.5 NZSF will consider whether to join the broader initiative on Ethical AI as part of wider consideration of our participation in collaborative initiatives.

7. Priorities for the quarter ahead

- 7.1 The priority for the quarter ahead is the CFI engagement on climate change with New Zealand companies, covered in separate papers.

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Item 2b)

CFI Work Programme

Context: CFI Quarterly Meeting February 2024 – For information

Author: [redacted]

Date: 23 February 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

Activity	Out of Scope	Responsible	Due	Priority	Status
[redacted]					
Ongoing research into Myanmar		[redacted]	Ongoing	2	BAU
[redacted]					
Review of engagement priorities CFIs to review whether current engagement priorities remain relevant and appropriate. [redacted] [redacted] Section 9(2)(g)(i) free and frank		[redacted]	23 November 2023	3	STARTED – Propose to push out to February 2024
CFI climate change engagement		All	Ongoing	1	IN PROGRESS

Out of Scope

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Item 2c)

CFI Work Programme

Context:	CFI Quarterly Meeting August 2024 – For information
Author:	
Date:	12 August 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

Activity	Responsible	Due	Priority	Out of Scope Status
Ongoing research into Myanmar		Ongoing	2	BAU Out of Scope
Review of engagement priorities CFIs to review whether current engagement priorities remain relevant and appropriate. 		23 November 2023	3	STARTED – Propose to push out to November 2024
	Section 9(2)(g)(i) free and frank			
CFI climate change engagement	All	Ongoing	1	IN PROGRESS

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ITEM 4a)

CFI RI QUARTERLY ENGAGEMENT UPDATE

Prepared by:



Date:

15 August 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1. Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting in February;
- New companies for consideration for the CFI Global Focus List;
- Update on CTI and peer activities.

1.2 This paper is for discussion.

2. Engagement activities

2.1 Because of the workload involved in our engagements on climate change with New Zealand companies, there have been no direct engagements with companies during the period, apart from the companies engaged with on our behalf by Columbia Threadneedle Investments reo® service.

2.2 NZ Super Fund (NZSF) was invited to provide feedback to two New Zealand companies for their materiality assessments:



2.3



Section 9(2)(i) (commercial activities)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

3. Global Focus List

Section 9(2)(ba)(i) prejudice supply of information

3.1 In February 2024 CFIs agreed to add [REDACTED] to the Global Focus List. Engagement with [REDACTED] will be via our internal portfolio managers. The NZSF NZ Equities team has had ongoing discussions with the company Chair and CEO. We continue to monitor progress.

4. Portfolio disclosures and exclusions

4.1 NZ Super Fund completed the six-monthly update of exclusions and published the updated list on our external website for end June 2024.

5. Columbia Threadneedle Investments reo® update

5.1 [Redacted]

[Redacted] CTI reo® has provided NZ Super Fund with annual engagement statistics, including a summary of engagement outcomes. Key points from the 15 August meeting were:

- In response to our inquiry, reo® notes they are continuing to progress engagement with companies in China. [Redacted]

- [Redacted]

- [Redacted] Khazakstan. [Redacted]

- [Redacted]

5.2 [Redacted]

5.2 [Redacted]

6. Collaborations, initiatives, peer activities

- 6.1 In July 2024, NZSF signed the 2024 Global Investor Statement to Governments on the Climate Crisis. This is an international investor initiative that we signed up to in 2021 and 2022. The statement will be released in the lead-up to COP29 later this year.

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6.2 The annual conference Aotearoa RIAA conference will be held in Auckland on 19 September. NZSF will host a meeting of the Aotearoa RIAA Working Group on 17 September.

7. Priorities for the quarter ahead

7.1 The priority for the quarter ahead is the CFI engagement on climate change with New Zealand companies.

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ITEM 4a)

CFI RI QUARTERLY ENGAGEMENT UPDATE

Prepared by:

[REDACTED]

Date:

15 November 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1. Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting in September;
- New companies for consideration for the CFI Global Focus List;
- Update on CTI and peer activities.

1.2 This paper is for discussion.

2. Engagement activities

2.1 Because of the workload involved in our engagements on climate change with New Zealand companies, there have been no direct engagements with companies during the period, apart from the companies engaged with on our behalf by Columbia Threadneedle Investments reo® service.

2.2

[REDACTED]

Section 9(2)(i) (commercial activities)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

3. Global Focus List

Section 9(2)(ba)(i) prejudice supply of information

3.1 In February 2024 CFIs agreed to add [REDACTED] to the Global Focus List. Engagement with [REDACTED] will be via our internal portfolio managers. The risk relates to failure in risk management processes [REDACTED]

[REDACTED] ultimately putting its social licence to operate at risk. The NZSF NZ Equities team is engaging with the company on an ongoing basis and has had multiple discussions across the Chair, CEO and investor relations team. They are seeing positive progress and continue to monitor the company [REDACTED]

3.2 We propose to add [REDACTED] to the Global Focus List and would like to discuss whether [REDACTED] should be added (subject to holdings). [REDACTED] is on the United Nations (OHCHR) list of companies allegedly involved in business operations in the OPT and is also listed by the Who Profits Research Centre. [REDACTED] is listed by the

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(i) (commercial activities)

Section 9(2)(ba)(i) prejudice supply of information

Who Profits Research Centre. [REDACTED]

4. Portfolio disclosures and exclusions

4.1 We have started work on the six-monthly update of exclusions for end December 2024 and have shared the timeline with CFIs by email. ACC has also started its exclusions list update process, with a draft list expected by 28 November.

5. Columbia Threadneedle Investments reo® update

5.1 The latest quarterly update meeting with CTI reo® was held on 14 November. Key points to note were:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED] reo engaged in 2022 (historic) on allegations of forced labour. [REDACTED] had a code on supply chains, but it was not supported by disclosure. There was not a great willingness to engage, probably because of the political situation in China.

- Reo was engaging with [REDACTED] on Uyghur labour in the supply chain. It was not a material issue because it is a small segment of the employees in their supply chain, but the reputational risk has been massive. [REDACTED] is looking to divest from the asset, which is not the ideal outcome.

6. Collaborations, initiatives, peer activities

6.1 In July 2024, NZSF signed the 2024 Global Investor Statement to Governments on the Climate Crisis. It is an international investor initiative that we signed up to in 2021 and 2022. The statement was released in September, in the lead-up to COP29.

6.2 NZSF is a partner and supporter of the Centre for Sustainable Finance Toitū Tahua. Two members of the SI team have been appointed to support development of New Zealand's Sustainable Finance Taxonomy for a 12-month term. [REDACTED] joins the

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high level Technical Expert Group (TEG), whilst [REDACTED] joins the Agriculture and Forestry sector Technical Advisory Group (TAG). These groups will detail general/specific methodological design features, screening criteria, Do No Significant Harm (DNSH) criteria, and Minimum Social Safeguards (MSS) for the NZ Taxonomy.

7. Priorities for the quarter ahead

- 7.1 The priority for the quarter ahead is the CFI engagement on climate change with New Zealand companies.
- 7.2 We are continuing to monitor and do research on companies that are included in the UN lists.

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[Internal use]

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Item 2c)

CFI Work Programme

Context:	CFI Quarterly Meeting August 2024 – For information
Author:	[REDACTED]
Date:	21 November 2024

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

Out of Scope

Activity	Responsible	Due	Priority	Status
[REDACTED]				
Ongoing research into Myanmar	[REDACTED]	Ongoing	2	BAU
[REDACTED]				
Review of engagement priorities	[REDACTED]	23 November 2023	3	STARTED – November 2024
CFIs to review whether current engagement priorities remain relevant and appropriate. [REDACTED]				
CFI climate change engagement	All	Ongoing	1	IN PROGRESS

Out of Scope

Section 9(2)(g)(i) free and frank

[Internal use]

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**CROWN FINANCIAL INSTITUTIONS (CFIs)
RESPONSIBLE INVESTMENT (RI) QUARTERLY MEETING
21 November 2024**

MINUTES

Attendees: [REDACTED]

1. Apologies: [REDACTED]

2. Minutes & Matters Arising

- a) The minutes of September 2024 meeting were noted.
- b) Action items and matters arising were noted. It was agreed to hold a meeting to discuss CRD reporting requirements or to cover it in the February 2025 meeting. [REDACTED] would check on the timing preference and topics to be covered.
- c) The CFI Work Programme was noted.

Out of Scope

[REDACTED]

3. For Discussion

- a) CFI climate change engagement - The report was noted. [REDACTED]

Out of Scope

[REDACTED]

- b) (i) Crown RI Framework update; (ii) Timeline – [REDACTED] noted that the NZSF update would be sent to the Board for information and then to the Minister next week. It would subsequently be posted on the NZSF external website. [REDACTED]

[REDACTED]

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- c) Climate Related Disclosures – [REDACTED] noted that the XRB had announced the results of its review of Adoption Provisions, including one year extensions to three of the Adoption Provisions.
- d) Paris Aligned Asset Owner Commitment 2024 – [REDACTED] noted the survey was open and was due for completion in December. The results would be reported in aggregate.
- e) PRI Assessment and progression pathways – The 2024 PRI assessment results were due next week. [REDACTED] had circulated links to information about the timing of the 2025 assessment.
- f) Modern slavery update - Members of the Stewardship Code were planning to work with the Sustainable Business Council to encourage the Government to progress actions on modern slavery. NZSF was monitoring these developments and would keep CFIs informed. NZSF had some reservations about the legislation that had been previously planned, because of the director liability element.
- g) Stewardship Code update – NZSF's first Stewardship Report had been published. [REDACTED] noted the Stewardship Code secretariat was organising useful master classes and information sessions on stewardship. NZSF hoped the cost of membership would reduce over time.

Section 9(2)(i)
(commercial
activities)

4. Portfolio Monitoring and Engagement

Section 9(2)(ba)(ii) not
in the public interest to

- a) Engagement update – The report was noted. It was agreed that [REDACTED] would be added to the Global Focus List. NZSF also planned to research [REDACTED]. Both companies had been named on the UN OHCHR list of companies directly or indirectly involved in the OPT. There was a campaign to get banks and KiwiSaver providers to divest from Motorola Solutions. [REDACTED]

Section
9(2)(ba)(i)
prejudice supply
of information

[REDACTED] There was a discussion about holdings. [REDACTED] noted that NZSF was planning to shift its corporate bond portfolio to a more Paris Aligned benchmark/index, for implementation at the end of December. Post-shift, bonds holdings would be reviewed. Annuitas was interested in the Fixed Income Portfolio shift and would like a briefing on it. NZSF would arrange this.

- b) Collaborative initiatives - noted
- c) Global Focus List – [REDACTED] ran through the Global Focus List. NZSF would complete the updates on holdings and circulate the list before setting up a meeting to discuss it in more detail. The priority had been on the NZ climate engagements.

5. OIA & Media Issues

- There were no additional issues to report.

6. Policy Research & Initiatives

- There were no additional items to report

7. Service Providers

- [REDACTED]

Section 9(2)(ba)(i)
prejudice supply of
information

8. Updates from NZSF, ACC and Annuitas

- [REDACTED]

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9. Any other business

- There was no other business.

Out of Scope

Item 2b)

Action items from November 2024 meeting	Responsible	Timing	Status
[Redacted]			
Update and circulate Global Focus List	[Redacted]	December 2024	In process – to be discussed at February meeting
[Redacted]			

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Item 2c)

CFI Work Programme

Context:	CFI Quarterly Meeting – For information
Author:	
Date:	20 February 2025

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Activity	Responsible	Due	Priority	Status
Out of Scope				
Ongoing research into Myanmar		Ongoing	2	BAU
Out of Scope				
Review of engagement priorities CFIs to review whether current engagement priorities remain relevant and appropriate.		June 2025	3	STARTED – November 2024
	Section 9(2)(g)(i) free and frank			
CFI climate change engagement	All	Ongoing	1	IN PROGRESS

[Internal use]

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ITEM 4a)

CFI RI QUARTERLY ENGAGEMENT UPDATE

Prepared by:

[REDACTED]

Date:**10 February 2024**

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1. Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting in November;
- New companies for consideration for the CFI Global Focus List;
- Update on CTI and peer activities.

1.2 This paper is for discussion.

Section 9(2)(ba)(i) prejudice supply of information

Section 9(2)(i) (commercial activities)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

2. Engagement activities

2.1 The focus during this period has been on the engagement on climate change with the NZX50, which is covered in a separate paper.

2.2 As noted in previous meetings, [REDACTED] has requested a meeting with CFIs to discuss their ESG strategy. This was yet to be arranged because of other priorities. None of the CFIs have holdings of [REDACTED]. NZSF did hold [REDACTED] bonds, but this is no longer the case following the change to the corporate fixed income mandate which took effect at end January 2025. CFIs should discuss whether we should go ahead with the meeting and keep or close the engagement with [REDACTED] (see section 3.4).

3. Global Focus List

3.1 In November 2024, we agreed to [REDACTED] to the Global Focus List for further research. We also agreed to add [REDACTED] to the focus list for further research (subject to confirmation about CFI holdings). GSF, NPF and ACC have confirmed they do have holdings of [REDACTED] is on the United Nations (OHCHR) list of companies allegedly involved in business operations in the OPT and is also listed by the Who Profits Research Centre. [REDACTED] is listed by the Who Profits Research Centre.

3.2 We propose to add [REDACTED] to the Global Focus List for further research. [REDACTED]

[REDACTED]

3.3 [REDACTED] due to an unacceptable risk that the company was contributing to serious violations of the rights of individuals in situations of war or conflict. [REDACTED]

[REDACTED] due to its business association with the armed forces in Myanmar. [REDACTED]

3.4 Refer to the Appendix for a list of companies that have been placed under observation or exclusion by Norges Bank on the recommendation of the Norwegian Council on Ethics. This is for information or discussion.

3.5 We recommend that the following items on the Global Focus List be moved to closed.

Company	Industry	Issue(s)	
[REDACTED]	Metals and Mining	[REDACTED]	Original issue dated 2013. Engagement milestone was achieved and CTI reo has active dialogue. Only Annuitas has holdings.
[REDACTED]	Metals and Mining	[REDACTED]	Original issue was in 2013. Engagement milestone was achieved. CFIs no longer have holdings.
[REDACTED]	Banks	[REDACTED]	Original litigation case from 2013 has been settled. Original milestone achieved, although engagement moved to other issues.
[REDACTED]	Construction & Engineering	Bribery & corruption allegations; human rights risk.	Original issue was 2014. Milestone achieved. CFIs no longer hold the company.
[REDACTED]	Integrated Oil and Gas	[REDACTED]	Recommend to close because CFIs no longer have holdings.
[REDACTED]	REITs	Human rights abuses at US immigration detention facilities.	Original issue was in 2016. The original engagement milestone was achieved. FCI's do not hold the company.

	Industrial Conglomerates		Original issue was in 2017. Milestone was achieved. CFIs no longer have holdings.
	Metals and Mining		Original issue was in 2016 and 2019. Original milestone was achieved. CFIs no longer hold.

4. Portfolio disclosures and exclusions

4.1

Out of Scope

4.2

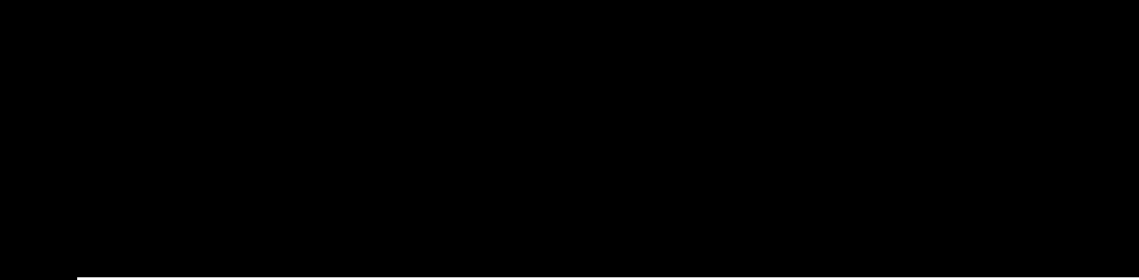
Out of Scope

5. Columbia Threadneedle Investments reo® update

5.1 The latest quarterly update meeting with CTI reo® was held on 13 February. Key points to note were:

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Section 9(2)(ba)(i) prejudice supply of information

- 
-  gave an update on the outcome of Phase 2 of the annual client consultation. Their Outlook and Review publications would come out in early March.
- It was agreed that the May quarterly meeting would be devoted to an education session on modern slavery. There would be a session on Nature later in the year.

Section
9(2)(a)
Privacy

6. Collaborations, initiatives, peer activities

- 6.1 In January 2025, NZSF signed a joint investor statement on proposed EU omnibus legislation to streamline corporate sustainability reporting (to streamline reporting rules under the CSRD, CSDDD and the Taxonomy Regulation). Using an “omnibus directive” would allow the European Commission, Parliament and Council to make amendments to all three laws at once to reduce the reporting burden on companies. The statement was led by the PRI. It noted that there is a need to streamline and enhance the usability of the EU sustainable finance framework, but investors were concerned that re-opening these acts in their entirety through an omnibus process would introduce substantial disruption and uncertainty in the broader financial regulatory framework.
- 6.2 NZSF reviewed a submission by the Australian Council of Superannuation Investors on the UK Financial Reporting Council’s (FRC) consultation on the UK Stewardship Code, with a view to protecting shareholder rights. We provided some feedback. The consultation is open until 19 February.
- 6.3 The Taranaki Offshore Partnership made a submission on the Offshore Renewable Energy Bill in February. The bill sets out the regulatory arrangements for the development of off-shore wind. TOP is a joint venture between NZSF and Copenhagen Infrastructure Partners focused on the development of off-shore wind off the coast in South Taranaki.
- 6.4  was appointed to the PRI Infrastructure Advisory Committee in January 2025 for a three year term.  has stepped down from the PRI Real Estate Advisory Committee as he has left the NZSF.

7. Priorities for the quarter ahead

- 7.1 The priority for the quarter ahead is the CFI engagement on climate change with New Zealand companies.

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Appendix – Peer funds

Norges Bank

Norges Bank has made the following announcements in the quarter about companies placed under observation or exclusion.

7 February 2025

- **Fincantieri SpA** - Placed under observation due to the risk that it is contributing to serious or systematic human rights abuses. A series of legal proceedings have revealed that several thousand people who have been employed by subcontractors at Fincantieri's shipyards have been subjected to grossly exploitative working conditions. Please find the Council's recommendation here: <https://etikkradet.no/fincantieri-spa-2/>
- Polish Energy company **Orlen SA** – observation will be ended. The company was placed under observation in February 2023 due to an unacceptable risk that it was contributing to human rights abuses. The Council's recommendation rested on Orlen's acquisition of the media group Polska Press and the implications for press freedom and therefore freedom of expression in Poland. In March 2024, Orlen's board of directors and executive management were replaced, and the company has subsequently decided to divest its ownership of Polska Press. Please find the Council's recommendation here: <https://etikkradet.no/orlen-sa-2/>

16 January 2025

- **RLX Technology Inc** - Excluded because of its production of tobacco / tobacco products. <https://etikkradet.no/rlx-technology-inc-2/>

4 December 2024

- **Evrax Plc** - Excluded from the Fund's investments due to an unacceptable risk that the company is contributing to serious violations of fundamental ethical norms. The Council considers that the risk that Evraz PLC is providing critically important steel to Russian weapon production to be unacceptable. <https://etikkradet.no/evraz-plc-2/>
- **Bezeq The Israeli Telecommunications Corp** - Excluded from the Fund's investments due to an unacceptable risk that the company is contributing to serious violations of the rights of individuals in situations of war or conflict. Bezeq is an Israeli company that supplies telecommunications services to businesses and private individuals in Israel and the Israeli settlements in the West Bank. <https://etikkradet.no/bezeq-the-israeli-telecommunication-corp-ltd-2/>
- **Hyundai Engineering & Construction Co Ltd (HDEC)** – Observation is discontinued, as the Council considers that the risk of gross corruption in the company's operations no longer is unacceptable. <https://etikkradet.no/hyundai-engineering-construction-co-ltd-4/>

10 October 2024

- Norges Bank announced its decision to discontinue the observation of the company **Supermax Corp Bhd**. In February 2022, the Council on Ethics recommended that Supermax be excluded from the Norwegian Government Pension Fund Global (GPF) due to an unacceptable risk that the company was contributing to human rights abuses in relation to poor living and working conditions for migrant workers at the company's production facilities in Malaysia. In June the same year, Norges Bank decided to place Supermax under observation. During the observation period, Supermax reported that it has implemented measures to improve conditions for migrant workers. <https://etikkradet.no/supermax-corp-bhd-termination-of-observation/>

Released under the OIA

CFI Work Programme

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Activity	Responsible	Due	Priority	Status
Ongoing research into Myanmar		Ongoing	2	BAU
CFI climate change engagement	All	Ongoing	1	IN PROGRESS

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Item 2c)

CFI Work Programme

Context:	CFI Quarterly Meeting – For information
Author:	
Date:	21 August 2025

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

Activity	Responsible	Due	Priority	Status
Ongoing research into Myanmar		Ongoing	2	BAU
Review of engagement priorities CFIs to review whether current engagement priorities remain relevant and appropriate.		2025-26	3	Deferred pending update of sustainable finance roadmap
CFI climate change engagement	All	Ongoing	1	IN PROGRESS

Out of Scope

Out of Scope

Section 9(2)(g)(i)
free and frank

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ITEM 4a)

CFI RI QUARTERLY ENGAGEMENT UPDATE

Prepared by:

[REDACTED]

Date:

14 August 2025

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1. Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting in June;
- The CFI Global Focus List;
- Update on CTI and peer activities.

1.2 This paper is **for discussion** and seeks **approval** for the recommendation relating to the Global Focus List.

2. Engagement activities – NZX50 Climate Change Engagement

2.1 Since the last CFI Quarterly Meeting in June, [REDACTED] and I have updated the paper setting out options for continuing the NZX50 Climate Change Engagement. That paper will be discussed at the meeting.

Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

2.2 In June we identified that the following actions were required to complete the engagements carried out in 2024:

Section 9(2)(ba)(i) prejudice supply of information

- [REDACTED]
- [REDACTED]
- [REDACTED]

2.3 [REDACTED]

2.4 [REDACTED]

3. Global Focus List

4.2 The Global Focus List has been updated and will be circulated separately from the meeting papers.

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4.3 In November 2024, CFIs agreed to add ██████████ to the Global Focus List for further research. At that time, both the Government Superannuation Fund and NZ Super Fund had holdings of ██████████. NZ Super Fund's holdings were in the corporate bond portfolio. Following the shift of NZ Super Fund's corporate bond portfolio to a Paris Aligned Benchmark at the end of January 2025, it no longer has any ██████████ holdings. Because ██████████ is held by only one of the CFIs, it no longer meets the criteria (of two CFIs having holdings) to be included on the Global Focus List. We therefore recommend closing the item, noting we could add it to the Global Focus List again if it re-enters more than one of the CFI portfolios.

4.4 We completed analysis of ██████████. A copy of the analysis is included in the meeting pack as an attachment to this paper, with certain privileged information redacted. We continue to monitor developments with respect to Israeli settlements within the Occupied Palestinian Territories.

4. Portfolio disclosures and exclusions

4.1 The six-monthly update of the NZ Super Fund exclusions list was completed in June, shared with CFIs and published on the website in July.

5. Columbia Threadneedle Investments reo® update

5.1 The next quarterly update meeting with CTI reo® will be scheduled for later in August.

6. Collaborations, initiatives, peer activities

6.1 A list of NZ Super Fund collaborative activities is included as item 4b). In July, NZ Super Fund applied to endorse the PRI Spring collaborative initiative on nature. The initiative addresses systemic risks of biodiversity loss. Endorsement means we endorse the initiative but do not participate in company engagements (options are to join as an endorser, participant or leader in company engagements).

6.2 Refer to Appendix 2 for a list of companies that have been placed under observation or exclusion by NBIM on the recommendation of the Norwegian Council on Ethics.

6.3 Norges Bank Investment Bank (NBIM) made an announcement in respect of its holdings in Israeli companies on 11 August 2025. This was separate from its usual exclusion process and followed a request from the Norwegian Ministry of Finance for NBIM to review its investments in Israeli companies. NBIM said it would respond to the Ministry of Finance by 20 August.

7. Priorities for the quarter ahead

7.1 The priority for the quarter ahead will be portfolio monitoring.

Section 9(2)(ba)(i) prejudice supply of information

Page redacted

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Appendix – Peer funds

Norges Bank exclusions/observations update

12 June 2025

Today, following advice from the Council on Ethics, Norges Bank announced its decision to place the company **Toronto-Dominion Bank** under observation.

In 2024, the authorities in the USA and Canada fined TD record sums in relation to money laundering and non-compliance with regulatory requirements intended to combat money laundering. TD was also fined in 2013 in relation to non-compliance with anti-money laundering legislation in the USA. This should have given the company a powerful incentive to improve its routines and internal control procedures. Despite this, the US authorities point out in connection with the fine issued in 2024 that extensive and similar failings in TD's compliance have existed since 2014.

TD has made sweeping changes to its management in recent times and has adopted an ambitious plan for improvements. These steps, along with the fines imposed, reduce the risk of similar incidents reoccurring. Nevertheless, the Council considers that the extent to which these plans will be realised within the indicated time period remains uncertain, especially in light of the significant amount of work that remains to be done to create a good compliance culture within the company.

Please find the Council's recommendation here:

<https://etikkradet.no/the-toronto-dominion-bank-2/>

Please also note that this decision does not entail the exclusion of Toronto-Dominion Bank from the Fund's investments.

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Item 2c)

CROWN FINANCIAL INSTITUTIONS (CFIs)
RESPONSIBLE INVESTMENT (RI) QUARTERLY MEETING

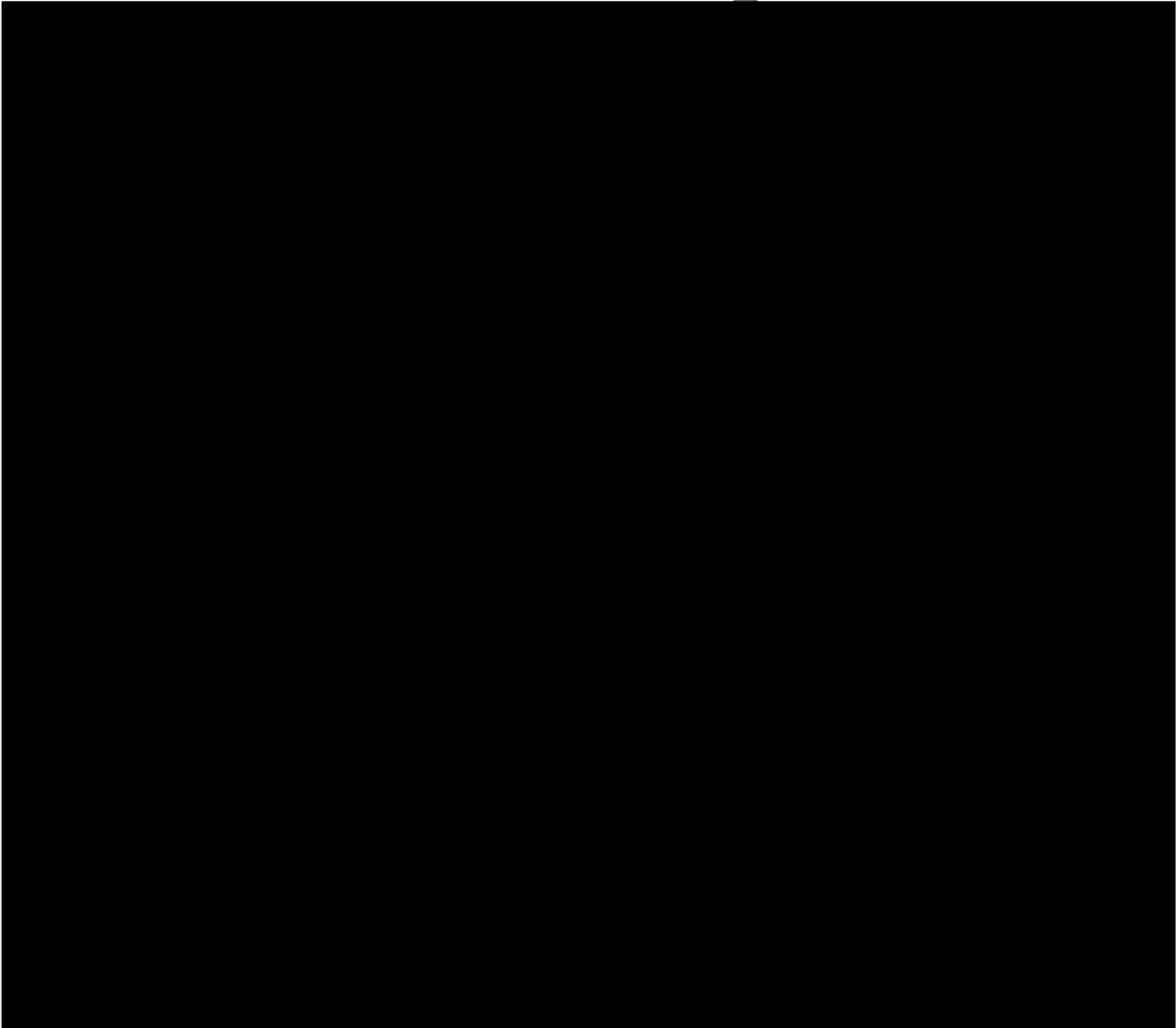
CFI WORK PROGRAMME

Context:	CFI Quarterly Meeting – For information
Author:	[REDACTED]
Date:	20 November 2025

The information, analysis, and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions. Activity updates (since the previous meeting) are highlighted in purple.

1. Purpose

Out of Scope





Activity	Responsible	Due	Priority	Status
Out of Scope				
Maintain a list of companies involved in Myanmar – incl. not flagged by MSCI/CTI - as companies stakeholders may raise.		Ongoing	3	Complete – Part of BAU monitoring
Out of Scope				
Review of engagement priorities CFIs to review whether current engagement priorities remain relevant and appropriate. 		2025-26	3	Deferred pending update of sustainable finance roadmap
CFI climate change engagement	All	Ongoing	1	In Progress

Section 9(2)(g)(i)
free and frank

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Item 4a)

**CROWN FINANCIAL INSTITUTIONS (CFIs)
RESPONSIBLE INVESTMENT (RI) QUARTERLY MEETING**

CFI ENGAGEMENT UPDATE

Subject:	CFI Engagement update
Author:	
Date:	30 October 2025

The information, analysis, and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1. Purpose

- 1.1** This paper is for discussion, and its purpose is to provide updates on:
- Engagement activities since the last meeting in August;
 - The CFI Global Focus List;
 - Update on CTI and peer activities.
- 1.2** This paper is for discussion and seeks approval for the recommendation relating to the Global Focus List.

Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

2. Engagement activities – NZX50 Climate Change Engagement

2.1

2.2

2.3

3. Global Focus List

- 3.1** The Global Focus List has been updated and circulated to all CFIs.
- 3.2** The following information has been included in this update, given the significant interest in this topic. It is also noted that such developments do not automatically qualify companies for monitoring or other escalation steps by the NZ Super Fund.

- 3.3** In September, the Office of the United Nations High Commissioner for Human Rights (OHCHR) updated its database of companies which OHCHR considers there are reasonable grounds to believe are involved in certain activities connected to Israeli settlements in the Occupied Palestinian Territories. The updated list includes 158 entities — 68 new additions and seven removals. See Appendix A for other points of note.
- 3.4** As part of its usual processes, the NZ Super Fund reviewed its portfolio against the revised list and identified one listed company, [REDACTED] within its equity holdings. [REDACTED] inclusion in the OHCHR database is due to alleged involvement in Israeli settlement infrastructure [REDACTED] [REDACTED] has formally requested removal from the OHCHR list, citing the lack of current operational ties to the region.

4. Portfolio disclosures and exclusions

- 4.1** The six-monthly update of the NZ Super Fund exclusions list was completed in June, shared with CFIs and published on the website in July. In September, the NZ Super Fund exclusions list was subsequently updated which was then recirculated to CFIs. Improved double-check process has been put in place as a result following an internal Learning Opportunities Report.

5. Columbia Threadneedle Investments reo® update

- 5.1** The next quarterly update meeting with CTI reo® will be held on November 17, 2025. A verbal update will be provided at the November CFI Quarterly Meeting.

6. Collaborations, initiatives, peer activities

- 6.1** A list of NZ Super Fund collaborative activities is included as Item 4b). No further collaborations or initiatives have been endorsed.
- 6.2** Refer to Appendix B for a list of companies placed under exclusion by NBIM following recommendations from the Norwegian Council on Ethics. Since August 2025, Norges Bank has excluded seven companies from the Government Pension Fund Global—five Israeli banks and Caterpillar Inc. due to human rights concerns in conflict zones, and one (Eramet SA) over environmental and indigenous rights violations in Indonesia.
- 6.3** Separately, NBIM reviewed its broader holdings in Israeli companies at the request of the Ministry of Finance. This review was announced on August 11th and was separate from the usual exclusion process. The review resulted in the divestment of 11 Israeli companies. NBIM submitted a response to the Ministry on 20 August, reaffirming its conduct-based approach to responsible investment, clarifying that exclusions are not politically motivated, and outlining its framework for assessing companies across all markets.

