



Regal Australian Small Companies Fund

Modern Slavery Statement

FOR THE REPORTING PERIOD ENDED 30 JUNE 2023

1. The Reporting Entity

This document is a Modern Slavery Statement ('Statement') issued by Regal Funds Management Pty Limited ABN 30 107 576 821 ('RFM') as trustee of the Regal Australian Small Companies Fund, in accordance with section 16 of the Modern Slavery Act 2018 (Cth) (the 'Act'). It covers the reporting period of 12 months from 1 July 2022 to 30 June 2023 ("**Reporting Period**").

This is RFMs second Modern Slavery Statement in respect of the Regal Australian Small Companies Fund. Since publishing its first Modern Slavery Statement (previously published as part of a joint statement), RFM has continued to develop and implement its policies and procedures related to addressing modern slavery risks within its investment management business. This Statement will discuss our progress and outline areas of focus over future reporting periods.

2. Structure, Operation and Supply Chains

2.1 STRUCTURE

a) The Reporting Entity

RFM is a private company founded in Australia in 2004. RFM specialises in alternative investment strategies with a primary focus on long/short investment strategies. RFM performs investment management and investment advisory services from its Sydney office for a number of Australian unit trusts and international investment companies including the Regal Australian Small Companies Fund (the “Fund”). In this capacity, RFM manages capital for a range of clients including institutional investors, private banks, financial planning groups, asset consultants, offshore institutions, family offices and high net worth individuals.

RFM is the trustee and manager of the Fund and holds an Australian Financial Services License Number 277737. Investors in the Fund are wholesale clients (or offshore equivalent) pursuant to the Corporations Act (Cth) 2001. The Fund generally holds a portfolio of investment securities in order to implement its stated investment strategy.

2.2 OPERATIONS

RFM’s registered office is at Level 47, Gateway, 1 Macquarie Place Sydney NSW Australia. As at 30 June 2023 RFM employed a team of 43 people in Sydney, including 25 investment professionals across its different investment strategies.

RFM provides fund management services as well as several support functions including marketing and communication, governance, risk and compliance services to the Fund. The Fund is not separate a legal entity - it does not have operations or staff. The Fund relies on the operational activities of RFM (as trustee and manager) to implement its investment objectives by engaging service providers and investing (both long and short) in financial instruments including listed and unlisted securities, options, derivatives, resource royalty / commodity income streams, private credit loan instruments and cash - either globally or within Australia.

The approach of RFM to modern slavery and human rights is overseen by the Board of Directors of RFM.

The objective of the Fund is to outperform the S&P/ASX Small Ordinaries Accumulation Index over a rolling five year period. To fulfil the objective, the Fund will focus on long/short investments in listed small companies in Australia. The Fund’s investment strategy primarily relies on the fundamental investment process, a research driven process which emphasises the bottom-up valuation of specific investment entities.

2.3 SUPPLY CHAINS

The supply chains used by RFM and the Fund include suppliers of Information Technology (IT) goods and services, professional services such as legal, broking and accounting services and office space leasing services.

RFM also engages direct service providers on behalf of the Fund such as a Fund Administrator, Custodians, Prime Brokers and a Registry provider.

3. Risks of Modern Slavery in Operations and Supply Chains

The risks of modern slavery practices refers to the potential for RFM or the Fund to cause, contribute to or be directly linked to modern slavery through its operations and supply chains. In other words, the risks that the Fund may be involved in modern slavery.

3.1 SUPPLY CHAINS

RFM needs to assess the risk that its operations, products or services may be connected to modern slavery through the activities of another entity which it has a business relationship with, either in its own right or through the services it provides to the Funds. Indirect suppliers are those engaged by other service providers of RFM or the Fund, who may pose an indirect risk of connecting RFM or the Fund to modern slavery, through their own activities.

RFM's approach to understanding its modern slavery risk is to apply a risk assessment methodology to its supply chain and the supply chains utilized by the Fund, taking into account a number of risk factors of modern slavery based on jurisdiction, industry/sector and products/services supplied.

RFM performs due diligence on its direct material outsourced service providers as well as the material outsourced service providers of the Fund, with a focus on establishing long term relationships with quality suppliers who provide a premium service, rather than sourcing the cheapest possible service. RFM has undertaken a risk assessment on its material suppliers for modern slavery risk indicators. This includes suppliers of Information Technology (IT) goods and services, professional services such as legal and accounting services and office space leasing services. The Fund also directly engages global regulated entities to perform Prime Brokerage, Custody and Fund Administrative services. Registry services are performed by a local Australian registry provider. RFM has also undertaken a modern slavery risk assessment on each of these material suppliers to the Fund.

RFM considers that the risk of modern slavery at the level of these material suppliers (both directly and indirectly) to be low considering that all the suppliers are from lower risk jurisdictions as detailed by the Global Slavery Index and /or represent regulated financial and professional services companies which themselves have made modern slavery statements evidencing their commitment towards human rights as well as their policies and procedures to deal with modern slavery through their own modern slavery statements.

RFM does not tolerate slavery, forced labour, child labour or human trafficking in any form and will not knowingly work with or invest in companies who engage in these practices. All RFM staff have contractual employment agreements to protect their legal rights, and benefit from RFM's established set of policies and procedures that govern the way it operates. The following policies and procedures are relevant to how RFM manages potential human rights related issues with regard to its business operations:

- code of conduct policies
- AML Program
- Fraud and corruption policies
- Bullying, harassment and discrimination policies
- Work Health and Safety policy
- Whistleblower policy and program
- Environmental, Social and Governance (ESG) policy

These policies and procedures are explained to staff through training. It is therefore considered that RFM as an employer poses a very low risk of modern slavery.

