

PACIFIC CURRENT GROUP LIMITED (ABN 39 006 708 792)

Modern Slavery Statement for financial year (FY) 2021

Background

This Modern Slavery Statement for FY 2021 (**Statement**) is made pursuant to s 13(1) of the *Modern Slavery Act 2018* (Cth) (**Act**) and describes the actions taken by Pacific Current Group Limited ACN 006 708 792 (ASX: PAC) (**PAC**) to assess and address modern slavery risks it faces in its supply chain and operations during FY 2021, as required by the Act.

The Act's reporting threshold requires entities either based or operating in Australia which have an annual consolidated revenue greater than \$100 million to report annually on the risks of modern slavery.

For the purposes of this Statement, PAC is the reporting entity.

About PAC

PAC is a multi-boutique asset management firm that provides permanent capital to boutique asset management firms (**Boutiques**) for working capital, growth, or liquidity purposes. The Boutiques manage a wide variety of investment strategies and asset classes from long only equity to infrastructure funds. PAC believes that by partnering with quality Boutiques and their investment professionals we are able to participate in their growth or to secure a share in their returns, while allowing the Boutiques to do what they do best – manage their businesses. Typically, PAC does not control and does not seek to influence the operations of the Boutiques. PAC, through its Australian, US, and UK subsidiaries, provides wholesale investor sales and marketing services to the Boutiques who have contracted for those services. Wholesale investors are referred to as institutional investors in the US and are collectively referred to in this report as **Wholesale Investors**.

Structure

PAC is an Australian public corporation incorporated in Victoria in accordance with the *Corporations Act 2001* (Cth), which is listed on the Australian Securities Exchange. Its Boutique holdings and US operating entities are held directly and indirectly through Aurora Trust (ACN

600 880 939) (**Trust**), a trust vehicle that PAC owns 100% both legally and beneficially.¹ In Australia, wholesale sales and marketing activities on behalf of the Boutiques are conducted through Treasury Group Investment Services Pty Ltd (ACN 099 932 920) (**TIS**). In the US, institutional sales and marketing activities on behalf of the Boutiques are conducted through NLCG Distributors, LLC (**NLCGD**). PAC does not currently provide sales and marketing services to non-Boutiques.

At 31 October 2021, PAC had 20 employees, most of whom are professionals in investment, finance, sales and marketing, and legal. Six are located exclusively in Australia and 14 in the US.

PAC owns, indirectly through the Trust and through the Trust's subsidiaries, 100% of its operating entities.² With respect to its investment in the Boutiques, PAC generally favors taking minority (non-controlling) interests to promote alignment with Boutique management, while negotiating for provisions that protect PAC's economic rights as a minority investor. These rights vary from Boutique to Boutique. While PAC typically negotiates to have a seat on the Boutiques' boards, PAC does so largely for continuing visibility into the Boutiques' operations, to enable PAC to discharge its continuous disclosure obligations to the market, and to enable an assessment of the Boutiques' compliance with PAC's rights as a minority investor. PAC favours a permanent capital strategy of buying and holding its interests in the Boutiques with no fixed sale date.

Operations

PAC's operations are straightforward. The investment team identifies potential Boutique acquisition targets, manages Boutique relationships post-acquisition, and works with Boutiques in the event of a disposition. The investment team also negotiates the acquisition and disposition of Boutiques with the assistance of legal and finance. The sales and marketing team assists Boutiques that have contracted for the service with marketing and/or sales activities directed at Wholesale Investors. All other functions are support functions. With the exception of the sales and marketing services provided directly to the limited number of Boutiques, PAC does not otherwise provide any significant products or services.

Supply Chain

PAC's supply chain consists principally of its own employees. PAC's supply chain also includes more generally:

- (i) professional services, (i.e., legal, company secretarial and accounting), and

¹ Aurora Trust was formed to facilitate the merger by acquisition of assets of Northern Lights Capital Partners in November 2014. After the simplification of the ownership structure in 2017, Aurora Trust became a holding entity that does not otherwise have material operations.

² In Australia, employees are employed by PAC. In the US, employees are employed by Northern Lights Capital Group, LLC.

- (ii) general office facilities support, including office premises, general office IT, record keeping, cleaning, security and food services for each of PAC's offices.