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7. Priorities for the quarter ahead

7.1 For the upcoming quarter, key priorities of the NZ Super Fund that are relevant for the November quarterly meeting include:

- Finalising the handover of the Stewardship portfolio to [REDACTED]

Out of Scope

- [REDACTED]

7.2 CFIs are invited to share any priority areas they plan to focus on in the coming quarter at the November quarterly meeting.

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Appendices

Appendix A

Updated OHCHR database, Points of Note

Other points of note on the updated database are:

- This is essentially a partial update; the OHCHR continues to work through the various companies that submitters proposed for inclusion as part of OHCHR's 2024 consultation process.
- It is clear that OHCHR remains subject to significant resource constraints.
- In broad terms, the new iteration of the database remains subject to the same qualifications/limitations as earlier iterations. It also notes that OHCHR is *"continuing its efforts to distinguish appropriately between different forms of involvement of a business enterprise, in alignment with the Guiding Principles on Business and Human Rights"*.
- It is now explicit that the database does not encompass any corporate activities within Gaza.
- OHCHR now publishes certain additional information on its website, including responses from the companies on the database (where provided). Refer <https://www.ohchr.org/en/business/bhr-database>.

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Appendix B

Peer funds : Norges Bank exclusions/observations update

11 September 2025

On 11 September 2025, Norges Bank announced the exclusion of *Eramet SA* from the Government Pension Fund Global following a recommendation from the Council on Ethics dated 18 March 2025. The decision was based on an unacceptable risk that the company contributes to, or is itself responsible for, severe environmental damage and serious violations of the human rights of uncontacted indigenous people.

The Council's recommendation focused on Eramet's role as operator of the PT Weda Bay Nickel joint venture in Halmahera, Indonesia. Mining activities in this area are expected to cause extensive deforestation in a region of high biodiversity, threatening endangered species and the survival of indigenous groups living in voluntary isolation. The Council found that mitigation measures implemented by Eramet and its partners were insufficient to prevent these harms.

The exclusion was made under the conduct-based criteria s4(a) and s(4)e of the Fund's Guidelines for Observation and Exclusion. Norges Bank concluded that alternative measures, such as active ownership, were not appropriate in this case and found the recommendation sufficiently substantiated to meet the exclusion criteria.

You can read the full announcement here: <https://www.nbim.no/en/news-and-insights/the-press/press-releases/2025/decision-on-exclusion/>

25 August 2025

Norges Bank has excluded six companies from the Government Pension Fund Global due to concerns over human rights violations in conflict zones.

On 25 August 2025, the Executive Board of Norges Bank announced the exclusion of six companies from the Government Pension Fund Global: *First International Bank of Israel Ltd*, *FIBI Holdings Ltd*, *Bank Leumi Le-Israel BM*, *Mizrahi Tefahot Bank Ltd*, *Bank Hapoalim BM*, and *Caterpillar Inc.* .

The decision was based on recommendations from the Council on Ethics dated 25 June and 2 July 2025, at a very high level citing an unacceptable risk that these companies contribute to serious violations of individuals' rights in situations of war and conflict. The exclusions were made under section 4(b) of the Fund's Guidelines for Observation and Exclusion, which addresses conduct-based criteria.

The Executive Board concluded that alternative measures, such as active ownership, were not appropriate in these cases. While the Board did not independently assess all aspects of the Council's recommendations, it concluded that the criteria for exclusion had been sufficiently met.

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You can find the full announcement here: <https://www.nbim.no/en/news-and-insights/the-press/press-releases/2025/decisions-on-exclusion/>

20 August 2025

NBIM submitted a formal response on 20 August 2025 addressing its responsible investment practices and holdings in Israeli companies. The response reaffirmed NBIM's conduct-based approach to exclusions, emphasizing that decisions are guided by documented risks—such as human rights violations—rather than political considerations. It outlined the role of the Council on Ethics in recommending exclusions and described how NBIM applies consistent ethical standards across all markets, including through active ownership and engagement where appropriate. It noted that with a broadly invested global portfolio there will always be a risk that individual investments can be linked to possible norm violations, even with a robust framework for risk management, responsible investment, etc. Read the full response here <https://www.nbim.no/en/news-and-insights/submissions-to-ministry/2025/government-pension-fund-global--renewed-review-of-responsible-investment-work-and-investments-in-israeli-companies/>

For context, NBIM had earlier announced on 11 August 2025 that it was simplifying the management of its investments in Israel, following a request from the Norwegian Ministry of Finance. At mid-year, the fund held positions in 61 Israeli companies, 11 of which were outside the Ministry's equity benchmark index. NBIM has since fully divested from those 11 companies and brought all remaining Israeli investments in-house, terminating contracts with external managers.

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Companies to consider for exclusion – May 2023

Background – Exclusion decision process

Where companies are found to breach SI standards we focus our engagement efforts by taking into account:

- Significance of the breach e.g. if it is a priority issue (CFI priority issues are corporate governance, human rights and severe environmental damage, including climate change)
- Significance of the Fund's holding in the company
- Ability to collaborate with other investors or engage directly with the company
- Potential effectiveness of engagement (given context and responsiveness)
- Resources required

In some limited cases the Fund will exclude securities issued by companies from the portfolio. This may occur where companies are involved in certain activities or breaches of standards. These decisions take account of:

- New Zealand or national law
- International conventions to which New Zealand is a signatory
- Significant policy positions of the New Zealand Government
- Impact of exclusion on expected Fund returns
- Actions of our peers
- Severity of breach/action
- Likelihood of success of alternative course of action (engagement)

Decisions to exclude a company on the basis of poor corporate practice are made by the CIO on the recommendation of the IC.

The exclusion list is reviewed/updated and released publicly, with year end and half year information (December and June).

We can make exclusion decisions at other times, on a case by case basis. Where we decide to exclude a product or a company, we have committed to making the decision public. Decisions are published on our external website.

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Companies to be considered for exclusion in June 2023

Company	Issue	Detail	Exposure	Assessment and Recommendation
	Conduct - Unacceptable risk that the company is contributing to serious violation of the rights of individuals in situations of war and conflict.			<u>NZSF assessment:</u> - Holding is not material - Engagement would be high resource, limited likelihood of being effective - Limited opportunity for collaborative engagement - Severe breach, priority issue <u>Recommendation</u> Write recommendation to IC to exclude – based on Council on Ethics info.
	Conduct - Sales of weapons to states in armed conflicts, where the weapons are used in ways that constitute breaches of the international rules on the conduct of hostilities. Bribery and corruption.	Myanmar.		<u>NZSF assessment:</u> - Holding is not material - Engagement would be high resource, limited likelihood of being effective - Limited opportunity for collaborative engagement - Severe breach, priority issue

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		vehicles are used in attacks on civilians in Myanmar. MSCI notes multiple moderate controversies related to bribery , but not the Myanmar issue raised by the Council on Ethics.		Recommendation Write recommendation to IC to exclude – based on Council on Ethics info.
	Conduct – Unacceptable risk of severe environmental damage (trade in endangered species)	Chinese		NZSF assessment: - Holding is not material - Engagement would be high resource, limited likelihood of being effective - Limited opportunity for collaborative engagement - Severe breach, priority issue Recommendation Write recommendation to IC to exclude – based on Council on Ethics info.
	Conduct – Business ethics, social	China-based		NZSF assessment: - Holding is not material - Engagement would be high resource, limited likelihood of being effective - Limited opportunity for collaborative engagement

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Section 9(2)(i) (commercial activities)

Section 9(2)(i) (commercial activities)

Section 9(2)(ba)(i) prejudice supply of information

		Uyghurs		- Severe breach, priority issue <u>Recommendation</u> Write recommendation to IC to exclude – based on Council on Ethics info.
	Conduct – Social (forced labour) and business ethics	China-based company's direct role in the Uyghurs		For further discussion Check if CTI reo plans to engage. Monitor MSCI updates?

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Bonds held in flagged companies								
NAME	TICKER	ISIN	COUNTRY	OVERALLFLA G	CONTROVERSY LAST UPDATE DATE	COMPANY RATING	RATING DATE	UNGC COMPLIANC E
			IT					
			DE					
			KR					
			US					

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			US					
			BR					

Exclusion process eDocs #3376905

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PROPOSAL TO SUPPORT MINING 2030

For: **MATT WHINERAY**

Prepared by: [REDACTED]

Date: **13 September 2023**

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1 Purpose

- 1.1 The purpose of this paper is to request approval for the New Zealand Super Fund to become a formal supporter of the Mining 2030 initiative.

2 Executive Summary

- 2.1 The mining and minerals sector is critical to society and the low carbon transition. Projected growth in demand for transition and other related minerals requires both expansion of existing mines as well as development of new mine sites. Even with significantly increased recycling, substitution of key minerals and greater efficiency of mineral usage there is no path to net zero without very considerable expansion of mining.
- 2.2 There are elevated ESG risks in the mining and minerals sector. These risks include artisanal mining and child labour, health and safety, biodiversity loss, the role of mineral demand in sustaining or driving conflict, and the impacts of automation.
- 2.3 There have been several major environmental disasters involving dams and mine tailings which has led to scrutiny of environmental and human rights impacts from mining. It is important that we proactively engage with mining companies to ensure that we can continue to invest in them.
- 2.4 The Global Investor Commission on Mining 2030 (Mining 2030) is a collaborative investor-led initiative, which grew out of the successful Investor Mining and Tailings Safety Initiative. It has a more ambitious agenda looking ahead to 2030. The NZ Super Fund supported the Mining and Tailings Safety Initiative and in early 2023 lent further support for the creation of the independent Global Tailings Management Institute.
- 2.5 We have been invited to become a formal supporter of the Global Investor Commission on Mining 2030 (Mining 2030). There is no cost involved in supporting the initiative and it would be relatively light-touch. There are options to be more actively involved, with an associated financial cost and resource demand.

3 Background

- 3.1 Mining has a poor track record in respect of environment and human rights performance. Several major mining disasters led to increased scrutiny of mining operations globally. Some recent incidents are covered in Appendix 1.
- 3.2 The 2015 Mariana and 2019 Brumadinho disasters in Brazil led to realisation that there was a significant, global systemic risk related to mine tailings dams. There was an unknown number of tailings dams in the world and no global record of where they were. There was a trend of increasing catastrophic dam failures combined with a

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failure to implement recommendations for improved standards. There was no global industry standard on tailings management and no disclosure standard for company reporting on tailings dams.

3.3 The Investor Mining and Tailings Safety Initiative, led by the Church of England Pensions Board and the Council on Ethics for the Swedish Public Pension Funds, has made significant progress since it was launched in 2019. These include:

- Development of the Global Tailings Portal, launched in 2020. It is a free, searchable database with detailed information on more than 1,800 mine tailings dams around the world.
- Working with the mining industry (represented by the International Council on Mining and Metals), the United Nations Environment Programme and Principles of Responsible Investment (PRI) on the development of a Global Industry Standard on Tailings Management. The standard, launched in August 2020, was developed by a multi-disciplinary Expert panel, with input from a multi-stakeholder advisory group.
- Establishment of an independent Global Tailings Management Institute (in progress). The purpose of the institute is to drive the independent auditing of mining companies' compliance with the Global Industry Standard. In early 2023, NZSF lent support to a letter sent to the CEO of ICMM and the mining company CEOs on its council to help get their commitment to the institute over the line.¹

3.4 While the mine tailings initiative has helped to establish a process to address risks from mine tailings, there are other significant, systemic issues in the mining sector. These include labour rights, health and safety, child labour and environmental impacts.

3.5 The transition to a net zero economy, the shift to renewables and growth in battery electric vehicles has led to growing demand for minerals and expansion of mining, particularly in emerging or developing countries and those with high conflict risk. It has also led to increasing scrutiny of mining companies and their investors by media and stakeholders. Amnesty International's first report on cobalt mining in DR Congo This is What We Die For (January 2016) led to a number of initiatives by major mining companies. However, many of the issues are deeply embedded through supply chains and it is challenging for investors to engage on them. There are more recent reports that highlight ongoing problems, are being picked up by international media² and leading to reputation risk for investors.

3.6 The ICCM CEO, Rohitash Dhawan, has acknowledged the problem. In his keynote address to the World Mining Congress in June 2023, when he said "mining does not enjoy the broad based trust of society globally". He noted that the global polling company Globescan has been tracking attitudes towards all major sectors in 31 countries globally since 2001. "In 2021, at a time when the focus on critical minerals was really picking up, mining was ranked the lowest of all sectors in terms of being trusted to fulfil our responsibilities to society. Worse still, it was the lowest score in 20 years."

¹ ICMM had previously given qualified support. In February 2023, ICMM committed to support the institute and committed US\$1million to fund the setup phase before the institute comes into operation and can levy fees on companies based on the number of tailings facilities registered.

² United Kingdom human rights group RAID released The Road to Ruin (November 2021), a report about electric vehicles and workers' rights abuses in Congo cobalt mines; Amnesty International has released a further report about the human rights impact of the rapid expansion of mining in Congo in September 2023 Powering Change or Business as Usual?

C2 - Internal Use Only**4 NZSF engagements on mining**

- 4.1 We have been monitoring several mining operations through the Crown Financial Institution RI collaboration. Companies we are actively monitoring are included on the Global Focus List. These are [REDACTED]. We monitor these companies via the Columbia Threadneedle Responsible Engagement Overlay service (reo®). In relation to [REDACTED] we also supported the Global Mine Tailings Dam Safety initiative.
- 4.2 We engaged directly with [REDACTED] and we also engaged with the company as part of the mine tailings safety initiative. These engagements were closed once the engagement milestones were achieved.
- 4.3 Engagements with a further eight companies have been closed because of sufficient progress or because none of the CFIs hold shares. This includes [REDACTED].
- 4.4 NZSF has exclusions in place for several mining companies because of their ESG performance. These are for Acacia Mining, Barrick Gold, Freeport McMoran and Zijin Mining Corp. These exclusions have been in place for several years.
- 4.5 Because we are a relatively small investor in the global context and have limited resources to do direct engagement, we usually prefer to join global collaborations where possible. This depends on the level of support/effort required. Many of our engagements are reactive, rather than proactive.

5 Mining 2030

- 5.1 The Global Investor Commission on Mining 2030 has been set up to address systemic issues in mining. It is a collaborative investor-led initiative to consider key systemic issues faced by the mining sector that challenge, or could challenge, the sector's social licence to operate. It will use the multistakeholder roundtable model that inspired the tailings initiative. It aims to achieve a "reformed" mining sector by 2030.
- 5.2 Mining 2030 outlines its challenge as:
- An expansion of the mining industry is necessary to achieve the Paris Agreement goals, but the good practice that exists is undermined by a series of systemic social and environmental issues that challenge both mining today and will challenge its future growth if not adequately addressed.*
- A key example of this is the increasing scramble by governments and companies to secure the supply chains of transition minerals required to deliver on their net zero commitments. For instance, whether auto manufacturers can meet battery demand for new electric vehicles will depend on minerals required within batteries. Meeting net zero demand, according to one leading market analyst, requires lithium mining to increase production by 880% and graphite by over 900% in the decade from 2020 to 2030.*
- Even with significantly greater recycling, substitution of key minerals for other minerals and greater efficiency of mineral usage there is no path to net zero without very considerable expansion of mining.*

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The Commission is focused on addressing these systemic risks across geographies from tailings dams prone to collapse, to the impact of automation on its workforce, to the sector's effects on biodiversity. This group of issues is not exhaustive, but is indicative of the range of challenges identified by institutional investors in the mining sector. A particular challenge is that there are many leading practitioners of good practice within their operations and a new generation of mining leaders, but when something goes wrong the whole sector is impacted. A collaborative approach to devise a path, carrying the confidence of the many stakeholders in mining, that ensures the whole sector, not just some leading companies, can operate to the highest global best practice standards will be a key focus of the work of the Commission.

5.3 The specific issues that Mining 2030 will address are:

- Anti-corruption
- Artisanal mining
- Automation and future workforce
- Biodiversity, land and protected areas
- Child labour
- Climate change
- Conflict and reconciliation
- Historic legacy of mining and rehabilitation
- Indigenous community and First Nations rights
- Mine tailings waste and site closure

5.4 For each topic, the initiative plans to identify:

- What constitutes best practice;
- Existing global standards or where they need to be created;
- Whether existing ESG data disclosure is fit for purpose;
- Whether additional disclosure requirements or where consolidation of disclosures may be required;
- Necessary steps for industry as well as investor interventions to achieve a more effective standards regime and for independent verification of site-level application of standards;
- Any necessary public policy responses.

5.5 Membership options: NZSF has been invited to become a formal supporter of Mining 2030, which means giving our support to the initiative. The Fund would be listed as a supporter of the Global Investor Commission. To become a supporter has no cost, is intentionally light touch and requires the following:

- Confirmation of Fund name, AUM and logo (for listing on the supporters page on the Mining 2030 website);
- The option to provide a short statement of support for the Commission.
- A named contact for optional consultation on commission outputs.

5.6 The NZSF representative would be provided with the opportunity to be consulted at key points on emerging thinking. It is anticipated that there will be three themed interim reports before a final Commission report.

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- 5.7 There is also an option to become a member of the Global Investor Steering Committee. This requires more active involvement by a senior Fund representative and a one-time financial contribution to support the work of the Commission. The asset owner contribution is £20k.
- 5.8 In addition to Steering Committee Members, a limited number of Commissioners will be appointed from the investment community. This is by application.
- 5.9 We consider that formally supporting Mining 2030 is appropriate.
- 6 Recommendation**
- 6.1 We recommend that the NZ Super Fund becomes a supporter of Mining 2030.

Appendix 1 – Mining disasters

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Appendix 1 – Mining disasters

- The Mariana disaster in 2015 occurred when the tailings dam at the iron ore mine Samarco, collapsed leading to 19 deaths, a flood that contaminated 670 km of waterways and destroyed dozens of villages. The mine was jointly owned by BHP Billiton and Vale. The disaster has led to the largest class action in the world (which is ongoing), taken on behalf of 700,000 people and 46 Brazilian municipalities, business and indigenous groups, claiming £36 billion in damages.³
- In January 2019, a catastrophic tailings dam failure at the Córrego do Feijão mining facility in Brumadinho, Brazil, led to 270 deaths and widespread contamination. The mine owner, Vale, has paid US\$7 billion in reparation⁴ and faced legal action.
- In May 2020, Rio Tinto blew up two 46,000 year old Aboriginal rock shelters in Juukan Gorge to make way for the expansion of an iron ore mine. The destruction led to a federal inquiry and introduction of legislation to provide greater protection of cultural and heritage sites in Australia.⁵ The tragedy led to the resignation of the Rio Tinto Chief Executive and two senior executives, while the Chair and a Board member announced they would step down at the following annual meeting.⁶
- In September 2022, a diamond mine in Jagersfontein, South Africa, collapsed, releasing tailings waste destroying homes, inundating rivers and grazing land, and injuring dozens.⁷ The extent of the disaster was visible from space⁸.

³ Bloomberg, March 2023. <https://www.bloomberg.com/news/articles/2023-03-15/bhp-risks-36-billion-bill-in-uk-lawsuit-over-dam-collapse#xj4y7vzkg>

⁴ BBC report, February 2021. <https://www.bbc.com/news/business-55924743>

⁵ Sydney Morning Herald, October 2021. <https://www.smh.com.au/business/companies/juukan-gorge-inquiry-urges-national-laws-to-protect-sacred-sites-20211018-p590xi.html>

⁶ RNZ News, March 2021. <https://www.rnz.co.nz/news/world/437541/rio-tinto-chairman-and-board-director-to-resign-over-sacred-aboriginal-site-destruction#:~:text=The%20chairman%20and%20a%20board,over%20the%20Juukan%20Gorge%20disaster.&text=The%20big%20miner%20announced%20chairman,next%20year's%20annual%20shareholder%20meeting.>

⁷ New York Times, September 2022. <https://www.nytimes.com/2022/09/23/us/south-africa-diamond-mine-collapse.html>

⁸ NASA Earth Observatory, October 2022. <https://earthobservatory.nasa.gov/images/150497/jagersfontein-covered-in-mining-waste>

[Internal use]

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Collaboration details

Objectives

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info@mining2030.org

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To recap – We are requesting your approval to support the attached confidential letter to the International Council on Mining and Metals (ICMM). I have run it past [REDACTED] and she is comfortable with it.

Background – The Investor Mining and Tailings Safety Initiative was founded in 2019 after the Brumadinho mining disaster in Brazil, where a tailings storage facility failed, killing 270 people, and causing environmental damage. The initiative is led by the Church of England Pensions Board and the Swedish Council on Ethics. We signed on with the other CFIs when it was launched. We have not been actively involved since then and the initiative has been monitored for us by our REO engagement service (now provided by Columbia Threadneedle). It has been a very effective initiative and produced real results, including a global portal (with info on what companies are doing), development of a global industry standard on mine tailings that has been well-accepted, setting up an Independent Global Tailings Management Institute and is now looking at the feasibility of a global monitoring system.

We have now been invited to sign up to this **confidential letter** to support the initiative as it develops into the next phase. As noted in the email below **the letter does not commit us to anything**, but is a signal ahead of a key meeting the CEOs Council of the International Council on Mining and Metals (ICMM) will be having on Wednesday (tomorrow UK time) and intended to support efforts by the majority of the CEOs that are seeking to embark on a more ambitious approach for the mining sector.

The letter is attached. Members of the ICMM include [REDACTED]

This invitation (copied in below) is from Adam Mathews from the CoE Pensions Board and the letter itself is attached. I attended a presentation Adam gave at the PRI conference in Barcelona in November. Details can be found here:

<https://www.churchofengland.org/about/leadership-and-governance/church-england-pensions-board/pensions-board-investments/investor-1>

The initiative has won awards: <https://www.unpri.org/showcasing-leadership/investor-mining-and-tailings-safety-initiative/8943.article>

Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information

Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information

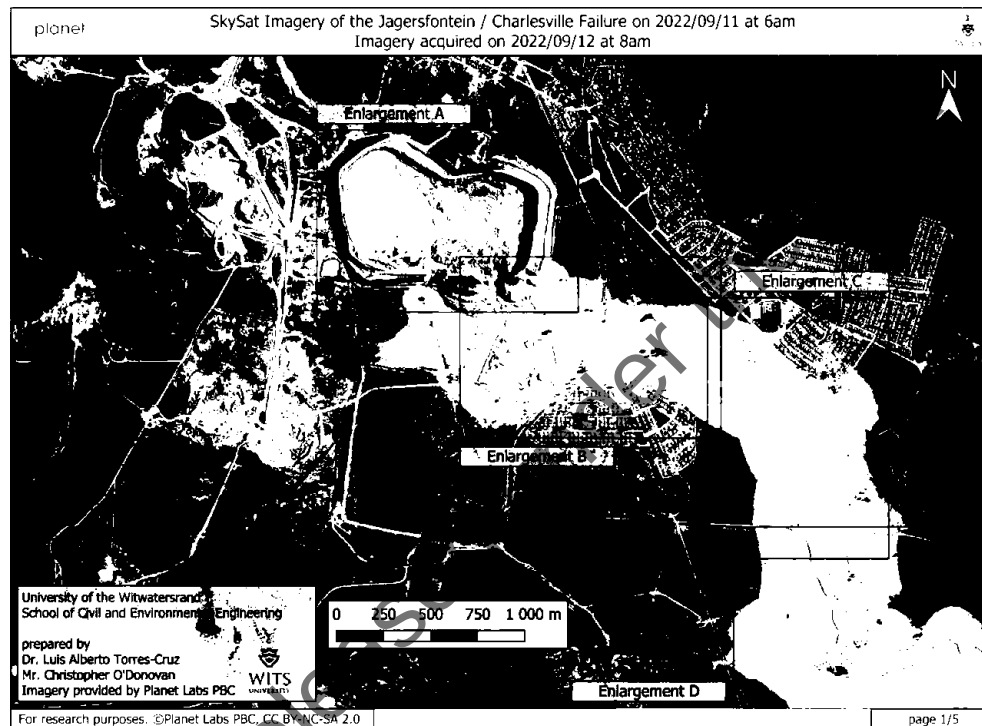
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C2 - Internal Use Only

South Africa Tailings Dam Collapse:

- On the morning of the 11th September, a tailings dam wall collapsed at the closed Jagersfontein diamond mine in Free State, South Africa. One person was killed and up to a 100 people injured and properties in the path of the dam were destroyed. The tailings flowed over 8 km and left a path over 1.5 km wide. Video of the failure is available [here](#). De Beers, part of Anglo American, closed the mine more than 10 years ago. Jagersfontein Development (Pty) Ltd purchased the mine and was re-mining the tailings. In 2020, the company was ordered to cease the disposal of waste water at the site until the site was reopened in 2021. The President of South Africa, Cyril Ramaphosa and the Mineral Resources and Energy Minister, Gwede Mantashe, both visited the site. You can see from the image below the impact on the communities in the path of the dam.



Joint Statement on Jagersfontein by PRI, UNEP and ICMM:

- A joint Statement was issued by PRI, UNEP and ICMM on the 16th September that you can read [here](#). As part of the Statement it says: *'As the convenors of that standard, ICMM, PRI and the UN Environment Programme (UNEP) are once again calling on wider investors, companies, communities and governments to join us in advocating for the Standard's implementation by mining companies, whether public or private – across all existing and new sites, in all jurisdictions. Simply put, anything less than every tailings facility on Earth being responsibly managed is just not good enough. While some companies including all ICMM members have committed to implementing the GISTM or equivalent standards, many other operators have yet to commit to doing so. We urge every mining company, everywhere to immediately embrace the Standard as a top priority.'*

Global Tailings Management Institute:

C2 - Internal Use Only

- We are pleased to report that the work of the independent expert **International Advisory Panel (IAP)** supported by UNEP, PRI through the Church of England Pensions Board and Council on Ethics of Swedish AP Funds has concluded its work. The panel's recommendations on the formation of an independent Global Tailings Management Institute will now form the basis for some intense discussions with industry and other key stakeholders over the coming weeks to address the handful of areas that the IAP didn't reach full consensus. We intend to be in a position by the time of the PRI-In-Person Conference in Barcelona to have concluded negotiations on the Institute and move into a set up phase. **John Howchin as the Global Ambassador the Institute and I would like to invite you to an investor briefing at 1pm (UK) on Friday 7th October to update you on progress.**

Mining 2030 Investor Agenda:

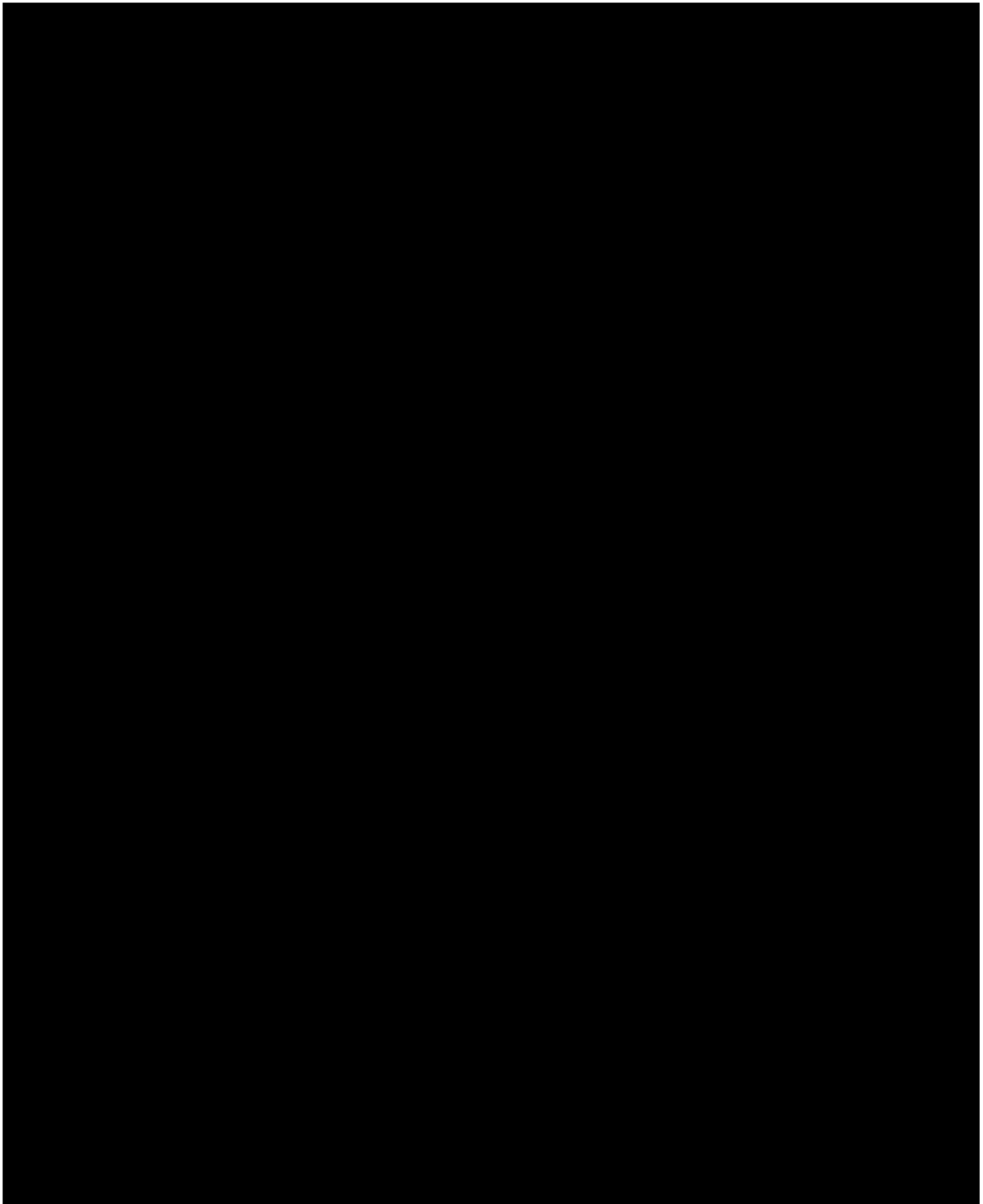
- Following the recent Investor Roundtables on Deep Sea Mining and on Mineral Demand (summary links below) a two-day Investor Summit on the future of mining to agree a **Mining 2030 Investor Agenda** will be held on the eve of the 4th Anniversary of the Brumadinho Disaster. Please save the date with further details to follow. A number of leading mining company CEOs will be in attendance as well as other key stakeholders in the mining sector. The aim of the Summit is simple – to agree a 2030 Investor Agenda. A Mining 2030 Working Group is being established to develop the DRAFT Agenda that will be the basis for the Summit discussions. We will be in touch in the next week with those funds that expressed an interest in directly supporting the work of Mining 2030.
 - Mineral Demand Investor Roundtable 1 (International Energy Agency, World Bank, Benchmark Minerals) Briefing [here](#).
 - Mineral Demand Investor Roundtable 2 (ICMM & Former UK Government Mining Engineer) Briefing [here](#).
 - Deep Sea Mining Investor Roundtable 3 (Fauna & Flora International, UNEP-FI and Independent Legal Consultant) Briefing [here](#).
 - Deep Sea Mining Investor Roundtable 4 (Secretary General of the International Seabed Authority & the Chair and CEO of The Metals Company) Briefing [here](#).

Please do not hesitate to contact me if you have any further questions.

With kind regards,

Adam & John

**Global Mining & Tailings Safety Initiative
& Mining 2030 Investor Agenda
www.Mining2030.org**



New Zealand is the world's only major purchaser of phosphate from Western Sahara. Some of this blood phosphate goes on farms owned by the NZ Super Fund. Are you comfortable with that?

- We are working with our asset manager FarmRight on alternative options.
- New Zealand does have a broader trading relationship with Morocco. In 2022, two-way trade was worth more than \$130 million.
- Fertiliser produced from Moroccan phosphate is particularly suited to New Zealand soil conditions and is not easily substituted.

Countries around the world seem to be able to farm without using this product; why can't we?

- There is no viable alternative currently available in New Zealand.

Can't you influence the fertiliser co-ops to use alternative sources?

