

PARADICE
INVESTMENT MANAGEMENT

**PARADICE GLOBAL
SMALL CAP FUND
MODERN SLAVERY
STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2021

Table of contents

Table of contents	2
Background	3
Structure, operations and supply chains of the Reporting Entity	3
Fund Structure	3
About Equity Trustees	3
About Paradise	3
Operations and supply chains	4
Risks of modern slavery practices in operations and supply chains of the Reporting Entity	4
Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes.	6
How the Reporting Entity and ETL assesses the effectiveness of actions to assess and address risks	8
Consultation process	8
Other relevant information	9
Approval	9

Background

This document is a Modern Slavery Statement (**'Statement'**) made pursuant to section 14 of the *Modern Slavery Act 2018 (Cth)* (the **'Act'**) in respect to the financial year ending 30 June 2021 (the **'Reporting Period'**) in relation to The Paradise Global Small Cap Fund a 'Reporting Entity' under the Act.

The Statement is issued by Equity Trustees Limited ABN 46 004 031 298 (**'ETL'** or **'Responsible Entity'**) in its capacity as the responsible entity of the Paradise Global Small Cap Fund (the **'Reporting Entity'**) in accordance with the Act and has been approved by the Board of ETL as their principal governing body.

This Statement discloses ETL and the Reporting Entity's commitment and steps taken in identifying and addressing modern slavery risks within its business and supply chain, which includes the activities implemented in financial year ending 30 June 2021.

This is the first Statement for the Paradise Global Small Cap Fund.

Structure, operations and supply chains of the Reporting Entity

Fund Structure

The Paradise Global Small Cap Fund (also referred to as the "Fund" or the "Trust") is a registered managed investment scheme, ARSN 161 493 456 governed by a trust deed (the "Constitution"). ETL is the responsible entity of the Fund. Its investors are classified as retail and wholesale clients pursuant to the Corporations Act (Cth) 2001.

The Board of Directors of ETL govern the Fund's operations. Its investments and investment strategy are managed by Paradise Investment Management Pty Ltd pursuant to an Investment Management Agreement ("**IMA**") between ETL and Paradise Investment Management Pty Ltd ("Paradise").

The business activities of the Fund are conducted in accordance with high levels of ethical and professional standards and in accordance with relevant laws in Australia. The Fund is committed to mitigating the risk of modern slavery in the business and supply chains of the Fund and the assets in which it invests.

About Equity Trustees

ETL is a wholly owned subsidiary of EQT Holdings Ltd which is a diversified financial services company publicly listed on the Australian Securities Exchange (ASX: EQT). ETL holds an Australian Financial Services Licence ('AFSL') no. 240975. It acts as a trustee and responsible entity for a range of managed investment schemes and unit trusts of which the Fund is one. ETL's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000, Australia.

About Paradise

Paradise is a privately owned Australian fund manager established in 1999. As Australia's first boutique investment firm specialising in smaller companies, Paradise quickly became known for its ability to deliver solid long term returns within this niche marketplace. Recognising investor demand for portfolios focusing on mid and large cap investment strategies, Paradise expanded its investment offerings to incorporate these options. The Australian Small Cap product was launched in 2000, the Australian Mid Cap product was launched in 2006, the Australian Large Cap (now the Australian Equities) product followed in 2007 and the Long Short Australian Equities (now the Paradise Equity Alpha Plus) in 2020. In 2010, Paradise established an office in Denver and more recently in San Francisco, USA, from where the most recent offering, the Paradise Global Small Cap and the Paradise Global Emerging Markets products, are managed.

Paradise is 100% owned by employees of the company.

Paradice holds an AFSL no. 224158. Paradise's primary place of business is Level 27, 2 Chifley Square, Sydney NSW 2000, Australia.

Operations and supply chains

The Fund's investment objective is to outperform the S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion (AUD) Net Total Return Index over a three to five-year period (after management costs and before tax).

The Fund will generally invest in global small and mid-capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average market capitalisation of less than US \$5 billion and cash. The Fund is denominated in Australian dollars and currency exposures are generally unhedged.

The Fund's investment management operations include active investments across a range of global small and mid-cap equities, generally between 40 and 80 securities.

