

BGH Capital

Modern Slavery  
Statement  
FY23



## 1. Introduction

BGH Capital Pty Ltd (BGH Capital) takes the need to manage, measure and report on environmental, social and governance (ESG) risks seriously, including modern slavery, human rights, and labour practices.

BGH Capital's policies includes behavioural expectations and principles that guide attitudes and activities across ESG areas, including addressing modern slavery risks in its operations and supply chains. Further, BGH Capital is well positioned to influence and initiate change regarding modern slavery risk management across its portfolio of investments.

BGH Capital is committed to reporting under the Modern Slavery Act 2018 (Cth) (the Act). As for prior reporting periods, this modern slavery statement (Statement) follows the mandatory reporting criteria, setting out:

- an overview of the BGH Capital business, including details of our structure, operations and supply chains, to provide context and background;
- the actions we have taken during the Reporting Period to assess potential modern slavery risks in our operations and supply chains; and
- the actions we have taken during the Reporting Period to address these modern slavery risks.

## 2. About BGH Capital and the BGH Capital Funds

BGH Capital was founded in 2017 with the objective of creating the pre-eminent private equity firm in Australia and New Zealand. It is headquartered in Melbourne, Australia and is an independent firm, owned and managed by its founding partners.

BGH Capital's team stands at over forty professionals, making it one of the largest private equity teams in Australia and New Zealand. BGH Capital partners with company founders and management teams in Australia and New Zealand to help them build and grow strong, sustainable market-leading businesses.

BGH Capital is the manager or adviser of collective investment vehicles that have been established to provide investors with attractive risk-adjusted returns through a portfolio of investments in market-leading companies ("portfolio companies") with significant growth potential in Australia and New Zealand.

BGH Capital launched its first fund, BGH Capital Fund I, in 2018, raising approximately \$2.6 billion to invest in a diversified portfolio of companies in Australia and New Zealand (the BGH Capital Fund I). BGH Capital Fund II was closed in FY22 with \$3.6 billion of committed capital. BGH Capital commenced deploying Fund II capital during the FY23 reporting period.

For further detail please refer to: <https://www.bghcapital.com/>

## **3. Description of BGH Capital's structure, operations and supply chain**

### **3.1 Structure and operations**

The structure and operations of BGH Capital remain unchanged from the prior reporting period. BGH Capital is part of the BGH Capital group of companies. The core entities within the group are:

- BGH Capital Fund I and BGH Capital Fund II (collectively known as the BGH Capital Funds);
- BGH Capital Pty Ltd provides investment management and advisory services to the BGH Capital Funds.

These services are undertaken by BGH Capital investment professionals;

- BGH Capital Services Pty Ltd primarily conducts the operating activities and procurement arrangements for the group;
- BGH Capital Custody Services Pty Ltd provides custodial services.

The BGH Capital Funds generally hold a controlling, majority or significant stake in each portfolio company and are therefore well positioned to influence and initiate change regarding modern slavery risk management. BGH Capital has a formal and rigorous approach in place regarding the management of ESG considerations within each of its portfolio companies, which includes modern slavery, human rights, labour practices and other 'social' concerns. As part of this, BGH Capital collaborates with and supports its portfolio companies in managing and addressing ESG risks and opportunities.

### **3.2 Supply chains**

The primary direct suppliers of the BGH Capital Funds are the Manager and other BGH Capital Group entities. The BGH Capital Funds' other direct suppliers are audit, tax agents and fund administration service providers predominantly based in Australia, Singapore and Hong Kong. There have been no material changes to BGH Capital's direct suppliers in the past reporting period.

As for FY22 reporting, given the role of BGH Capital as the Manager or Adviser of the BGH Capital Funds and that the primary direct suppliers of the BGH Capital Funds are BGH Capital Group entities, this Modern Slavery Statement focusses on the supply chain and operations of BGH Capital, and on the modern slavery risks in those supply chains and operations.