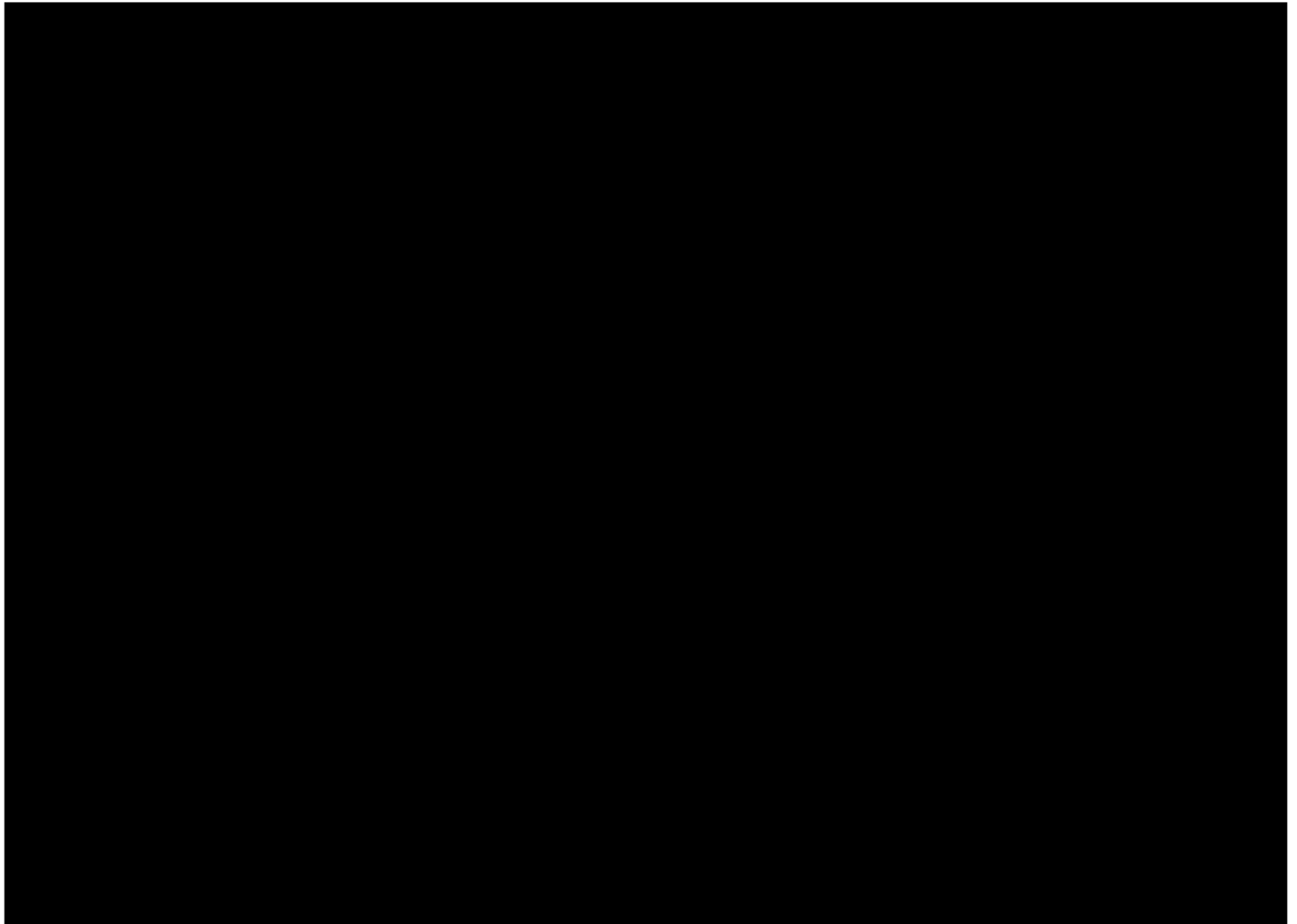
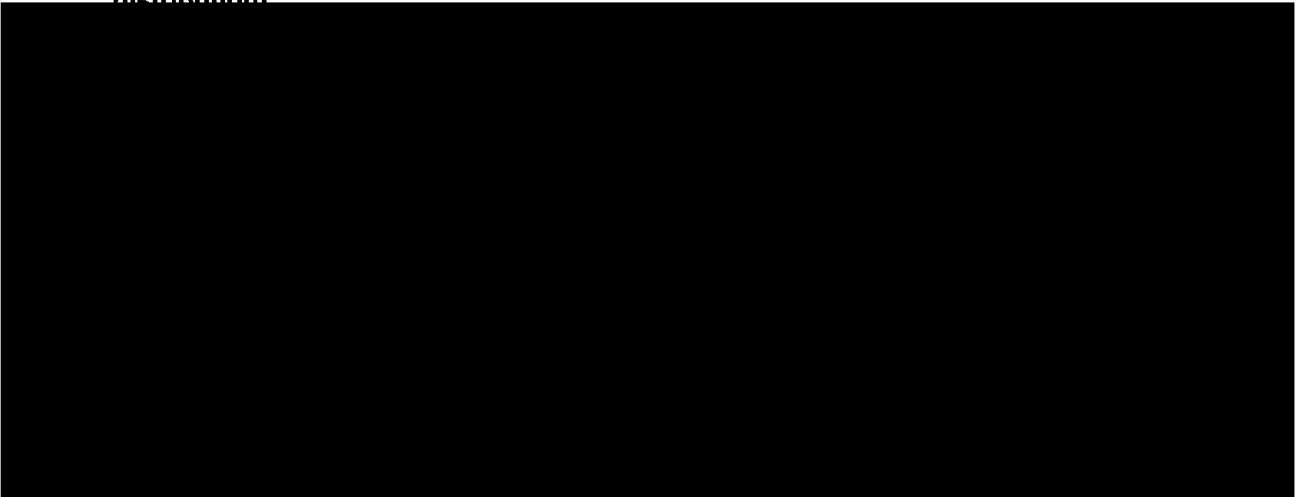
- I understand they are working on identifying alternative solutions, and we support that.

Wouldn't the ethical course of action be to stop farming?

- Direct investments, including farming, allow us to diversify our portfolio while providing good returns at a realistic level of risk. Our farms are good employers, they contribute to their local economies, and their operations meet high environmental standards.

Given the environmental issues associated with dairy farming, should the Super Fund invest in that industry at all?

- We believe we are a good owner for New Zealand farms – we have plenty of capital and a long-term horizon, and we are committed to reaching net zero goals.
- New Zealand is an efficient producer of high-quality food products because of its suitable temperature and climate, fertile soils and consistent rainfall.
- While climate change presents a number of risks to the agricultural sector, we believe that the industry in New Zealand can adapt to these challenges and continue to provide high-quality food to the country and the world.
- Our manager, FarmRight, runs low-input systems and does not feed Palm Kernel Extract. Ongoing improvements to on-farm practices as well as reduced fertiliser inputs have resulted in significant reductions in nitrogen loss.
- FarmRight creates annual nutrient and greenhouse gas emissions budgets and has reduced emissions per hectare over time.
- Our farms make significant contributions to the local and national economy, and are operated in a way that prioritises environmental best practice and the health and safety of farm workers.



[Confidential] - Trusted

How confident are you that Chinese investee companies meet your proclaimed ESG standards?

- As well as collecting our own information and carrying out our own assessments, we use a portfolio monitoring service to identify companies that have breached – or might breach – recognised ESG standards.
- We are confident in our monitoring processes and that we are applying our framework appropriately.
- If companies are captured by one of our 'category' or 'product' exclusions then that's a line for us, they will be excluded.
- What is important to us is the company's activities – that is our focus, not the country they come from per se.
- Where a 'product' exclusion doesn't apply but we have concerns about an investee company's operations, we look at the evidence and where it is appropriate we will raise those concerns with the company. If engagement is unsuccessful and issues persist, we will consider exclusion.
- Even well-run companies can strike problems from time to time. Our portfolio and the activities of investee companies are dynamic – we will never achieve a perfect state.

[Confidential ► Trusted
distribution]

Aren't all major Chinese companies effectively state-owned? Are you comfortable having the CCP as an investment partner?

- China's sovereign wealth fund, CIC, is one of the largest and most sophisticated asset owners in the world, and inevitably we invest alongside them in both public and private market assets globally. They, like us, are a member of IFSWF.
- CIC is active in green investment and is investing to facilitate better energy efficiency, emission reductions, and climate protection across areas including green energy, agritech, and water treatment.
- China is the world's second-largest economy, and far and away New Zealand's largest export market and most important trading partner. We can't ignore the opportunities it presents.
- We are confident that, with the help of specialist advisors, we can effectively monitor the ESG performance of investee companies in China and elsewhere – and we are always prepared to reassess our position in response to new information or other changes.

Do you take into account comments from NGOs or groups like Amnesty International?

- Yes. These can be a valuable way for us to learn of potential issues with an investee company. We also take note of the actions of our peers. However, we make our own decisions according to our Responsible Investment Framework, and based on our own research and on reports from our advisors.

You have been caught out before – palm oil companies in Indonesia, Adani and others in Myanmar: what are you doing to improve the monitoring of your portfolio?

- Shifting our Reference Portfolio benchmark and the corresponding portfolio of passive investments in global equities to market indices aligned with the Paris Agreement means we hold fewer stocks, making it easier for us to monitor the portfolio and manage any engagement with investee companies. It has also improved the portfolio's ESG profile.
- The portfolio and companies' activities are dynamic and change over time – we will never reach a perfect state.

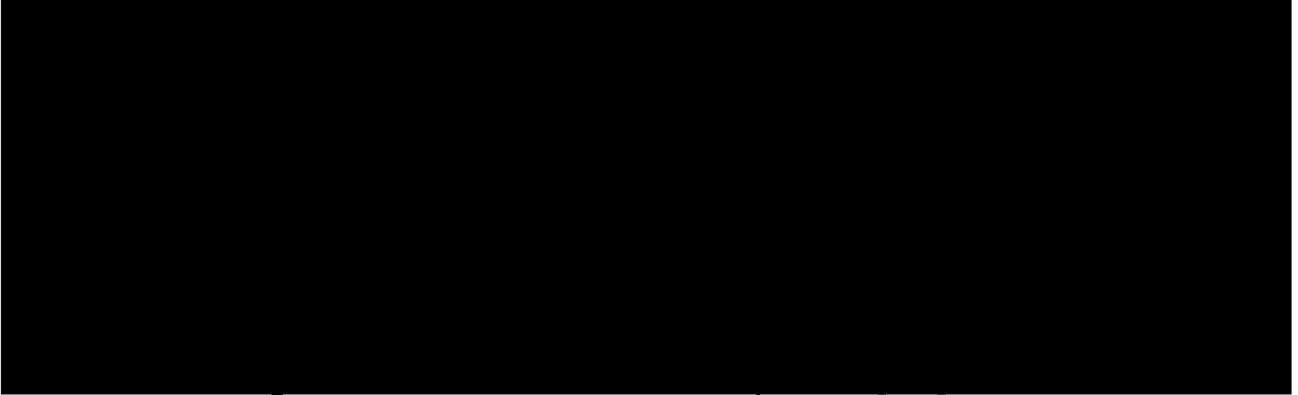
So are you confident you no longer hold stock in companies associated with the regime in Myanmar, for example – or with human rights abuses in China?

- We're confident that we are much better placed than we were say a year ago, but the nature of global investing means we have to continually monitor the portfolio. We could give you an assurance today and then next week a new controversy or new evidence about a company's activities could emerge.

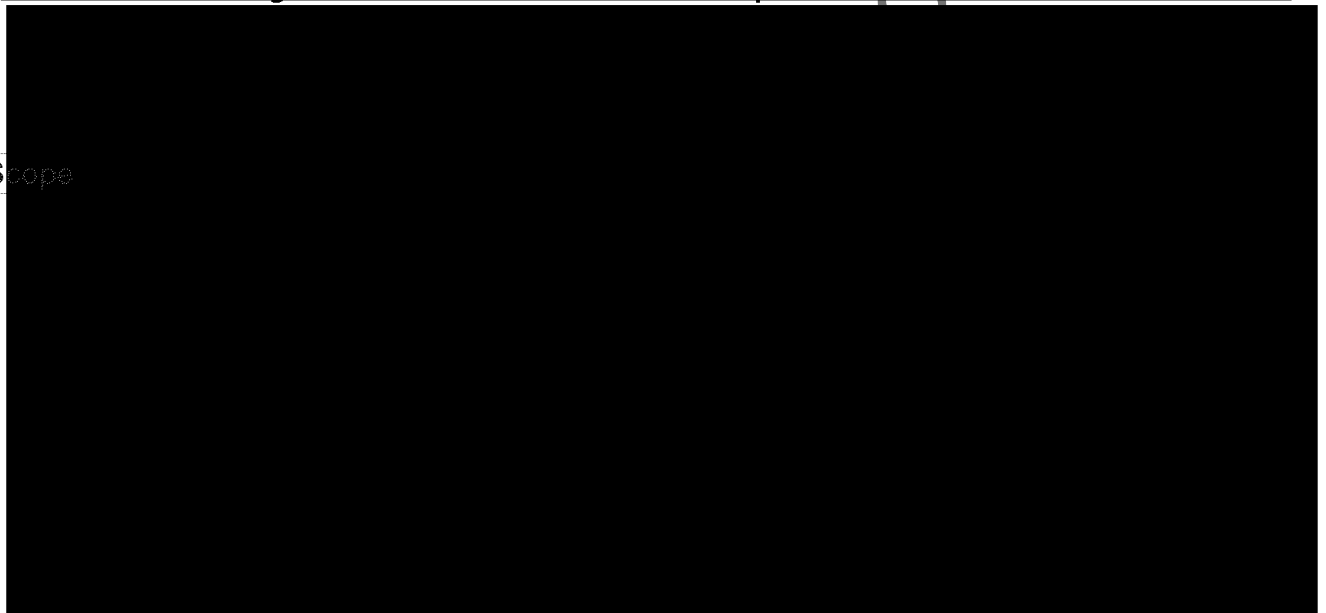
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- There are always companies about which we have some concerns. We are currently working on the six-monthly update of our exclusion list and any changes will be made public later in the year.
- The threshold for exclusion is high, as it should be, but we will exclude companies for severe breaches of responsible investment standards, such as the UN Global Compact, particularly where engagement has not been, or is unlikely to be, effective.

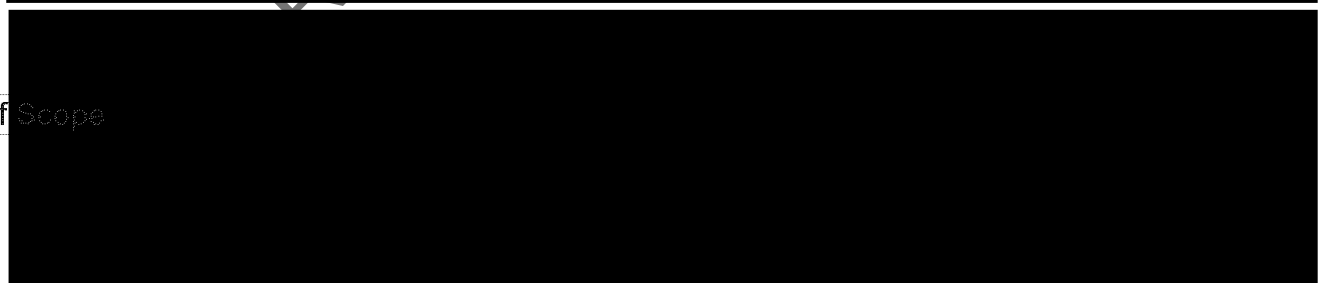
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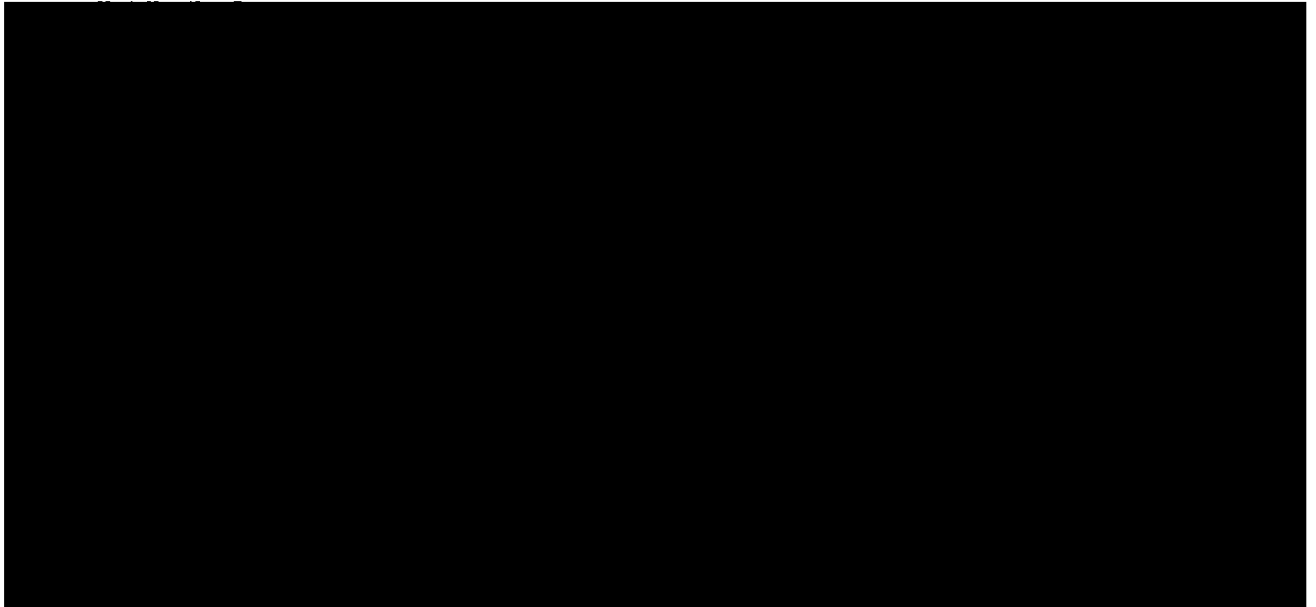


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Out of Scope

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Working Notes: Preliminary guidance on communicating the application of the RI Framework to businesses operating in conflict-zones or countries subjected to State-sponsored Human Rights abuses (for approval)

[Confidential)

Subject:	Businesses and Human Rights & RI Framework
Context:	Background for Communications
Author:	
Date:	18/06/21

1 Purpose

Guidance notes for discussion with Communications team for preparation for the Select Committee.

- 1.1 The purpose of this note is to draft guidance for external communications on the RI procedures on country-related human rights related issues, particular in relation to Myanmar. *The information, analysis and opinions are working notes and provisional only.*

2 Background

- 2.1 **Business and country-level human-rights risks and international standards for investors.**
- 2.2 Some of the more challenging human rights situations for businesses arise when operating in countries involved in conflict or post-conflict situations or operating in countries where the State itself is involved in human rights abuses.
- 2.3 There are a number of international standards for companies and investors to apply in this situation, of which the UN Guiding Principles on Business and Human Rights (UN GPs) is central. The OECD Guidance for Responsible Business Conduct for Institutional Investors (OECD Guidance) is fully aligned with, and help investors apply the UN GPs. The UN Principles for Responsible Investment and the UN Global Compact supports the UN GPs and forms the foundation of our RI Policy Standards and Procedures. We utilise all these guidelines in our work to implement our RI policy according to best practice through our RI Framework.
- 2.3.1 The OECD Guidance for investors with large portfolios of companies (particularly portfolios that reflect a market as a whole) may be connected to a wide range of companies with adverse impacts and recognizes that investors cannot cover all these companies but should prioritise by materiality of the issue and shareholding to focus on a smaller number of companies.
- 2.4 The UN GPs make clear where it is the State that is committing the human rights abuse, it is the State that is responsible for that abuse. Through the UN or other international bodies, other States can hold them to account.
- 2.5 Whilst companies are not responsible for State human rights abuses, companies may become involved with the State in some way that the relationship contributes to or is linked to human rights abuses.

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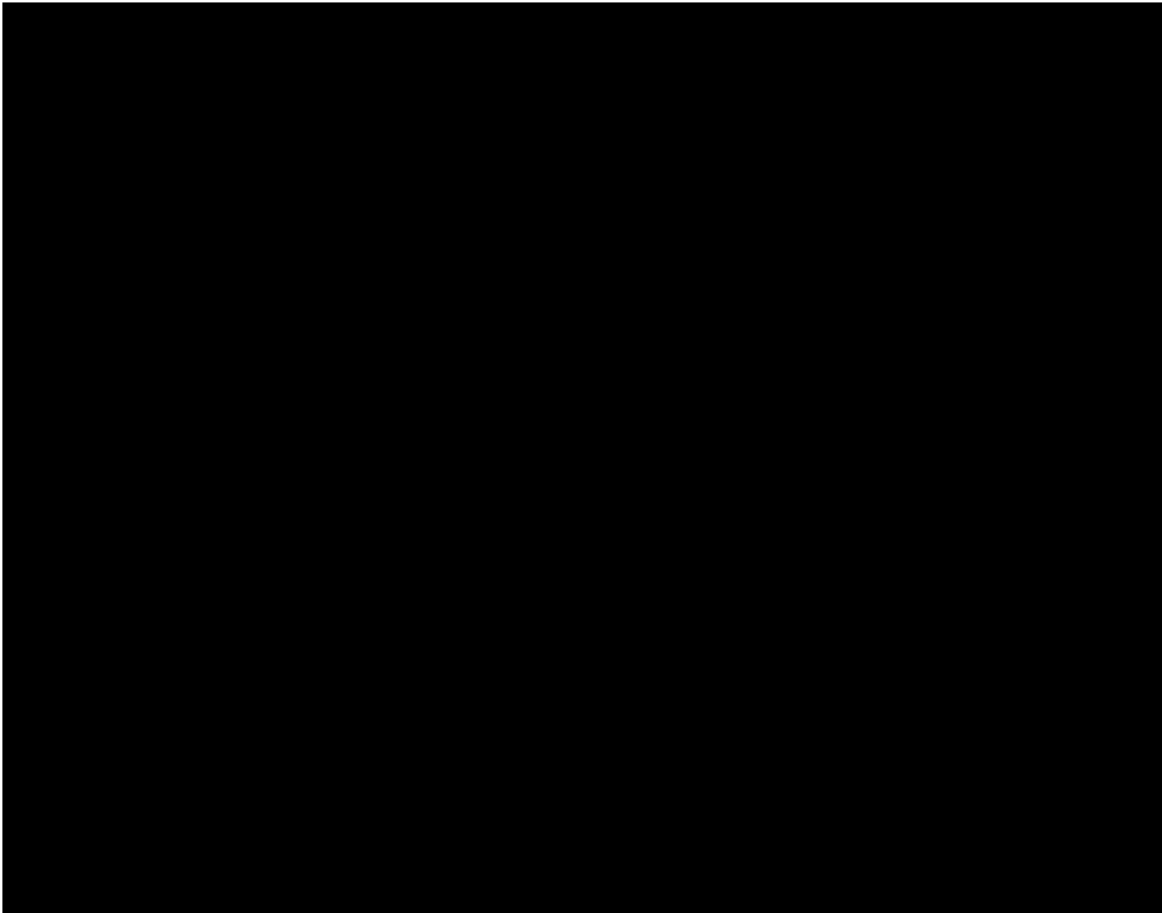
- 2.5.1 Similarly, the OECD Guidelines recognises Investors are not themselves responsible for addressing or providing a remedy for adverse impacts caused by or contributed to by investee companies. It remains the responsibility of the investee companies to mitigate impacts they cause or contribute to.
- 2.5.2 However, the OECD Guidance says investors are expected to use their 'leverage' with companies they invest in to influence those investee companies to prevent or mitigate adverse impacts, including by:
- direct engagement with investee companies
 - effectively exercising voting rights
 - directing capital towards responsible investee companies over time
 - involvement in industry initiatives targeting certain responsible business conduct risks
 - collective action on specific geographic or company-specific issues.
- 2.5.3 The OECD Guidance also addresses divestment as follows. Investors who lack (or have exhausted) leverage over an investee that is causing impacts may choose to maintain the investment or divest. Both divestment from, and continued investment in, an investee company may be appropriate outcomes following risk-based prioritisations. Even if an investor's leverage is very limited divestment may not necessarily be appropriate; without engaged investors, there may be no other shareholder voice persuading the company to change its practices.
- 2.5.4 Our RI Framework aligns with the OECD Guidance. Our RI Policies, standards and procedures and RI Framework for implementation are available on our website.

3 Summary Brief: RI Framework and companies operating in Myanmar

- 3.1 We strongly condemn the Military coup and human rights abuses committed by the military in Myanmar.
1. We are planning action under our RI Framework to engage with companies included on the UN HRC report list with links to Myanmar military economic enterprises to urge them to improve and apply human rights policies in Myanmar.
 2. We are prioritising companies held on the NZ Super Fund portfolio but also engaging more broadly through collaborating with other investors.
 3. Our RI Framework follow the OECD Guidelines which recommend using leverage where we are able to with companies through engagement.
 4. We will also consider excluding companies from the portfolio.

3.2

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3.3 There are a number of other companies we have under review that are not on the UN list but have been highlighted by other sources. We have a number of ESG research service firms who are also focused on companies and their business activity in Myanmar and are updating their research platforms.

3.4 Golriz Ghahraman presented a list of companies with business operations or relationships in Myanmar she was concerned about.

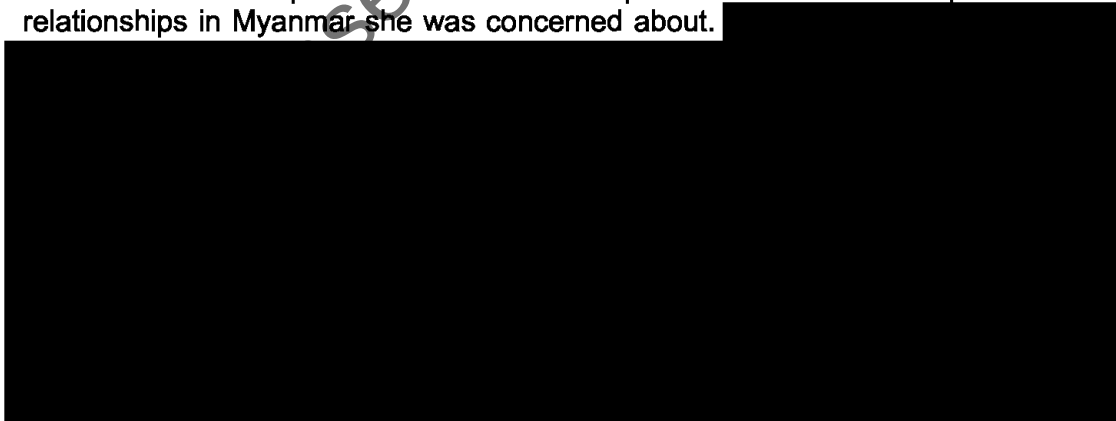
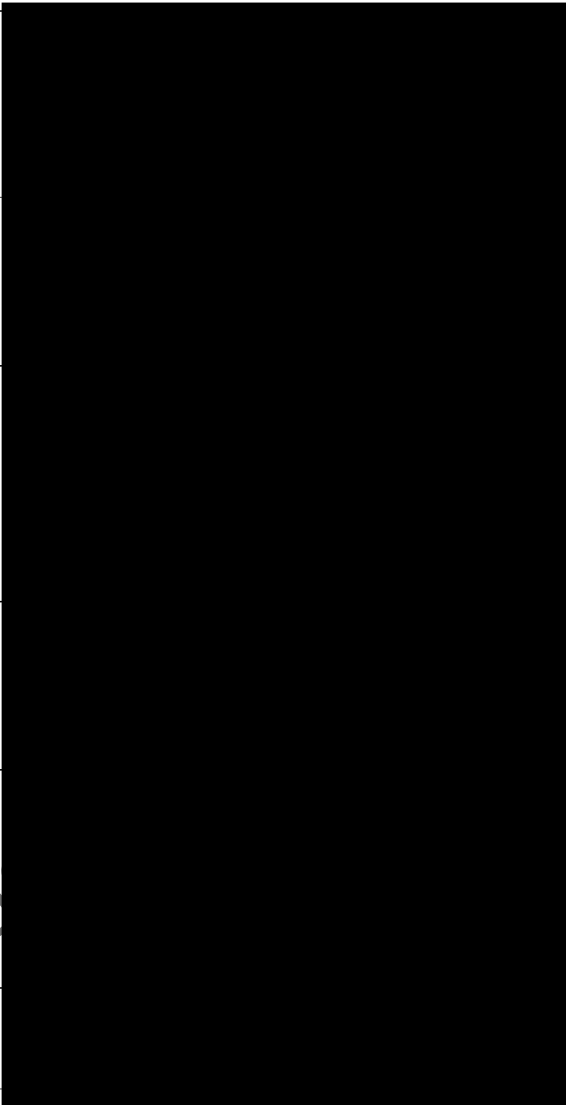


Table: Golriz Ghahraman – Companies on list which are said to be involved with military – Source: Links. Information is not verified or checked if up to date.

Daiwa House Industry, Tokyo Tatemono	
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Eneos	
Hitachi Transport Systems	
SinoTruk	
Kamigumi Gumi Corp and Wilmar International	
Lotte Hotels	

3.5 Super Fund joined other global investors in setting out a call to companies to address human rights in their activities in Myanmar with the **Investor Statement on Human Rights and Business Activities in Myanmar**. The Statement calls on companies across all sectors with business activities or business relationships in Myanmar to:

- Immediately map their business activities, relationships and/or investments across their value chain in Myanmar to identify and assess human rights risks and harms that they may have or are causing, contributing to, or are linked to including:
 - any and all business relationships, activities and communications involving the Myanmar military, or military owned, controlled or affiliated entities;
 - any revenues from such business relationships and activities that may enrich military owned, controlled, or affiliated business and/or provide funding or support to the Myanmar military made before or after the February 1 coup.
- Assess and address all identified actual and potential human rights impacts of their business activities and relationships and take steps to mitigate and prevent them.

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- Design and implement processes to enable the remediation of adverse human rights impacts including those impacts on their in-country staff and local stakeholders.
- Regularly publicly report on such due diligence efforts and procedures in place to cease, prevent and mitigate those negative human rights impacts.
- Provide support to in-country staff and employees to ensure their physical safety and do not retaliate against employees for strikes.
- Use leverage and participate and initiate collective action by business in support of human rights.

4 International business context in Myanmar.

- 4.1 The release of pro-democracy activist Aung San Suu Kyi in 2010 following 15 years under house arrest was celebrated around the world and hope of a transition to democracy in Myanmar increased. This was particularly the case when in 2015 her party the NLD won the democratic elections. As diplomatic trade relationships improved during this period international business began to move into the country. Even concern and focus by campaign groups and responsible investors eased. The civilian ministries of the government – such as the Myanmar Investment C under the Minister for Investment and Foreign Economic Relations – approved much of this economic activity. International Trade Agreements, which encourage trade, continued to include Myanmar. Companies entering the country to set up business or source from businesses have said their intention was to contribute to the economy as Myanmar democratised.
- 4.2 However, companies should certainly have conducted more thorough due diligence on business relationships in Myanmar with links to the Military, on the fragility of the democratic process particularly with the 2008 constitution still in place, and on doubts over the NLD's own reputation in protecting human rights despite years of fighting for its own freedoms, in particular in relation to the persecution of Muslim ethnic minorities.
- 4.3 Fact-finding missions of the UN Human Rights Council in 2018 set out the recommendations to the UN and States and in 2019 included a focus on the military's economic interests with recommendations that companies avoid or end relationships enterprises linked to the military. By this stage Military-owned companies were prevalent throughout Myanmar. For companies, the involvement of Civilian government ministries in approving projects that included military owned enterprises may have reduced their perception of risk.
- 4.4 In February 2021, following NLD again winning elections, the Military enacted a coup and took control of the country, imprisoning Aung San Suu Kyi and many of her government officials and supporters. Severe persecution of the civilian population has followed. Companies operating in Myanmar fear for the safety of their employees and the viability of their business.
- 4.5 Wide-spread condemnation and sanctions by some countries have be re-enacted. Businesses are caught up in the volatile conflict.
- 4.6 Businesses must now deal with how to respond to the current conflict environment in the country. The safety of employees and provision of essential services is the most important immediate priority.
- 4.7 The following statement from business highlights the challenge in particular to employees:

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4.8 **Responsible business statement.**

4.9 In February 21 following the coup and military crackdown, a group of companies – both International (circa 68) and Myanmar local businesses – released a Statement from Concerned Businesses operating in Myanmar.

4.10 **Statement from Concerned Businesses in Myanmar**

Our companies, as investors in Myanmar, have watched with growing and deep concern the developments in Myanmar since the declaration of a state of emergency on 1st February.

Through our investments, operations, local partnerships and products, we support over a hundred thousand local jobs. The safety, security and wellbeing of our employees and those employed by our suppliers remains our primary concern. In recent days, we have sought to adapt our operations to ensure the safety of our employees and the provision of essential services to the Myanmar people – whether food and drink, electricity, telecommunications, financial services, logistics, healthcare or manufacturing - while respecting the individual rights to freedom of expression of our employees and the people of Myanmar.

As investors, we inhabit a 'shared space' with the people of Myanmar, including civil society organisations, in which we all benefit from respect for human rights, democracy and fundamental freedoms – including freedom of expression and association - and the rule of law. The rule of law, respect for human rights, and the unrestricted flow of information all contribute to a stable business environment.

We have always sought to operate in Myanmar transparently, and in line with core ILO Conventions and the UN Guiding Principles on Business and Human Rights. This includes undertaking ongoing human rights and wider business integrity due diligence, and complying with applicable sanctions, as well as the US Foreign Corrupt Practices Act (FCPA), the UK Anti-Bribery Act and Myanmar anti-bribery laws.

We will also continue to work hand in hand with local business partners which share the same approach. We believe our business presence, practices, and advocacy for a level playing field for all businesses, and our commitment to international human rights standards contribute in a significant way to the journey of openness and democracy in Myanmar.

We remain committed to our employees and to the people of Myanmar. We hope to see a swift resolution of the current situation based on dialogue and reconciliation in accordance with the will and interests of the people of Myanmar.