Additionally, the portion of PAC's supply chain that contributes specifically to PAC's sales to Wholesale Investors and marketing services to its Boutiques includes goods and services that allow PAC to identify potential Wholesale Investors and to create and distribute marketing materials. Generally, goods and services that make up PAC's sales and marketing supply chain are sourced locally in Australia and the US, and are obtained under regular commercial terms and conditions.

For completeness only, we note that PAC's investments in the Boutiques are an asset of the company, and the Boutiques operate largely independently. Boutique operations are therefore not included in this section of the Statement (which is limited to the risks of modern slavery practices in the supply chain of the reporting entity):

- the Boutiques are not part of a supply chain of products or services sold by PAC in the ordinary course of PAC's business;
- in the case of PAC's sales and marketing services, the Boutiques are customers of PAC;
- a Boutique may or may not employ a strategy that screens for modern slavery or other Environment, Social and Governance (**ESG**) issues; and
- regardless, PAC does not (as a general proposition) have rights to direct or influence investment or operations decisions made by the Boutiques.

Modern Slavery Risks

Causing modern slavery practices – PAC believes its risk of directly causing modern slavery risk is low. PAC employs individuals in two developed countries, Australia and the US, all of whom are either professionals or professional administrative support. Goods and services vended in are purchased locally under regular commercial prices and terms.

Contributing to modern slavery practices – PAC believes the risk of its contributing to modern slavery practices is low because a significant portion of PAC's supply chain expenditures relate to professional services. Due to its size, PAC also generally lacks the purchasing power to effect extraordinary price and terms for the goods and services it acquires.

Linkage to modern slavery practices – it is possible that PAC might be linked to other firms engaged in modern slavery practices. For example, IT vendors may outsource to locations outside of Australia and the US where employment safeguards are not as robust. Likewise, it is possible that vendors providing office cleaning and other location related services could use inappropriate employment practices. In such cases, PAC may have little visibility into a vendor's outsourcing and employment practices, and little ability to affect a change in such behaviors once discovered except to replace the vendor when and where possible.

Boutiques controlled by PAC prior to sale or liquidation – in the course of holding an investment in the Boutiques, PAC may from time to time acquire ‘control’ (as that term is defined in ‘AASB Standard 10: Consolidated Financial Statements’) of the Boutique for a discrete period until such time as its interest can be liquidated or sold. Because PAC does not acquire Boutiques initially with a view to operating them and because in such circumstances PAC is in the process of exiting its investment, any modern slavery risks associated with a controlled Boutique held for sale or liquidation are considered on a case-by-case basis. As noted, PAC regards its interests in Boutiques as investments and not as part of PAC’s supply chain.

Boutiques and their investment strategies – PAC ultimately invests in Boutiques on the basis of the overall quality of their investment style and asset class and not on whether ESG screens are employed in the investment process (including modern slavery screens). The exception would be for prospective Boutiques deploying ESG-specific investment strategies, where understanding the nature of the ESG screens would be an integral part of the diligence process. As noted, PAC does not regard its Boutiques as part of PAC’s supply chain.

Actions Taken to Address Modern Slavery Risk

PAC, on its behalf and on behalf of its operating subsidiaries, has taken the following due diligence and remediation steps to assess and address the risks of modern slavery practices occurring in its operations and supply chain during the past 12 months.

Understanding PAC’s supply chain – As PAC conducted its second Modern Slavery review, PAC built on the understanding gained from its first, prior year, review. In doing so, PAC management:

- (i) reported the prior year’s findings to PAC’s Governance Committee and Board, confirming with them management’s understanding of the reporting requirements of the Act;
- (ii) discussed with PAC’s professional advisers the application of the Act to PAC given its size and sources of revenue;
- (iii) took instruction from PAC’s Remuneration, Nomination and Governance Committee (**Committee**) and Board to publish PAC’s modern slavery status on its website in 2020 and to voluntarily report PAC’s Modern Slavery status as a matter of good governance even in years where reporting may not be an affirmative obligation under the Act;
- (iv) confirmed PAC’s understanding of its supply chain and further refined its Modern Slavery review process by implementing a Modern Slavery Policy (**Policy**) detailing internal procedures to operationalise its compliance with the Act’s requirements;
- (v) conducted an annual review of Key Vendors (as defined below) modern slavery practices and the effectiveness of the Policy and modern slavery procedures (**Review**); and

reported the results of the 2021 Review to the Committee and the Board, and sought Board approval for the 2021 Statement.