## 4. BGH Capital modern slavery risk assessment

### 4.1 Modern slavery risk assessment: BGH Capital's operations

The operations of BGH Capital primarily relate to the direct employment of investment and operations professionals and support staff. This team of over 40 people is employed directly by BGH Capital and primarily work from BGH Capital's offices in Melbourne. BGH Capital management has high visibility of employees (and their working environment) and has determined that there are no modern slavery practices within the Manager's direct operations.

BGH Capital is committed to ensuring compliance with all relevant laws, regulations and internal policies and seeks to foster a culture that goes beyond compliance. BGH Capital operates in a highly regulated environment and has robust policies and procedures concerning employment screening, employment conditions and appropriate workplace behaviour. These policies and procedures apply across all employment types, are reviewed on a regular basis and are explained to staff through regular training. All staff are expected to abide by the spirit, as well as the strict requirements, of the Code of Conduct and applicable policies and procedures. These policies and procedures bolster BGH Capital's risk management across its operations, including labour-related risks.

### 4.2 Modern slavery risk assessment: Supply chains

BGH Capital's supply chain falls in to two distinct categories:

1. **Professional advisory services core to the investment process procured by BGH Capital as Manager or Adviser of the BGH Capital Funds.** This relates mainly to the suppliers of professional and consulting services such as legal, tax, accounting and financial services. These services are predominately located in Australia and New Zealand, and the risk of modern slavery, within these jurisdictions, remains low.
2. **Goods and services used in the running of BGH Capital private equity firm.** Major expense categories include office facilities and management, other consulting (including recruitment and IT) services, information services, technology hardware and software and travel and hospitality expenses.

As outlined in BGH Capital's FY22 Modern Slavery Statement, BGH Capital, with support from an external specialist advisor identified three key risk areas in its supply chain; facilities, technology hardware and outsourced service providers.

#### *Facilities*

BGH Capital's office and facilities pose some of the higher supply chain risks given their nature (e.g. cleaning and security). The office at 101 Collins Street, Melbourne is owned and operated by a top-tier landlord from whom BGH Capital source facility services. BGH Capital has reviewed the landlord's Modern Slavery Statement and questionnaire responses, as well as directly engaged with the operations

team to confirm modern slavery management systems and seek further comfort over the management of risks inherent in cleaning and security services.

In prior reporting periods, BGH Capital committed to engage in ongoing dialogue with the landlord to ensure appropriate risk management arrangements are maintained. Through this engagement, BGH Capital understands that 101 Collins Street committed to explore the CAF ('Cleaning Accountability Framework') certification for their cleaners across FY23, with a view to attaining certification in the subsequent reporting period (FY24). BGH Capital understands this to be a positive risk management activity initiated by this key service provider.

### *Technology Hardware*

Electronic goods such as computer equipment often contain high risk commodities that are connected with child labour and forced labour. In FY23, BGH Capital had three main direct suppliers in this category with spend at similar levels as in FY22; less than 0.2% of total spend. In the FY22 reporting period, BGH Capital undertook further diligence in respect of these suppliers to satisfy itself that the suppliers have systems in place to manage modern slavery risks, notwithstanding their varying stages of maturity.

### *Outsourced Service Provider (IT Services and Hardware)*

BGH Capital has a managed services agreement with a third party for the provision of IT services. The supplier is an Australian privately owned company with operations located in Australia, New Zealand, India, Sri Lanka and the Philippines.

Geographically, India, Sri Lanka and the Philippines are considered higher risk countries. However, given the provider supplies high skilled labour and complies with more stringent, Indian labour law changes, modern slavery risk is considered moderate to low. As noted in their FY22 Modern Slavery Statement, the provider has put in place mechanisms to mitigate the impacts of hyperinflation on its employees in Sri Lanka, further reducing modern slavery risks in this higher risk geography.