5 **Summary Brief: RI Framework – companies and other human rights issues.**

- 5.1 Human rights has always been central to our engagement programme and is conducted in line with best practice for institutional investors. Forced labour in supply chains has been a focus of many engagements over the years. Company supply chain management is forever improving but still faces considerable challenges, including knowing if the supply chain includes goods from regions at high risk of forced labour due to poor governmental oversight or actual government involvement.
- 5.2 Technology related human rights issues have emerged in more recent years – including social media and the distribution of objectionable material, and technology which can be turned to use by governments for surveillance of citizens which breaches human rights standards.
- 5.3 Public examples of engagement initiatives addressing these issues include:
- 5.4 **Technology – Social media companies and livestreaming and distribution of objectionable material:** NZ Super Fund has co-led a global collaborative engagement with over 100 other investors to engage with Facebook, Alphabet and Twitter over the prevention of the upload and distribution of objectionable material following the Christchurch terror attacks.
- 5.5 **Technology - surveillance:** In May 2021, we joined a new global collaborative engagement seeking to engage with companies that are involved in the production of facial recognition technology for the prevention of human rights abuses through misuse of their technology. For example a number of listed companies have provided technology that has been enabling the increased monitoring, surveillance, and security by the government of Uyghur minorities in the Xinjiang region. Other governments can similarly misuse these technologies against citizens and impinge on their human rights. This sectoral engagement involves companies across the global universe. Drawing on the research which underpins this initiative, similar engagement can be under taken with similar technology companies involved in voice recognition.
- 5.6 **Sourcing and forced labour:** We have joined engagements on a number of child or slave labour issues in the past. The most recent focus has been on cotton growing and clothing manufacturing in the Xinjiang region which has been linked to forced labour of the Uyghur people. We are represented in UNPRI engagement with other investors which is focused on companies with supply chains exposed to the region.
- 5.7 **Occupied Palestinian Territories.** See other materials on this issue. The UN General Assembly and the UN Security Council has multiple resolutions on the issue of construction of settlements in the OPT and this has formed the basis of engagement with, and exclusion in some cases of, companies closely involved.

C3 Confidential



TITLE:

IC Item #: Responsible Investment Report FY2020/21 – 2H

For Noting

AUTHOR:

Responsible Investment Team

EVENT | PRESENTATION:

IC Meeting 27 September 2021

SD# 3285012

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Stewardship (Engagement)

■ Engagement service provider (BMO) activity report:

Companies engaged - by Issue



Labour Standards: 25%
Corporate Governance: 25%
Climate Change: 18%
Public Health: 13%
Environmental Standards: 9%
Human Rights: 8%
Business Conduct: 3%

Milestones achieved - by Issue



Corporate Governance: 49%
Climate Change: 22%
Labour Standards: 10%
Public Health: 9%
Environmental Standards: 6%
Business Conduct: 2%
Human Rights: 1%

BMO Engagement Stats	Jun 2021
Companies engaged	629
Milestones achieved	297
Countries covered	44

North America: 43%
Asia (excl Japan): 11%
Other: 5%

Companies Engaged - by Country

Europe: 36%
Japan: 4%

Companies engaged - by Sustainable Development Goal (SDGs)

Top five SDGs covered by BMO engagement activities

	Total	%
Goal 8: Promote sustained, inclusive & sustainable economic growth, employment, decent work for all	325	18%
Goal 13: Take urgent action to combat climate change and its impacts	265	15%
Goal 12: Ensure sustainable consumption and production patterns	226	13%
Goal 5: Achieve gender equality and empower all women and girls	153	8%
Goal 3: Ensure healthy lives and promote well-being for all at all ages	71	4%

Collaborative engagements

- Co-signed Investor Statement on Facial Recognition and Joined Collaborative Engagement led by Candriam (affiliate of New York Life).
- Joined a letter from AP Council of Ethics on investor human rights-related expectations of Tech Giants
- Global Investor (US\$46t) Statement to Governments on the Climate Crisis + Investor Action Pack.
- Co-signed Investor Statement on Human Rights and Business Activities in Myanmar.
- Joined the Sustainable Markets Initiative (SMI) to accelerate sustainable industry transition and rapid decarbonisation.
- Supporting BMO and UNPRI-led collaborative engagement with companies linked to Chinese state facilities facing accusations of human rights abuse against Uyghur people.

Social Media

- Engagement concluded with key positive milestone reached with Facebook's Audit/Risk Committee.
- Independent report from 'Brainbox Institute' to assess efficacy of engagement and gather lessons.

Research

- Supply chain analysis regarding potential human rights and labour concerns – as part of testing/developing new Modern Slavery Guidelines (in progress; due Sep 2021).

- Internal audit of RI engagement and exclusion processes (July 2021): *Operating effectively and consistent with public statements.*
- Exclusion methods improved:
 - Tobacco list collation and verification via Power Pivot.
 - Switch from bespoke to generic Cannabis company screening; ~50% cost saving.

Exclusions due to poor ESG practices

- Israeli banks with operations in the OPT (agreed at IC Jan 2021); created significant RI/Comms workload.
- Anticipate increasing use of exclusions based on poor company practices - resourcing implications for RI, IC, Communications & Legal.

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Key Stakeholders

- **NZ Treasury – Ethical Investment Framework** for Crown Financial Institutions (CFIs).
- Cross-Corporate/Government conference - Tango i Te Kaupae Muri/Take the Next Step - Collaborating to end *modern day slavery and worker exploitation* within Aotearoa NZ.
- Finance and Expenditure Select Committee (Mar 21): Strong focus on ESG, including human rights.
- **Foreign Affairs, Trade and Defence Select Committee** (Aug 2021): Focus on best practice, avoiding prejudice to NZ's reputation, engagement and exclusion processes (China, Myanmar, OPT).
- Comms and RI collaborated in extensive *consultation with key peers and stakeholders* on the future of RI/SF; wider Investment Team colleagues involved with RI articles and presentations.

Out of Scope

Media Relations

- Supported Louisa Wall MP and Golriz Ghahraman MP visits; focus on China and ESG matters.

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Item 5(b)



TITLE:

Responsible Investment (RI) Report FY2020/21

For Noting

AUTHOR:

Responsible Investment Team

EVENT | PRESENTATION:

Board Meeting 24 November 2021

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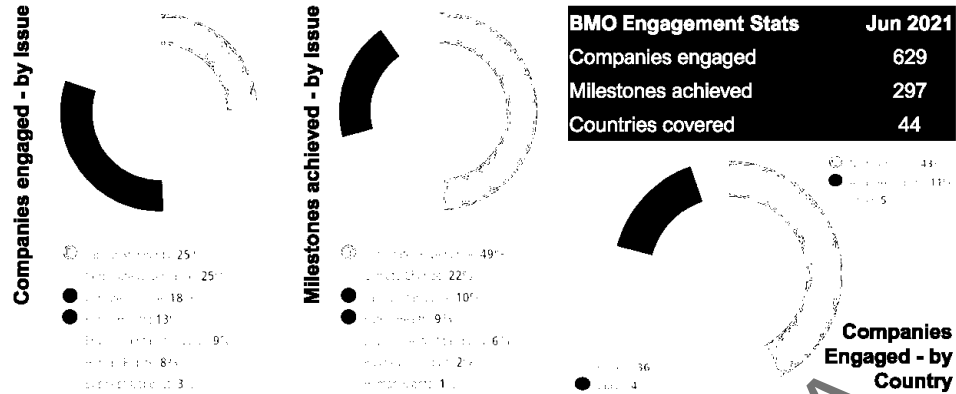
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■ Engagement service provider (BMO) activity report:



Companies engaged - by Sustainable Development Goal (SDGs)

Top five SDGs covered by BMO engagement activities

	Total	%
Goal 8: Promote sustained, inclusive & sustainable economic growth, employment, decent work for all	325	18%
Goal 13: Take urgent action to combat climate change and its impacts	265	15%
Goal 12: Ensure sustainable consumption and production patterns	226	13%
Goal 5: Achieve gender equality and empower all women and girls	153	8%
Goal 3: Ensure healthy lives and promote well-being for all at all ages	71	4%

Collaborative engagements

- Co-signed Investor Statement on Facial Recognition and Joined Collaborative Engagement led by Candriam (affiliate of New York Life).
- Joined a letter from Swedish AP Funds' Council on Ethics on investor human rights-related expectations of Tech Giants
- Global Investor (US\$46t) Statement to Governments on the Climate Crisis + Investor Action Pack.
- Co-signed Investor Statement on Human Rights and Business Activities in Myanmar.
- Joined the Sustainable Markets Initiative (SMI) to accelerate sustainable industry transition and rapid decarbonisation.
- Supporting BMO and UNPRI-led collaborative engagement with companies linked to Chinese state facilities facing accusations of human rights abuse against Uyghur people.

Social Media

- Engagement concluded with key positive milestone reached with Facebook's Audit/Risk Committee.
- Independent report from Brainbox Institute to assess efficacy of engagement and gather lessons.

Research

- Supply chain analysis regarding potential human rights and labour concerns – as part of testing/developing new Modern Slavery Guidelines (In progress; due Sep 2021).

The key change attributable to our collaboration was the change made by Facebook to strengthen the Audit and Risk Oversight Committee charter to explicitly include a focus on the sharing of content that violate its policies. It also included a commitment not just to monitor and mitigate such abuse, but also to prevent it. This notable improvement is directly attributable to this engagement and a real strengthening of governance and accountability for the Board on this issue. It puts the company on the front foot in working towards prevention of the issue rather than just fire-fighting inherent problems.

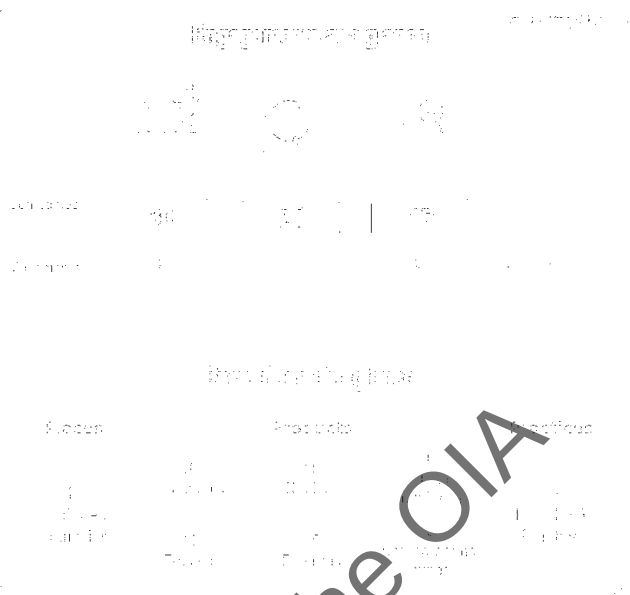
Stewardship (Exclusion)

- Internal audit of RI engagement and exclusion processes (July 2021): *Operating effectively and consistent with public statements.*

- Exclusion methods improved:
 - Tobacco list collation and verification via Power Pivot.
 - Switch from bespoke to generic Cannabis company screening

Exclusions due to poor ESG practices

- Israeli banks with operations in the Occupied Palestinian Territory (agreed at IC Jan 2021); created significant RI/Comms workload.
- Anticipate increasing use of exclusions based on poor company practices - resourcing implications for RI, IC, Communications & Legal.



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Key Stakeholders

- **NZ Treasury – Ethical Investment Framework** for Crown Financial Institutions (CFIs).
- Cross-Corporate/Government conference - *Tango i Te Kaupae Muri/Take the Next Step* - Collaborating to end *modern day slavery and worker exploitation* within Aotearoa NZ.
- Finance and Expenditure Select Committee (Mar 21): Strong focus on ESG, including human rights.
- **Foreign Affairs, Trade and Defence Select Committee** (Aug and Oct 2021): Focus on best practice, avoiding prejudice to NZ's reputation, engagement and exclusion processes (China, Myanmar, OPT).
- Comms and RI collaborated in extensive *consultation with key peers and stakeholders* on the future of RI/SF; wider Investment Team colleagues involved with RI articles and presentations.

Out of Scope

Media Relations

- Supported Louisa Wall MP and Golriz Ghahraman MP visits; focus on China and ESG matters.

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C3- Strictly Confidential**ITEM 5A)****GLOBAL EQUITIES – ENGAGEMENT UPDATE****Prepared by:****Date:****16 February 2022**

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1 Purpose

1.1 The purpose of this paper is to provide updates on:

- Engage/exclude decisions made at the last meeting **(for noting)**
- Engagement activities since the last meeting **(for noting)**
- New companies for consideration for the CFI Global Focus List **(for decision)**
- Update on BMO and peer activities **(for noting)**
- Priorities for engagement over the next quarter **(for decision)**

2 Update on engage/exclude decisions

2.1 The following table includes updates on the decisions made at the November 2021 meeting.

Company	Recommended action at Nov 2021	Update as at Feb 2022
	Operations in Occupied Palestinian Territory. Guardians engaged with the company in 2018.	No action taken as GNZS no longer holds shares. Recommend to close.
	(human rights abuses, poor working conditions in Taiwan, China and Vietnam).	Research under way for engagement plan.

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Section 9(2)(i) (commercial)

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Section 9(2)(ba)(i) prejudice supply of information

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	has been associated with allegations of human rights abuses of the Uyghur people.	On GNZS research list, considering for engagement or exclusion - paper to go to IC in March 2022.
	products using endangered species.	On GNZS research list, considering for engagement or exclusion - paper to go to IC in March 2022.

3 Update on engagement activities

- 3.1 Since the November meeting, we have focused on updating and consolidating the information in the CFI Global Focus List. A summary of the companies we have focused will be sent separately with the papers for this meeting to provide further detail. This paper is in a different format to the document provided previously and CFIs are invited to provide feedback on whether it meets their needs.
- 3.2 We have done some further research on companies that were new candidates for the list last November. These are covered in the table below:

Company	Update as at February 2022	Proposed next steps
	Malaysian alleged labour abuses (forced migrant labour).	Monitor BMO engagement

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	company response and BMO engagement, we recommend to monitor.	
	China. further the repression of Uyghurs and other Muslim minorities".	GNZS to research
	A recent investigation has identified the possibility that the company used forced labour in the manufacturing of	GNZS to research
	Allegations of association with human rights abuses of the Uyghur people.	Monitor collective engagement and engagement activities

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	Engagement letter sent Aug 2021.	No response as yet.
	Continue seeking a site visit	On hold until after the pandemic

4 New companies for consideration

4.1 New companies for consideration for the CFI Global Focus List have been identified from exclusions announced by the NGPF and relevant sanctions announced by the US Government.

4.2 New companies for consideration are noted in the table below:

Company	Update as at February 2022	Proposed next steps
	association with use of animal parts including endangered species	Check CFI holdings, research
	deforestation in the Amazon	Check CFI holdings
	ethnic and religious minorities in China, particularly the Uyghur	Monitor GNZS holdings

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	minority in Xinjiang. [REDACTED]	
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5 BMO update

- 5.1 In addition to the updates included in the tables above, the latest BMO quarterly reports were sent to CFIs as soon as they were available. [REDACTED]

Out of Scope

- 5.2 BMO expects to circulate a report on its engagement priorities for 2022 following its client consultation in November. In the meantime, a summary of priority themes and companies will be circulated to CFIs with the papers for this meeting.

- 5.3 [REDACTED] be considered for the priority list in 2021 [REDACTED]
[REDACTED] The issue relates to serious safety and environmental concerns [REDACTED] dating back several years. [REDACTED]

5.4

Brazilian leather [REDACTED]

6 Peer exclusions

- 6.1 In December 2021, the Council of Ethics for the NGPF announced the following decisions. These decisions have been reflected in the section on new companies for consideration (section 4).

Company	Decision	Commentary
Yunnan Baiyao Group Co Ltd	Excluded	Unacceptable risk that the company is contributing to severe environmental damage from the production of ingredients used in Traditional Chinese Medicine (TCM), including use of body parts from endangered species which contributes to illegal wildlife trade.
Marfrig Global Foods SA	Observation	Risk that the company is contributing to severe environmental damage. Marfrig (one of Brazil's largest producers of beef) buys cattle in several regions, including the Amazon and the Cerrado. Cattle ranching is the main reason for the loss of forest cover and

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		biodiversity in these regions and is linked to conversion of forest to pastureland. Deforestation occurs on properties in Marfrig's supply chain. The Council on Ethics considers that Marfrig's supplier monitoring has not been sufficient to avoid deforestation.
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7 Other developments and news of interest

- 7.1 The International Labour Organisation recently released report of the Committee of Experts on the Application of International Labour Standards 2022. It includes a detailed report on the situation in the Uyghur Region based on submissions made by the International Trade Union Confederation and the Chinese Government response. The report covers the situation in the Uyghur Region under ILO Conventions 111 (discrimination), and 122 (employment policy). The committee expressed deep concern in respect of the policy directions in China. It confirmed that this issue will be discussed at the ILO Conference in May/June 2022. This is a significant development as it represents the first time a major UN body has reported extensively on the human rights crisis in the Uyghur Region.

8 Priorities for the quarter ahead

- 8.1 We invite the CFIs to advise of any other priorities or issues to focus on in the next quarter.

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ITEM 4A)

**CFI RI QUARTERLY MEETING ENGAGEMENT UPDATE
FEBRUARY 2023****Prepared by:****Date:****15 February 2023**

The information, analysis and opinions contained in this document should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

1 Purpose

1.1 The purpose of this paper is to provide updates on:

- Engagement activities since the last meeting
- New companies for consideration for the CFI Global Focus List
- Update on CTI and peer activities

2 Engagement activities

2.1 The focus of our engagement activities in this period has been on the CFI climate change engagement (covered in a separate paper). Additional activities are covered in the table below.

Company	Issue/previous actions	Update February 2023
Section 9(2)(i) (commercial activities) Section 9(2)(ba)(ii) not in the public interest to disclose confidential information Section 9(2)(ba)(i) prejudice supply of information	CFIs decided to close this engagement following information from [REDACTED] [REDACTED]	Contacted via email in December 2022 to thank them for the information provided, which allowed us to close the engagement. [REDACTED]
[REDACTED]	[REDACTED] [REDACTED] risk of systematic human rights abuses. [REDACTED]	No further update.

2.2 Exclusions – There are no new recommendations on exclusions.

C3- Strictly Confidential**3 Global Focus List**

- 3.1 The CFI Global Focus list will be sent separately.
- 3.2 New companies to be considered for inclusion in the Global Focus List are noted in the table below for discussion.

Company	Issue	Update
[REDACTED]	Indian [REDACTED] [REDACTED] [REDACTED] [REDACTED] sale of military equipment to armed forces [REDACTED] [REDACTED]	Propose to add to global focus list for research and monitoring.

- 3.3 In February we received correspondence from John Minto, of the Palestine Solidarity Network Aotearoa, requesting information about holdings in companies included on a list of 112 companies identified by the United Nations Human Rights Council as in breach of international law through helping build and maintain illegal Israeli settlements on occupied Palestinian land. The list, which we researched at the time, was released in 2021 and has not been updated since.

3.4

Out of Scope

- 3.5 Develop recommendations for the CFIs on which should go on the focus list.

4 Columbia Threadneedle Investments reo® update

- 4.1 The next quarterly update meeting will be held in March and CFIs will be invited. We will also set up a background briefing session with CTI on modern slavery, planned for when the proposed NZ legislation or legislative approach is announced.

5 Other engagement activity - investor statements & collaborations

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- 5.1 [REDACTED] attended the PRI in Person conference in Barcelona in November and an extract from the trip report is included in the Appendix.

6 Priorities for the quarter ahead

- 6.1 We invite the CFIs to advise of any other priorities or issues to focus on in the next quarter.

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Appendix - Extract from trip report

1. Travel detail and purpose

- London, 28 November 2022 – Meetings with MSCI and Columbia Threadneedle Investments (CT)
- Barcelona, 29 November to 2 December – Attend the PRI in Person conference Barcelona and take part in a session on the Guardians' social media collaboration.

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4. PRI in Person

4.1 Key themes from the conference

The conference was an excellent learning opportunity, which provided context for the ESG issues we are managing. There were practical sessions on stewardship and engagement which I will be able to leverage. It was also a valuable opportunity to meet people in person and get deeper understanding of the PRI team, resources and work.

Some of the key themes and interesting points were:

- Anti-ESG sentiment - Several speakers were concerned about the anti-ESG movement in the US, that ESG has become politicised. Some concern this will spread outside the US. Speakers noted that PRI has a role to challenge anti-ESG sentiment.
- Several participants said that the anti-ESG sentiment in the US is politically driven and progress is being made in spite of it. The finance sector sees that good ESG performance is better for long term investors and lowers cost of capital, especially in a rising interest rates environment. The Inflation Reduction Act achieved more than was expected, is a major step and will lead to substantial investment in solutions (in the order of US\$400 billion), such as direct consumer incentives for EVs. SEC is proposing a mandatory climate disclosure rule. Financial Stability Oversight Council has identified climate as a systemic financial risk. Even if these initiatives are contested or watered down during consultation, big parts will survive.
- This decade is crucial for the climate transition. In spite of the difficult global economic environment post-pandemic, other factors supporting the transition in the US and elsewhere:
 - Fiduciary argument is settled. It is now widely accepted that consideration of ESG is part of fiduciary duty because of the impact on financial returns. Climate is a material risk.
 - Commercial forces are increasing as cost of alternative energies reduces.
 - ESG risks are materialising and this will drive progress.
 - Addressing sustainability is becoming more important to attract talent.
- Focus needs to be on action, building momentum. Need to operationalise commitments. Measurement, transparency, accountability. To operationalise commitments GFANZ has developed framework for net zero transition plans of

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financial institutions and companies. A lot of work being done on benchmarks and metrics – GRESBI, ISSB – and in the regulatory environment, such as the SEC in US.

- 1.5 degree goal - Fatih Birol, Executive Director, International Energy Agency, argued that 1.5 degrees is not dead and it is still possible to stabilise warming by the end of the decade. The prospect of overshooting 1.5 does not undermine the goal. Overshooting is not a free option: delayed transition costs and higher costs from loss and damage. On current commitments, we are likely to hit 1.7 degs. He believes we will see a turning point next year for accelerating the clean energy transition.
- COP27 – Progress was made. [REDACTED]

[REDACTED] Next COP needs to address climate mitigation and adaptation. Section 9(2)(g)(i) free and frank

- Energy security - Ukraine crisis has put a lot of pressure on energy security. It is a set-back for Europe, but the EU is committed to the transition. The era of cheap fossil fuels in Europe is over and will not come back.
- Emerging markets – Importance of getting capital to emerging markets to support just transitions. Energy will prove to be one of the most challenging areas. Just transition means not all pathways will be the same. Developed and large emitting economies must do more first. Emerging countries, such as Africa and Asia, are vulnerable to the transition in economic terms (not able to use resources such as gas and coal) and also suffer the biggest physical risk. Need to develop the full potential of blended finance approaches. Governments and multilateral institutions could pick up the country risk. Multilateral institutions need to help governments develop transition plans.
- Governments should reach out to investors so that project planning reaches a different quality. Both sides need to strengthen capabilities for the transition.
- There is not one size fits all approach that fits all regions. We need practical solutions that take account of the nature and complexity of each region. This applies to decarbonisation, human rights, stewardship.
- Stewardship – Engagement and stewardship becoming more important. It's not enough just to divest from assets where there are ESG problems.
- Scale and sophistication of engagement with asset managers must increase. Select the right managers – important that there is strong alignment. Need to find better benchmarks for asset manager performance.
- PRI has commissioned research from the Thinking Ahead Institute (Roger Urwin) to develop guidelines on stewardship resourcing. Stewardship is under-resourced and under-delivering. Less than 1% of the front line resourcing in investment management is attributable to stewardship activities.
- Stewardship challenges are collective. All the best stewardship outcomes have been from collaborative initiatives, such as the Mining and Tailings initiative. Collaboration is powerful for systemic issues.
- Hesta sends an annual letter to Chairs of companies on the ASX300 setting out their expectations and the emerging ESG themes. It is public. They have a watchlist of companies and announce publicly when a company is added or removed. It will be valuable to follow up on Hesta's model to see if it might be applicable to the NZ CFIs.

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Hesta leads the 40:40 vision investor initiative around gender diversity on Australian Boards, with company targets and progress made public.

- Engagement with companies in emerging markets needs to be on material issues and done in the right way, with the right interlocutors. Also with humility and understanding of their context.
- ACSI (CEO Louise Davidson) noted the Australian Modern Slavery Act is being reviewed after three years. Onus is on investors to understand modern slavery issues in their portfolios. But how do investors and other stakeholders create more room for companies to be honest about failings in their supply chains? Even to look for problems. [REDACTED]

Section 9(2)(g)(i) free and frank

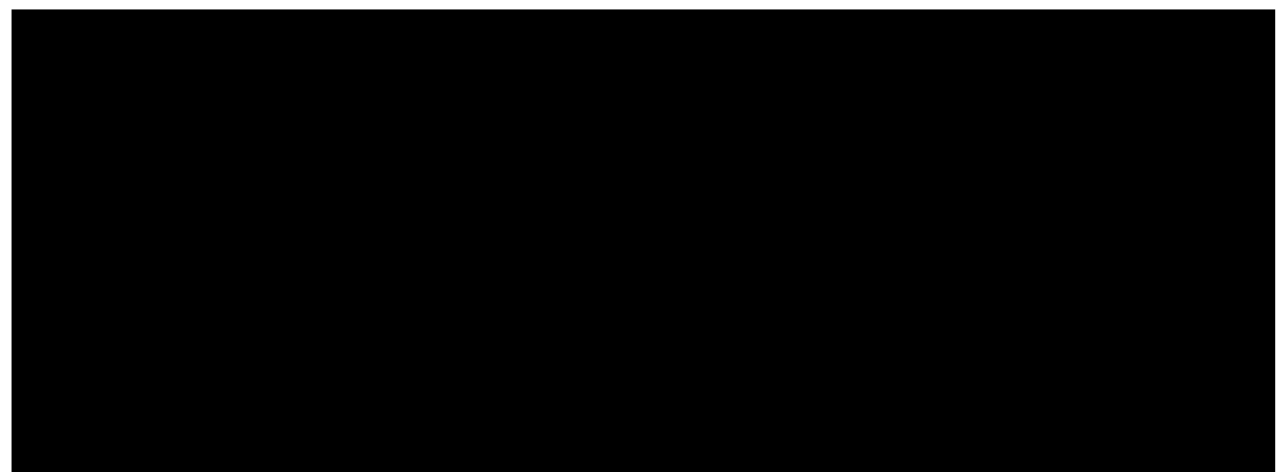
- In the session on collaborative engagement, Matt Crossman, Stewardship Director, Rathbone Group, gave a useful summary of key elements for effective collaborative engagements (clear objective, agree on actions, agree on values and behaviour in the engagement, success measures, identify possible quick wins, who does what). Our contribution to the session, the social media collaborative engagement, was well received.
- Impact - PRI has done a report on the legal framework for impact. Focused on implementation and results.
- ISSB is working on global sustainability accounting standards, including impact, and one on climate disclosures. Its proposed standards set out the overall requirements for an entity to disclose sustainability-related financial information.
- Ratings and data - ESG ratings will be more important, used more widely and market participants will rely on them. EU has concerns about the functioning of the market at the moment and is engaging with stakeholders about whether some form of supervision is required. This is not about harmonised methodology – providers do things in different ways – but users need to understand how the ratings were arrived at. There might need to be more standardisation of the data itself. Europe would align with international standards and are working with the ISSB.
- There is a lot of data out there but it has not been packaged very well and got out to investors. Data is not perfect, but we should start reporting what we can.
- Sovereign bonds - The way forward for sovereign debt is to create more diversified benchmarks that suit different client needs or to have bespoke mandates, which would come at a cost. Asset owners should engage more with index providers. Do we need a TCFD for sovereigns?
- Emergence of label bonds has been helpful as they are not tied to imperfect ESG scoring systems. The Uruguay sustainability bond has been very successful.
- World Bank has a portal that puts together ESG indicators that are most used by the market. They are adding in some new environmental indicators such as water, also looking to add in wealth and natural capital. Income, transition, comparison by countries by income geography and topography.
- Developments in the ESG agenda:
 - Water is rocketing up the agenda (World Bank).

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- Nature and biodiversity – hope that COP15 Biodiversity Conference will be nature's Paris moment.
 - Social becoming more important.
 - Need to demonstrate real world outcomes.
- Ellen Quigley from the Centre for the Study of Existential Risk at Cambridge University had some different views on engagement and disclosure. Disclosure is useful, but it is hard to connect improved disclosure with outcomes. They ask for the outcome, with disclosure as the evidence. They find indicators that are a useful proxy. Such as how companies are financing change, investment in research and capex. She has little confidence in climate plans at company level. They often fall short. Cambridge deals directly with companies and asks for very directive and short term measures.
- Outside of the conference I attended a dinner hosted by Pimco, including Pimco's Managing Director and Global Head of Sustainability, Ryan Korinke, and Gavin Power, Executive Vice President and Chief of Sustainable Development and International Affairs. Guests included participants from Australian peer funds.
- PRI is growing rapidly. 5200 signatories, \$121 trillion in AUM, rapid growth in new members, more diverse (including more regions and emerging markets). They represent more than half of the world's institutional capital. Emerging markets becoming more important. Signatories expect PRI to support progress and higher standards over time. At the same time, need to recognise that some regions are more advanced than others.
- PRI launched a major new collaboration on human rights – Advance, which focuses on 40 companies from sectors where human rights risks and impacts are most severe.
- PRI assessment team noted that the number of measures in the next assessment will be reduced, so it should be easier to manage.

5. Follow up actions

Out of Scope



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C2 - Internal Use Only**CTI REO Quarterly Meeting**

18 August 2022

Agenda

1. Updates from BMO
 - Change of
2. New candidates for the CFI Focus List. Please indicate if BMO has intentions to engage:
 - Any red flags or key UNGC norms breaches identified by BMO?

Potential new focus of engagement	Reason	BMO activity (past and planned)

3. Update on engagements by GNZS **(IN CONFIDENCE)**:

- Recent engagement by GNZS: :
 - Social media engagement completed
 - [REDACTED] – engagement letter sent Aug 2021
- GNZS considering engagement: [REDACTED]
 - [REDACTED] Safety and environmental concerns. Last engaged by BMO in 2017; considered for BMO priority list in 2021 but not included.
 - Uyghur/Xinjiang engagements - [REDACTED] human rights) [REDACTED] human rights) [REDACTED]
- Being considered for exclusion by GNZS:
 - [REDACTED] (OPT);
 - [REDACTED] human rights);
 - [REDACTED] (environment);
 - [REDACTED] (human rights, [REDACTED].

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4. Updates on companies on our focus list

5. Collaborative engagements:

- Update on PRI and any other collaborative engagements.
- Check in - Are milestones achieved made public?
- BMO - new collaborative engagements?
- Update from GNZS on collaborative engagements

6. Engaging on climate change

- Any BMO updates?

7. Upcoming/current projects

- Any projects that BMO is planning to start in the quarter ahead?

8. Any Other Business:

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Modern Slavery Vulnerability assessment

Global Listed/CTI review

Confidential

Subject:	Outlining the project plan and timeframes for consideration of Modern Slavery within the Guardians investment portfolio.
Context:	Consistent with the Modern Slavery Strategy 2024, workstream 1 (Portfolio Assessment) > 1.3 Total Portfolio. This paper provides an overview of the Methodology and Results of the Global Listed portfolio.
Author:	
Date:	31/03/2025

1. Objective

- 1.1. Develop and implement an approach that would establish a baseline position of modern slavery vulnerability and appropriate mitigations within the Guardians Global Listed Equities portfolio. Present these findings in this Report.
- 1.2. The information, analysis and opinions contained should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

2. Overview

- 2.1. The Guardians have a commitment to manage the Fund responsibly, having concern for environmental, social and governance (ESG) factors. We believe these are fundamental to long-term risk and return, and meet our mandate. As global investors and universal owners operating within complex global and local supply chains - considering modern slavery risks aligns with our mandate.
- 2.2. The Guardians currently rely on MSCI's ESG rating data when dealing with Modern Slavery risks in their listed equities/passive portfolio. If MSCI 'red flags' companies in their passive portfolio for modern slavery breaches, this will trigger engagement action, either directly or through their engagement service provider. The Guardians also rely on the advice of MFAT regarding UN sanctions against sovereign states.
- 2.3. Leveraging the data provided by MSCI to screen for modern slavery presented the following considerations:

2.3.1. Duplication of effort - as CTI reo screen against MSCI disclosure indicators, MSCI normative indicators and MSCI controversy indicators. They also screen against NGO data and RepRisk controversy flags.

2.3.2. Requisite to action – if high risk exposure were discovered via MSCI, it would necessitate action by the Guardians. Whereas, CTI reo already has established screening processes, and have a requisite to engage (i.e., engagement).

2.4. However, leveraging the investment analysis and engagement efforts of CTI reo, to assess for elevated modern slavery risk across portfolios, can identify within the Guardians global listed equities portfolio, which companies are :

2.4.1. at highest risk of exposure,

2.4.2. understand the validity and materiality of the risk flagged, and

2.4.3. the quality of the companies approach to recognition, management and mitigation of that risk.

2.5. Undertaking this exercise will identify at least six companies within the Guardians Global Listed Equities portfolio, which have shown high vulnerability to modern slavery, and low mitigation efforts.

3. Methodology

3.1. This methodology will leverage existing information provided by CTI reo, drawing on the CTI Quarterly reports for years 2023, 2024, and 2025. In general, each CTI reo quarterly report contains 24 metrics across the following categories: Company information (6), Engagement details (8), ESG focus areas (7), Participants and Ratings (3).

3.2. Each Quarterly report was disaggregated and prioritised by the following ratings for each metric. Disaggregating the information against this prioritisation list, focused efforts into identifying which companies require focused attention.