Surveying key suppliers in the chain – based on the foregoing assessment, PAC reviewed its 2020 key vendors and new vendors and identified what it believes to be the highest impact vendors in its supply chain based on the cost of goods and services to PAC (**Key Vendors**) as a proxy for PAC’s ability to obtain relevant information and influence practices.

In 2021, PAC again sent surveys to its top 10 Key Vendors in order to evaluate PAC’s modern slavery risk. The questionnaire requested self-reporting on awareness of modern slavery practices, whether the vendor has policies and procedures to identify and address modern slavery practices, and steps taken by the vendor to address modern slavery risks.

Integrating approach – based on the evaluation of the supply chain and attendant risks in the initial year of the programme, management recommended, and the Board approved, a policy that:

- (a) any vendor that might qualify as a part of PAC’s supply chain; and
- (b) which is expected to have annual billings to make it a Key Vendor,

is required to complete a modern slavery questionnaire prior to being hired. Subsequent questionnaires would be solicited in accordance with PAC’s then-applicable Modern Slavery procedures.

Findings

PAC reviewed the responses to its FY 2021 questionnaire to determine if meaningful information was provided and whether enhancements to PAC’s process were warranted. As PAC had little turnover in its top 10 Key Vendors since its original questionnaire, the results were fairly consistent. In reviewing the responses, PAC noted the following:

- Nine of the 10 recipients responded.
- Five of the respondents had modern slavery programs **Programs** fully in place. This compares somewhat favorably with the prior year, were several of the same Key Vendors indicated awareness of modern slavery requirements, but whose **Programs** were still in development. These 5 by and large were professional services firms and comprised the bulk of PAC’s top Key Vendors by billing;
- Four respondents expressed awareness of modern slavery requirements but that they had no current plans to institute a formal Program. Three stated this was because they were small professional services firms that had few employees, no material foreign operations and/or low modern slavery risk. One stated that it had no current plans but failed to provide a reason. On further investigation, Management determined that this firm was similarly situated to the other three;
- One vendor failed to respond for a second year even after repeated follow-ups, however this vendor was terminated in FY 2021 for separate business reasons and will therefore not be included in future surveys.

Tracking PAC's performance – given FY 2021 was only the second year of implementation, PAC views it as too early to establish any meaningful trends with respect to modern slavery requirements, and PAC continues to focus on establishing a baseline for its processes going forward.

Enhancements to Questionnaire Process – after reviewing the results of the FY 2021 Key Vendor Survey, Management will review the survey form and process to determine whether enhancements are appropriate to better inform PAC about Key Vendor claims about Modern Slavery risks and compliance, especially where Key Vendors assert that Modern Slavery risks are minimal or that the requirements do not apply to them.

Reporting to Governance and Remuneration Committee and Recommendation to the Board – Management has shared its findings with the Governance and Remuneration Committee, which were recommended to the full Board and approved.

Publicly communicating – this Statement has been made available on PAC's website and has been reported to the Australian Border Force.

Remediation – PAC did not identify in FY 2021 a modern slavery situation in its supply chain requiring immediate remediation, however, please refer to the findings above.

Assessing on-going effectiveness

The Chief Risk Officer, in consultation with management, will assess the effectiveness of PAC's Modern Slavery Policy and will report to PAC's Board at least annually. At present, no changes to the Policy are contemplated except as noted herein.

Given PAC's relatively small size, the relative infrequency of turnover in its employees, Key Vendors in its supply chain, and in the nature of its business and operations, PAC will make further assessments and enhancements as warranted as PAC gains experience in this area.

Consultation with entities owned or controlled

Because PAC's non-Boutique owned or controlled entities are operating entities that house its employees and/or its sales and marketing operations, and are directly managed by PAC's management team, separate consultation with these entities is not necessary. The remaining non-Boutique entities owned or controlled by PAC are holding companies that do not have operations. In light of PAC's relative size and management structure, PAC believes that additional consultation with owned or controlled entities beyond what is outlined above is unnecessary at the present time.

Other relevant information

None at present.

Approval:

This Statement was considered and approved by the Board of Pacific Current Group Limited in their capacity as principal governing body of Pacific Current Group Limited on 18 November, 2021.

Signed by:

This statement is signed by Antony Robinson in his role as Chair of the Board of Pacific Current Group Limited on 18 November 2021.

sign here ►



print name **Antony Robinson**

title **Chair of the Board**

Pacific Current Group Limited

18 November 2021
