



Colchester®  
GLOBAL INVESTORS

*Colchester Global Investors Limited*

# Modern Slavery Statement

*Modern Slavery Act 2018 (Cth)*

*Australia*

30 April 2021

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## Introduction

This Modern Slavery Statement is made on behalf of Colchester Global Investors Limited ("CGIL") and addresses the reporting requirements in section 16 of the Australian Modern Slavery Act 2018 (Cth) for the financial year ended 30 April 2021. This Modern Slavery Statement also covers the following wholly owned subsidiaries of CGIL (together with CGIL, "Colchester"): Colchester Global Investors (Singapore) Pte. Ltd ("CGIS"), Colchester Global Investors Middle East Limited ("CGIM") and Colchester Global Investors, Inc. ("CGII").

## What is modern slavery?

The term "modern slavery" is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Modern slavery includes trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour (i.e., situations where children are subjected to slavery or similar practices, or engaged in hazardous work).

Modern slavery is a human rights violation and an exploitative crime with devastating consequences for the health and wellbeing of its victims. The International Labour Organisation (ILO) estimated 40 million people were victims of modern slavery around the world in 2016 (approximately 5.4 victims for every thousand people). Clearly, the most severe physical and psychological harm of modern slavery is borne by its victims, but it also has a range of serious negative consequences for society at large. An estimated US\$150 billion each year is generated in annual earnings from slavery<sup>1</sup>, however the profits are privatised while the costs - in social assistance to victims, preventative measures and law enforcement efforts - are socialised. Modern slavery prohibits individuals from realising their full potential to contribute socially and economically to society. It also creates unfair business environments as those countries or societies that tolerate or engage in modern slavery may benefit from an unjust competitive advantage arising from lower labour costs. In effect, modern slavery causes a loss in productivity and diminished economic multiplier effects as a result of: (i) locking up human potential; and (ii) the efficient allocation of capital that is diverted to deal with its consequences.

Colchester is strongly opposed to modern slavery and does not engage in, or knowingly conduct business with any organisation involved in, such activities. As a global investment management firm, Colchester operates in the financial services industry and therefore is required to be licenced, is subject to stringent regulatory supervision and operates in a heavily regulated environment. These factors inherently limit the likelihood that Colchester may cause, contribute to, or be directly linked to modern slavery risks through its operations or supply chains. In order to further limit these risks, Colchester also aims for high standards of governance throughout its organisation.

## Description of Colchester's business

Colchester is an independent investment management firm headquartered in London with offices in Singapore, New York, Dubai and Sydney. Colchester provides discretionary investment management services to institutional clients based in multiple jurisdictions on a separate account basis and in the form of commingled funds established and operated by Colchester. Colchester is a singularly focused firm and its provision of discretionary investment management services is limited to mandates in sovereign fixed income.

<sup>1</sup> Source: PRI A blueprint for mobilizing finance against slavery and trafficking, Sept 2019.

Colchester's business is focused on the interest rate, bond and currency markets. As of 30 April 2021, Colchester had US\$ 41.7 billion under management across four core strategies being global sovereign bonds, global inflation-linked bonds, local currency emerging market debt and an alpha programme. Colchester invests primarily in global sovereign bonds and does not invest in corporates or equities in its core strategies. Colchester manages assets for global institutions including corporate and public pension funds, foundations, endowments, insurance and sovereign wealth clients.

### **Incorporation of ESG factors into Colchester's investment process**

Colchester is a medium-term value driven investment manager. Investments are made in fixed interest securities issued by sovereigns and supranational institutions and their currencies. The factors that underpin the Colchester investment process are wide ranging incorporating macro-economic and financial analysis alongside environmental, social and governance (ESG) factors. Responsible investing is, and has been since the inception of Colchester in 1999, integral to the investment process employed by Colchester.