- ESG focus area - only Human Rights / Labour standards focus areas
- ESG risk tool rating – company presented a Red or None risk rating
- Response to prior engagement – company presented Poor engagement
- Client engagement summary - discussion focused on Human Rights/Labour standards.
- Frequency of engagement – company has been engaged by CTI reo several times

4. Results

4.1. The analysis identified the following companies as being highly vulnerable to Modern Slavery activities within their business and operations, and immature responses:

Company	Country	Sector	ESG risk rating	Response rating	Engagement Method	Leadership level	Report ID
	China	Real Estate	Red	0	Letter	Board director(s), non-executive(s)	2023_Q 2
	China	Information Technology	Red	0	Letter	Board director(s), non-executive(s)	2023_Q 2
	Japan	Information Technology	None	0	Letter	Board director(s), non-executive(s)	2023_Q 2
	South Korea	Consumer Discretionary	Red	Poor	Letter	Board director(s), non-executive(s)	2023_Q 2
	China	Industrials	Red	0	Letter	Board director(s), non-executive(s)	2023_Q 2
	China	Consumer Staples	Red	0	Letter	Board director(s), non-executive(s)	2023_Q 2

4.2. The CTI reo, client engagement summary, for each company was described as:



5. Proposed next steps

- 5.1. Establish this as a Modern Slavery assessment process for the Guardians global listed equities, and continue to assess and monitor engagement reports provided by CTI reo.
- 5.2. In conjunction with the Modern Slavery strategy, Modern Slavery assessment and integration presentation, and Systemic risk of Modern Slavery memo, research the potential to engage in a Modern Slavery focused collaboration (e.g., PRI Advance).

- 5.3. If 5.1 and/or 5.2 are implemented, consider incorporation into the exclusions process.

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**CROWN FINANCIAL INSTITUTIONS (CFIs)
RESPONSIBLE INVESTMENT (RI) QUARTERLY MEETING**

Quarterly Meeting 1 for FY 2021/2022

Date: 25 November 2021

Time: 10.00am to 12.00pm

Venue: Zoom (see calendar invite for details)

	Item	Action	Page	Time
1.	Apologies			
2.	Previous Minutes & Matters Arising	Discussion and Papers		15 mins
	a) Intra-meeting decisions and papers circulated		3	
	b) Previous Minutes		4 – 8	
	c) Matters Arising		9 – 10	
	d) CFI Work Programme		11 - 13	
	[REDACTED]			
Out of Scope	c) Proposals for exclusion due to poor ESG practices (<i>paper to be sent separately</i>)	Paper: For discussion		
	[REDACTED]			
	g) Engagement progress update: Uyghurs	Paper: For noting	49 - 50	
Out of Scope	[REDACTED]			
	[REDACTED]			
	b) Global Equities			30 mins
	i. New Candidates for CFI Global Focus List	Paper: For information	52	
	ii. CFI Global Focus List Dashboard – separate: not in combined papers	Paper: For information		
	[REDACTED]			
	iv. [REDACTED] engagement review	Paper: For information	75 - 77	
	[REDACTED]			

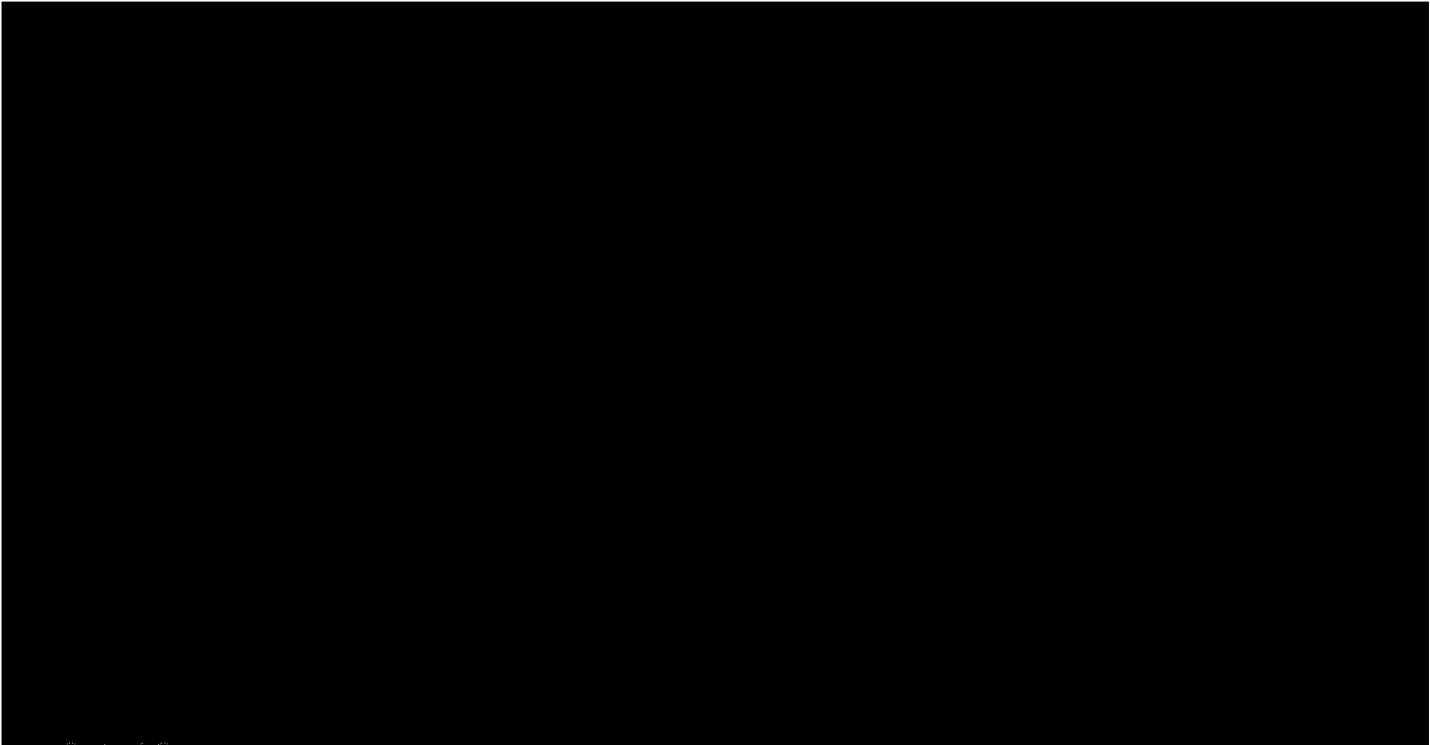
Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information Combined Papers - Page 1 of 105

Item	Action	Page	Time

Section 9(2)(ba)(i) prejudice supply of information



Out of Scope

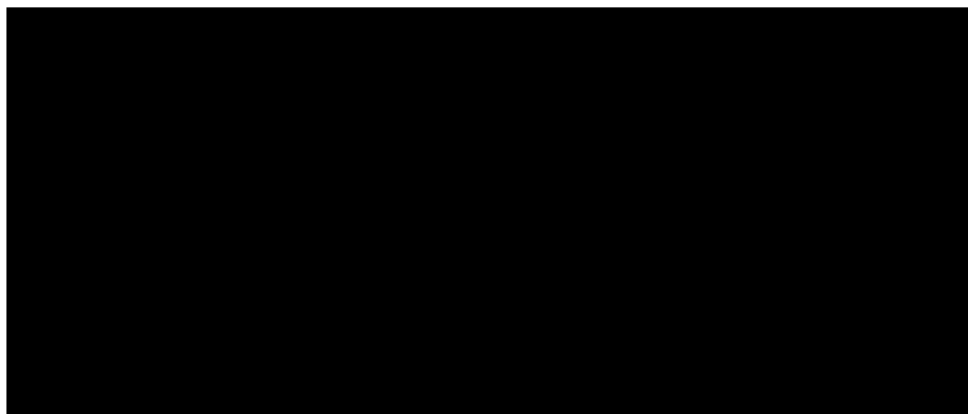
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INTRA-MEETING DECISIONS AND PAPERS

Out of Scope

DECISIONS TAKEN

**PAPERS CIRCULATED
(for noting/decision)**



Released under the OIA

**CROWN FINANCIAL INSTITUTIONS (CFIs)
RESPONSIBLE INVESTMENT QUARTERLY MEETING**

Quarterly Meeting 1 for FY 2021/2022

Via Zoom

25th August 2021 - 10.00am to 12.00pm

MEETING MINUTES

Attendees:

Accident Compensation Corporation (ACC)

[REDACTED]

Annuitas, Government Superannuation Fund (GSF) – Chair

[REDACTED]

New Zealand Superannuation Fund (GNZS) – Secretary

[REDACTED]

1. Apologies

There were no apologies.

2. Draft Minutes, Matters Arising & CFI work Programme

Minor amendments were suggested for the minutes from the 25rd May 2021 meeting. [REDACTED] to implement and redistribute. Otherwise, the minutes were accepted.

[REDACTED] to amend minutes
from previous
meeting and
redistribute

Regarding the Matters Arising:

[REDACTED]

Out of Scope

[REDACTED]

C2 - Internal Use Only

Regarding the CFI Work Programme: This was the second time it has been included in the meeting papers.

- The main topic of discussion was Myanmar. It was agreed that [REDACTED] would send a spreadsheet around of companies mentioned in the UN report. The CFIs can note holdings and [REDACTED] can then cross check against which companies are part of the engagement efforts of collaborations and BMO.

**CFIs to review
holdings against UN
Myanmar list**

Out of Scope

3. For discussion

- a) Climate Change updates

Out of Scope

- c) Myanmar

Discussed as part of the CFI Work Programme. See notes above.

Out of Scope

e) Social media collaboration

█ has commissioned think tank Brainbox Institute to assess the changes made to the platforms in response to the Christchurch shootings. Their report is nearly finalised. Next steps are to send the report to the companies and seek one last engagement meeting with a director █ is speaking at the Westpac KangaNews Sustainability Forum on 21 Oct where she will talk publicly about the engagement and wrap it up. It was also noted that the engagement has been shortlisted for the PRI Stewardship Engagement of the year. The winner will be announced at the PRI Digital Conference in early October.

f) Proposals for exclusions due to poor ESG practices'

g) CFI RI Collaboration Agreement

█ highlighted some suggested changes to the CFI RI Collaboration Agreement, the majority of which reflect the commitments of the proposed (currently still draft) Treasury CFI RI Framework. The group agreed they needed a little more time to consider the changes and also noted it might be worth waiting till the final CFI RI Framework is agreed. █ agreed to reconsider the costs associated with the Agreement.

4. OIA & Media Issues

Recent OIAs, PQs and media interest:

OIAs:

- None noted.

PQs / Ministerials:

- NPF received a ministerial regarding their holdings in BHP Group.
- NZSF received some follow up questions in relation to their Parliamentary Select Committee Hearing earlier this month. They were in regards to whether we engaged with the banks we excluded due to their operations in the OPT in advance of excluding and our exposure to holdings linked with Chinese Security Services and the PLA.

Media issues:

- None noted.



Out of Scope

b) Global Equities

Engagement update: The following items were agreed (GNZS will implement):

Section 9(2)(i)
(commercial
Section 9(2)(ba)(ii)
not in the public
interest to disclose
confidential

- i) Take no further action (Close) [redacted] as they are not held by the CFI's. In addition, MSCI does not cover them for ESG research. However, do begin a new engagement with [redacted] which is owned by ACC (BMO is not planning engagement so this will be GNZS-led).

Add, Monitor, Engage or Close engagements as agreed.

Section 9(2)(ba)(i) ii)
prejudice supply of
information

- Begin a new engagement with [redacted] and move to the GNZS-led engagement list.

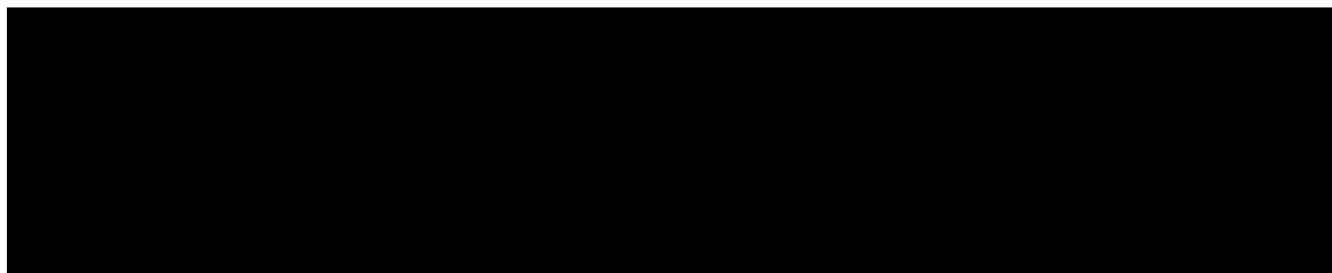
[redacted] to track down wording of Norwegian law relating to weapons and armed conflict.

[redacted] was asked to find the exact wording of the recently passed Norwegian law that prevents the country's sovereign wealth fund, Government Pension Fund Global (GPF), from investing in companies that sell weapons to parties that use them to violate humanitarian law.

i) PRI/other collaborative engagement update

- The papers with summaries of the collaborative engagements on Myanmar, Uyghurs, Facial Recognition Technology and the [redacted] were all noted. The group discussed that having a presentation that we could talk to publicly about collaborative engagements may help some of the Comms challenge we face around engagement.

Develop a presentation on collaborative engagements – for public use



Out of Scope

C2 - Internal Use Only

- No comments
- b) Climate Change
 - See notes above.
- c) UNPRI & Peers
 - The paper was noted.
- d) XRAP
 - The paper was noted.

iii) Service Providers

- No comments

iv) Any other business

- There was no other business.

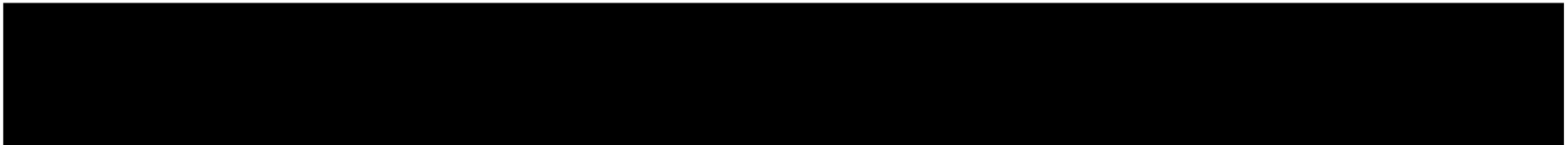
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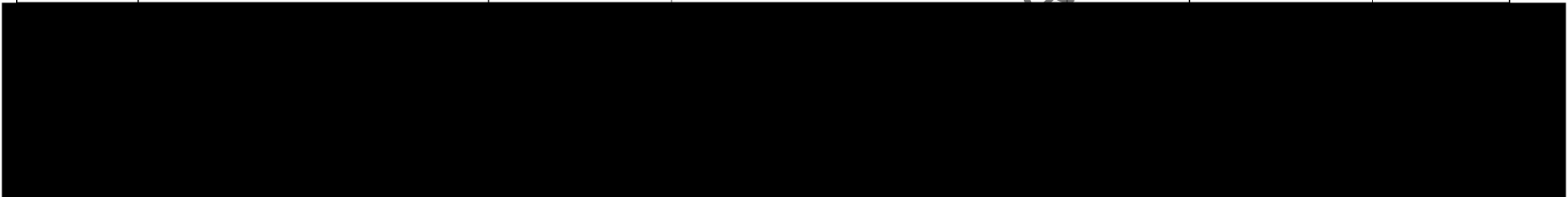
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C2 - Internal Use Only



Aug 2021	Track down wording of Norwegian law relating to weapons and armed conflict.	GNZS	Check if this was done.	3			
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Out of Scope

Released under

CFI Work Programme

Commercially Sensitive

Subject: CFI Work Programme

Context: CFIs

Author: [REDACTED]

Date: 15/11/2021

1 Purpose: For information

1.1 The purpose of this note is to highlight the upcoming work programme for the CFIs.

1.2 The information, analysis and opinions contained should be considered working notes and provisional only. Content should not be considered as final/formal positions or opinions.

2 Work Programme

Proposed work	Sponsor	Complete by	Priority	Status
[REDACTED]				
[REDACTED]				

Out of Scope

Proposed work	Sponsor	Complete by	Priority	Status
Ongoing research into Myanmar		Ongoing	2	IN PROGRESS
Review of engagement priorities		31 Dec 2021	3	NOT YET STARTED
CFIs to review whether current engagement priorities remain relevant and appropriate.		Section 9(2)(g)(i) free and frank		Out of Scope
- Modern slavery in NZ				

3 Upcoming Agenda Items

November 2021 Meeting

Section 9(2)(ba)(i) prejudice supply of information

- Review engagement progress [REDACTED] on Uyghurs

February 2022 Meeting

- Review of BMO's 2022 priority projects and companies
- Proposals for Exclusions due to poor ESG practices (for June exclusion update)

May 2022 Meeting

August 2022 Meeting

- Proposals for Exclusions due to poor ESG practices (for Dec exclusion update)
-

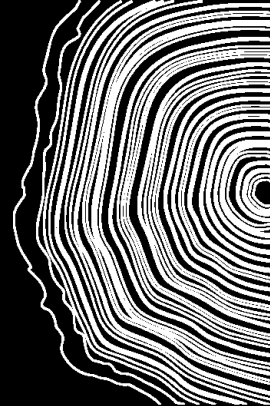
Released under the OIA

An introduction to modern slavery

**Guidelines for
New Zealand Super Fund**

2021

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Part 2: Understanding modern slavery **Pg. 4**

Part 3: Managing modern slavery risks **Pg. 9**

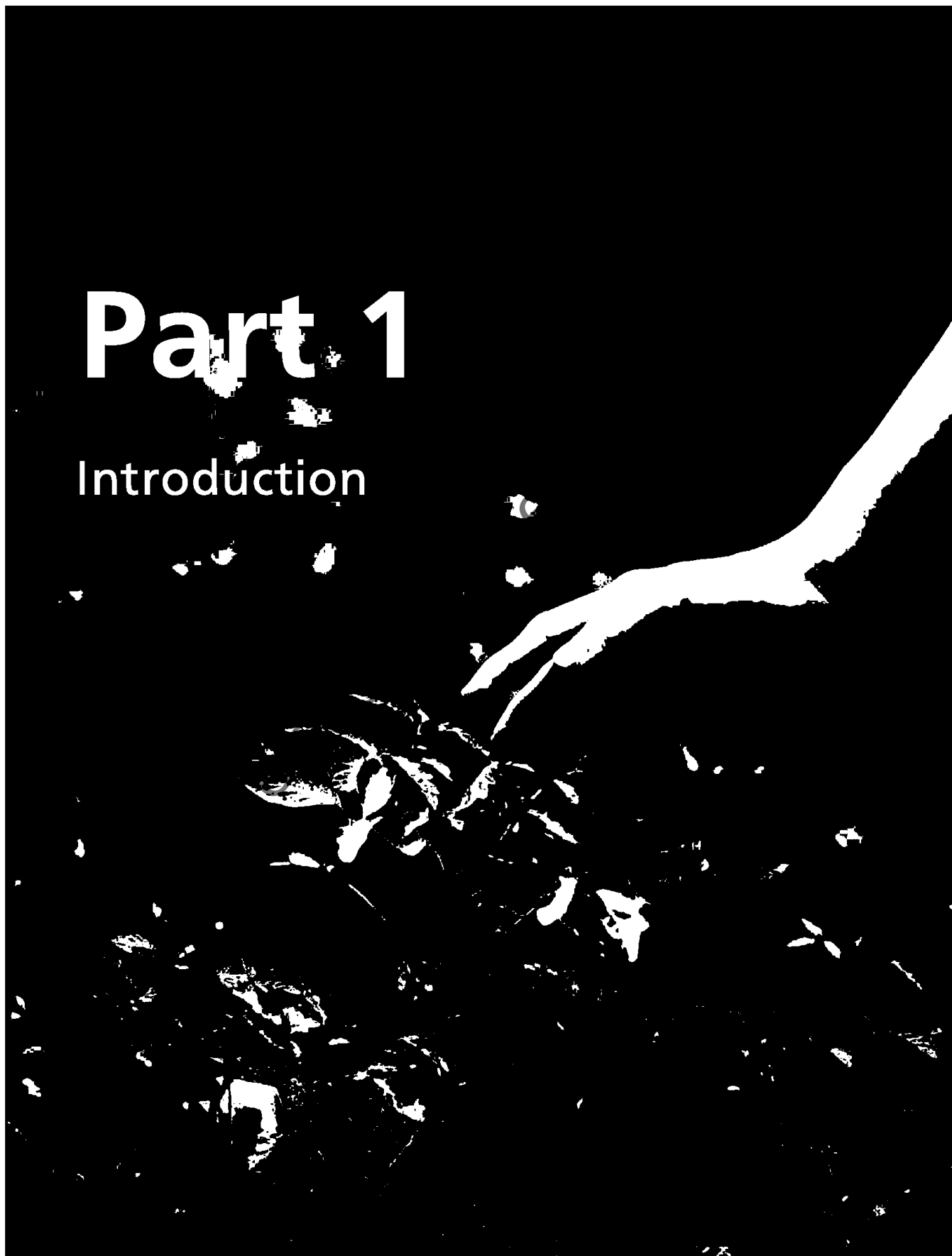
Part 4: Sector-specific engagement **Pg. 23**

Part 5: Appendices **Pg. 28**

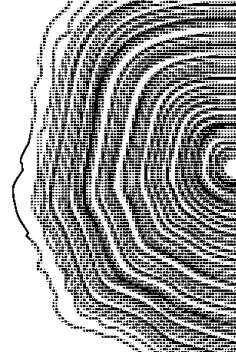
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Part 1

Introduction



Part 1: Introduction



1.1 The Guardians commitment to responsible investment

The Guardians of New Zealand Superannuation (the Guardians) have a commitment to manage the New Zealand Super Fund (the Fund) responsibly, having concern for environmental, social and governance (ESG) factors⁽ⁱ⁾. The Guardians' mandate is to manage and administer the Fund in a manner consistent with:

- best-practice portfolio management;
- maximising return without undue risk to the Fund; and
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community⁽ⁱⁱ⁾.

Understanding and managing the risks the Fund faces is central to the work of the Guardians. We believe that ESG considerations are fundamental to long-term risk and return.

By identifying and managing ESG factors, we are more confident in our ability to allocate capital towards opportunities that positively impact people and the environment. We can respond to internal and external stakeholder expectations to create social and environmental benefits, and better manage long-term investment risk. Considering modern slavery risks aligns with our purpose, culture and values.

The risks around modern slavery fall into the "social" factor of ESG considerations. The *Introduction to modern slavery – Guidelines for New Zealand Super Fund* (the Guidelines) have been developed to support our commitment to ESG factors. As the Guardians we have a responsibility to assess, monitor and engage with our portfolio companies in a manner that manages modern slavery risk through the entire investment cycle and be transparent about our process⁽ⁱⁱⁱ⁾. These Guidelines will contribute to our 'social license to operate'^(iv) and ensure we fulfil our mandate as a responsible investor^(v).

We recognise the role we have in building awareness and capability throughout our team to be on the front foot and proactively engage with our portfolio on the risks associated with modern slavery.

The purpose of these Guidelines is to:

1. Build awareness of modern slavery and modern slavery risk factors across the Fund; and
2. Equip our investment professionals with practical tools to understand where modern slavery risks may occur across the Fund's investments and enable them to start a conversation with our portfolio companies regarding modern slavery risks.

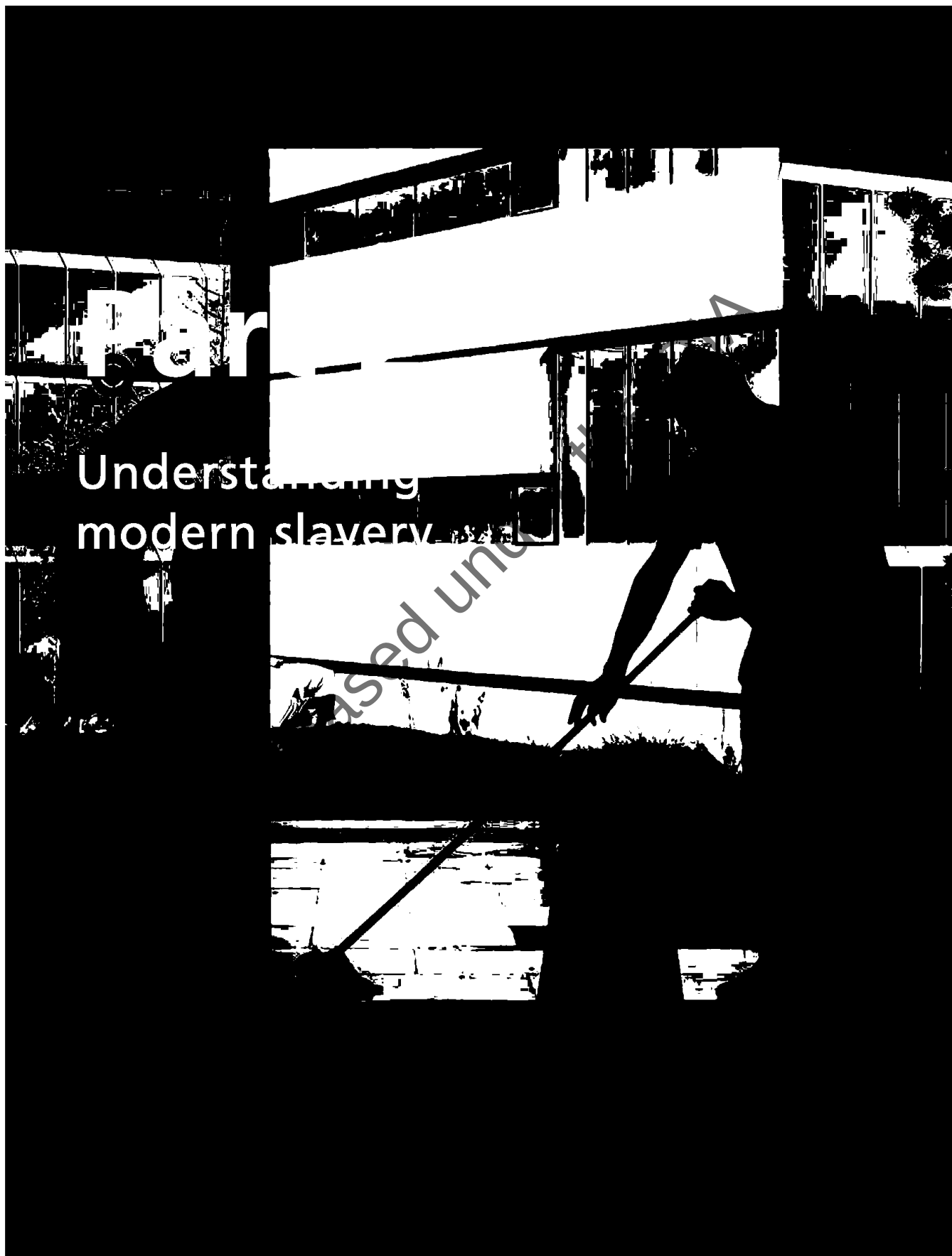
By building this capability across our investment professionals, the Fund seeks to use our investment influence to encourage our portfolio companies to take a considered approach to managing modern slavery risk.

1.2 How to read the Guidelines

The Guidelines are broken into five parts:

- **Part one:** outlines how to read and implement the Guidelines (this section).
- **Part two:** introduces modern slavery, the intersection of modern slavery risk and the investment sector, and the role that investment professionals can play in identifying and managing this risk.
- **Part three:** introduces the four key modern slavery risk factors and provides guidance on how to identify and engage with portfolio companies to manage this risk.
- **Part four:** outlines four sector-specific practical engagement strategies.
- **Part five:** the appendix, which includes a resource list and glossary of key terms.

There is no single way to identify, manage and address modern slavery risks. These Guidelines are one tool that can be used when considering the changing and dynamic nature of modern slavery risks.



Part 2:

Understanding modern slavery

2.1 What is modern slavery?

Modern slavery risks can arise in the context of a wide range of activities that may be relevant to the Fund. Investments, whether through active or passive ownership, can present modern slavery risks, depending on the investee business sector, geographical location, business model or workforce profile.

There is no single internationally recognised definition of modern slavery. The Finance Against Slavery and Trafficking (FAST) initiative defines modern slavery as an umbrella term used to encapsulate a range of serious human rights violations and describes situations where coercion, threats, deception or abuse of power are used to exploit people and deprive them of their freedom^(vi). Where countries have adopted modern slavery legislation modern slavery has been defined. In Australia for example, the *Modern Slavery Act 2018* (Cth) defines modern slavery to include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour, and deceptive recruiting for labour or services. Whilst New Zealand has not introduced specific legislation dealing with modern slavery, forced labour, human trafficking, slavery, forced marriage and other slavery and slavery-like practices, are already prohibited in domestic legislation (e.g. in the *Crimes Act 1961*^(vii) and the *Immigration Act 2009*^(viii)). The New Zealand Government has foreshadowed its intent to consider a New Zealand modern slavery reporting requirement.

Modern slavery practices are often defined as fundamental breaches of individuals' labour rights. The International Labour Organization's (ILO) 1998 *Declaration on Fundamental Principles and Rights at Work*^(ix) reference four 'categories' of labour rights:

- freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of forced or compulsory labour;
- the abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

Whilst these categories of labour rights are pertinent to modern slavery, it is important to remember that modern slavery practices impact a plethora of human rights. Fair and decent work and modern slavery practices sit on two ends of a continuum. Whilst people may experience substandard working conditions, such as being exposed to unsafe working environments or excessive overtime without pay, these may not constitute modern slavery. However, modern slavery does not occur in a vacuum. Situations where modern slavery takes place are likely to already involve a range of other human rights violations. Identifying risk before it escalates to modern slavery can reduce the escalation of potential harm to people.

Figure 1:

CONTINUUM OF MODERN SLAVERY

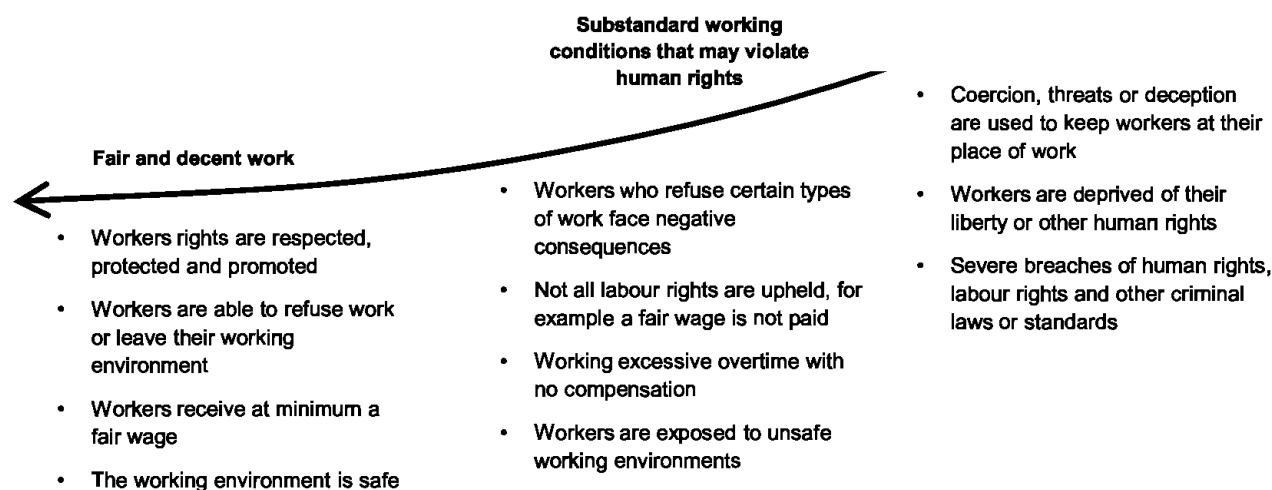


Table 1 provides an example of what constitutes modern slavery practices, egregious human rights violations. The examples have been drawn from real-life cases from developing and developed countries including New Zealand.

Table 1:
EXAMPLES OF MODERN SLAVERY PRACTICES

Trafficking in persons	Zara was recruited by a trafficking ring who falsely claimed that they would provide Zara with an education. Instead, Zara was transported to a substandard living arrangement and is sexually exploited for the purpose of sex tourism.
Slavery	Chris and his father are migrants who work in Thailand for a global fishing company. When they left shore on a fishing vessel, they were not allowed to return, forced to work excessive hours, received no pay and very little food. If they complain or try to leave, they are beaten in front of the other workers.
Servitude	Mia is a nanny, who works for a wealthy New Zealand family. When she first arrived at the house, she was forced to give up her phone and all communication to her family is monitored. She is not paid, sleeps in the pantry, and is often verbally and physically abused. Mia was told if she goes to the police, she will be detained.
Forced marriage	A major infrastructure project has built semi-permanent living arrangements for its employers. Some engage in sexual services with local women, then threaten to tell their families unless they marry them. The ceremony is not in the bride's native language and she is never left alone. Following the wedding she is repeatedly sexually abused.
Forced labour	Taka picks apples on a New Zealand farm. After two months, his employer stops paying him his full wage. Taka complains, but his employer tells Taka that if he stops work or complains again, they will harm Taka's partner and child.
Debt bondage	Lily accepts a job overseas working in a New Zealand hotel as a cleaner through a recruiting agency. Lily is told a recruitment fee and flight costs will be deducted from her wages. When Lily arrives, her passport is taken and is told her debt is NZ\$500,000. After six months, Lily has not yet paid 10% of the debt, which is now growing because of interest.
Deceptive recruiting practices	Miles works in a New Zealand office. He notices that the security guards arrive and leave in the same van every day. He asks one guard who drives them why they always travel together. The guard responds that he is a migrant worker who was told he could receive free accommodation and board in exchange for providing security services. However, in reality a group of men are locked in a room and transported to the office each day.
Worst forms of child labour	Zuri, 8, and Shuri, 11, work at a lithium mine that supplies lithium for smartphones and laptops. They are not provided protective gear whilst working in the mine.