In preparing this statement, the Fund's direct supply chain has been considered.

The Fund's operations and supply chains involve custody and administration of assets and include several support functions including marketing and communication, governance, risk and compliance services, information technology and human resources. These support functions are provided by ETL, Paradise and other external service providers. Internal policies and procedures in relation to the selection of service providers are followed and service providers are typically selected after a due diligence (financial & operational) process which includes risk assessments and thorough reviews with internal subject matter experts.

ETL, as Responsible Entity of the Fund, has entered into agreements with each of the service providers which govern the nature and scope of the services to the Fund.

Administration and Custody of the Fund's assets are held via State Street Australia Limited which has operations in Australia and a number of international jurisdictions including North America, Europe and Asia, as part of a global group of companies.

Risks of modern slavery practices in operations and supply chains of the Reporting Entity

Modern slavery has been defined by the Act to include eight types of serious exploitation, including:

1. Trafficking in persons;
2. Slavery;
3. Servitude;
4. Forced labour;
5. Forced marriage;
6. Debt bondage;
7. The worst forms of child labour;
8. Deceptive recruiting for labour services.

It is acknowledged that the following types of modern slavery risks and their indicators that can exist in the Fund's operations and supply chains as well as in the equity holdings of the Fund:

- **Sector and industry risk:**

Certain sectors and industries may have high modern slavery risks because of their characteristics, products and processes. Indicators of this type of risk include: the use of unskilled, temporary or seasonal labour; use of short-term contracts and outsourcing; use of foreign workers; and involvement in activities such as security and cleaning which commonly occur outside of regular business hours.



In respect of the Fund, based on the sectors identified using the Responsible Investment Association Australasia (RIAA) investor toolkit and the Australian Council of Superannuation Investors (ACSI) *Modern Slavery Risks, Rights and Responsibilities: A Guide for Companies and Investors*, we have identified the following operations/supply chains that exhibit sector and industry risk:

- Agriculture and fishing;
- Apparel;
- Construction and building materials;
- Electronics manufacturing and electronics recycling;
- Food and beverage;
- Healthcare;
- Hospitality;
- Mining;
- Transport and warehousing; and
- Financial services.

As at 30 June 2021, the Fund had exposure to companies operating in the following sectors¹:

- Apparel
- Construction and building materials
- Electronics manufacturing
- Healthcare
- Food and beverage
- Financial services

The Fund may employ the services of suppliers in sectors of elevated risk with respect to electronics manufacturing and financial services. However, due to the jurisdictions in which the Fund's business operations are based and nature of the services provided no suppliers of the Fund have been identified as high risk from a sector / industry basis.

- **Product and services risk:** where certain products and services have high modern slavery risks because of the way they are produced, provided or used.

We have not identified any significant areas of modern slavery risk in the Fund's direct operations or supply chains as a result of the way they are produced, provided or used.

- **Geographic risk:** where some countries may have higher risk of modern slavery, including due to poor governance, weak rule of law, conflict, migration flows and socio- economic factors.

We have analysed the Fund's investments in respect of geographic risk and have not identified any areas of significant geographic risk in its investments, although note that some countries of elevated risk are represented in the Fund's benchmark.

With respect to geographic risk in the supply chain the Fund generally sources providers which are incorporated in Australia or the United States and is not aware of any direct suppliers which are incorporated in a high-risk country (as defined in the Global Slavery Index 2018).

Due to the fact that the Fund's investment benchmark includes some countries of elevated risk there is also the potential for exposure to such countries through the Fund's indirect supply chains as part of servicing eligible investments. As outlined above, the Fund has not currently identified any areas of significant geographic risk in its investments and therefore no material risks of modern slavery from such indirect supply chains have been identified.

- **Entity risks:** where an entity may have particular modern slavery risks because of poor governance structures, a record of treating workers poorly or a track record of human rights

¹ Determined from GICS classifications.

violations. We have not identified any instances of entity risk in the Fund's investments and suppliers. The risk of Modern Slavery with respect to the employment practices of ETL or Paradise is low due to their reliance on high skilled, predominantly full time and permanent workforce based in Australia and the United States.

Actions taken by the Reporting Entity and ETL to assess and address risks, including due diligence and remediation processes.

