

# MODERN SLAVERY ACT ANNUAL TRANSPARENCY STATEMENT

*For the Year Ended December 31, 2023*

## I. Introduction

Sands Capital Management, LLC and its control affiliates (collectively, “**Sands Capital**,” the “**Firm**,” “**we**,” or “**our**”) support fundamental principles of human rights across our entire business and everywhere in the world where we have a presence. We recognize that modern slavery issues, such as forced labor and human trafficking, are a significant global challenge. We also believe that we have a role to play in promoting respect for human rights. To that end, our annual Modern Slavery Act Annual Transparency Statement (this “**Statement**”), made pursuant to section 54 of the UK Modern Slavery Act 2015 and sections 13 and 14 of the Australian Modern Slavery Act of 2018, outlines the actions we have taken to mitigate the potential risk of enabling modern slavery through our business, our vendor network, or our investments.

During the reporting period this Statement covers, we actively engaged and consulted with all companies we own or control in the development of this Statement (such companies are identified in **Attachment A**). We discussed details of the Modern Slavery Act 2018’s reporting requirements; information regarding the actions we intend to take to address these requirements and provided them with relevant materials and updates.

## II. Business Structure and Supply Chain

Sands Capital is an independent investment management firm that delivers a range of investment management services to a large and diversified client base that includes collective investment vehicles, corporations, charitable organizations, state and municipal government entities, sovereign wealth funds, pension funds, superannuation funds, and individuals. Our purpose is to add value and enhance the wealth of our clients with prudence over time. We focus on equity investments and the strategies we offer are typified by deep, proprietary, business-focused global research, concentration, and a long-term investment horizon. We operate primarily through Sands Capital Management, LLC, a Delaware limited liability company, and to a lesser extent through our overseas control affiliates identified in **Attachment A**.

On December 31, 2023, our client portfolios held investments in 109 companies (129 companies during 2023) spanning 19 countries. At 2023 calendar year end, Sands Capital had 199 full-time employees, with our headquarters in the Washington, D. C. area and offices in London and Singapore.

In providing our investment management services and operating our businesses, we engage a number of third parties. As of April 2024, we worked with approximately 240 vendors and service providers, covering a wide range of services. Sands Capital’s supply chain predominantly comprises professional service providers such as lawyers, tax consultants, accountants, and administrators, and business vendors such as information technology service providers, suppliers of office equipment, and event caterers.

It is our belief that given the nature of the services that Sands Capital provides and the footprint of the Firm, there is a relatively low risk that we could unintentionally enable modern slavery and human trafficking through our employment practices or vendor relationships. The biggest risk that we see related to modern slavery is in our portfolio holdings.

### III. Policies

At Sands Capital, we have policies that govern our responsible investment and stewardship activities. The following outlines the key policies related to our environmental, social, and governance (“ESG”) integration and active ownership activities.

The Firm’s **Environmental, Social, and Corporate Governance Policy Statement** sets forth our purpose, guiding principles, executional process, ability to address specific client requirements, collaborations with third parties, and program governance. This statement is overseen and administered by the cross-functional stewardship group.

The Firm’s **Proxy Voting Policy & Procedures** specifies internal processes for our proxy voting activities. This policy is maintained by the compliance team and overseen by our proxy committee. As part of a broader annual internal controls examination conducted by an external party, our procedures are tested to verify that our proxy voting is conducted as outlined in our Proxy Voting Policy.

The Firm’s **Engagement Policy** details our approach to engagement. The policy is administered by the cross-functional stewardship group.

The Firm’s **Service Provider Due Diligence Policy** outlines our approach to conducting due diligence on unaffiliated service providers and vendors. The head of each functional team is responsible for the implementation and monitoring of this policy and its embedded procedures for service providers engaged by the functional team.

Our internal **Compliance Manual and Code of Ethics, Anti-Slavery and Human Trafficking Policy** and our **Vendor Code of Conduct (“Vendor Code”)** communicate the Firm’s expectation that business be conducted ethically and in compliance with the law.