Colchester believes that countries with better ESG standards tend to produce better economic growth, more stable balance sheets and better long-term and sustainable financial outcomes. Colchester's investment strategy therefore rewards those countries with better, and penalises those with weaker, ESG standards. Colchester believes that this approach will deliver better risk-adjusted returns for clients over the medium-term.

In Colchester's assessment of ESG factors, governance is clearly a key consideration, although environmental and social considerations also play a role in determining the medium-term stability and economic performance of a country. The evaluation of modern slavery risks in a country is one of many social factors that Colchester assesses, along with the country's quality of education, labour standards, level of income inequality and demographics. These, along with other ESG factors, are integrated into Colchester's overall assessment of a sovereign issuer.

Colchester is a signatory to the UN Principles of Responsible Investment ("UNPRI") and has implemented and adopted the six principles of responsible investment into its investment process. Therefore, in addition to seeking to ensure that its own business and supply chains are free from modern slavery, Colchester's investment process in accordance with the UNPRI in turn reflects its commitment to assess and review modern slavery risks holistically.

Please refer to Colchester's ESG Policy <https://colchesterglobal.com.au/wp-content/uploads/2021/05/esg-policy-march-21.pdf> for a description of how ESG factors, including labour standards and modern slavery considerations, are incorporated into Colchester's investment process.

### **Colchester's regulatory structure**

In Australia, Colchester provides services to Australian wholesale clients in reliance on ASIC Class Order CO 03/1099 (in the case of CGIL) and ASIC Class Order 03/1102 (in the case of CGIS). CGIL is authorised and regulated by the Financial Conduct Authority in the United Kingdom, registered as a foreign financial services provider with the Financial Sector Conduct Authority in South Africa, and registered as an investment adviser with the SEC and as a Commodity Trading Advisor and Commodity Pool Operator with the CFTC in the United States. CGIS is authorised and regulated by the Monetary Authority of Singapore in fund management and is also the holder of an offshore discretionary investment management services licence issued by the Korean Financial Services Commission. CGIM is regulated by the Dubai Financial Services Authority for the provision of Advising on Financial Products and Arranging Deals in Investments. CGII is not permitted to provide investment advice or otherwise engage in a regulated activity.

### Colchester's operations

As of 30 April 2021, Colchester had a total of 81 employees globally, including 59 employed by Colchester in London, two in Dublin, three in New York, 12 in Singapore, two in Dubai and three in Australia. Colchester's workforce is predominantly made up of professionally qualified and highly skilled employees whose responsibilities are core to the provision of investment management services.

### Colchester's supply chain

Colchester has established business relationships with approximately 205 service providers and outsourcings from which it purchases goods and services. Colchester's supply chain includes the following third-party suppliers:

- Distributors and platforms who enter into arrangements to distribute Colchester's funds.
- Custodians, information technology specialists, law firms and other professional services firms providing audit or controls assurance reviews.
- Providers of commercial real estate, cleaning, office supplies, computer systems and other outsourced services required to support Colchester's employees.
- Payroll providers, providers of pensions, private healthcare, employee benefits and other associated services required to support Colchester's employees.

The vast majority of Colchester's service providers are located in low-risk jurisdictions such as the United Kingdom, the European Union, the United States and Australia.