2.2 Drivers of change

Global drivers

Globally there is growing momentum across governments, business and civil society organisations to accelerate reporting requirements on modern slavery and broader human rights. Modern slavery reporting, mandatory human rights due diligence reporting, and domestic legislation with cross-jurisdiction reporting requirements are reshaping the way businesses report on their impacts on people. These laws formalise a range of international standards such as the *UN Guiding Principles on Business and Human Rights* (UNGPs), the *OECD Guidelines for Multinational Enterprises* and the ILO 1998 *Declaration on Fundamental Principles and Rights at Work*. Figure 2 provides a high-level timeline of the implementation of key standards and legislation globally.

The growing trends surrounding modern slavery reporting requirements reflects an international sense of a 'social licence to operate' and provides an indication of the drivers that will shape New Zealand's policy landscape.

Local drivers

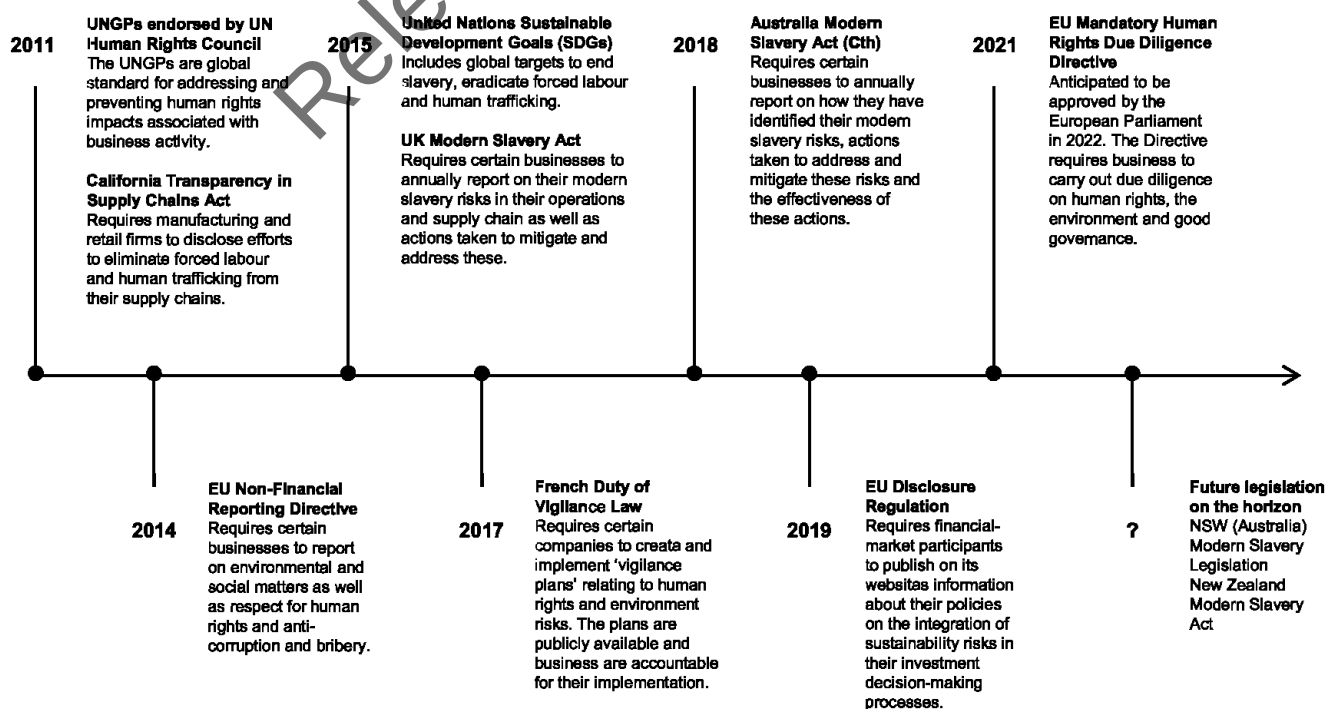
The 2018 Global Slavery Index highlights the significant role that more economically developed countries play in perpetuating modern slavery. Despite the relative wealth, modern slavery crimes are taking place at an alarming rate in these countries and within their global supply chain^(x).

New Zealand has ratified a number of international documents that prohibit slavery^(xi), and a number of New Zealand owned companies that operate in Australia are publishing modern slavery statements under the Australia's *Modern Slavery Act 2018* (Cth)^(xii). Furthermore, there is growing public advocacy for New Zealand to implement domestic legislation to address modern slavery^(xiii). Instances of modern slavery abuses in New Zealand coupled with increased public scrutiny has further emphasised how close to home modern slavery can be^(xiv).

Responding to these drivers, in December 2020 the Ministry of Business, Innovation and Employment released New Zealand's *Plan of Action against Forced Labour, People Trafficking and Slavery* (Plan of Action). This Plan of Action specifically references New Zealand's plan to "consider introducing legislation requiring businesses to report publicly on transparency in supply chains, to help eliminate practices of modern slavery"^(xv).

Figure 2:

TIMELINE OF KEY MODERN SLAVERY LEGISLATION AND STANDARDS



2.3 Modern slavery and the investment sector

There are modern slavery risks in all sectors and industries, and the investment sector is no exception. In addition to its own corporate operations and supply chain an investment institution's investments, directly or through asset managers, can present modern slavery risks depending on the type of investment, geographical location, business model or workforce profile. The complex nature of investments and the global reach that the investment sector has means they are inherently linked to a wide range of potential human rights impacts. At the same time, this network means that the investment sector has a unique opportunity to leverage and influence a range of other sectors. The complex nature of investments and the global reach that the investment sector has means they are inherently linked to a wide range of potential human rights impacts. At the same time, this network means that the investment sector has a unique opportunity to leverage and influence a range of other sectors.

In 2019, the Financial Sector Commission on Modern Slavery and Human Trafficking released the *Blueprint for Mobilising Finance Against Slavery and Trafficking* and an associated *Implementation Toolkit* which investors can use to manage their modern slavery risk^(xvi). As part of this Blueprint, the FAST initiative was launched to further guide and accelerate the financial services response to modern slavery and human trafficking^(xvii).

2.4 Our role

The Guardians has a long-standing commitment to responsible investment. We believe environmental, social and governance considerations are fundamental to long-term risk and return. We believe considering modern slavery risks should be part of our approach to responsible investment.

Our portfolio companies are responsible for identifying, assessing, and managing modern slavery risks within its operation and supply chain. This Guidance provides some suggested due diligence questions that our investment professionals can use to understand what actions our portfolio companies are taking to manage its modern slavery risk. Investment professionals should use this Guidance to initiate conversations with our portfolio companies on modern slavery risk. The Guidance also provides a non-exhaustive list of potential practical implementation steps that portfolio companies might take to address identified modern slavery risks based on good practice. These should be framed as suggestions only rather than mandatory requirements.

Case study 1: INVESTING IN HARM

In June 2020, Labour Behind the Label released a report^(xviii) detailing workers' experiences in garment factories in Leicester, United Kingdom. The factories, primarily producing garments for Boohoo Group Ltd (Boohoo), were exploiting workers and putting them at risk of COVID-19.

For several years, numerous media reports had detailed illegal practices at Leicester-based garment factories linked to other well-known brands. Boohoo accounts for almost 75–80% production in Leicester and sources around 60–70% of its production from these factories. In 2020, Boohoo had a market value of £4.6 billion (over 9 billion NZD). During the COVID-19 pandemic and associated lockdowns, Boohoo's shares increased by 22%. Boohoo was rated AA by Morgan Stanley Capital International (MSCI), scoring above the industry average on supply chain labour standards.

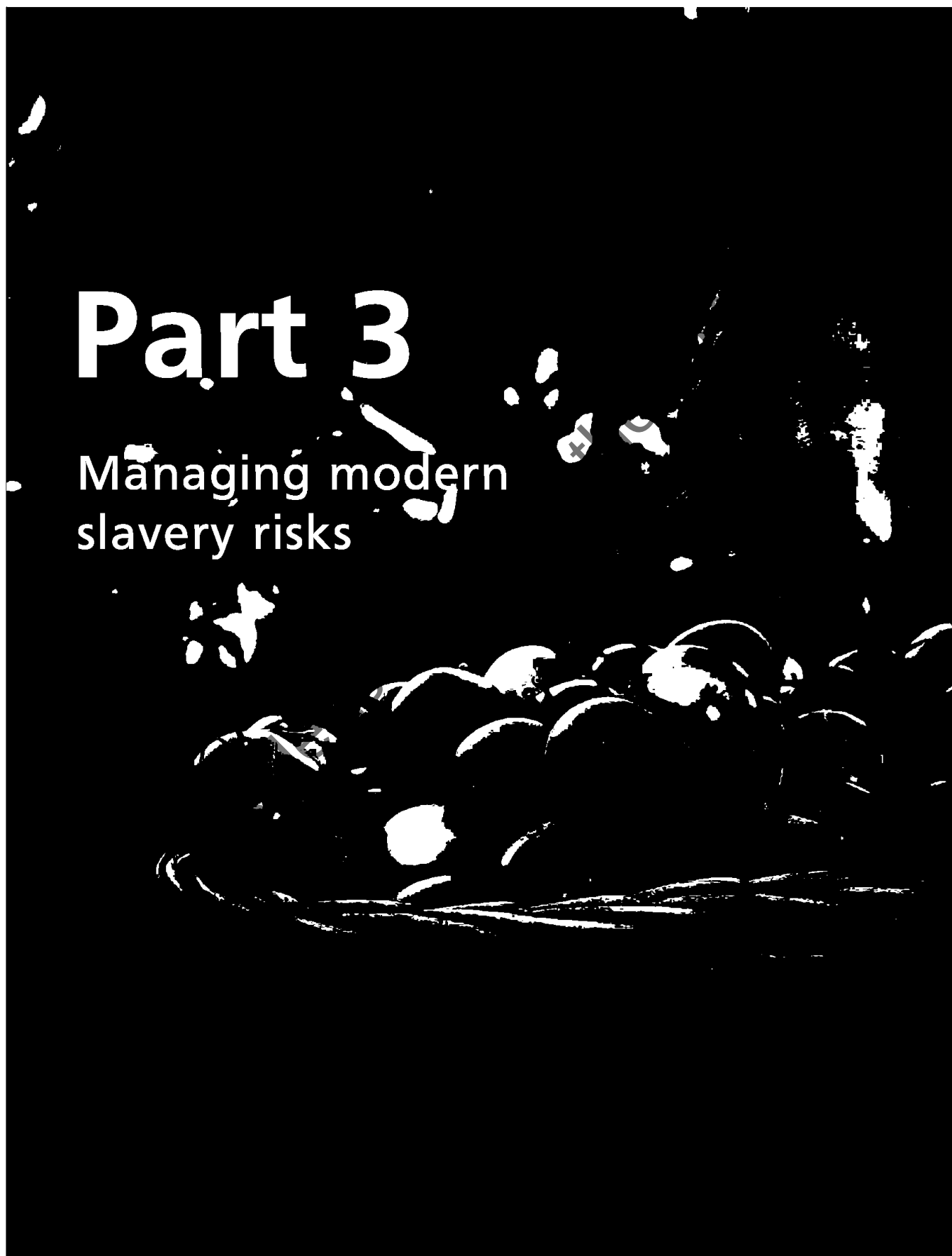
However, within the factories a number of labour and safety rights' violations were being experienced by the workers including significant underpayment of wages and intimidation of vulnerable workers (especially migrant workers). Furthermore, during COVID-19 no personal protective equipment (PPE) was given to workers and social distancing practices were not permitted. Current investigations are continuing assessing concerns of human trafficking and modern slavery allegations^(xix). As a result of these allegations the share prices of Boohoo, PrettyLittleThing and Nasty Gal fell by almost 50% from June to early July 2020^(xx).

Ethical investment funds involved with Boohoo, including Aberdeen Standard's Ethical Equity and Responsible Equity Funds and Premier Ethical Fund were criticised for failing to undertake adequate environmental and social due diligence of their investments when reports surfaced detailing workers' experiences^(xxi). This real-life example highlights that when investors fail to consider an organisation's approach to human rights or labour rights, and do not carry out adequate due diligence, they can be directly linked to their portfolio companies whose practices are associated with harm to people. A failure to identify and manage the human rights and labour risks that are associated with modern slavery of its investments can lead to financial loss and reputational damage to investors.

The increased risk of exploitation of workers or trafficking of vulnerable persons stemming from the economic uncertainty generated by the COVID-19 pandemic^(xxii) demonstrates the need for investors to react and respond to changing dynamics and consider the risk to people when economic vulnerability is heightened.

Part 3

Managing modern slavery risks



Part 3:

Managing modern slavery risks

3.1 Modern slavery risk factors

The level of modern slavery risk depends on a range of intersecting contextual factors. Where multiple high risk factors co-exist, there is a higher likelihood that actual harm is being experienced, and additional controls are required to ensure that risk does not become harm. The four key modern slavery risk factors are:

1. Vulnerable populations;
2. High risk geographies;
3. High risk categories; and
4. High risk business models.

Recognising and understanding these four risk factors can help consider the full spectrum of a company's modern slavery risks in its activities and relationships. It also enables a whole of business approach to managing modern slavery risks. Early identification and response decreases opportunities for human rights associated with modern slavery to be breached and reduces the likelihood of harm.

Table 2:
KEY MODERN SLAVERY RISK FACTORS

Vulnerable populations

Vulnerable populations include people whose personal characteristics or circumstances may lead them to be more susceptible to harm. Vulnerable populations also face additional barriers to reporting their experience of harm: language, level of education and literacy, visa insecurity, and disability may all contribute.

Examples include:

- Migrant workers and workers on visas
- Base skills workers
- Children and young people
- Workers on employment schemes

High risk geographies

High risk geographies include countries or areas where modern slavery conditions are more likely to thrive. Geographical risk exposure extends through operational presence, sourcing and procurement activities, client work, alliances and other business relationships that extend into high risk geographies.

Examples include geographies with:

- Weak rule of law
- Known presence of corruption
- Large populations of displaced people
- Conflict
- State failure to protect human rights

High risk categories

Specific categories of goods or services are known to be associated with a higher inherent risk of modern slavery practices. Importantly, a broad range of sectors are either directly or indirectly associated with these high risk categories.

Examples include:

- Services procurement
- Goods not for resale
- Raw materials

High risk business models

High risk business models tend to include entity arrangements with little visibility over subcontracting or labour recruiting arrangements, or where significant parts of labour needs are outsourced. Business models structured around intense labour with slim profit margins.

Examples include:

- Seasonality
- Labour hire and outsourcing
- Aggressive pricing
- Franchising

3.2 Engaging portfolio companies on modern slavery risk

Our intention is to embed modern slavery risk due diligence throughout the investment cycle. To do this, investment professionals need to proactively engage with portfolio companies to understand how the relevant business is identifying, considering and addressing modern slavery risk.

Global Good Practice – Risk to people from a human rights-based perspective

A key difference between human rights due diligence and traditional business due diligence and risk management is that human rights due diligence focuses on risks to people rather than risks to the business. Effective company responses^(xodiii) to address modern slavery risks are grounded in the human rights due diligence framework outlined in the *2011 United Nations Guiding Principles on Business and Human Rights*^(xodiv) (UNGPs). The UNGPs requires that businesses prioritise addressing the most severe risks to people first.

Aligning our investment practices to consider potential modern slavery risks in our portfolio requires us to understand the risk of harm to people that arises as a result of our investees' activities, decisions, relationships or purchases.

The unique nature of each business and the context in which it operates means that the actions required to effectively identify, assess and address modern slavery risks must be bespoke. There is not a one-size fits all approach. However, there are practical steps that investment professionals can take to identify where potential modern slavery risks might occur across the Fund's investments, and enable them to start a conversation with our portfolio companies on how to proactively address identified modern slavery risks.

The UNGPs as an approach to identify and address modern slavery risks

Global best practice and reporting legislation such as Australia's Modern Slavery Act 2018 (Cth) considers an effective business response to assessing and addressing modern slavery risks as one that is grounded in the human rights due diligence framework outlined in the UNGPs. This framework requires businesses to address its adverse human rights impacts by taking measures to prevent, mitigate and where appropriate, remediate human rights harm. For human rights associated with modern slavery, this predominantly occurs in a business' operations and supply chains.

In practice this involves:

1. Having a policy commitment to meet the business' responsibility to respect human rights;
2. Conducting a modern slavery due diligence process to identify, prevent, mitigate and account for human rights and modern slavery risks in the business' supply chains and operations; and

3. Remediating human rights harm that businesses cause or to which it contributes. Where the business does not cause or contribute to the harm, but is directly linked to the harm (for example through an investment or supply chain), then the business should use its leverage and influence to prevent or mitigate the harm and ensure remediation is achieved.

Aligned to these three pillars, the Guidelines provide investment professionals with practical questions to ask portfolio companies. These questions will help assess if the company has implemented modern slavery risk management systems and controls. Where systems and controls do exist, the questions will also help investment professionals and portfolio companies identify potential gaps, and initiate conversations about high-level actions portfolio's companies should consider to address those gaps.

Policy commitment

The UNGPs require a business to have an express commitment to respect human rights through a public policy statement. The policy should be communicated both internally and externally, and it should be reflected in operational policies. Robust policies will have clearly defined accountabilities and responsibilities for staff, suppliers, business relationships and third parties. Where a business operates in areas with poor human rights standards, for example in regions with weak rule of law or low labour standards and regulation, the policy will seek to honour the highest possible standard.

Any questions asked as part of the modern slavery risk due diligence process should aim to determine if the portfolio company has an expressed commitment to respect human rights, the extent to which the policy covers its operations, activities and relationships, and the presence of any additional policies or statements that might also consider human rights or modern slavery considerations.

Policy commitment: Modern slavery risk due diligence questions to ask portfolio companies

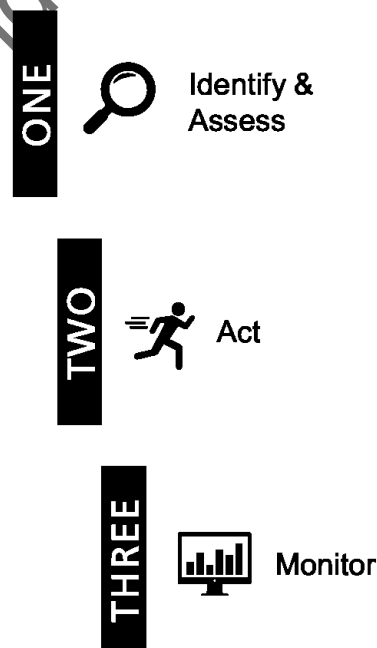
1. Do you have a dedicated human rights policy that references modern slavery?
2. Does the policy cover modern slavery risks specific to your business type and your operating context? Ideally these should specifically reference the highest and most relevant risks.
3. Do you have related policies or statements that have adjacent expectations? For example, a responsible or ethical sourcing policy; ESG policy; health and safety policy; code of conduct; or anti bribery and corruption policy).
4. How are your policies that impact suppliers and business partners communicated with them and formally acknowledged?

Human rights due diligence process

A human rights due diligence process is made up of measures which identify, prevent, mitigate and account for modern slavery and broader human rights risks in a business' supply chains and operations. In other words, a human rights due diligence process is the management systems and controls a business has implemented to manage its modern slavery and human rights risks. The UNGPs require a business to have a due diligence process to identify, prevent, mitigate and account for how the business addresses its modern slavery risks. Implementing a human rights due diligence process that addresses modern slavery risk focuses on three key steps: identify; act; and monitor.

Figure 3:

RESPONDING TO MODERN SLAVERY RISK PROCESS FLOW





Identify & Assess

Step 1: Identify and assess modern slavery risks

First, a business should gain a comprehensive view of where it is most likely to be causing, contributing or directly linked to harm to people. This should be informed by mapping of supply chains and operations, and through stakeholder engagement. Business should prioritise addressing the most severe risks first.

Modern slavery risk due diligence questions to ask portfolio companies should aim to determine if the portfolio company has taken a considered approach to identify modern slavery risks in their operation and supply chain and determined which of these risks are the most salient to the business.

Modern slavery risk due diligence questions to ask portfolio companies

5. To what extent have you mapped your full supply chain(s) and all suppliers that contribute to your operations?
6. What visibility do you have over all of the tiers in your supply chain?
7. How have you identified modern slavery risk exposure within your supply chain and operations?
8. How have you assessed your most salient modern slavery risks?

Figure 4:

SUPPLY CHAIN TIERS

Supply chains are made up of 'tiers', determined by their relationship to the business and/or final product. The higher the number of a tier, the more removed they are from the business.

- Tier 1: Suppliers have direct relationships/partnerships with a business.
- Tier 2: Suppliers provide goods and services to the Tier 1 supplier.
- Tier 3: Suppliers provide goods and services to the Tier 2 supplier.

And so forth back to the raw material.





Step 2: Act and implement measures to address modern slavery risks

Once a business has identified potential modern slavery risk, the business should design and implement tailored risk management measures to assess, address and mitigate modern slavery risks and impacts. This may also include capability building across the business (including management) and supply chain. Capability building may be cross functional such as awareness campaigns and foundational modern slavery training programs or specific to roles and functions such as targeted training and upskilling programs for procurement, risk and human resources.

Modern slavery risk due diligence questions to ask portfolio companies should aim to determine if the portfolio company has implemented systems, controls, processes and/or procedures to manage its modern slavery risk. Whilst these questions will not be able to determine the effectiveness of these controls, they will provide insight into the maturity of the company's modern slavery response.

Modern slavery risk due diligence questions to ask portfolio companies

9. Can you please describe your current process for managing your modern slavery risks in your operations and supply chain? Who has overall responsibility for this process?
10. Have you implemented a formal modern slavery risk assessment process for onboarding of new suppliers or business relationships (e.g. a pre-qualification process or supplier code of conduct that communicates a shared commitment to eradicate modern slavery)? If so, what does this process involve? What information is requested of suppliers or business relationships?
11. Do you have a formal modern slavery risk assessment process in place during the supplier or business relationship lifecycle? How do you monitor your supplier and business relationships to ensure compliance with your modern slavery expectations?
12. Have you mapped current modern slavery capabilities within your organisation and/or implemented a program to enhance or build upon these capabilities?
13. Do you provide training for staff on modern slavery and related policies?
14. Is your policy suite relating to human rights, employment rights, modern slavery etc. embedded within the business and reflected in operational policies, procedures and practice?

THREE



Monitor

Step 3: Monitor the effectiveness of measures to address modern slavery risks

A business should monitor the effectiveness of the actions it has taken to address modern slavery risks. Monitoring should be completed through the collection of both qualitative and quantitative impact metrics, transparent reporting on progress, and identifying areas for improvement.

Modern slavery risk due diligence questions to ask portfolio companies should aim to determine if the portfolio company is monitoring how successful its actions to address modern slavery are. 'Success' will be determined by the company's risk appetite, benchmarking, targets and goals. Your role is to determine if the company is responsive to feedback and seeking to improve over time, rather than to determine effectiveness.

By engaging with portfolio companies on their modern slavery due diligence, we can understand to what extent our portfolio companies or a possible investment is considering modern slavery risk. If a prospective investment or portfolio company cannot answer these due diligence questions or it responds negatively, this should raise a red flag that modern slavery risk may exist unchecked in its supply chains or operations.

Modern slavery risk due diligence questions to ask portfolio companies

15. Has your company committed to continuous improvement of modern slavery due diligence performance? How is this done?
16. What formal or informal monitoring processes do you have in place to improve modern slavery risk controls?
17. Are all the issues and lessons from monitoring activities collated, analysed, reported and acted on to progress continuous improvement? Are these findings reported at the Board level?
18. What voluntary or mandated external modern slavery or human rights reporting does your company publish? How often?

Remediate harm

The UNGPs require a business to remediate human rights harm that it causes or to which it contributes. Where the business does not cause or contribute to the harm but is directly linked to the harm (for example through an investment) then the business should use its leverage and influence to prevent or mitigate the harm and ensure remediation is achieved.

In the modern slavery context, effective remediation processes include robust and accessible grievance mechanisms, and responding to instances of modern slavery in a way that respects the safety of victims.

Remediation: Modern slavery risk due diligence questions to ask portfolio companies

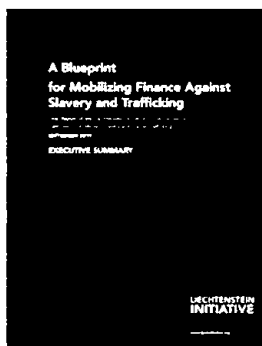
19. Do you have an operational level grievance mechanism for all rights-holders affected by your business activities? This should apply to all individuals engaged in your supply chains and operations (e.g. not just your direct employees).
20. Are your grievance mechanisms accessible, e.g. translated in relevant languages and written in accessible content and form for all employees?
21. Do you have an established response and remediation process?



Modern slavery is a new concept for many businesses. Furthermore, 'best practice' in responding to modern slavery risks is a rapidly evolving area. Approaches that portfolio companies may take in addressing modern slavery risks will depend on one or more of the following factors:

- Our role as investment professionals is not to provide solutions for our portfolio companies to address modern slavery. However, in using the modern slavery due diligence questions above, portfolio companies may ask how they can start to manage its modern slavery risk and what activities can be undertaken. The section below serves as a conversation starter and provides a non-exhaustive list of possible actions and activities that a business may consider as part of its modern slavery response.

The actions business, including the Fund, can take to effectively address modern slavery will be informed by its leverage i.e. what influence does the company have to trigger change with its suppliers and business relationships? Goal 3 of the FAST Initiative provides guidance for investors on using leverage creatively to mitigate and address modern slavery and human trafficking risks^(xxxv).



Policy commitment



Due diligence questions asked of the business

- Do you have a dedicated human rights policy that references modern slavery?
- Does the policy cover modern slavery risks specific to your business type and your operating context? Ideally these should specifically reference the highest and most relevant risks.
- Do you have related policies or statements that have adjacent expectations? For example, a responsible or ethical sourcing policy; ESG policy; health and safety policy; code of conduct; or anti bribery and corruption policy).
- How are your policies that impact suppliers and business partners communicated with them and formally acknowledged?



Possible implementation steps for business to take

- Work with board of directors and senior leadership team to conduct a modern slavery risk appetite process for the business that determines the level of modern slavery risk that the business is prepared to take on.
- Assign board level responsibility.
- Draft a modern slavery policy aligned to the company's risk appetite and ambition.
- Embed modern slavery considerations into related policies or statements that have adjacent expectations such as employee and supplier code of conduct, whistle-blower policy, grievance policy etc.
- Periodically update the modern slavery policy or adjacent policies to reflect the most salient modern slavery risks.

CASE STUDY:

Embedding modern slavery considerations into related policies

Context

A property and construction company with an existing modern slavery policy wanted to strengthen its commitment to respect human rights by integrating modern slavery considerations into other existing company policies and procedures.

Actions taken

The company identified its supplier contract as an additional opportunity to include modern slavery considerations and embedded enforceable modern slavery contract terms into its standard supplier contracts. With this addition, suppliers are required to report on actions taken to address modern slavery risks within the scope of the contract.

Outcome of actions

With the introduction of the modern slavery considerations into the contract, the company found itself being asked by suppliers what the expectations were of the company in response to the new terms. This provided an opportunity for the company to begin dialogue with suppliers on modern slavery risk which raised awareness in the company's suppliers. The company also referred suppliers to publicly available resources on how to grow capability to manage modern slavery risk.

By integrating modern slavery considerations into its supplier contracts, the company has explicitly identified and clearly defined the responsibility that lies with its suppliers in relation to considering modern slavery. Furthermore, building enforceable terms into the contract also provides the company with an opportunity to use the potential material breach of contract to initiate dialogue and engagement with the supplier. If the supplier chooses not to engage, the company reserves the right to terminate the contract.

Human rights due diligence process: Identify and Assess



Due diligence questions asked of the business

- To what extent have you mapped your full supply chain(s) and all suppliers that contribute to your operations?
- What visibility do you have over all of the tiers in your supply chain?
- How have you identified modern slavery risk exposure within your supply chain and operations?
- How have you assessed your most salient modern slavery risks?



Possible implementation steps for business to take

- Map business operations and supply chain using purchase order data, organisational charts, stakeholder engagement, company structure and contracts, geography of operations, wage levels in the industry, cost pressure in the supply chain, supplier data etc.
- Engage with suppliers, business partners or recruitment agencies where supply chain visibility is limited to further inform and build upon business operations and supply chain map.
- Understand modern slavery risk factors, including;
 - Types of modern risk factors (see example [here](#)^(xxvii))
 - High risk sectors (see example [here](#)^(xxviii)).
- Identify key modern slavery risk hotspots using publicly available data sources of known elevated modern slavery risk and/or data analytics to create modern slavery risk heat map.
- Socialise findings and validate with key stakeholders and rightsholders.

CASE STUDY:

Mapping a business operations and supply chain for modern slavery risk

Context

Alessandro works for Funky Furniture, a New Zealand based furnishing company. Funky Furniture are at the beginning of their modern slavery journey. Whilst it is aware certain raw materials such as timber are high risk, it does not have a complete overview of its modern slavery risk. To address this, Alessandro is tasked with identifying where the business has potential modern slavery risks.

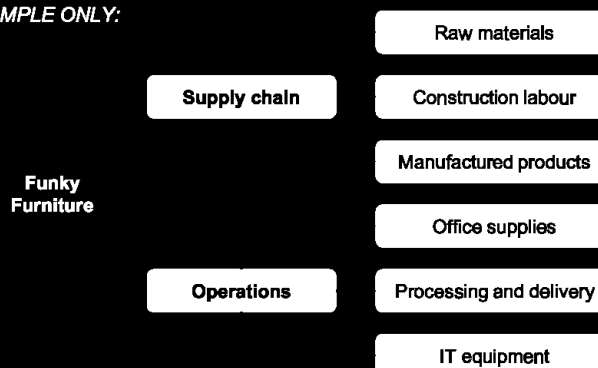
Actions taken

Alessandro first maps Funky Furniture's operations and supply chain using his understanding of the business, purchase order information, and supplier data. He validates his findings with relevant colleagues in the business. Alessandro then uses publicly available data sets to develop a heat map that identifies where the business operations and supply chain intersect with high risk categories and high risk geographies.

Outcome of actions

By mapping Funky Furniture's operations and supply chain, Alessandro has a much more comprehensive view of where the company's potential modern slavery risks may lie. Furthermore, by completing a heat map, he was able to use it to visually engage with the company's senior leaders and function leads. This visual representation of the risks surprised those that he engaged with and challenged the company's assumptions about where the business sourced from and the modern slavery risks presented. With a greater shared understanding of where these risks were, the business was better able to strategically prioritise its actions to addressing the highest consequence risks first.

EXAMPLE ONLY:



Human rights due diligence process: Act and Implement



Due diligence questions asked of the business

- Can you please describe your current process for managing your modern slavery risks in your operations and supply chain? Who has overall responsibility for this process?
- Have you implemented a formal modern slavery risk assessment process for onboarding of new suppliers or business relationships (e.g. a pre-qualification process or supplier code of conduct that communicates a shared commitment to eradicate modern slavery)? If so, what does this process involve? What information is requested of suppliers or business relationships?
- Do you have a formal modern slavery risk assessment process in place during the supplier or business relationship lifecycle? How do you monitor your supplier and business relationships to ensure compliance with your modern slavery expectations?
- Have you mapped current modern slavery capabilities within your organisation and/or implemented a program to enhance or build upon these capabilities?
- Do you provide training for staff on modern slavery and related policies?
- Is your policy suite relating to human rights, employment rights, modern slavery etc. embedded within the business and reflected in operational policies, procedures and practice?



Possible implementation steps for business to take

- Assess your current policies, systems and controls to prevent human rights breaches and modern slavery in your supply chains and operations and benchmark this against good practice.
- Identify where modern slavery risk identification and management can be retrofitted, for instance by using existing ESG processes through a gap analysis process.
- Screen and monitor suppliers/business partners through a risk assessment process such as supplier questionnaires, document reviews, data analytics, desktop research, engagement etc.
- Train staff and business partners on modern slavery risk factors and how they may present in the context of your operations and supply chain. Deliver training to improve knowledge and capability within the business regarding identifying, assessing and addressing modern slavery, particularly for teams and individuals with specific accountability.
- Work with third-party recruiters to understand their modern slavery risk management framework including employees right to work, freedom of association and fair treatment.
- If and when audits are conducted on suppliers, recruiters and business partners, broaden scope to include modern slavery controls.

CASE STUDY: Conducting a modern slavery diagnostic to identify gaps in risk control

Context

Romana works for Credible Credit, a wealth management company that has been investing in its modern slavery management systems over the past two years. Romana has been tasked to review the company's existing suite of policies and controls to address modern slavery and identify opportunities to improve their modern slavery response.

Actions taken

To understand how the organisation can improve its modern slavery response, Romana engages a consultant with modern slavery subject matter expertise to run a modern slavery diagnostic. The consultant first conducts a document review of key Credible Credit policies. Following, they interview a range of internal and external stakeholders to understand how these policies are practically implemented throughout the company. The consultant benchmarks Credible Credit against global leading practice standards and key peers. Romana receives a report that outlines Credible Credit's current state and recommendations for further alignment to domestic legislation and international best practice.