Policy review is critical to ensuring that our investment and stewardship practices are fully aligned with our values. To evaluate our policies’ effectiveness, we use:

- Internal reviews conducted by relevant internal stakeholders, including our core stewardship team and compliance team, among others. All changes and the creation of new policies are approved by the relevant oversight body within Sands Capital.
- Reviews by third-party consultants, where appropriate, such as Slave-Free Alliance.

Our policies are reviewed regularly and the methods we employ for review vary depending on the policy.

### IV. Governance

We believe robust oversight of stewardship policies, processes, and practices is essential to executing a highly effective stewardship program. We have made significant progress on governance structures that support the integration of ESG practices into our investment analysis, seeking to ensure long-term benefits to clients.

#### Firm Governance

Sands Capital is governed by its controlling shareholder, Frank Sands, who serves as Chief Executive Officer and Chief Investment Officer. He is supported by an executive management team (“EMT”) that provides strategic leadership across the investment research, client relations, and general business management functions of the Firm. Membership of the EMT includes leaders of different functional areas and will change over time

to incorporate a range of viewpoints from existing and emerging leaders and provide cross-functional insight to a broad set of senior personnel. The EMT is supported by several committees consisting of staff members representing functional areas across the Firm, including the Conflicts of Interest Board, Best Execution Committee, Fair Valuation Committee, Proxy Committee, Incident Management Team, and Emergency Response Team.

## **Stewardship Governance**

ESG research integration and active ownership are horizontally integrated at our firm, meaning every investment professional contributes to our stewardship program. This approach is consistent with our intent to operate as one team with one mission and one philosophy. Our core stewardship team comprises four stewardship investment professionals, who collaborate with our broader investment team to help ensure our research analysts address the full scope of relevant opportunities and potential risks in our investment. The fifth member of the core stewardship team supports the development and production of marketing and client reporting for the stewardship program.

The core stewardship team meets regularly to establish priorities, assess resource requirements, and prepare recommendations for stewardship-related meetings with clients and portfolio companies. The team also drives process improvements related to the sourcing and integration of data into our investment research and client reporting systems. The director of stewardship leads the core stewardship team and reports to the EMT. This reporting relationship helps to support our organizational alignment with our stewardship policies and processes and keeps senior leaders informed about our program developments.

In addition to the core stewardship team, our cross-functional stewardship group includes staff with diverse functional knowledge who are committed to implementing ESG research integration, engagement, and stakeholder communications. The group meets every other month to discuss progress in areas such as:

- Policy and strategy formulation.
- Education and training.
- Tools and infrastructure development.
- Legal and regulatory compliance.
- Collaboration with external partners.

## **V. Partnerships**

With a global investment portfolio, Sands Capital recognizes the importance of managing modern slavery risks through each tier of the supply chain. To address these risks in our portfolios, we undertook several initiatives, including internal training, engagement with companies on material human rights risks, and partnership with a third-party organization focused on modern slavery for independent expertise and support.

In 2022, Sands Capital established a relationship with an outside organization, Slave-Free Alliance (“SFA”), which specializes in anti-trafficking and reducing the risk of modern slavery, to further our work to better understand and mitigate modern slavery risks at both the portfolio and operational levels at Sands Capital. The Firm engaged SFA to establish a risk assessment framework for current and potential investments as well as building a training and awareness program across the whole Firm. This work also included a review of various Firm documents specific to human rights standards such as policies, reports, and legislative disclosures.

*“Slave-Free Alliance is proud to continue its partnership with Sands Capital, to support the business with progressing its anti-modern slavery initiatives and demonstrating industry leadership. This year, we supported the firm with making tremendous strides in its anti-modern slavery activities. There continues to be a consistent commitment to empower employees and Slave-Free Alliance was pleased to deliver more tailored modern slavery training to Sands Capital employees to build increased capacity in the teams and further embed responsible practices across the business. Sands Capital deserves recognition for its willingness to collaborate with Slave-Free Alliance in producing a best practice guide for its investment analysts, which is a useful resource to support responsible investment processes. Sands Capital employees are highly engaged in our projects; keen to play their part to mitigate the modern slavery risks. We are looking forward to further engagements on these crucial initiatives and commend Sands Capital’s ongoing commitment to protecting human rights in its business, supply chain and investments.”*