RFM had no direct knowledge during the Reporting Period of modern slavery taking place in any of its (or the Fund's) outsourced services or procurement of goods and services and considers that the risks of modern slavery occurring in its supply chain was low.

3.2 OPERATIONS

An area of potential risk of indirect involvement by RFM with modern slavery exists in relation to the investment operations it carries out on behalf of the Fund and its management or advisory clients. This risk is most likely where the Fund holds a portfolio investment in a business which operates in a country with a high risk rating under the Global Slavery Index, or which operates in an industry sector that features low or unskilled labour or foreign migrant workers.

The Fund may hold positions which are actively traded, may be immaterial on an individual basis, and are likely to be held by the Fund on a short term basis. The complex and changeable nature of the Fund's investment portfolio means RFM does not have direct contact or relationships with every investee companies and it is not reasonable to conduct due diligence across a large investment portfolio which is constantly changing. In addition, the immaterial size of certain investments is unlikely to provide RFM or the Fund with any meaningful leverage to effectively influence behavior in relation to modern slavery risks.

The implementation of the Fundamental Investment Process and can lead to the establishment of high conviction positions where a Fund holds a material investment. As part of a bottom-up investment research process applied when implementing these investment processes, RFM considers a range of factors that might affect a company's intrinsic value. This can include ESG issues if this is a material risk for the entity. For example, if a portfolio manager or analyst expects ESG issues (including human rights abuses, labor standards in the supply chain, any exposure to child or forced labor and health and safety issues) to impact investment outcomes materially, they are required to incorporate these factors into their investment analysis. RFM's valuation proposition and conviction in the investment should reflect these risks.

In relation to the investment operations during the Reporting Period, RFM did not determine the composition of the Fund's fundamental investment portfolios by making a specific assessment of the modern slavery risks in relation to every position held. Therefore, RFM acknowledges that risks of modern slavery may exist within the large portfolio of companies in which the Fund invests.

4. Actions Taken to Assess and Address Modern Slavery Risks

4.1 INDIRECT RISKS OF MODERN SLAVERY WITHIN SUPPLY CHAINS

As recognized in the United Nations Guiding Principles on Business and Human Rights, where businesses such as RFM have large numbers of entities in their value chains it is not reasonable to conduct due diligence for adverse human rights across them all. RFM therefore takes the approach of identifying any general areas where the risk of adverse human rights impacts may be significant due to their locations, industry or sector. Any material risks identified will be prioritized for due diligence.

Where RFM has not contributed to an adverse modern slavery impact but that impact is nevertheless directly linked to its operations, products or services by its business relationship with another entity, the appropriate action to be taken will need to consider the ability of RFM to apply leverage over the entity concerned, how crucial the relationship is, the severity of the abuse, and whether terminating the relationship with the entity itself would have adverse human rights consequences.

4.2 RISK OF MODERN SLAVERY WITHIN INVESTMENT PORTFOLIOS

During the Reporting Period RFM implemented procedures to conduct periodic modern slavery risk reviews of the most material positions in the Fund by taking into account jurisdictional risks (e.g. operations in a country with a high risk rating under the Global Slavery Index), or operations in an industry sector which has been designated as high risk (e.g. an industry that features low or unskilled labour or foreign migrant workers). If a material position is identified during this review process which may have a high risk of potential interaction with modern slavery practices this will be highlighted to the relevant Portfolio Manager responsible for due diligence.

If RFM forms a view when implementing its Fundamental Investment Process or when performing investment due diligence that an investee company's exposure to environmental, social and governance risk (including human rights and modern slavery risks) has the potential to impact its fundamental investment value, it may take a number of actions, including but not limited to:

- i. rejecting or closing-out the investment;
- ii. reducing its exposure to the investment;
- iii. engaging with company management to form a view on how it manages modern slavery risks and raise any concerns with the company;
- iv. using its shareholder voting rights to vote on resolutions in a way which best promotes the interests of the Fund.

5. Actions Taken by RFM During the Reporting Period

RFM has implemented the following actions during the Reporting Period in relation to assessing and addressing modern slavery risks within its business:

- RFM has enhanced its code of ethics policies to more specifically deal with modern slavery risks;
- RFM has adopted an ESG policy outlining how ESG factors are incorporated into its stock selection process;
- RFM has incorporated specific due diligence questions relating to modern slavery in its vendor due diligence process;
- RFM has conducted due diligence and modern slavery risk assessments on the operations of its non-wholly owned subsidiaries;
- RFM has implemented mandatory training on our Modern Slavery policy and procedures to all staff. The training aims to increase visibility and awareness of how modern slavery can manifest in RFM's supply chains and material portfolio investments, and include information on how to identify and report any concerns;
- RFM has implemented procedures to conduct periodic modern slavery risk reviews of the most material positions in the Fund and incorporated more specific ESG consideration of modern slavery risks into the Fundamental Investment Process applied to material positions.

6. How RFM Assesses the Effectiveness of Actions To Assess and Address Risks

RFM has provided its Board of Directors with a monitoring report for the current Reporting Period on the implementation of its actions to identify and assess modern slavery risks including its supplier reviews, material Fund position reviews and staff training program. The Board has considered the effectiveness of the measures which have been taken when reviewing and adopting this Statement.

RFM is focused on assessing modern slavery risk and using the risk assessment process detailed above to understand its exposure to modern slavery risks. This assessment process will change over time as RFM continues to develop processes around identifying and assessing modern slavery risks in its overall operations and investments.

Approval

This Statement was approved by the Board of RFM on 8 November 2023.

Other relevant information

No other relevant information has been identified for this reporting period.

Approval

This Statement for the Fund was approved by Brendan O'Connor on behalf of the Regal Funds Management Pty Limited Board of Directors



Brendan O'Connor

Director

Date 22/11/2023

For clients wishing to discuss this statement, please contact:

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