Outcome of actions

Using the findings of this diagnostic assessment, Romana socialises the recommendations with Credible Credit's Executive Board. The Board is assured by the use of external expertise to identify the current state which gives them confidence to set the company's ambition in terms of the level of improvement the company will make in its modern slavery response. Using the Board's inputs, Romana develops a roadmap and action plan drawing directly from the diagnostic findings and recommendations.

Human rights due diligence process: Monitor



Due diligence questions asked of the business

- Has your company committed to continuous improvement of modern slavery due diligence performance? How is this done?
- What formal or informal monitoring processes do you have in place to improve modern slavery risk controls?
- Are all the issues and lessons from monitoring activities collated, analysed, reported and acted on to progress continuous improvement? Are these findings reported at the Board level?
- What voluntary or mandated external modern slavery or human rights reporting does your company publish? How often?



Possible implementation steps for business to take

- Dedicate formal responsibilities for the operationalisation and monitoring of modern slavery related activities.
- Build knowledge and capability at the mid and senior management level regarding the business' controls and grievance mechanisms, and how to engage in discussions about modern slavery with staff and contractors (workers), including support and reporting pathways if workers are experiencing it.
- Implement or encourage informal monitoring channels such as embedding modern slavery or related topics into 'toolbox talks' or supervisor check-ins.
- Collate qualitative and quantitative indicators and track progress over time. For example:
 - The number and type of modern slavery related non-conformances and change over time
 - The average close out time of corrective actions to modern slavery related incidents
 - The number and outcomes of industry collaboration on addressing modern slavery risks
 - Set baseline targets and goals to achieve them
 - Embed modern slavery KPI's into role responsibilities.
 - Seek feedback from stakeholders, including rights-holders (for example employees, sub-contractors or supplier employees).

CASE STUDY: Monitoring modern slavery risk processes

Context

Lovisa is Head of ESG at Barnum, a textiles company. Last year Lovisa worked with Barnum's Head of Procurement to build its supplier modern slavery assessment framework. As part of the framework, suppliers complete a modern slavery risk assessment questionnaire that assesses what modern slavery risks are within a supplier's operations and supply chain, and the controls it has in place to manage this risk. After trialling the supplier questionnaire over the past 12 months, Lovisa wants to assess the effectiveness of this risk control process.

Actions taken

To monitor the effectiveness of the supplier questionnaire, Lovisa invites some key suppliers to an informal meeting to discuss their experience of the questionnaire. Most suppliers stated that they did not understand a lot of the terminology used in the questionnaire and that they found the questionnaire lengthy and burdensome. Furthermore, some suppliers noted that multiple other clients like Barnum were requesting them to complete different questionnaires that asked them very similar questions.

Outcome of actions

Noting the challenges that their suppliers faced in completing the questionnaire, Lovisa modifies the process to make the questionnaire more accessible for suppliers to complete including simplifying language, reducing the number of questions, and offering capability-building support for upper and middle management in smaller suppliers. Furthermore, as a large textiles company, Lovisa arranges to meet with other key textile companies to collaborate on developing a standardised industry questionnaire with the aim of reducing the burden on them while increasing confidence for Barnum and its peers.

In Barnum's ESG report, Lovisa documents both the quantitative and the qualitative findings of the supplier assessments. The report also details how the company has modified one of its modern slavery risks processes to make the questionnaire more accessible for suppliers providing evidence of continued improvement, and how it worked with suppliers to build capability across its suppliers to address modern slavery.

Remediating harm



Due diligence questions asked of the business

- Do you have an operational level grievance mechanism for all rights-holders affected by your business activities? This should apply to all individuals engaged in your supply chains and operations (e.g. not just your direct employees).
- Are your grievance mechanisms accessible, e.g. translated in relevant languages and written in accessible content and form for all employees?
- Do you have an established response and remediation process?



Possible implementation steps for business to take

- Update current grievance mechanisms to explicitly include modern slavery risks as reportable grievances.
- Develop a grievance and remediation protocol which includes human rights harm.
- Train staff or run an awareness campaign on updated grievance mechanism or remediation protocol.
- Seek feedback on your grievance mechanisms to ensure they are accessible and effective to all people they apply to.
- Monitor the outcomes and/or collect affected stakeholder views on effectiveness of remediation measures implemented.

CASE STUDY:

Ensuring grievance mechanisms are accessible to key stakeholders

Context

Hina is a Human Resources Manager for a hotel chain, HOME. HOME has been investing in its modern slavery processes and controls and has recently developed a whistle-blower policy. This policy includes modern slavery risks as reportable grievances and explains the various response and remediation steps, and who is responsible within HOME for each step. The policy is available to staff and contractors through its intranet. However, to date the whistle-blower process has not been used to report potential modern slavery issues. Hina has been tasked with improving the accessibility of the policy.

Actions taken

To improve the accessibility of the policy, Hina first translates the policy into five different languages reflecting the demographics of HOME's employees, contractors, and subcontractors. Hina then ensures that the policy can be accessed by all subcontractors and hotel guests regardless of their ability to access the company's intranet. Finally, Hina arranges for the policy to be simplified into easy-to-read posters and installs them onsite where workers typically spend time, including break rooms and staff facilities.

Outcome of actions

After improving the accessibility of its modern slavery grievance mechanism, HOME receives a report of a potential modern slavery issue. This triggers an investigation, and the investigation concludes that the situation was not an issue of modern slavery, but poor labour practices and corrective action is taken to remediate the situation. As a result, management and the Board are more confident that the whistle-blower mechanism is more likely to be used going forward.





Horticulture



Horticulture is commonly conceptualised as the large fresh produce outlets that source goods through complex supply chains. These supply chains often include a range of large and small horticulture farms and gardens that rely on labour hire, generating a labour supply chain which is often poorly governed putting workers at risk^(xxvii).

Multiple layers of subcontracting and labour contracting and high demand for low-skilled labour puts pressures on employees and in many cases has resulted in the cutting of labour costs^(xxix). Credible allegations of modern slavery practices in farms and gardens have put the sector into the spotlight including in Australia and New Zealand. The following additional information is intended to be used as a steppingstone to further engage with portfolio companies that operate in this sector on how it is managing its modern slavery risks.

The horticulture sector faces an elevated risk of modern slavery within its operations and supply chains as a result of intersecting structural and contextual risk factors. It is important to note that the presence of one or more of these risk factors does not mean modern slavery exists. Rather there is an increased likelihood that modern slavery may be present. Where multiple high risk factors co-exist, there is a higher likelihood that actual harm is being experienced, and additional controls are required to ensure that risk does not become harm.

Vulnerable populations

Horticulture relies on seasonal workers and is known for employing migrant workers, seasonal or casual workers and workers on temporary visas or working holiday visas. These workers may have temporary residency status and/or insecure employment creating barriers to report exploitation and seek assistance. Additionally, language barriers, low literacy or a lack of understanding of workers' rights and entitlements may prevent workers from reporting harm and seeking assistance.

High risk geographies

Horticulture predominantly occurs in regional and remote areas. These areas isolate workers with little to no means of accessing community support. There may also be a lack of transport or other services that present barriers for workers from leaving their place of work. Few accommodation options often mean that workers are provided a living arrangement by their employer which may be of sub-standard living condition.

High risk categories

Overall, the sector is categorised as high risk due to the intersection of multiple risk factors. Reliance on weather and seasonality increases uncertainty of profit. The picking of fruits, vegetables and flowers are categories reliant on labour hire typically sourced through visa programs and attract base-skill and migrant workers.

High risk business models

Horticulture relies on business models such as labour hire arrangements, seasonal workforces, incentives-based payment systems and low-cost margin business models that present elevated modern slavery risks.

Key horticulture-specific due diligence questions for investment professionals to consider

- To what extent has the company mapped its supply chain, including suppliers across all tiers?
- What level of visibility does the company have of its supply chain visibility including labour?
- How does your business define and identify modern slavery risks in its supply chain?
- How does the company audit or monitor labour hire arrangements?
- Does the company monitor the working hours and visa arrangements of its employees, and/or request this information from its suppliers?





Property, construction and infrastructure

The property, construction and infrastructure sectors are known for its elevated risk of modern slavery due to the intersection of the four key risk factors. Globally an estimated 18% of modern slavery victims are found in the construction industry. Significantly, at least 22% of forced labour victims are found in the manufacture and production of raw materials including in forestry, mining and quarrying – key suppliers for property and construction^(xxx). Building materials used in infrastructure and construction are typically sourced from high risk geographies known to be associated with poor working conditions, forced labour, and child labour. Large property, construction and infrastructure projects can also require rapid, mass hiring for short-term periods. This rapid onboarding process has been known to heighten workers existing vulnerabilities and lack proper human rights due diligence^(xxx). The following additional information is intended to be used as a stepping stone to further engage with portfolio companies that operate in this sector on how it is managing its modern slavery risks.

The property, construction and infrastructure sectors face an elevated risk of modern slavery within its operations and supply chains as a result of intersecting structural and contextual risk factors. It is important to note that the presence of one or more of these risk factors does not mean modern slavery exists. Rather there is an increased likelihood that modern slavery may be present. Where multiple high risk factors co-exist, there is a higher likelihood that actual harm is being experienced, and additional controls are required to ensure that risk does not become harm.

Vulnerable populations

The sector relies on base-skill and migrant workers who are vulnerable to exploitative practices, may not have access to the language, or have low literacy levels. Additionally, migrant workers and workers on visas may face uncertain residency status and insecure employment creating additional barriers to report exploitation and seek assistance. As construction and investment in infrastructure picks up post-COVID-19, the vulnerability of these worker groups may be exacerbated, as people choose work, irrespective of conditions.

High risk geographies

The sectors rely on raw materials that are often sourced from high risk geographies. Low-tier suppliers may also be operating in high risk geographies that experience weak rule of law, corruption, poverty, displacement, conflict and state failure to protect human rights.

High risk categories

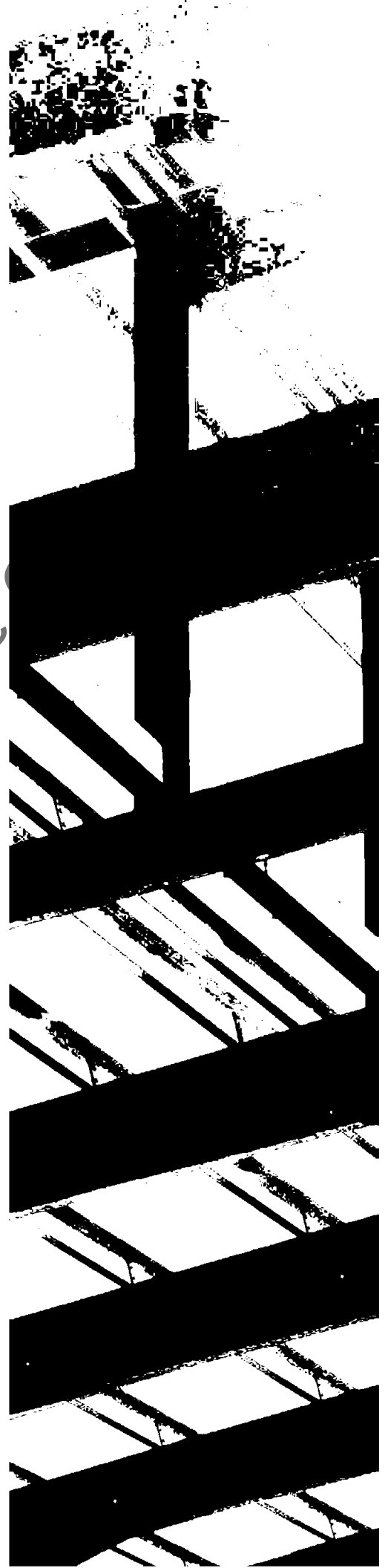
Particular procurement categories are regarded as having more significant inherent modern-slavery related risks including demolition, plastering and goods not for resale. Common product categories have been found to be produced by child and forced labour, including bricks, tiles, cement, granite, rubber and timber.

High risk business models

Business models in sector tend to be heavily based on outsourcing, which increases the complexity of operations and supply chains and decreases the visibility of labour risks and impacts. It is not uncommon for hundreds of work streams to be associated with one construction or infrastructure project, meaning facilitating a comprehensive approach to risk management is particularly challenging. Other high risk business models used in the sector include seasonality and aggressive pricing.

Key property, construction and infrastructure -specific due diligence questions for investment professionals to consider

- Has the company mapped its supply chain including its low-tier suppliers and raw materials?
- Does the supplier code of conduct include behaviours and controls relating to modern slavery risks?
- Does the company monitor the working hours and visa arrangements of its employees, and/or request this information from its suppliers?
- What level of visibility does the company have over its labour force, including subcontractors?





Hospitality and tourism

Hospitality services such as catering and event planning, as well as the travel and tourism industry are known sectors for modern slavery practices due to its vulnerable workforce, complex supply chains with little transparency, and limited oversight due to extensive franchising. Forced prostitution and forced labour are also endemic within the sector in certain geographies. Additionally, many actors within the sector including hotels have complex supply chains procuring a wide range of high risk products and services such as seafood, fruits and vegetables, furniture, linen, cleaning and security services.

It is important to highlight that a lack of hospitality and tourism may also present modern slavery risks. The COVID-19 pandemic, through lockdowns and travel bans, has had detrimental impacts to business and its supply chain including loss of income and increased debt. Furthermore, the sector will experience heightened risk once hospitality and tourism businesses reopen and workers will be keen to accept work. The following additional information is intended to be used as a steppingstone to further engage with portfolio companies that operate in this sector on how it is managing its modern slavery risks.

The hospitality and tourism sectors face an elevated risk of modern slavery within its operations and supply chains as a result of intersecting structural and contextual risk factors. It is important to note that the presence of one or more of these risk factors does not mean modern slavery exists. Rather there is an increased likelihood that modern slavery may be present. Where multiple high risk factors co-exist, there is a higher likelihood that actual harm is being experienced, and additional controls are required to ensure that risk does not become harm.

Vulnerable populations

Both tourism and hospitality sectors employ base-skill workers, who are often reliant on seasonal work or shift work. The sectors are known for employing migrant workers, casual workers and workers on visas who may face uncertain residency status and insecure employment. Language barriers, low literacy or a lack of understanding of workers' rights and entitlements may prevent workers from reporting harm and seeking assistance.

High risk geographies

Hospitality and tourism both operate in and source from regional and remote areas or other high risk geographies. Low tier suppliers and offshore or outsourced support services may also be operating in high risk geographies with weak rule of law or poor labour standards.

High risk categories

Travel procurement categories are sometimes overlooked for human rights risks such as modern slavery. Hospitality, hotels and ports are all known for the risk of modern slavery practices including human trafficking. Categories used in the sectors such as cleaning, security and facilities management are known high risk categories.

High risk business models

High risk business models within the sector include outsourcing, franchising (due to decreased supply chain visibility), tipping models (associated with underpayment of wages or deceitful recruitment practices), short-term or seasonal contracts.

Key hospitality and tourism - specific due diligence questions for investment professionals to consider

- How does the company ensure all workers understand their rights and have access to appropriate policies such as grievance policies?
- Does the business have tailored modern slavery responses specific to the service type? For example, how does it engage with food and beverage providers compared to cleaning services?
- Has the company implemented a modern slavery assessment framework to screen and monitor suppliers, outsourced services, recruitment agencies etc?



Listed equities

The relative size of publicly traded companies means that its sphere of influence, and therefore range of responsibility to identify and manage its human rights, is significant. Listed equities' potentially vast supply chains, sizeable operational footprint and considerable procurement spend, all represent potential opportunities for where modern slavery risks may exist. Some of the world's largest and most recognisable, publicly listed companies have had its business practices associated with harm to people.

Given the diversity of business models, geographies and sectors of businesses that are represented by the listed equities umbrella, all four modern slavery risks may be present for different reasons. Processes to identify modern slavery risks in equities portfolios should be cognisant of the variety of circumstances investee companies operate in. Using data analytics to identify high level risks based on the four risk factors below can be a useful way to begin understanding portfolio exposure and target more detailed assessments and engagement on high risk companies identified through this process. It is important to note that the presence of one or more of these risk factors does not mean modern slavery exists. Rather there is an increased likelihood that modern slavery may be present. Where multiple high risk factors co-exist, there is a higher likelihood that actual harm is being experienced, and additional controls are required to ensure that risk does not become harm.

CASE STUDY: Using active ownership in an investment

Anika is an investment professional. Within her listed equities investment portfolio, is Amok, a clothing company known worldwide for its brand of denim jeans. Headquartered in London, Anika is aware that Amok has manufacturing facilities in high risk geographies and can assume due to the nature of Amok's business, that they employ base-skill workers and source raw materials.

On their website, Amok has a Modern Slavery Statement as required by the *UK Modern Slavery Act, 2015*. The Statement details that Amok has identified the risks associated with its sourcing in high risk jurisdictions.

Despite what she has found on the company's website, Anika notes that Amok's existing modern slavery progress is limited in its coverage of their overseas operations in some high risk geographies and doesn't assess potential modern slavery risks associated with employing primary base-skill workers. Anika does not hold significant influence on Amok. However, recognising the growing appetite for other investors to encourage companies to manage their ESG risks, Anika collaborates with other Amok shareholders who share her concerns to leverage their collective voting rights.

Key questions for investment professionals to consider

- Has the entity included modern slavery risks on its risk register?
- Does the entity express its commitment to protect human rights, including modern slavery, through a board approved public statement of policy?
- Has the entity introduced assurance measures for reporting on modern slavery due diligence?
- Has the entity established an effective grievance mechanism?
- Does the entity monitor and review its human rights policies and their implementation?



Part 5: Appendices

Appendix 1: List of resources

Investment professionals

Guidance for investors	Investor Alliance for Human Rights Safeguarding Human Rights Defenders: Practical Guidance for Investors Australian Council of Superannuation Investors (ACSI) & Responsible Investment Association Australia (RIAA) Modern Slavery Reporting – Guide for Investors Responsible Investment Association Australia (RIAA) Responsible Investment Benchmark Report 2021 New Zealand Responsible Investment Benchmark Report 2021 Australia Factsheets
Identify and assess modern slavery risks	Finance Against Slavery and Trafficking (FAST) Initiative Connection and risk tool Leverage practice matrix
Act and implement measures to address modern slavery risks/Monitor the effectiveness of measures to address modern slavery risks	Investor Alliance for Human Rights Investor Toolkit on Human Rights Issues – list of salient human rights issues and associated tools and resources for investors Finance Against Slavery and Trafficking (FAST) Initiative Implementation Toolkit KnowTheChain Resources for Investors

Portfolio companies

Understanding modern slavery, the global context and the role of business	Ministry of Business, Innovation and Employment Plan of action against forced labour, people trafficking and slavery Global Slavery Index 2018 Data and Findings Resources United Nations Guiding Principles on Business and Human Rights Australian Government - Department of Home Affairs Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities United Kingdom Government Publish an annual modern slavery statement Slavery and human trafficking in supply chains: guidance for businesses
Identify and assess modern slavery risks	Ministry of Business, Innovation and Employment Identify and minimise labour right issues in your business Risk factors to manage
Act and implement measures to address modern slavery risks/Monitor the effectiveness of measures to address modern slavery risks	Ministry of Business, Innovation and Employment Creating and communicating a code of conduct for your own business Ensuring you have robust systems and processes in place Educating and training your managers and workers KnowTheChain Resources for Companies
Sector specific guidance	Australian Human Rights Commission and KPMG Australia Financial services and modern slavery Property, construction and modern slavery

Appendix 2: Guiding questions on a page

Engaging with portfolio companies – guiding due diligence questions

POLICY COMMITMENT

1. Do you have a dedicated human rights policy that references modern slavery?
2. Does the policy cover modern slavery risks specific to your business type and your operating context? Ideally these should specifically reference the highest and most relevant risks.
3. Do you have related policies or statements that have adjacent expectations? For example, a responsible or ethical sourcing policy; ESG policy; health and safety policy; code of conduct; or anti bribery and corruption policy).
4. How are your policies that impact suppliers and business partners communicated with them and formally acknowledged?

HUMAN RIGHTS DUE DILIGENCE FRAMEWORK

Identify and assess

5. To what extent have you mapped your full supply chain(s) and all suppliers that contribute to your operations?
6. What visibility do you have over all of the tiers in your supply chain?
7. How have you identified modern slavery risk exposure within your supply chain and operations?
8. How have you assessed your most salient modern slavery risks?

Act and implement

9. Can you please describe your current process for managing your modern slavery risks in your operations and supply chain? Who has overall responsibility for this process?
10. Have you implemented a formal modern slavery risk assessment process for onboarding of new suppliers or business relationships (e.g. a pre-qualification process or supplier code of conduct that communicates a shared commitment to eradicate modern slavery)? If so, what does this process involve? What information is requested of suppliers or business relationships?
11. Do you have a formal modern slavery risk assessment process in place during the supplier or business relationship lifecycle? How do you monitor your supplier and business relationships to ensure compliance with your modern slavery expectations?
12. Have you mapped current modern slavery capabilities within your organisation and/or implemented a program to enhance or build upon these capabilities?
13. Do you provide training for staff on modern slavery and related policies?
14. Is your policy suite relating to human rights, employment rights, modern slavery etc. embedded within the business and reflected in operational policies, procedures and practice?

Monitoring

15. Has your company committed to continuous improvement of modern slavery due diligence performance? How is this done?
16. What formal or informal monitoring processes do you have in place to improve modern slavery risk controls?
17. Are all the issues and lessons from monitoring activities collated, analysed, reported and acted on to progress continuous improvement? Are these findings reported at the Board level?
18. What voluntary or mandated external modern slavery or human rights reporting does your company publish? How often?

REMIEDIATING HARM

19. Do you have an operational level grievance mechanism for all rights-holders affected by your business activities? This should apply to all individuals engaged in your supply chains and operations (e.g. not just your direct employees).
20. Are your grievance mechanisms accessible, e.g. translated in relevant languages and written in accessible content and form for all employees?
21. Do you have an established response and remediation process?

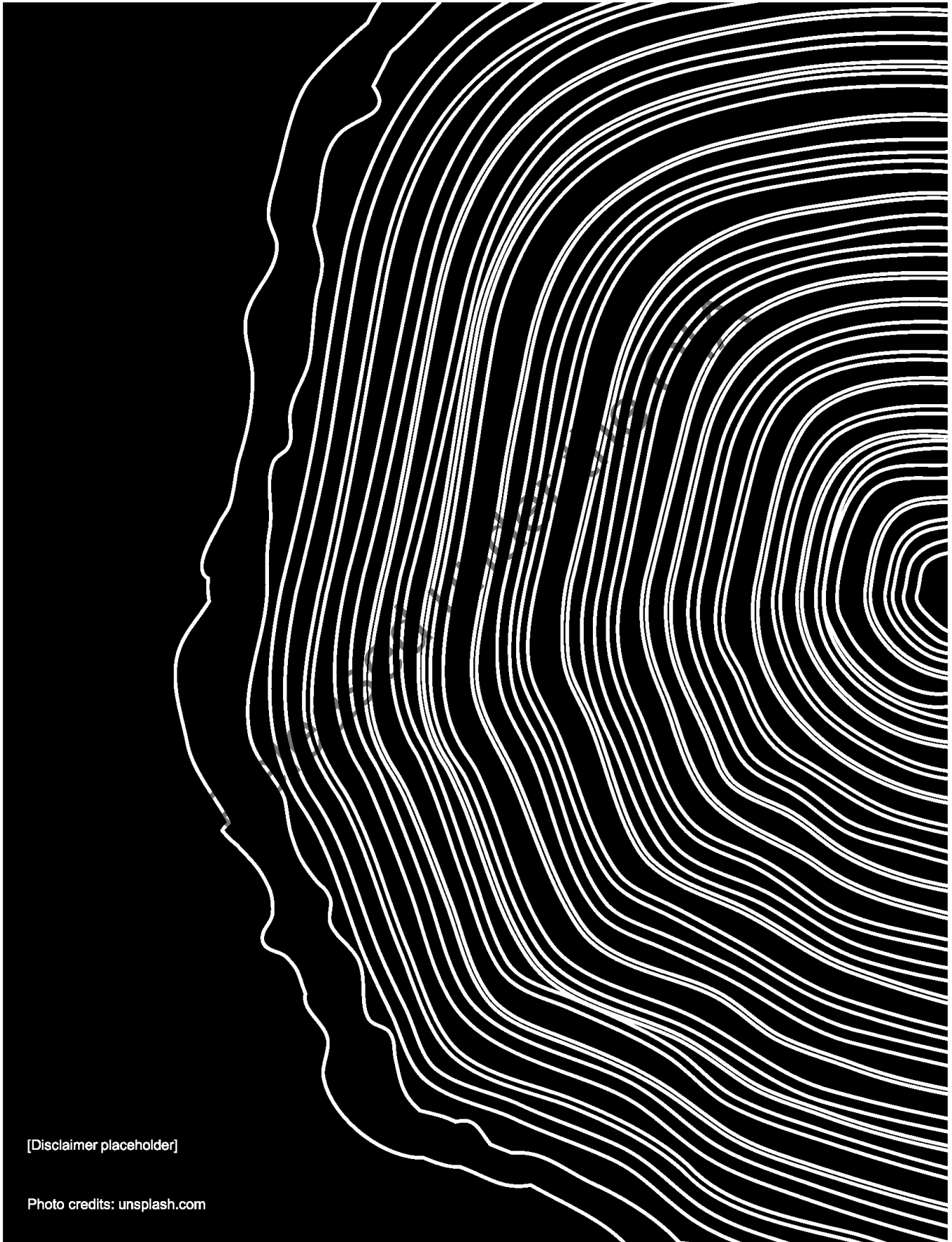
Appendix 3: Glossary

Table 3 Glossary of key terms

Responsible Investment	Responsible investment is understood internationally to mean the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance ^(xxviii) . When we refer to the term "Responsible Investment" we see it as encompassing ethical investments as well. Our own approach to Responsible Investment is also intended to ensure the Fund is managed and administered in a manner consistent with avoiding prejudice to New Zealand's reputation as a responsible member of the world community ^(xxviii) .
ESG	ESG stands for Environmental, Social, and Governance and, in the investment context, refers to non-financial factors that contribute to material risks and growth opportunities.
Human rights	Fundamental standards of treatment which all people are inherently entitled to enjoy, regardless of nationality, gender, race, religion, language or any other status ^(xxvii) . This includes the human rights and freedoms set out in the <u>International Bill of Rights</u> which includes the <u>Universal Declaration of Human Rights</u> , the <u>International Covenant on Civil and Political Rights</u> and its two Optional Protocols, and the <u>International Covenant on Economic, Social and Cultural Rights</u>) and the core <u>International Labour Organization (ILO) conventions</u> .
Modern slavery	Situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Modern slavery, as an umbrella term covering numerous practices, is not defined under international law. For the purpose of this document, modern slavery is considered to include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.
Labour rights	The term labour rights refers to both legal rights and human rights and standard which concern the relationship of employers and workers.
(Human rights and modern slavery) risk	The potential for the supplier or a related entity to have adverse impacts on the protection or enjoyment of human rights by affected stakeholders, including the potential for modern slavery practices or behaviours to occur within the supply chain.
Credible allegation	A credible allegation means a claim from a reliable, recognised and trustworthy source. For example, this might include information from an affected stakeholder, media, NGO or advocate reports (tested at the reasonable discretion of the Fund), statutory agency or law enforcement organisation report, a whistle-blower complaint or other grievance.
Sustainable finance	Sustainable finance for the Fund means incorporating sustainability considerations into investment decision-making and supports the development of a sustainable financial system. This means, incorporation of ESG into investment decisions, with the intention of advancing sustainability whilst fulfilling our financial purpose; considering the impact of ESG on our investments and the impact of our investments on society and the environment and working with others to overcome barriers to a sustainable financial system.
Operational level grievance mechanism	An operational level grievance mechanism is a formal company procedure designed to receive complaints submitted by affected rightsholders regarding negative company impacts. The UNGPs state that operational level mechanisms should be based on engagement and dialogue ^(xxv) .

Appendix 4: Endnotes

- i. NZSF, *How We Invest White Paper*, pg.3
- ii. NZSF, *How We Invest White Paper*, pg.3
- iii. NZSF, *How We Invest White Paper*, pg.3
- iv. NZSF, *RI Compass: From RI to Sustainable Finance*, pg.3
- v. NZSF, *How We Invest White Paper*, pg.3
- vi. Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking' (September 2019) <<https://www.fastinitiative.org/wp-content/uploads/Blueprint-DIGITAL-3.pdf>> pg.5
- vii. *Crimes Act 1961*, see [here](#). Pg.5
- viii. *Immigration Act 2009*, see [here](#). Pg.5
- ix. International Labour Organization (1998), *ILO Declaration on Fundamental Principles and Rights at Work*, pg.5 <<https://www.ilo.org/global/about-the-ilo/lang-en/index.htm>>
- x. Walk Free Foundation (2018) *Global Slavery Index 2018*, pg.7 < [GSI-2018 FNL 190828 CO DIGITAL P-1629620459.pdf](https://www.gsi-2018-FNL-190828-CO-DIGITAL-P-1629620459.pdf) ([globalslaveryindex.org](https://www.globalslaveryindex.org/))>
- xi. New Zealand is party to the International Covenant on Civil and Political Rights pg.7 (see International Covenant on Civil and Political Rights [here](#)) and the *Slavery Convention* (see *Slavery Convention* [here](#))
- xii. The Australian *Modern Slavery Act 2018* (Cth) requires entities with a consolidated revenue of AU\$100 million or more to submit an annual modern slavery statement. The mandatory criteria includes reporting on the risks of modern slavery practices in entities operations and supply chain, actions taken to assess and address modern slavery risks and the effectiveness of the actions taken. Pg.7
- xiii. For examples see: Trade Aid & World Vision, 'Sign for Freedom: Open letter to the New Zealand government to commence a government inquiry into a Modern Slavery Act for New Zealand business and public sector supply chains' (2021), <WF-OpenLettertoNZGovernment210311-V4.indd (tradeaid.org.nz) and Newsroom, Government urged to move fast on modern slavery law, 9 March 2021 <https://www.newsroom.co.nz/government-urged-to-move-fast-on-modern-slavery-law> and The Conversation, Previous governments blocked it, but anti-slavery law should now be an urgent priority for New Zealand, 22 March 2021, <Previous governments blocked it, but anti-slavery law should now be an urgent priority for New Zealand (theconversation.com)> pg.7
- xiv. See examples: Employment New Zealand, Papatoetoe bottle store to pay \$46,000 for exploiting worker, 24 December 2020 < [Papatoetoe bottle store to pay \\$46,000 for exploiting worker](#) » Employment New Zealand>; and Employment New Zealand, Auckland restaurant to pay nearly \$50,000 for exploiting migrant worker, 29 September 2020 < [Auckland restaurant to pay nearly \\$50,000 for exploiting migrant worker](#) » Employment New Zealand>; and Employment New Zealand, Ex-Kiwifruit contractor to pay \$276,000 for exploiting migrant workers, 09 December 2020, pg.7 < [Ex-Kiwifruit contractor to pay \\$276,000 for exploiting migrant workers](#) » Employment New Zealand>
- xv. New Zealand Ministry of Business, Innovation and Employment, *Plan of Action against Forced Labour, People Trafficking and Slavery*, December 2020 < <https://www.mbie.govt.nz/dmsdocument/13568-combating-modern-forms-of-slavery-plan-of-action-against-forced-labour-people-trafficking-slavery>>, pg.7
- xvi. United Nations University Centre for Policy Research, 'Financial Sector Commission on Modern Slavery and Human Trafficking', 27 September 2019, < [Financial Sector Commission on Modern Slavery and Human Trafficking - United Nations University Centre for Policy Research \(unu.edu\)](#)> pg.8
- xvii. Liechtenstein Initiative Finance Against Slavery & Trafficking, 'Finance against slavery and trafficking' (2019) < [Home page - Finance Against Slavery and Trafficking \(fastinitiative.org\)](#)> pg.8
- xviii. Labour Behind the Label (2020) Boohoo & COVID-19: The people behind the profit pg.8 <https://labourbehindthelabel.net/wp-content/uploads/2020/06/LBL-Boohoo-WEB.pdf>
- xix. Independent, Boohoo 'facing modern slavery investigation' after report finds Leicester workers paid as little as £3.50 an hour (05 July 2020) < <https://www.independent.co.uk/news/uk/home-news/boohoo-leicester-factories-modern-slavery-boohoo-leicester-factories-modern-slavery-investigation-coronavirus-coronavirus-fast-fashion-a9602086.html>> pg.8
- xx. Forbes, Allegations Of Worker Exploitation Strike A Blow To The Fortune Of Boohoo Fashion Line's Founder (9 July 2020) < <https://www.forbes.com/sites/daviddawkins/2020/07/09/allegations-of-worker-exploitation-strike-a-blow-to-the-fortune-of-boohoo-fashion-lines-founder/?sh=38a80f046e18>> pg.8
- xxi. Business and Human Rights Resource Centre, Boohoo: Aberdeen Standard Investment sells majority of shares in fast fashion retailer following allegations of labour abuse in supply chains, 14 July 2020 < <https://www.business-humanrights.org/en/latest-news/boohoo-berdeman-standard-investment-sells-majority-of-shares-in-fast-fashion-retailer-following-allegations-of-labour-abuse-in-supply-chains/>> pg.8
- xxii. Financial Action Task Force (FATF), 'COVID-19-related Money Laundering and Terrorist Financing – Risks and Policy Responses' (May 2020) < <https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>> pg.8
- xxiii. The Australian Government's *Guidance for Reporting Entities* explicitly references effective statements as those which are grounded in the human rights due diligence framework outlined in the UNGPs. Department of Home Affairs, 'Modern Slavery Act 2018 Commonwealth Guidance for Reporting Entities' (2019) <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf> pg.11
- xxiv. United Nations, 'Guiding Principles on Business and Human Rights' (2011) pg.11 <https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf>.
- xxv. Liechtenstein Initiative Finance Against Slavery & Trafficking, 'Finance against slavery and trafficking' (2019) < [Home page - Finance Against Slavery and Trafficking \(fastinitiative.org\)](#)> pg.17
- xxvi. Employment New Zealand, *Risk factors to manage*, New Zealand Ministry of Business, Innovation and Employment < [Risk factors for procurers to manage \(employment.govt.nz\)](#)> pg.19
- xxvii. ACSI, *Modern Slavery Risks, Rights & Responsibilities: A guide for companies and investors* (February 2019) pg.19 < <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>>
- xxviii. Fair Work Ombudsman, *Harvest Train Inquiry*, 2018, < <https://www.fairwork.gov.au/ArticleDocuments/1461/fair-work-ombudsman-harvest-train-inquiry-report.pdf.aspx>> pg.24
- xxix. Fair Work Ombudsman, *Harvest Train Inquiry*, 2018, <<https://www.fairwork.gov.au/ArticleDocuments/1461/fair-work-ombudsman-harvest-train-inquiry-report.pdf.aspx>> pg.24
- xxx. KPMG Australia and the Australian Human Rights Commission, *Property, construction and modern slavery: Practical responses for managing risk to people*, 2020, pg.25 <https://assets.kpmg/content/dam/kpmg/au/pdf/2020/property-construction-modern-slavery-practical-guide.pdf>
- xxxi. See: The Guardian, Revealed: Qatar's World Cup 'slaves', 26 Sep 2013 <<https://www.theguardian.com/world/2013/sep/25/revealed-qatars-world-cup-slaves>> and The Guardian, 'Brazil: loss of 'dirty list' sparks fears of worker exploitation as Olympics near', 2 March 2016 <https://www.theguardian.com/global-development/2016/mar/02/brazil-loss-dirty-list-sparks-fears-worker-exploitation-olympic-games-international-labour-organisation> pg.25
- xxxii. Mercer, 'Sustainable Investment' (2021 Mercer LLC) <https://www.multimanager.mercer.com.au/funds/sustainable-investment.html> pg.31
- xxxiii. Guardians of New Zealand Superannuation, Responsible Investment Framework, June 2021, pg.31
- xxxiv. United Nations Office of the High Commissioner for Human Rights, 'What are human rights' © OHCHR 1996-2021 <<https://www.ohchr.org/en/issues/pages/whatarehumanrights.aspx>> pg.31
- xxxv. United Nations, 'Guiding Principles on Business and Human Rights' (2011) <https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf> pg.31