Rachel Hartley – Consultancy Director, Slave-Free Alliance

Sands Capital continues to build relationships with other select organizations that enable us to understand stakeholder perspectives on sustainability issues, apply learnings to our research analysis and engagements with portfolio businesses, and collaborate with stakeholders to enhance corporate disclosure practices. Because we work with such dynamic companies in evolving industries, we view these partnerships as an indispensable way to share best practices and gain insights on effectively managing ever-changing externalities. More information on these partnerships can be found in the Industry Partnerships, Affiliations, and Memberships section of our [2023 Stewardship Report](#).

## **VI. Due Diligence, including Risks and Steps Taken**

As an investment management firm, we have developed ways to address the risk of enabling modern slavery through our business operations separately from how we address the risk of enabling modern slavery through the investments we make on behalf of our clients. We discuss each in turn below.

### **Our Business Operations**

#### ***1. Employees***

Sands Capital is committed to respecting the human rights of our employees through our internal employment policies and practices. Integrity, trust, and doing what is right are the cornerstones of our corporate culture, and we strive to ensure that employees can work in a safe, professional work environment. Concern for the personal dignity and individual worth of every person is an indispensable element in the standard of conduct that we have set for ourselves. In addition, compensation and benefits, as part of our talent development strategy, play a critical role in our ability to attract, retain, and motivate our employees. We are committed to providing competitive and equitable compensation for our employees, and benefits that support our employees’ needs. While applicable local regulations regarding minimum compensation vary across geographies where we have employees, in all cases we meet or exceed the minimum wages applicable in respective jurisdictions.

Staff who become aware of or who suspect violations of human rights, including with respect to forced or child labor, related to the Firm’s business, are encouraged to report such concerns. This can be done through various channels described in the respective policies, including by contacting the Firm’s human resources team, the Firm’s reporting hotline (which is administered by a third party), or through other appropriate resources. In many situations, reporting through the reporting hotline may be done anonymously. In 2023, we introduced a

specific reporting category for human rights violations, encompassing modern slavery and labor exploitation, to the types of reports that can be made within our internal ethics reporting system. This addition aims to facilitate staff reporting any suspected violations linked to the firm's operations.

## ***2. Vendors***

Sands Capital has a comprehensive vendor management policy and program, based on a risk-based framework to manage vendor risk. We do not tolerate slavery, forced labor, child labor, or human trafficking in any form and will not knowingly work with vendors who engage in these practices. Sands Capital is committed to holding ourselves and our supplier community to high standards of business conduct and integrity.

Our Vendor Code sets out our principles and expectations for suppliers, vendors, consultants, contractors, and other third parties working on behalf of the Firm, as well as the owners, officers, directors, employees, contractors, and sub-contractors of these supplier organizations and entities. At a minimum, we expect our vendors and their supply chains to fully comply with all applicable laws and regulations in the conduct of their business, including in relation to slavery, forced labor, child labor, and human trafficking. In addition, we expect our vendors to meet appropriate standards related to labor practices, wages, and workplace safety. Our Vendor Code also addresses the following areas: ethical business practices, environmental stewardship, management systems, and governance.

All vendors that provide products and services to Sands Capital are expected to act in accordance with our Vendor Code, including by ensuring their guidelines, policies, and practices are consistent with our Vendor Code and by communicating and enforcing the Vendor Code provisions throughout their organizations and supply chains, as appropriate. A violation of the Vendor Code by a vendor will be considered upon occurrence and, in circumstances where following engagement with the relevant vendor such violation is not remedied in a timely and sensitive manner, a violation may result in the termination of our relationship with the vendor.

Through our Service Provider Due Diligence Policy, our teams are aided in implementing this policy and the procedures by a third-party risk management firm (“**TPRM**”) and software application. The head of each team is responsible for ensuring that all applicable service providers are evaluated for risk and, if necessary, using the TPRM to conduct and review assessments.

