

# Modern slavery risk heatmap tool

# Summary

## Purpose and recommendations



Frontier's proprietary modern slavery risk heatmap tool provides quantitative insights into where risk of modern slavery (defined as risk to people) may lie within the listed equity portfolios of asset owners.

The tool's output can be used by investors to support their reporting requirements under the Modern Slavery Act and to form the basis of ongoing measurement of progress against removing this risk from portfolios.



Frontier recommends asset owners perform a review of both their domestic and international equities portfolios to identify where modern slavery risk might lie. Frontier can offer a report that will split out Australian and international equity portfolios.

# Measuring and identifying modern slavery risk

Risk is assessed in two ways:

**Absolute risk**

- Your exposure to 'high-risk securities' irrespective of their weight
- Primarily for assessment of potential risk to people as well as reputational, legal, investment (among other) risks

**Material risk**

- Adjusted for the size of your exposure
- For assessment of risk that may have greatest financial impact on your portfolio

Each security's modern slavery risk is measured using multiple factors, including

**Country prevalence**

- Estimated prevalence of modern slavery
- Based on country of operation

**Country vulnerability**

- Estimated vulnerability of country to future modern slavery activities
- Determined by factors like inequality, governance issues
- Based on country of operation

**Known issues in sub-industry**

- Probable and material issues recognised in the sub-industry of operation
- Based on factors such as supply chain management, labour practises, among others

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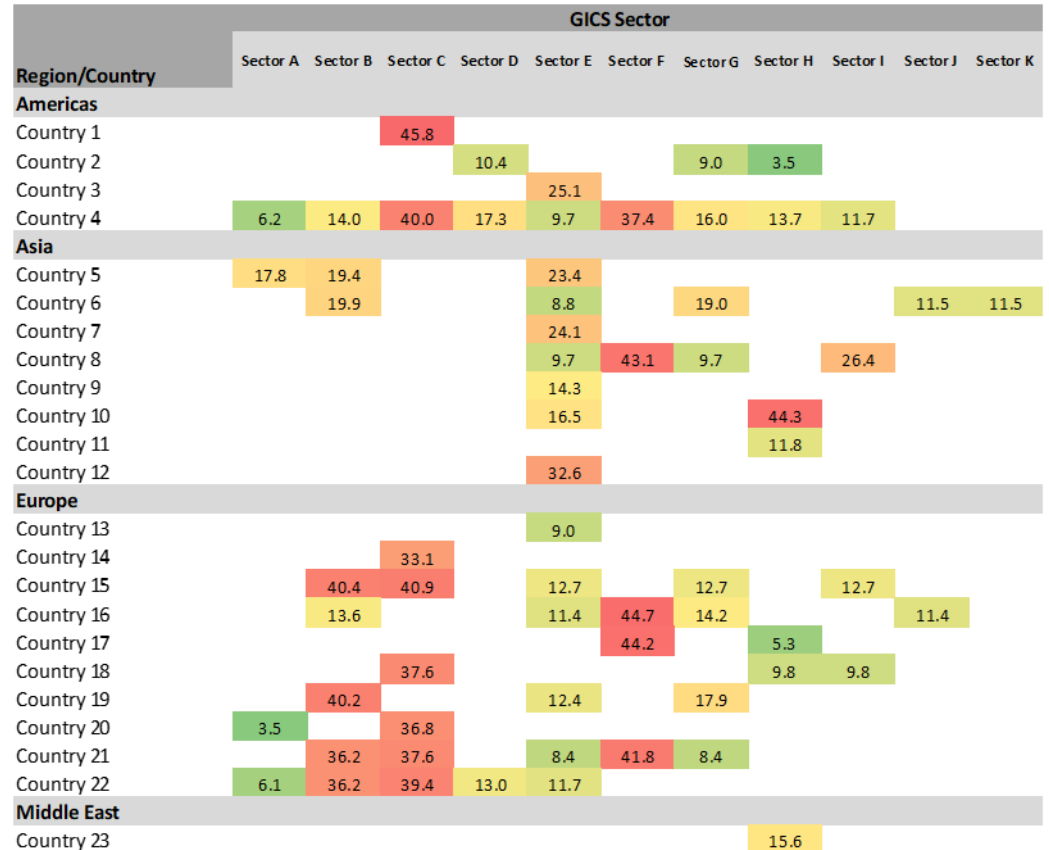
## Key features

The risk heatmap is a quantitative tool which screens long-only, listed equity portfolios to identify where in a investor's portfolio there are higher probabilities of modern slavery risk at:

- an industry/regional level
- a stock level; or
- a fund manager level.

The tool produces a succinct report with qualitative and quantitative results through these multiple “lenses”. It provides the detail required to determine where risks may lie.

- Heatmap denotes exposure to risk resulting from the securities held in a portfolio broken down by sectors, regions and countries to which it has exposure.



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## Key features

Investors can identify which of their fund managers brings higher risk based on the aggregate strategy's risk score.

Strategy	Score	Country Score	Sub-Ind Score	Port Weight
Manager A	8.2	4.0	12.3	40.0%
Manager B	6.5	6.3	6.8	35.0%
Manager C	6.9	4.7	9.2	25.0%

Investors can also identify which of their fund managers hold the securities that bring the highest risk to their portfolio (absolute risk, adjusted for exposure, adjusted for active weight relative to benchmark).

Securities	Port Score	Bmk Score	Country Score	Sub-Ind Score	Port Wgt	Bmk Wgt	Country	Sub-Industry	Held By
Stock 1	1.1	0.0	12.3	77.8	2.5%	0.1%	Country 1	Sub-Industry A	Manager B
Stock 2	0.8	0.2	21.9	66.7	1.9%	0.5%	Country 2	Sub-Industry B	Manager A
Stock 3	0.8	0.1	10.6	77.8	1.8%	0.3%	Country 3	Sub-Industry C	Manager A, Manager C
Stock 4	0.7	0.2	5.8	77.8	1.7%	0.4%	Country 4	Sub-Industry D	Manager A
Stock 5	0.7	0.0	14.2	66.7	1.7%	0.1%	Country 5	Sub-Industry E	Manager B
Stock 6	0.7	0.9	12.3	66.7	1.7%	2.4%	Country 1	Sub-Industry B	Manager C
Stock 7	0.6	0.3	5.8	69.4	1.6%	0.7%	Country 4	Sub-Industry F	Manager A, Manager C
Stock 8	0.6	0.1	12.3	77.8	1.3%	0.2%	Country 1	Sub-Industry A	Manager A
Stock 9	0.5	0.1	35.6	0.0	2.9%	0.5%	Country 6	Sub-Industry G	Manager B, Manager C
Stock 10	0.4	0.1	12.3	77.8	1.0%	0.1%	Country 1	Sub-Industry C	Manager B

# Key Benefits





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