BGH Capital's assessment follows engagement with the provider in FY22, review of its FY21 and FY22 Modern Slavery Statements and questionnaire responses.

## **4.3 Modern slavery risk assessment: BGH Capital portfolio companies**

BGH Capital Funds are invested in ten portfolio companies as of FY23. These companies operate in diverse industries and face a variety of risks across Tiers 1, 2 and 3 of their supply chains. BGH Capital supports the ESG programs for all controlled portfolio companies).

Across FY23 no instances of modern slavery have been identified within BGH Capital portfolio companies' direct supply chains. BGH Capital remains attuned to the risks of modern slavery and continues to work alongside portfolio companies to focus on continuous improvement in managing these risks.

Importantly, eight of BGH Capital's portfolio companies each prepare their own independent Modern Slavery Statements. A detailed view of each portfolio company's modern slavery risks, and management of these, is captured in their independent statements.

## 5. Modern slavery risk management at BGH Capital

This section of BGH Capital's Modern Slavery Statement outlines the FY23 actions taken to address and manage the potential risks of modern slavery in BGH Capital's operations and supply chain and as a Manager of BGH Capital's ten portfolio companies.

### 5.1 Actions taken to manage the risk of modern slavery within BGH Capital's Operations and supply chain

#### *Existing policy settings*

BGH Capital's existing policies mitigate the risks of modern slavery within the firm's direct operation.

BGH Capital's **Code of Conduct** requires the highest standards of ethical conduct as employers and as Fund Managers.

BGH Capital's **ESG Policy** includes behavioural expectations and principles that guide attitudes and activities across environmental, social and governance areas including modern slavery. Guided by the United Nations Declaration of Human Rights and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), it commits to:

- promote the elimination of all forms of forced, bonded and compulsory labour, the effective abolition of child labour, child marriage and/or sex trafficking and the elimination of discrimination in respect of employment and occupation, and
- support fair treatment of all employees and contractors including respect for international labour standards, safe and healthy working conditions and responsible labour management.

#### *Introduction of a Modern Slavery Policy*

In FY23 BGH Capital introduced its *Modern Slavery Policy*. The Policy formalised BGH Capital's commitment to managing modern slavery risks across the business' operations and supply chains; evidenced this commitment; and educated employees on the nature and management of this risk. In addition, this Policy has been provided to support various portfolio companies to implement their own Modern Slavery Policy, or to update and refresh their current Policy.

#### *Oversight and governance*

Modern slavery is managed and accounted for at the highest levels of BGH Capital. The BGH Capital Board is responsible for and has oversight of BGH Capital's risk management framework, including management of modern slavery risk. The Head of the Operations Group and General Counsel, both Partners of the firm, are jointly responsible for ensuring BGH Capital manages and mitigates the risk of modern slavery and that all team members are aware of and understand the risks and internal practices and processes. BGH Capital's Chief Operating Officer and Director, Procurement Operations are responsible for embedding modern slavery considerations within procurement processes. In addition, the Investment Team is responsible for modern slavery considerations throughout the investment lifecycle.

### *Supplier risk assessment*

In FY22, specialist counsel was engaged to assist with the supplier risk assessment, to ensure modern slavery risks were captured and addressed. Given continuity in BGH Capital's operations and supply chain the risk assessment remains unchanged.

### *Investment due diligence*

Modern slavery considerations are explicitly included in BGH Capital's pre-investment screen phase of due diligence. This enhanced process better captures modern slavery risks within investment management and decision making, including a greater focus on the potential investment's value chain, and search for historical instances of modern slavery.

### *Internal education*

BGH Capital has continued to deepen internal education on modern slavery through maintaining strong relationships with and seeking ongoing support from external experts.

## **5.2 Actions taken to manage the risk of modern slavery by BGH Capital for all of BGH Capital's portfolio companies**

In FY22 BGH Capital focused on ensuring that the portfolio companies had a base level of understanding of modern slavery risk identification, assessment and management. This has continued to evolve in FY23, with BGH Capital undertaking a range of activities to support the portfolio companies as outlined below.