## Identifying risks of modern slavery

### Colchester's investment process

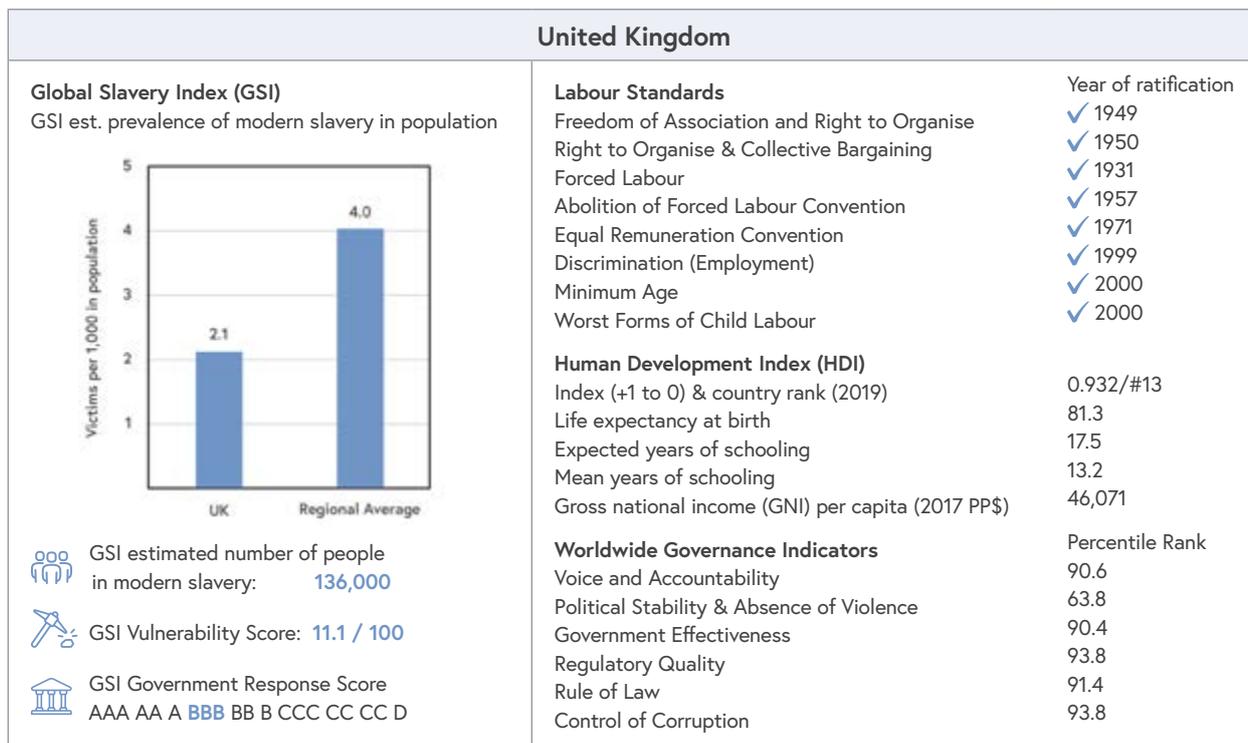
Colchester values bond markets using real yields and currencies by their real exchange rates. Valuations are then adjusted to take into consideration the traditional sovereign balance sheet analysis along with ESG considerations of the country that Colchester is investing in. Countries are assigned a proprietary Financial Stability Score (FSS) which is determined through an extensive assessment of the macro-economic environment, debt and external sustainability, policy framework, and a comprehensive range of ESG factors.

An assessment of modern slavery risks, along with other ESG factors, is incorporated into the process of determining a country's FSS. The assessment of modern slavery risks is based primarily on the Walk Free Foundation's Global Slavery Index (GSI), which in Colchester's view currently provides the best and most comprehensive estimate of the prevalence of modern slavery, as well as assessments of country-level vulnerability and the strength of governmental responses across 167 countries. In addition, Colchester recognises that the problem of modern slavery is associated with a number of other Social and Governance factors such as poverty levels, labour standards, institutional credibility and the control of corruption.

Figure 1 below exemplifies the main inputs into Colchester's modern slavery assessment for an assessment of the United Kingdom. In addition to the GSI, Colchester looks to a number of other important ESG indicators that are assessed as part of the quantitative analysis in all country assessment research. Ratification of international conventions on labour standards (discussed below) is an important starting point as it reflects a country's commitment (or lack thereof) to an internationally agreed baseline of protection for workers and children and therefore has clear implications in the context of modern slavery and labour exploitation. Key aspects of human development, such as poor living conditions (proxied by

general life expectancy), poverty and lack of education, are also found to be associated with high risk of exploitation. Lastly, governance is a key consideration as modern slavery is often enabled by systemic weaknesses such as corruption, poor law enforcement, or lack of victim protection mechanisms in place.