ETL and the Reporting Entity are committed to continuously improving awareness and response to the risk of modern slavery in the Fund's operations and supply chains.

During the Reporting Period ETL undertook the following actions:

- updated the annual due diligence questionnaire to include modern slavery questions designed to identify any potential risks in the supply chains of the Fund,
- undertook Modern Slavery training to the ETL Board of Directors relating to the obligations of the Act and the responsible members of the ETL Board in approving this Statement;
- actively engaged with investment managers when any suspected modern slavery activity was detected.

As Investment Manager, Paradise is committed to taking actions which mitigate modern slavery risks across its operations, supply chain and investments. In line with the Modern Slavery Act, the primary focus is on the potential risks to vulnerable people.

Governance

There are governance processes in place and designated responsibilities for the oversight and management of modern slavery risk which include established committees to whom high risk modern slavery issues can be escalated. This includes the escalation of modern slavery incidents if, and when they arise for the Fund.

Paradise has a Sustainability Committee whose role includes supporting the Board in:

- Oversight of the process of developing the sustainability-related objectives defined in Paradise's Responsible Investment Policy.
- Oversight of the implementation of Paradise's internal policies as they relate to economic, social and governance (ESG) risk management which includes Modern Slavery.

Paradise has a Modern Slavery Policy which is supported by additional policies including: codes of conduct; vendor management policies; Responsible Investment Policy; and Whistleblower Policy.

The policies are reviewed at least biennially, or more frequently as regulatory requirements dictate and/or business practices evolve.

Modern Slavery Incident Tracking

Paradise monitor modern slavery incidents as part of the Sustainability Committee reporting and a modern slavery incident register was established. This register is utilised across both investment and business operations and aims to assist in the recording, management and reporting of instances where it is confirmed or strongly suspected that modern slavery practices have occurred in the operations, supply chain or investments.

For investment related incidents, the ESG Team works closely with the investment team to determine whether these warrant recording, reporting and ongoing monitoring. Further, the Paradise Global Equities team utilises a third- party controversy monitoring service to support the identification of potential incidents.

Training and awareness

Paradice has an ESG team responsible for building awareness among the investment teams on ESG issues, including modern slavery, and contributes to this through the application and sharing of the outcomes from the in-house modern slavery tool.

This, combined with the cross-business due diligence activities, ensure that modern slavery awareness is maintained.

Supply chain risk

With respect to the prevention of modern slavery in the Fund's supply chains, modern slavery risk is embedded within the Paradice procurement and vendor management practices.

Onboarding processes will consider the geographical risk of the supplier. Where the Fund does business with a supplier based in another jurisdiction, Paradice will consider the business risks associated with such a supplier, including the modern slavery risk, as part of the initial due diligence of the supplier.

There are policies and procedures governing initial and ongoing due diligence of key suppliers which include modern slavery reviews.

Paradice requests that key suppliers confirm that employees and contractors are legally entitled to work and that no bonded, forced or involuntary labour, child labour, human trafficking or other forms of slavery is employed in the delivery of their products or services to Paradice along with due diligence enquiries on the governance, training, supply chain management of modern slavery risk.

As with any material risks, high modern slavery risks are escalated.

Investment activity risk

Risk assessment tools

Paradice has developed an internal modern slavery risk assessment tool through which it assesses and monitors the investment portfolios for modern slavery risks.

The tool leverages external data feeds relevant to modern slavery exposure, in particular geography-based sources of revenue and a company's listed supply chain. Paradice considers geographies to be high risk if they have been identified as such by the Global Slavery Index (GSI), Transparency International's Corruption Perceptions Index (CPI) and the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor.

Paradice uses this tool to identify companies with elevated exposure which warrant additional analysis for modern slavery risk.

Based on the output of the tool, where Paradice identifies a company facing elevated exposure, the process includes the following steps:

1. Undertake additional research on modern slavery and human rights processes and policies of the company in question, which may include meeting with the company on the matter
2. Determine whether current controls are sufficient to manage the risk
3. Where risks are believed to be insufficiently managed or disclosures are inadequate, Paradice may engage with the company to address these risks.

