



# **PENGANA AUSTRALIAN EQUITIES FUND**

**(ARSN 146 346 929)**

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# **Modern Slavery Statement**

## **For the year ended 30 June 2021**



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### 1. Background

This document is a Modern Slavery Statement ('Statement') issued by Pengana Capital Limited ABN 30 103 800 568 ('Pengana') in its capacity as the responsible entity of the Reporting Entity, the Pengana Australian Equities Fund (together 'Fund') in accordance with the Modern Slavery Act 2018 (Cth) (the 'Act'). This Statement has been approved by the Board of Pengana as its principal governing body. This Statement discloses the Fund's commitment and steps taken in identifying and addressing modern slavery risks within its business and supply chain, which includes the activities implemented in the financial year ending 30 June 2021.

### 2. Structure, operations and supply chains of the Fund

The Pengana Australian Equities Fund (ARSN 146 346 929) is a registered managed investment scheme established as a unit trust in Australia. The Fund's investors may include both retail and wholesale clients pursuant to the Corporations Act (Cth) 2001.

Pengana is the scheme's responsible entity. The Board of Directors of Pengana govern the Fund's overall operations and investments.

Pengana is a wholly owned subsidiary of Pengana Capital Group Limited (ASX: PCG) ('PCG') which is a diversified financial services company listed on the Australian Securities Exchange. Pengana acts as a trustee and responsible entity for a range of managed investment schemes and trusts including the Fund. Pengana's office is located at Levels 1, 2 and 3, 60 Martin Place, Sydney NSW 2000. Pengana holds an Australian Financial Services Licence (No. 226566).

The Fund's investment objective is to achieve over the medium to long term an investment return, including capital appreciation, dividends and interest, in excess of the risk-free rate (i.e., the Reserve Bank of Australia's Cash Rate Target) plus a margin to compensate investors for the extra risk associated with investing in Australian equities (this is known as the "Australian equity risk premium"), with a volatility of return less than the Australian equity market. The Fund invests principally in listed Australian equities and hybrids although up to 20% of the Fund may be invested in other securities and 100% of the Fund may be invested in cash and cash equivalents.



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### 3. Understanding modern slavery risks

Pengana supports fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organisation conventions. In line with the UN Guiding Principles on Business and Human Rights, Pengana recognises the duty of states to protect human rights as well as the fundamental responsibility of businesses to respect human rights.

PCG is a signatory to the UN Principles for Responsible Investment which works to understand the investment implications for Environmental Social Governance ('ESG') factors and support the incorporation of these factors into investment decision making.

Modern slavery involves the most serious forms of human exploitation and takes many forms, including: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour.

Pengana is committed to identifying and mitigating the risk of modern slavery and human trafficking occurring within its business operations or supply chain.

### 4. Risk of modern slavery practices in the Fund's immediate operations and supply chains

The Fund is exposed to modern slavery risk through its immediate operations and corporate supply chains. The Fund has performed an initial risk assessment on its immediate operations and corporate supply chains for inherent modern slavery risk indicators and considers that the risk is low. The Fund's immediate operations are conducted only in Australia which is a lower risk jurisdiction. In addition, most of the Fund's suppliers are from lower risk jurisdictions as detailed by the Global Slavery Index and represent regulated financial and professional service companies which again have a low modern slavery risk.



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### 5. Risk of modern slavery practices in the Fund's investments

The Fund is exposed to modern slavery risk through the supply chains and global operations of the portfolio companies that the Fund invests in.

The Fund primarily invests in Australian and New Zealand listed equities where the direct risk of modern slavery is low.

Pengana has adopted a Responsible Investment and ESG policy, implemented by the Investment Team with oversight by PCG which further reduces the modern slavery exposure from the Fund's investments. The assessment of modern slavery risks within portfolio companies sits within the overall assessment of ESG issues.

### 6. Actions taken to assess and address risks in the Fund's immediate operations and supply chains

The Fund has identified its main suppliers and performed an initial modern slavery risk assessment on them. As a result of this assessment, most of the Fund's suppliers were determined to be of low risk.