**Figure 1: Country Dashboard of Global Slavery Index measurements and other relevant ESG indicators**



Source: Global Slavery Index 2018; Human Development Index (HDI) 2019; Worldwide Governance Indicators 2019; Colchester Global Investors.

ESG factors, including modern slavery, are integrated into Colchester's sovereign risk assessment framework. Countries with strong financial balance sheets and good ESG standards will receive a high FSS which results in a premium added to the valuation. Conversely, countries with more risk indicators for modern slavery, which are often associated with other poor ESG factors, will receive a low FSS. This will result in a discount to the valuation and lower the overall attractiveness of the country's bonds and currency in Colchester's portfolio construction.

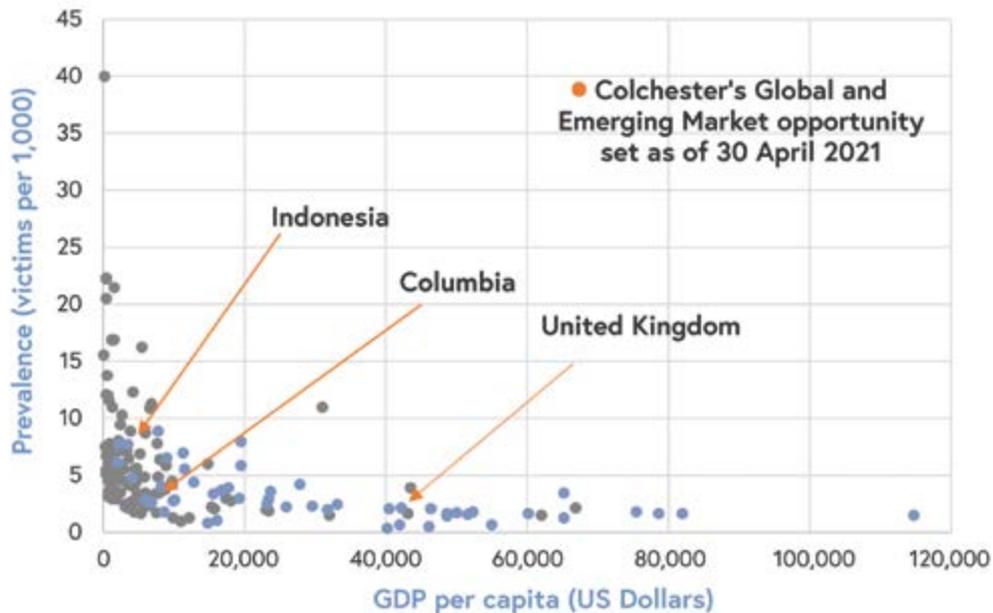
Colchester has assessed its portfolios as having a relatively low exposure to modern slavery. Colchester's Global Bond program is predominantly invested in bond markets of high income, developed economies and most countries in this opportunity set have a low prevalence of modern slavery. Whilst the prevalence of modern slavery risks is higher in the Emerging Market program, this program mainly involves investments in the higher quality segment of the investment universe and is therefore relatively less likely to be directly linked to risks of modern slavery.

This can be seen in Chart 1, which plots the estimated prevalence of modern slavery for all the countries in the GSI against each country's GDP per capita. The countries that are currently in Colchester's opportunity set are coloured in blue. As can be observed, the countries in Colchester's opportunity set have a relatively low prevalence of modern slavery with the vast majority (over 80%) having a prevalence of less than five per thousand. The higher-risk countries that Colchester holds in its core strategies include Malaysia (representing approximately 7.5% of Colchester's total AUM<sup>2</sup>), the Philippines (0.01%), Russia (3%), Thailand (0.18%) and Turkey (0.21%).