Whilst this is the first iteration of this tool and is limited to several data inputs, Paradice seeks to increase the scope of the tool to include more data inputs as disclosure and data availability improve.

Engagements with companies within the Fund's portfolio are primarily prioritised through companies identified using the modern slavery risk assessment tool. Human rights controversies flagged through third party services or internal research may also shape engagement with companies.

In seeking to address the risks identified, Paradice focuses on management controls such as robust labour and human rights-related policies and appropriate grievance mechanisms. This allows for improved understanding of how risks are being addressed. Paradice may also provide feedback on company disclosures and request further details in determining the potential risk to people from the company's operations or supply chain.

Modern Slavery Initiatives

For the forthcoming reporting period, Paradice expects to provide additional details on the following:

- Expansion of the ESG team.
- Targeted Modern Slavery training for staff that are involved in vendor selection and ongoing management.
- Continued review of vendors' modern slavery statements, policies and procedures.
- The outcomes of modern slavery incident management monitoring activities.
- Inclusion of modern slavery contractual obligations for new relationships to the extent possible.
- Continuously improving the Fund's existing procurement and risk management practices across all relevant business units.
- The assessment of modern slavery risks within investment portfolios and efforts undertaken to engage with investee companies on the issue.

How the Reporting Entity and ETL assesses the effectiveness of actions to assess and address risks

As this is the first year of modern slavery reporting for ETL as the Responsible Entity, the Fund is in the early stages of assessing the effectiveness of the risk-based approach which includes the review of geographical jurisdictions the Reporting Entities are exposed to and the likely exposure within any investable assets that may align to areas of known modern slavery risks.

ETL intends to provide its Board of Directors with an annual assessment on the implementation and effectiveness of actions to ensure the obligations within this Statement are met. The ETL Board shall consider the effectiveness of the measures as set out above and have the authority to make amendments to this Statement as it sees fit.

Consultation process

There are no subsidiaries or entities owned or controlled by the Reporting Entity, which is a trust. However, the trustee of the Trust and the investment manager of the trust consult on the preparation of this Modern Slavery Statement ('MSS').

The trustee of the Reporting Entity is ETL (the issuer of this statement). The trustee is responsible for holding the assets of the trust, issuing interests in the trust to investors and entering into agreements on behalf of the trust.

The investment manager of the Fund is Paradice who is appointed by the trustee under an Investment Management Agreement. The role of the investment manager is to make investment decisions regarding the assets of the trust. For clarity, Paradice is not owned or controlled by the issuer of this MSS.

Senior management of the investment manager and the trustee consult on all content included in the MSS and jointly identify, consider and address modern slavery risks set out in the MSS. The MSS is then reviewed and approved by the board of the trustee.

Other relevant information

A comprehensive approach to modern slavery is an evolving process and acknowledge that incremental progress is required over time. This includes with respect to assessing and monitoring the effectiveness of the approach to incidents. There has been an increased focus on modern slavery as part of ongoing due diligence of key vendors. Paradice has established a process which enables the Fund to identify, record and monitor incidents in the supply chain as well as the investment process. As this process is implemented, Paradice will explore in what circumstances reporting and/or remediation of victims is required, and how to go about this. Paradice will progressively consider whether this approach is effective, in the spirit of reducing harm to people, and enhance the response accordingly.

Paradice is a signatory to Investors Against Slavery and Trafficking (IAST) and supports the initiative's collaborative engagement with Ansell Ltd. Being part of this investor group supports the understanding of the related risks, as well as better practice management of modern slavery and human rights issues so that lessons learned can be implemented into the investment decision making and engagement activities.

Approval

This Statement was approved and signed by Philip Gentry on behalf of the Board of Directors of ETL, the responsible entity of the Reporting Entity, on 23 December 2021.



Philip Gentry

Date: 23 December 2021

For clients wishing to discuss this statement, please contact your client service representative.

For media inquiries wishing to discuss this Statement, please contact:

Alicia Kokocinski,
General Manager, Marketing and Communications
Equity Trustees Limited
Level 1, 575 Bourke Street, Melbourne, VIC 3000
Australia
Telephone: +61 3 8623 5396 / +61 403 172 024
Email: akokocinski@eqt.com.au

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