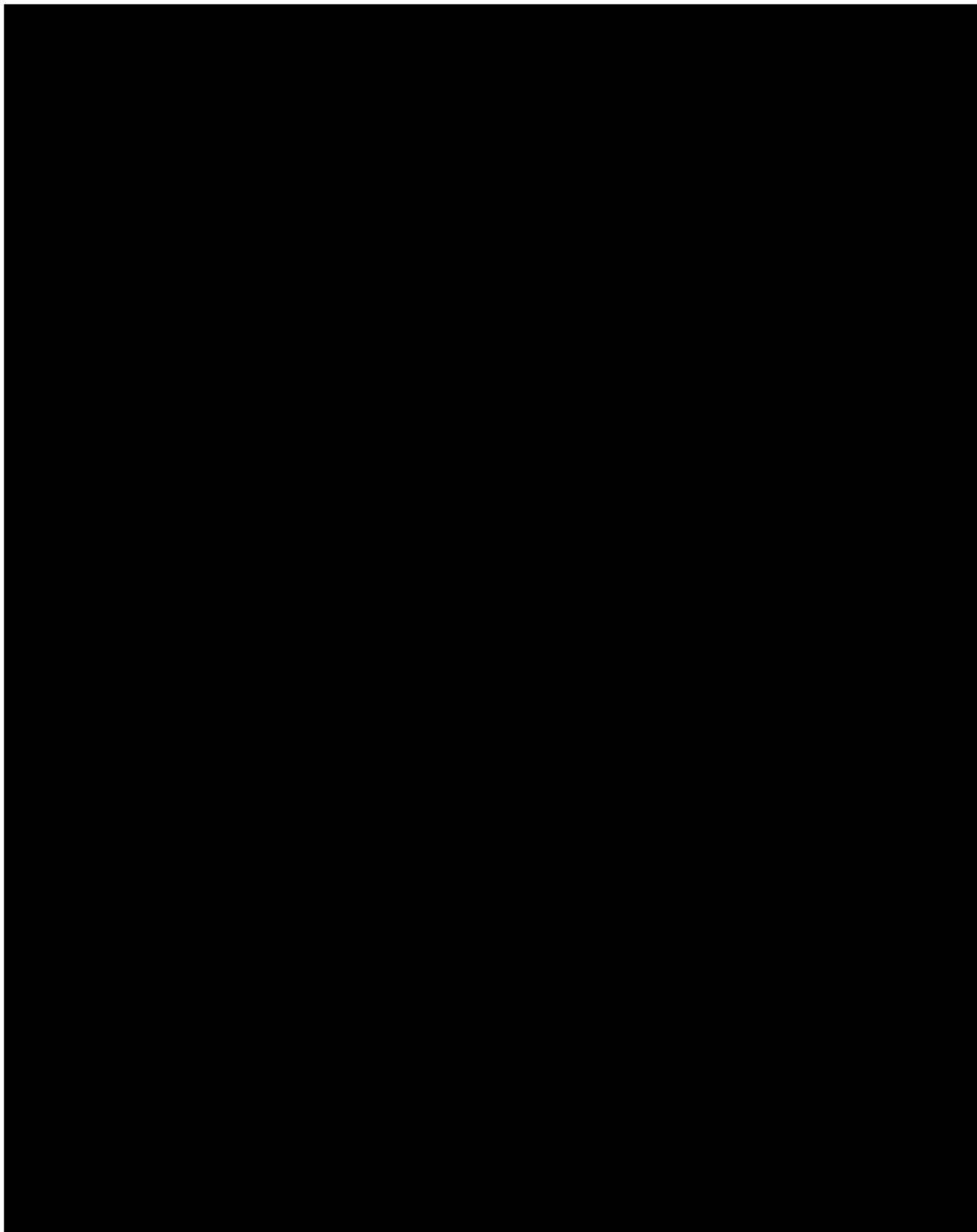
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Item 3f

**UPDATE ON ENGAGEMENT WITH COMPANIES
CONNECTED TO CONCERNS ABOUT THE TREATMENT OF
MINORITIES IN THE XINJIANG REGION**



Section 9(2)(i) (commercial)

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(g)(i) free and frank

Section 9(2)(ba)(i) prejudice supply of information

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ITEM 5B (III)

GLOBAL EQUITIES – ENGAGEMENT UPDATE

Prepared by:



Date:

27 October 2021

1 Purpose

- a) Update and review of CFIs' Global Focus List since the last meeting. **For decision.**
- b) Update on BMO-led engagement activity of the last quarter. **For noting.**
- c) Set priorities for engagement over the next quarter. **For decision.**

2 Recommended actions to the Global Focus List

Section 9(2)(i) (commercial

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

From the Research (Decision pending) list:

- a) Take [REDACTED] through the exclusion decision making process in time for the December 2021 Exclusion List update.
- b) Take no further action (Close) [REDACTED] as they are not held by the CFIs. In addition, MSCI does not cover them for ESG research.
- c) Begin a new engagement with [REDACTED] and move to the GNZS-led engagement list.

From the GNZS-led list:

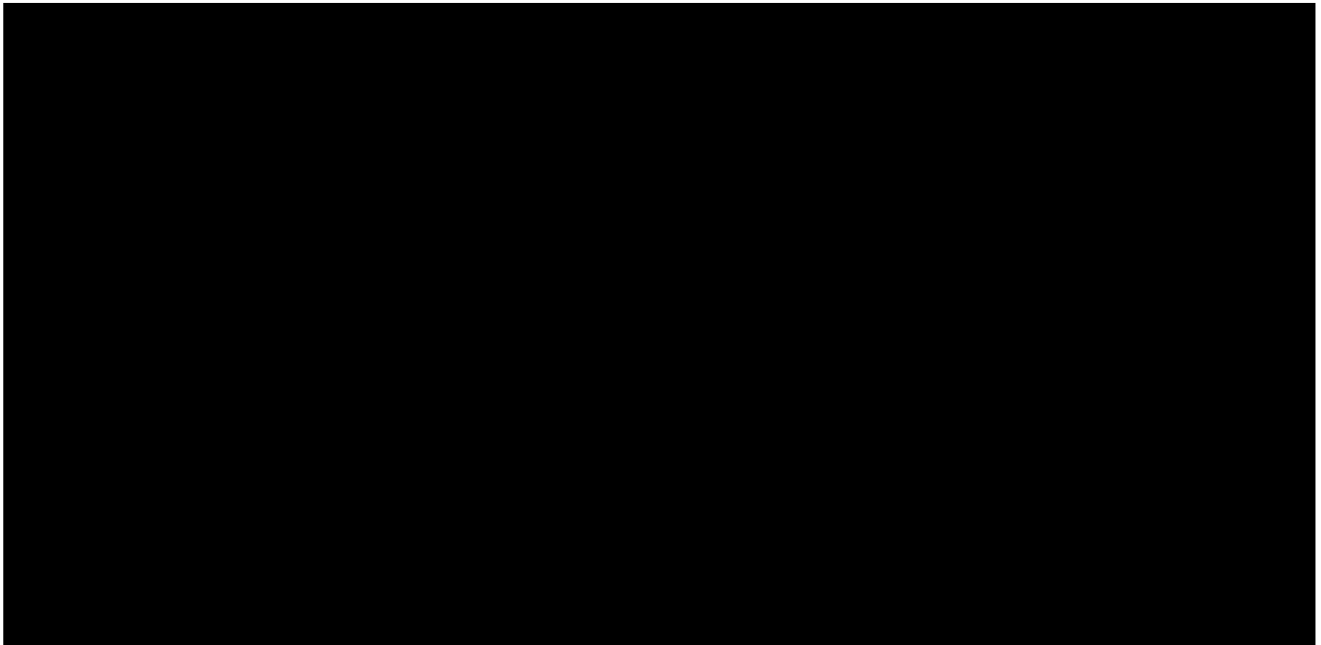
See GFL dashboard for details. The main activity over the next quarter will be:



3 For Noting

- The comments in the Global Focus list have been updated to reflect activity over the past quarter.
- The 'Next Steps' in the GNZS-led engagement list drive our direct engagement work over the quarter ahead. Comments in red are prioritised.

Progress on items agreed at previous CFIs meetings



Below is a summary of progress on actions agreed at the May 2021 CFI RI meeting:

Research recommendations

Company	Recommended action at May 2021	Action as at August 21
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	GNZS to continue with Engage/Exclude decision.	Recommend taking though exclusion process.
	GNZS to continue with Engage/Exclude decision.	Noting only NZSF owns shares in [REDACTED] it has been moved to the 'Monitor' List with a note that the company is being engaged through the Facial Recognition Technology collaboration.

Section 9(2)(i) (commercial)

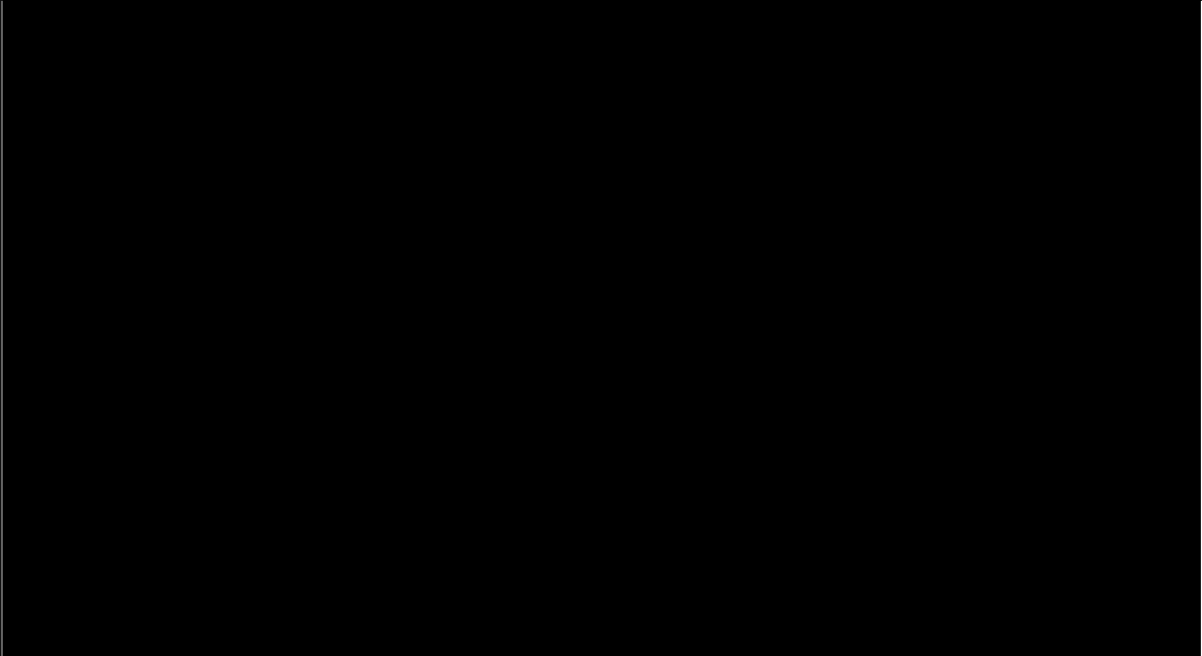
Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information

GNZS-led engagement recommendations

Company	Recommended action at May 2021	Action as at August 21
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	Held only by NZSF. Recommend moving to the Monitor List.	Moved to Monitor List.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.

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			Recommend beginning a new engagement.
			Moved to Monitor List.
	Held only by NZSF. Recommend moving to the Monitor List.		
	Also note the merger of the UNPRI Sustainable Palm oil Working Group with the Investor Initiative on Sustainable Forests which is focused on addressing deforestation in cattle and soybean supply chains. Recommend that BMO takes over engagement on the issue of sustainable palm oil.		
	Held only by NZSF. Recommend moving to the Monitor List.		Moved to Monitor List.
	GNZS to investigate Human Rights Watch claims and consider under Engage/Exclude framework. Move to Research (Decision pending section).		Consider for exclusion
	The CFIs do not hold any shares or bonds issued by this company. Close.		Closed.
	Also note the merger of the UNPRI Sustainable Palm oil Working Group with the Investor Initiative on Sustainable Forests which is focused on addressing deforestation in cattle		

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	and soybean supply chains. Recommend that BMO takes over engagement on the issue of sustainable palm oil.	
	Approve engagement letter.	Engagement letter sent Aug 2021.
	Continue seeking a site visit to review location of proposed new tailings dam.	No further action yet.
	Held only by NZSF. Recommend moving to the Monitor List.	Moved to Monitor List.
	Noting the merger of the UNPRI Sustainable Palm oil Working Group with the Investor Initiative on Sustainable Forests which is focused on addressing deforestation in cattle and soybean supply chains. Recommend that BMO takes over engagement on the issue of sustainable palm oil.	Moved to Monitor List.
	Noting the merger of the UNPRI Sustainable Palm oil Working Group with the Investor Initiative on Sustainable Forests which is focused on addressing deforestation in cattle and soybean supply chains. Recommend that BMO takes over engagement on the issue of sustainable palm oil.	Moved to BMO-led Engagement List

BMO-led engagement recommendations

Company	Recommended action at May 2021	Action as at August 21
	The CFIs do not hold any shares or bonds issued by this company. Close.	no longer a listed organization. Engagement closed.
	Note only ACC has holdings in this company. CFIs to discuss if it should be considered under Engage/Exclude framework.	Consider for exclusion.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.

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	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
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Monitoring list recommendations

Company	Recommended action at May 2021	Action as at August 21
		Consider for exclusion.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	Recommend closing - no new issues and company has been on Monitoring List for 2 years. Sufficient progress. Green flagged by MSCI.	Closed.
	Recommend closing - no new issues and company has been on Monitoring List for 2 years. Sufficient progress. Green flagged by MSCI.	Closed.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.
	Recommend closing - no new issues and company has been on Monitoring List for 2 years. Sufficient progress. Orange flagged by MSCI.	Closed.
	The CFIs do not hold any shares or bonds issued by this company. Close.	Closed.

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Peer exclusions

In early July 2021 the Council of Ethics for the Norwegian Government Pension Fund announced the following decisions:

Company	Commentary
Precious Shipping	Revoke exclusion.
Empire District Electric Company	Revoke exclusion.
Anglo American	Revoke exclusion.
Hyundai Engineering & Construction Co Ltd	Place under observation due to an unacceptable risk that the company is contributing to or is itself responsible for gross corruption
EDP - Energias de Portugal S.A	End observation.
Endesa S.A.	End observation.
Portland General Electric Co (PGE)	End observation.
Enel SpA	End observation.

In September 2021 the Council of Ethics for the Norwegian Government Pension Fund noted the following:

Company	Commentary
Elco Ltd and Electra Ltd	New exclusion: The Council on Ethics recommends that the companies Elco Ltd and its subsidiary Electra Ltd be excluded from the Norwegian Government Pension Fund Global due to an unacceptable risk that the companies are contributing to serious infringements of the rights of the individual in situations of war or conflict in connection with the construction of roads linked to Israeli settlements in the West Bank.
Ashtrom Group Ltd	New exclusion: The Council on Ethics recommends that Ashtrom Group Ltd be excluded from by investment by the Government Pension Fund Global due to an unacceptable risk that the company is contributing to serious infringements of the rights of the individual in situations of war or conflict. The Council's recommendation is based on the fact that Ashtrom Properties lets industrial premises linked to Israeli settlements in the West Bank.
Oil & Natural Gas Corp Ltd	New exclusion: The Council on Ethics recommends that Oil & Natural Gas Corp Ltd (ONGC) be excluded from investment by the Government Pension Fund Global due to an unacceptable risk that the company is contributing to serious violations of the rights of individuals in situations of war or conflict. ONGC is an integrated oil- and gas company engaged in production of oil in South Sudan. The Council considers that ONGC through its operations has accepted a risk of contributing to serious abuse committed to

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	enable oil production in the country. The Council also takes into consideration that actors who are directly or indirectly responsible for grave violations are providing services to the joint ventures and are responsible for the security at the oil fields that the joint ventures operate.
China Traditional Chinese Medicine Holdings Beijing Tong Ren Tang Chinese Medicine Co Ltd Tong Ren Tang Technologies Co Ltd China Grand Pharmaceutical and Healthcare Holdings Ltd	Excluded by the Norwegian Government Pension Fund in September 2021. These are pharmaceutical companies that manufacture and market Traditional Chinese Medicine (TCM). The companies' products contain parts from globally threatened species such as horns from saiga antelope, leopard bones, pangolin scales and musk from musk deer. The use of threatened animal species in TCM products may contribute to illegal wildlife trade and increases the risk to of these species becoming extinct. There is no information concerning the quantity of parts of threatened species that the companies use, where the animal parts originate from, what stockpiles exist and how these are replenished. When such data is not made available, the Council on Ethics concludes that the companies contribute to severe environmental damage.

In addition, the Council on Ethics recommends that the exclusion of Hanwha Corp from investment by the Government Pension Fund Global (GPFG) be revoked. The company has been excluded since 2007 due to its production of cluster munitions. This activity has now ceased, thereby eliminating the grounds for the company's exclusion.

Other news of interest

In June 2020, lawmakers in Norway approved a weapons exclusion policy that would prevent the country's sovereign wealth fund, Government Pension Fund Global (GPFG), from investing in weapons linked to armed conflict. The proposal was aimed at breaking any links the fund may have to companies that sell weapons to parties that use them to violate humanitarian law. The new criterion states that companies operating in conflict zones as well as firms that sell weapons to countries where these weapons are used in violation of humanitarian law should be excluded.

According to current guidelines, GPFG must not invest in companies that sell weapons or military material to states that are subject to investment restrictions, as well as companies that engage in systematic human rights violations or contribute to serious violations of the rights of individuals in conflicts.

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MSCI rating changes (for companies on the CFI Global Focus List and the Exclusion List)

Note: Rating changes may not be due to the issue which is focus of engagement.

As a reminder...

MSCI Flag Ratings	
	Very severe
	Severe
	Moderate
	Minor / None

ESG Ratings	
AAA	Best to Worst
AA	
A	
BBB	
BB	
B	
CCC	

Section 9(2)(i) (commercial

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information

MSCI Flag changes (Controversies)

Company Name	CFI Interest	Change	Reason
	On BMO-led engagement list due to allegations of forced and bonded labour at its Malaysian facilities	MSCI upgrade from orange to yellow flag	
	On the Monitor List due to bribery and labour abuse allegations	MSCI upgrade from red to orange flag	In September 2021, MSCI upgraded the flag from red to orange as the company has resolved the majority of complaints relating to anti-union activities in the US.
	Engagement closed in Nov 2020 due to sufficient	MSCI upgrade from yellow to green flag	

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	progress and no further incidents		
	CFI's had previously engaged the company in relation to bribery issues but closed engagement in Nov 2020 due to sufficient progress.	MSCI upgrade from orange to yellow flag	
Alphabet	On GNZS-led engagement list due to livestreaming and dissemination of the Christchurch terror attack		
	Excluded by GNZS and GSF due to operations in the OPT		

MSCI ESG rating changes

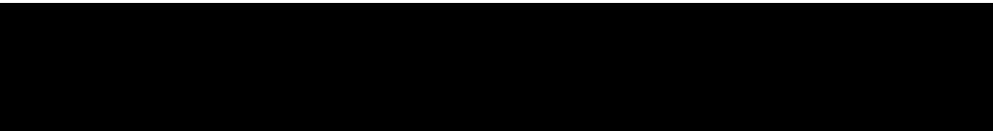
Company Name	CFI Interest	Change	Reason
	On BMO-led engagement list due to subsidiary practices.		
	On BMO-led engagement list due to issues	MSCI upgrade	

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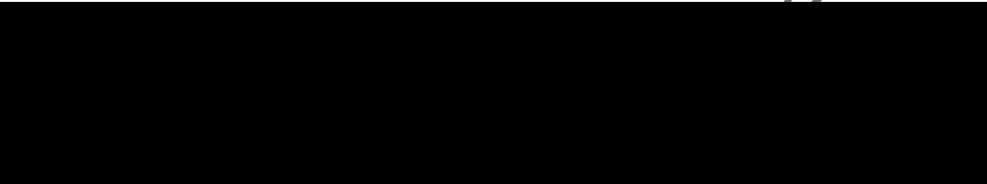
	[REDACTED] from South Africa/Ghana mines; [REDACTED] [REDACTED] of	[REDACTED]	
[REDACTED]	CFI's had previously engaged the company in relation to bribery issues but closed engagement in Nov 2020 due to sufficient progress.	[REDACTED]	
[REDACTED]	GNZS has previously engaged the company of the issue of fraudulent accounting. The engagement was closed in July 2016 and noted as resolved.	[REDACTED]	

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BMO Viewpoints / Reports



Upholding human rights: how we are driving improvements in nursing homes
(August 2021)



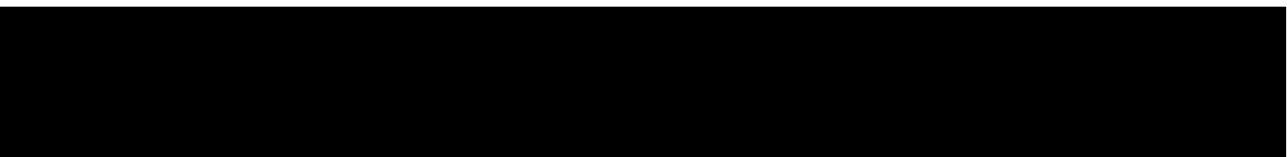
ESG Viewpoint: The role of migrant workers in international supply chains (July 2021)



5 Collaborative engagements

See attachment titled: Collaborative Engagements we are involved in.

See also meeting papers for note summarizing recently joined collaborations.



Section 9(2)(ba)(i) prejudice supply of information

Working Notes: [REDACTED]

Engagement Review

Commercially Sensitive and Confidential

Subject: [REDACTED] ENGAGEMENT REVIEW

Context: CFI

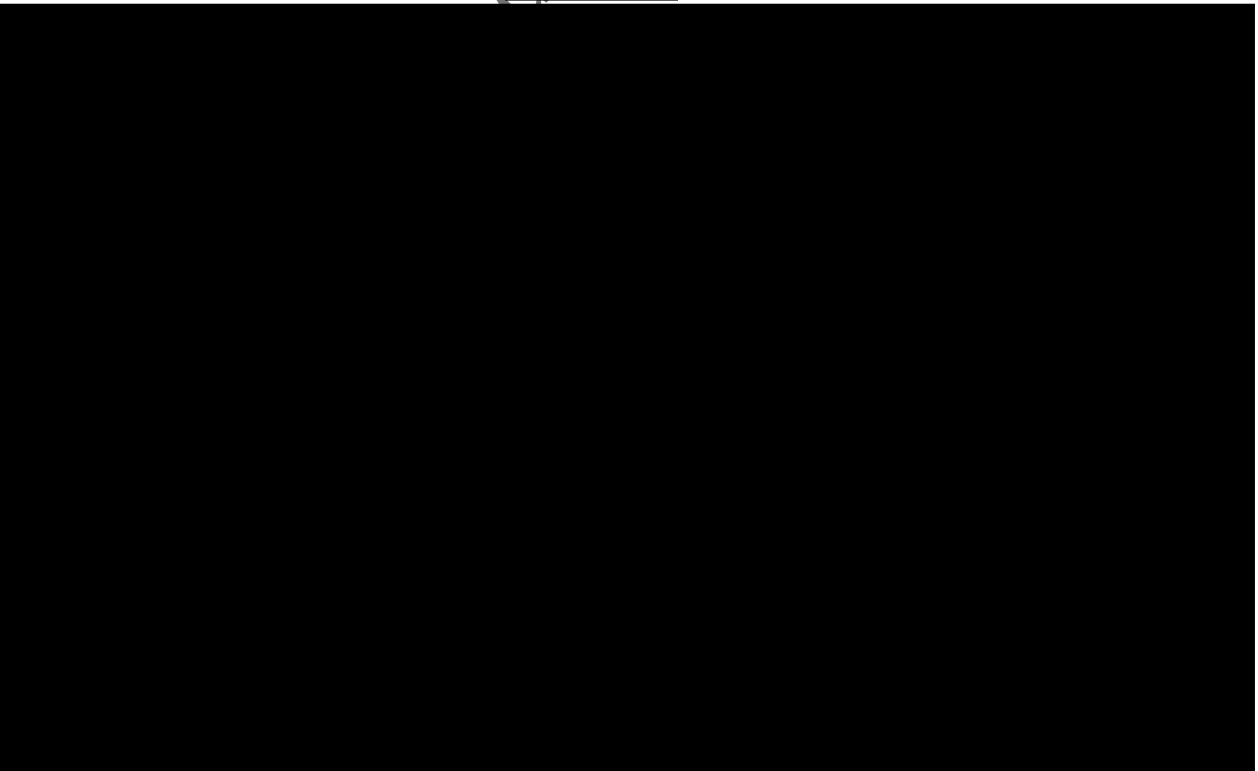
Author: [REDACTED]

Date: 27/10/2021

1 Purpose: For information

- 1.1 The purpose of this note is to summarise engagement efforts and progress of the company regarding allegations of forced and bonded labor at its Malaysian facilities. The research will be used to help inform the CFIs on whether any further action is needed.
- 1.2 The information, analysis and opinions contained should be considered provisional. Content should not be considered as final/formal positions or opinions.

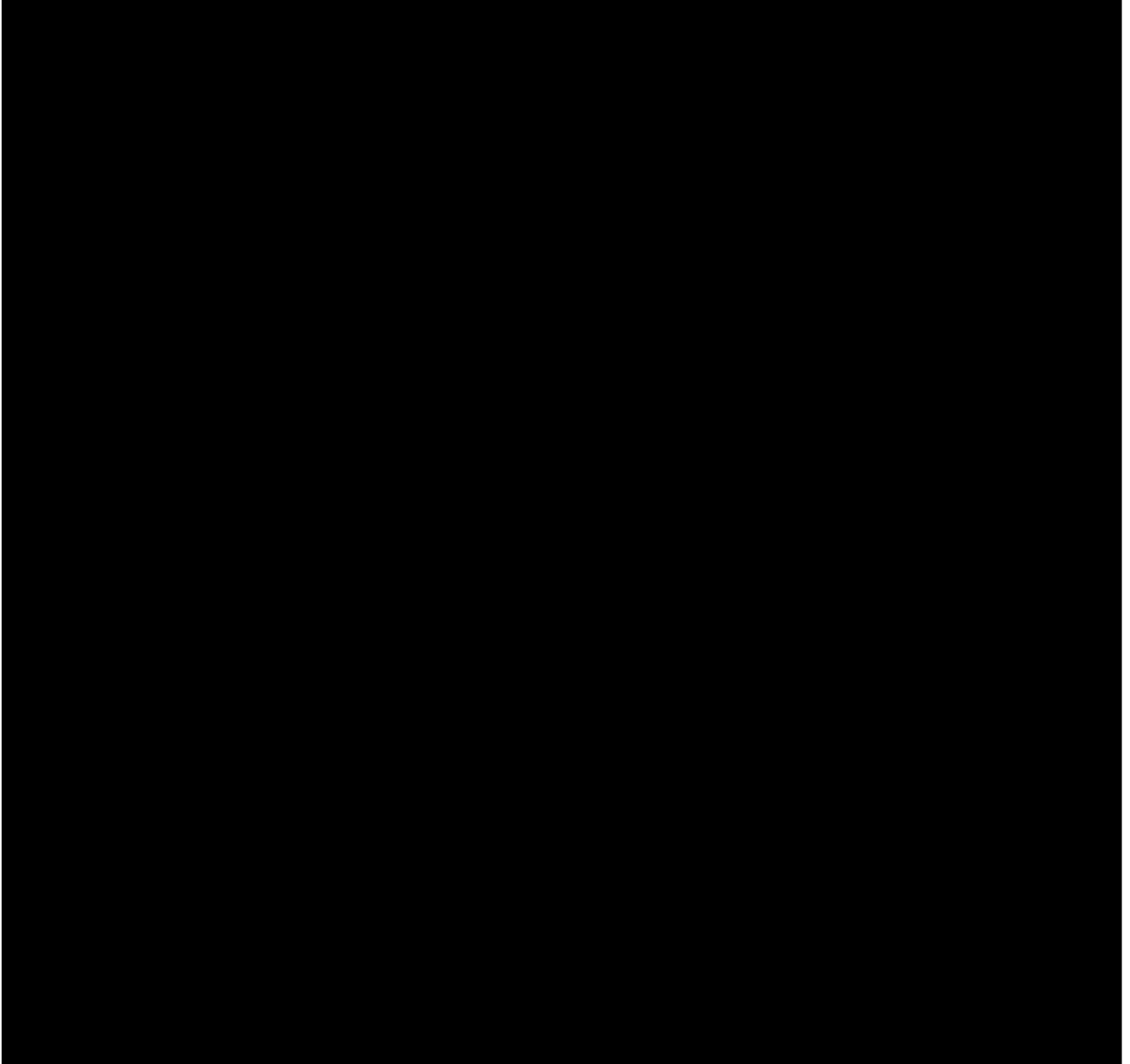
2 Background to issues with [REDACTED]



C2 - Internal Use Only



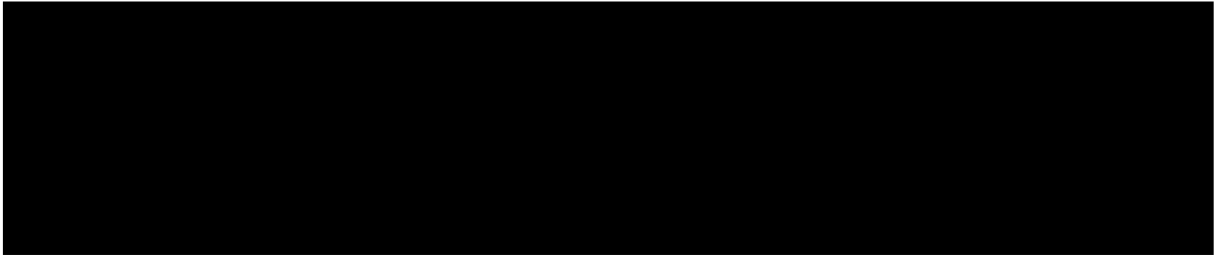
3 BMO's engagement efforts



4 Next steps

4.1 It is clear that a number of factors have come together that have caused the company to act strongly to solve these serious issues. The CFIs should continue to monitor progress of the company via BMO.

4.2



Section 9(2)(i) (commercial

Section 9(2)(ba)(ii) not in the public interest to disclose confidential

Section 9(2)(ba)(i) prejudice supply of information

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