<sup>2</sup> As of 30 April 2021

For investments in countries where there is a high prevalence of modern slavery or where modern slavery is assessed to be of particular concern, Colchester will seek further details regarding the wider context of the country's macro-economic environment and other country-specific factors that may be driving this. Furthermore, Colchester will seek to understand the government's response and whether the authorities in these countries are taking steps to address and mitigate modern slavery.

**Chart 1: Relationship Between Modern Slavery Prevalence and GDP Per Capita**



Source: Global Slavery Index 2018; GDP per capita data from the World Bank using latest available data for each country (data used ranged from 2018 to 2020). The following countries have been omitted due to data issues: North Korea, Eritrea, South Sudan, Syrian Arab Republic and Venezuela

The main international conventions and treaties on modern slavery, labour standards and child exploitation are as follows:

- 1957 ILO Convention on the Abolition of Forced Labour<sup>3</sup> - signatories commit to not engage in any form of forced labour and to take effective measures to secure the immediate and complete eradication of forced labour.
- 1999 ILO Convention on the Worst Forms of Child Labour<sup>4</sup> - signatories commit to take immediate and urgent action to prohibit and eliminate the most abusive and hazardous forms of exploitation, referred to as the "worst forms" of child labour.
- 2000 UN Optional Protocol to the Convention on the Rights of the Child (Slavery and Prostitution)<sup>5</sup> - signatories commit to recognise the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's development, and agree to prohibit the sale of children, child prostitution and child pornography.

Ratification of these conventions demonstrates a government's commitment to eradicate modern slavery, forced labour and child exploitation in its country. Of the countries in the opportunity set for Colchester's core strategies, the majority (approximately 92%) have signed and ratified these conventions. The countries that have not signed one or more of these conventions are China, Japan, Malaysia, Singapore and South Korea.

<sup>3</sup> [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C105](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C105)

<sup>4</sup> [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)

<sup>5</sup> <https://www.ohchr.org/EN/ProfessionalInterest/Pages/OPSCCRC.aspx>

The Trafficking in Persons Report<sup>6</sup> is an annual report issued by the U.S. State Department's Office to monitor and combat trafficking in persons. It ranks governments based on their perceived efforts to acknowledge and combat human trafficking. Governments are classified into tiers based on their efforts to combat human trafficking. The majority of countries in the opportunity set for Colchester's Global Bond and Emerging Markets strategies (approximately 86%) are countries categorised as Tier 1 or Tier 2, representing countries whose governments have either fully met the minimum standards for the elimination of trafficking in persons or are making significant efforts to do so. The remaining countries are categorized as Tier 3 or Tier 2 watchlist, including China, Malaysia and Russia.

### **Colchester's supply chain**

Colchester will complete in the next reporting period an assessment of modern slavery risks in its supply chains based on high-risk geographies, sectors and business practices. As noted above, the vast majority of Colchester's service providers are located in low-risk jurisdictions such as the United Kingdom, the European Union, the United States and Australia. Suppliers of services to Colchester are primarily firms such as regulated financial services firms, consultants, custodians, law firms and other professional services firms providing financial audit or controls assurance reviews.

Given the professional and regulated nature of Colchester's business, and the fact that Colchester does not have complex supply chains or obtain material services from external businesses located in high-risk countries, Colchester's initial assessment is that it is exposed to a low risk of modern slavery occurring within its supply chain. However, the suppliers of IT services, office supplies, food and hospitality services, office maintenance and cleaning services present a higher risk of modern slavery and Colchester will seek to assess these risks in more detail in the next reporting period.

### **Colchester's operations**

As described above, Colchester's workforce is made up of professionally qualified and highly skilled employees who are predominantly located in the United Kingdom. All Colchester employees have signed a written employment agreement that clearly sets out the terms of their employment - this provides employees with a greater level of control over their professional careers, including the freedom to resign at any time. During this reporting period, Colchester did not engage any staff from temp agencies. Taking into account the industry in which the firm operates, the composition of Colchester's direct workforce and the nature of their employment, and the fact that Colchester's global offices are located in low-risk jurisdictions, Colchester has assessed the risk of modern slavery occurring amongst its employees to be low.