One of the Fund's main suppliers (for custody and administration services) is BNP Paribas, which is a French Bank with operations in 68 countries (including many countries where the risk of modern slavery is high) and over 180,000 employees. We reviewed the BNP Paribas Modern Slavery Statement and in 2019 undertook a site visit to the BNP office in Mumbai, India where the majority of BNP's work for the Fund is performed. One of the issues considered during this site visit was the risk of modern slavery. As a result of our investigations, we have determined that the risk of modern slavery in connection with the services that BNP Paribas provides to the Fund is low.

The Fund undertook a more detailed assessment of some of its suppliers which were determined to have a medium modern slavery risk.

We undertook investigations to determine whether our IT services supplier provided any services for the Fund from offshore (which would increase the risk of modern slavery). Our IT services supplier does not provide any services from offshore. In view

An aerial photograph of Sydney, Australia, showing the Sydney Harbour Bridge, the city skyline, and the surrounding water and islands.

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of this and the highly skilled nature of the work undertaken by our IT services provider, we have determined that the risk of modern slavery in this service provider is low.

We also undertook investigations in respect of the cleaning services provided for our Melbourne and Sydney offices which included a review of the modern slavery statements prepared by the relevant companies. Cleaning services are a higher risk area for modern slavery in Australia due to the use of third party labour hire companies, the lower skilled nature of the work and more limited visibility as the work is often undertaken outside normal office hours. During the 2021 financial year, due to Covid 19 and work from home requirements, our ability to liaise with the cleaners directly in order to assess the modern slavery risk has been very limited. Therefore, we are continuing to monitor this situation and will undertake further investigations once staff have properly returned to the Melbourne and Sydney offices.

### 7. Actions taken to assess and address risks in the Fund's investments

The Fund has been managed with the same investment philosophy and process since 2008. The investment approach is founded on a pragmatic understanding of underlying principles, which extends to application of ESG factors within the investment process.

Utilising a monitoring service provided by Sustainalytics, the PCG ESG Committee monitors the portfolio for ESG risks, carbon exposure, involvement in controversial products or industries, and consideration of new and ongoing controversies against appropriate benchmarks.

A Modern Slavery Risk Assessment Matrix was developed, and portfolio companies invested in by the Fund were assessed based on the following risk factors:

- business model, including reliance on third party labour hire companies and supply chain complexity;
- the production, supply and/or distribution of high-risk products and services;
- exposure to high-risk jurisdictions through own operations or supply chain; and
- the overall ESG risk of the portfolio company.

An aerial photograph of Sydney, Australia, showing the Sydney Harbour Bridge, the Sydney Opera House, and the surrounding cityscape and water.

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The assessment was based on independently sourced data and material issued by the portfolio companies, including but not limited to, Modern Slavery Statements, codes of ethics, procurement policies and annual reports, in addition to information sourced through Sustainalytics.

The 2021 financial year was the first year the Fund met the threshold for mandatory Modern Slavery reporting. Over 50% of the portfolio companies, by average market value, held in the financial year were assessed for Modern Slavery Risk. Moving forward, this assessment will be extended to more portfolio companies.

Overall, the weighted average Modern Slavery risk of the portfolio for the 2021 financial year was assessed as “Low” risk. Two portfolio companies were assessed as having a “High” or “Severe” risk of Modern Slavery.

PCG’s ESG Committee has incorporated Modern Slavery Risk into the ongoing monitoring of the portfolio, for both new investments and for changes to the risk assessment of existing holdings.

The ESG Committee present the findings of their assessment to the Investment Team, who incorporate the findings into their investment analysis process, as part of the overall integration of ESG factors. Significant issues are tracked and recorded for progress as part of the Investment Team’s engagement process.

### **8. How the Fund assesses the effectiveness of actions to assess and address risks**

As this is the first year of modern slavery reporting, the Fund is in the early stages of assessing the effectiveness of the risk-based approach.

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



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## 9. Consultation process

There are no subsidiaries or entities owned or controlled by the Fund which we are required to consult with to prepare this Statement.

## 10. Other relevant information

There is no other relevant information for this reporting period.

## 11. Approval

This Modern Slavery Statement was approved by the Pengana Capital Limited Board of Directors.

*K. Glendining* 22/12/2021

Signed by Katrina Glendining, Director,  
a responsible member of the Pengana  
Capital Limited Board of Directors