As previously stated, we believe our vendor network as a whole is low risk in respect of modern slavery and human trafficking. To focus our efforts, we have adopted risk-based measures to enhance our scrutiny and assessment of select segments of our vendor network where we believe the vendors' commitment towards mitigating the risks associated with modern slavery and human trafficking are especially important. We require all vendors who are ultimately on-boarded to abide by our Vendor Code or have a similar code in place. We specifically screen our vendors for modern slavery in our initial vendor risk assessments and have also introduced specific due diligence questions relating to modern slavery and human trafficking in our vendor due diligence questionnaires for vendors that we perceive to be critical service providers.

Our enhanced due diligence measures may also include scrutiny of policies relating to measures taken by such vendors to prevent modern slavery and human trafficking in their operations and supply chains and seeking additional contractual representations regarding compliance where we deem it appropriate.

## **Our Investment Activities**

Sands Capital embraces the fundamental investment philosophy that, over time, stock prices reflect the earnings power and growth of the underlying businesses. As such, we attempt to identify and invest in high quality

businesses that have the capacity to generate sustainable, above-average earnings growth over time, on a global basis. We have long believed that a company's ESG practices, such as its policies and actions to mitigate modern slavery, have the potential to impact the drivers of earnings and growth. For this reason, we are a signatory to the Principles of Responsible Investing and are committed to equipping our investment team with the necessary resources to conduct high-quality ESG research and analysis.

We expect our portfolio companies to respect internationally accepted human rights throughout their business operations and value chain, such as the principles of the United Nations Global Compact. For instance, this includes considerations around the maintenance of employee health and safety, particularly in high-risk sectors; the management of exposure to labor and human rights risks throughout their value chain, especially modern slavery; and encouraging positive relationships with local communities.

To assess and manage the risk of modern slavery in our investments, we follow an ESG-integrated investment due diligence process. We utilize both proprietary research and third-party resources to evaluate the ESG risks and opportunities associated with each company. Once we purchase a company, we continue to monitor it for a range of ESG issues including potential human rights violations.

We treat ESG incidents, including those related to modern slavery, at a portfolio company just as we treat any material development. Our analysts, who are the business experts, will identify, evaluate, and then create a research/action plan. When these issues are material, the analysts will frequently report them to the relevant portfolio managers before following up with a more detailed analysis. This supplemental work may include coordination with the core stewardship team and the portfolio management team.

We view ongoing oversight and engagement with investee companies as an essential part of our stewardship work. We regularly engage with management teams or boards on a range of ESG issues, including where the risk or allegations of modern slavery exist. We prioritize engagements through our fundamental research, and tend to focus on companies with large supplier bases in high-risk markets or industries. When we believe human rights risks are material, we often engage the company to understand their practices for mitigating human rights risks in their supply chain, including the level of supply chain oversight and standards.

Generally, we prefer for our businesses to conduct third-party auditing of the supply chain on a regular basis. When we have reason to believe the company is not adequately managing supply chain standards, we will engage the company to advocate for improved oversight and compliance with accepted standards.

Case studies of engagements with portfolio companies on issues related to modern slavery and labor exploitation can be found in our [2023 Stewardship Report](#).

### **Slave-Free Alliance Gap Analysis**

As part of our due diligence around modern slavery, both within our business operations and our investment activities, we leveraged our relationship with SFA as an outside expert. During the early stages of our relationship with SFA, we commissioned a gap analysis of our operations and investment practices. This gap analysis was an independent review of our organization's understanding and response to our modern slavery and labor exploitation risks, conducted in view of relevant legislation and industry best practices. The key output was a detailed report that identified risks and best practices and provided a set of recommendations, as well as a customized action plan that prioritized the recommendations based on risk and leverage.