## **Actions taken to address modern slavery risks**

### **Sovereign engagement**

As a responsible investor, Colchester seeks to engage with issuers on a range of ESG issues. Given that these issuers are governments, the scope and nature of Colchester's engagement with these issuers necessarily differs from its engagement with commercial counterparties. Colchester is limited in its ability to directly influence the prevalence of modern slavery in a country and mitigating modern slavery risks within a country is far more complex than doing so within a company. However, Colchester believes that it can still play an important role. Colchester's approach to engagement with sovereign issuers is set out in full in Colchester's Sovereign Engagement Framework:

<https://colchesterglobal.com.au/wp-content/uploads/2021/05/colchester-sovereign-engagement-framework-dec-20-1.pdf>.

<sup>6</sup> <https://www.state.gov/reports/2021-trafficking-in-persons-report/>

By providing capital to governments who demonstrate a commitment to ongoing ESG progress, Colchester is able to contribute to the funding needed to further the country's economic development. Colchester cannot understate the benefits that ongoing economic development brings in lifting people out of poverty and thereby mitigating one of the primary drivers of modern slavery. Colchester would also suggest that the solutions to modern slavery are much more complex at a country level compared with those at a company level. In the latter, data is more widely available and specific risks can be more readily assessed, isolated and managed within operations and supply chains. Furthermore, asset owners and managers can directly influence company behaviour through the "voting" of their share ownership. Nevertheless, Colchester is encouraged by the increased focus from governments globally to tackle this important issue.

Colchester believes that countries with stronger ESG metrics on average tend to produce stronger economic outcomes and this is associated with better financial market returns. This is reflected in the incorporation of modern slavery considerations into Colchester's assessment of ESG issues within the sovereign risk assessment as set out above.

### **Industry engagement**

As noted above, Colchester is a signatory to the UNPRI, which works to understand the investment implications of ESG factors and support the incorporation of these factors into investment decision-making.

### **Colchester's operations**

Colchester operates in an open and fair manner with all employees and seeks to provide a working environment where employees are treated with respect, dignity and consideration. Colchester expects the highest standards of ethics and integrity and opposes all forms of discrimination, harassment or victimisation.

Colchester employees are subject to a number of policies which seek to ensure employees are aware of Colchester's strong stance against modern slavery and avenues for reporting any concerns of exploitation. These include:

- Code of Ethics, which sets out the minimum standards of performance and conduct for employees of Colchester. Its purpose is to promote honest and ethical conduct and to ensure compliance not only with all legal and regulatory requirements, but with current best practices in the investment management industry. The Code is approved each year by Colchester's Board of Directors, and each Colchester employee must attest that they have read the Code and agree to comply with its provisions at all times.
- Anti-Trafficking Policy, which addresses the requirements that Colchester must comply with under the US Government's human trafficking-related prohibitions and affirmative compliance requirements.
- Anti-Money Laundering Policy, which includes procedures for detecting, mitigating and managing the risk of financial crime, including those potentially linked to modern slavery and human rights violations.
- Whistleblowing Policy, which outlines circumstances under which a person may raise genuine concerns in relation to improper conduct, the avenues for doing so, the protections that are available to those who report improper conduct, and the investigation process. A concern able to be raised under the policy would include any instance or suspicion of modern slavery or human trafficking. Colchester employees can confidentially report concerns about improper conduct by Colchester or its service providers to the Chief Compliance Officer without fear of reprisals. Colchester employees also have the right to raise concerns directly with Colchester's regulators, as appropriate. For this reporting period, there were no reports of modern slavery or trafficking made under the Whistleblowing Policy.