Throughout 2023, we continued our progress on the priority areas from the SFA Gap Analysis:

- **Training:** In January 2023, we held a targeted modern slavery and human trafficking training session for the investment team, focusing on more hands-on work surrounding due diligence on investments. We held an additional firmwide training in December, which aimed to raise general awareness of the issue and to understand how it can affect our work at Sands Capital.
- **Investment due diligence:** In collaboration with SFA, we initiated the development of an advanced due diligence framework and engagement guide on modern slavery for our investment professionals. This guide will aid in researching and interacting with portfolio companies. Additionally, we maintained a thematic emphasis on engaging with portfolio companies regarding the risk of modern slavery.
- **Operational due diligence:** Senior members of our operations team met with SFA to discuss best practices around operational due diligence, both within our processes at Sands Capital and also with our external service providers. As previously mentioned, in 2023, we introduced a specific reporting category for human rights violations, encompassing modern slavery and labor exploitation, to the types of reports that can be made within our internal ethics reporting system. Additionally, after reviewing and considering the gap analysis recommendation on our Crisis Communications Plan, we concluded that the Plan provides sufficient guidance and escalation procedures applicable to a range of crisis scenarios, which extend to events such as modern slavery.
- **Reporting:** In July 2023, we released our 2022 Modern Slavery Act Annual Transparency Statement, an extensive upgrade in transparency from our 2021 statement.

## VII. Training

Sands Capital requires all staff review our Compliance Manual and Code of Ethics and other relevant policies upon joining the Firm and on at least an annual basis thereafter. We seek to ensure that all staff are trained and empowered to identify, and know how to report and escalate, potential exposures to modern slavery relating to our internal operations, vendor relationships, or investments.

### 2023 Modern Slavery Trainings

In January, the Firm conducted a series of targeted trainings on modern slavery and human trafficking for the investment team. The goal of the trainings was to equip the team with proactive engagement skills and nuanced knowledge on modern slavery risk across industries, regions, and vulnerable groups. The workshops highlighted specific companies within the Sands Capital portfolio, examining their potential supply chain risks.

The sessions began with an introduction to modern slavery, and the impact of social and political climates on modern slavery, with a particular emphasis on migrant workers. Various risk trends were discussed, such as the rise of ultra-fast fashion; the complexities of manufacturing and logistics supply chains, particularly their demand for cheap, manual labor; and the growing awareness of modern slavery and exploitation in raw material production.

The training included breakout groups, where participants were tasked with designing a due diligence process for a Sands Capital portfolio company, delving into topics such as research, contacts and stakeholders, risk identification, action-taking, verification, ongoing monitoring, and influence.

The training also highlighted the human rights impacts of business changes and discussed the trust in large companies and their responsibility towards human rights. The culmination of the training was the creation of a first draft of a briefing document, intended to guide future engagements and due diligence practices.

In December, we held an additional firmwide training which aimed to raise general awareness of the issue and how it can affect our work at Sands Capital. The main questions this presentation aimed to answer were:

- What did we learn about modern slavery in 2023?
- What new legislation is there?
- What's happening in key portfolio industries?

### **Future training**

We expect to hold other training around modern slavery and forced labor later in 2024. We are exploring conducting additional targeted trainings for our investment team, staff members involved in managing vendor relationships, and other constituencies within Sands Capital where additional guidance may prove helpful.

### **VIII. Effectiveness**

We believe that our actions to address modern slavery are commensurate with the risks presented by our business model, but as with everything we do, we will continue to seek ways to improve. We will continue to raise awareness among our staff, our vendors, and our portfolio companies around these issues and to consider additional measures to ensure we are not unintentionally enabling modern slavery through our business, our vendors, or our investments.

Over the course of 2024, we will continue our progress on the priority items from the SFA Gap Analysis, which largely fall into the following buckets:

- Updating our Modern Slavery Statement
- Operational due diligence, including reviewing and updating policies as appropriate and considering updating due diligence processes around relationships with service providers
- Investment due diligence enhancements, including the development and rollout of a Modern Slavery Investment Due Diligence Guidance
- Ongoing training

This Statement for the year ending December 31, 2023 was approved by Frank M. Sands in his role as principal governing body of Sands Capital on June 13, 2024.



Frank M. Sands

Chief Investment Officer and Chief Executive Officer

Sands Capital Management, LLC



**ATTACHMENT A**

*(Control Affiliates)*

Sands Capital Advisors - UK Ltd.

Sands Capital - Pacific Pte. Ltd.

Sands Capital - Atlantic Limited