In addition, Colchester has robust Equal Opportunity and Discrimination and Harassment policies that all employees are required to abide by. These are supported by a complaints hotline that enables employees to initially raise discrimination and

harassment concerns anonymously. Annual training is provided to all employees on the importance of ethical conduct, and Colchester is exploring the possibility of expanding this training to provide employees with awareness of modern slavery and human trafficking risks and the applicable regulatory requirements. Colchester's employees are therefore subject to a robust framework of policies and procedures which create an environment where modern slavery risks are minimised.

### **Colchester's supply chain**

Colchester has introduced a procedure to seek annual modern slavery assurances from material service providers. Material service providers are requested to provide, on an annual basis, assurances that they have reviewed their global working practices and offices and determined that they are free from slavery and human trafficking. Assurances to this effect have been received in this reporting period from all material service providers.

Colchester also intends to implement the following additional enhancements to the pre-engagement and oversight of its third-party service providers during the next reporting period:

1. Incorporating modern slavery due diligence and risk analysis into the onboarding procedure for all new material service providers.
2. Updating Colchester's template service provider onboarding documentation to require material service providers to comply with all applicable anti-slavery and human trafficking laws, employment legislation, and the standards and behaviours Colchester expects from its suppliers, to provide further information about their modern slavery policies and procedures on request, and to require the introduction of such policies where they do not already exist, and to notify Colchester if they become aware of any modern slavery incidents occurring in their business or own supply chains.
3. Rolling out a new market-leading vendor risk management tool within the organisation which will require annual attestation from all service providers (other than low-risk) that they accept Colchester's position of zero-tolerance of modern slavery and human trafficking.

### **Remediation**

In the event that a service provider of Colchester's is suspected of engaging in modern slavery practices, the matter would be escalated to Colchester's Chief Compliance Officer. Colchester will engage with the service provider and determine the appropriate course of action, which may include the implementation of measures by the service provider to prevent or mitigate the recurrence of modern slavery practices or termination of the relationship.

In the event that an actual or potential incident of modern slavery in Colchester's operations or supply chains is reported through Colchester's whistleblowing procedures, the Chief Compliance Officer would be notified and an investigation of the incident would be undertaken.

## **Assessment of effectiveness of Colchester's actions**

Colchester will build on its progress in this reporting period to enhance its policies and procedures relating to modern slavery in order to mitigate any risk that it might cause, contribute to, or be directly linked to modern slavery through its operations or supply chains.

Colchester recognises that it is at a relatively early stage of developing a modern slavery strategy and measuring baseline risk. As its modern slavery framework develops, it will implement both quantitative and qualitative measures to assess the

effectiveness of the actions it has taken to assess and address modern slavery risks. These measures may include the number of employees who have completed modern slavery-related training, the number of service providers that have provided modern slavery assurances and agreed to Colchester's modern slavery addendum, and any reports of modern slavery submitted under Colchester's Whistleblowing Policy. Qualitative measures of effectiveness, such as productive engagement with suppliers on measures to address modern slavery risk, will also be considered.

Colchester recognises that its review and assessment of its actions to identify and address modern slavery risks in its operations and across its business is an ongoing and evolving process to which Colchester is fully committed.

## Consultation with Colchester subsidiaries

Colchester took a cross-functional approach to preparing this Modern Slavery Statement, which involved input from members of Colchester's Investment, Marketing, Legal, Compliance and Operations teams. Representatives of the Board of each Colchester subsidiary covered by this statement were given an opportunity to consider and provide comments on the statement prior to publication. Accordingly, all entities covered by this Modern Slavery Statement were engaged with and consulted prior to its issuance.

## Approval

This Modern Slavery Statement has been approved by the Board of Directors of Colchester Global Investors Limited (being its principal governing body) on 26 October 2021, on behalf of itself and its wholly owned subsidiaries CGIS, CGIM and CGII.

Signed:



Name: Keith Lloyd

Title: Chief Executive Officer and Executive Director