### *BGH Capital's Modern Slavery Maturity Framework*

During FY23 BGH Capital finalised its *Modern Slavery Maturity Framework*. Developed collaboratively with external experts, the *Maturity Framework* sets out the activities, systems and outcomes that may be expected of a portfolio company when managing modern slavery risks, providing explicit and tangible guidance on how to strengthen modern slavery programs. The *Maturity Framework* spans nine criteria, and details four stages of maturity, ranging from 'basic' to 'best practice'.

Upon finalisation, BGH Capital rolled out the *Maturity Framework* to portfolio companies at a Modern Slavery Forum. This forum enabled robust discussion and knowledge sharing across portfolio companies, ensuring there was a solid understanding of the *Maturity Framework* across the executive.

### *BGH Capital's Modern Slavery Maturity Framework Assessments*

External experts were engaged to undertake an independent assessment of each portfolio company against the *Maturity Framework*. The individual assessments were shared and discussed between BGH Capital and each portfolio company. Each assessment provided specific, pragmatic and tangible advice, forming the basis for the development of the roadmap of each companies' modern slavery program.

## *BGH Capital's Modern Slavery Response and Remediation Guidance*

Feedback from BGH Capital's portfolio companies identified a need for greater guidance on modern slavery response and remediation, leading to the development of *Modern Slavery Response and Remediation Guidance*. This has been reviewed by external experts and will be finalised during FY24.

### *Incident escalation and reporting*

In FY22, an Immediate Incident Escalation and Reporting Policy was implemented for portfolio companies. Incidents are to be reported directly to the BGH Capital Board, including the identification of modern slavery within operations and/or supply chains.

## **5.3 Actions taken to manage the risk of modern slavery by BGH Capital for specific BGH Capital portfolio companies**

In addition to support provided across portfolio companies, BGH Capital has provided support to specific portfolio companies, as and where needed. Examples include:

- support and guidance to establish Working Groups to manage high risk items and identified issues, such as labour hire onboarding and governance;
- connection to expert counsel, when the need is identified, to provide issue and industry-specific guidance to the portfolio company;
- inclusion of modern slavery short-form clauses into portfolio companies' supplier contracts on an ongoing basis;
- ongoing engagement and specifically identified improvements, given involvement with the business, such as identifying channels through which to identify and investigate modern slavery concerns; and reviewing and providing input to FY23 Modern Slavery Statements; and
- facilitating Modern Slavery training for key personnel within a portfolio company and external experts.

## **6. Assessing the effectiveness of BGH Capital's actions**

BGH Capital has a number of established methods to assess the effectiveness of its actions. These are necessarily both qualitative and quantitative in nature and will likely evolve in future reporting periods as the approach to modern slavery management and reporting progresses.

### *Qualitative*

- **Annual Board reporting:** BGH Capital's Modern Slavery Statement is reported to the BGH Capital Board annually. This provides the Board and internal subject matter experts the opportunity to discuss and critically evaluate actions, effectiveness, and opportunities for improvement.
- **Education and feedback:** Whilst informal and qualitative, internal education levels and awareness of modern slavery risks provide a strong measure of effectiveness. Example indicators include: human rights considerations increasingly incorporated in BGH Capital procurement practices; feedback from portfolio companies' communicating the value of trainings, resources, and

their future needs to enable maturation; identification of modern slavery risks for companies during diligence by BGH Capital’s investment team; and instances of internal escalation of modern slavery risks.

### *Quantitative*

- **Instances of modern slavery identified:** The number of instances of modern slavery identified is a clear quantitative measure of effectiveness. To date, no instances have been identified within BGH Capital’s operations (or those of its portfolio companies). Modern slavery risks are being identified and flagged by BGH Capital’s Investment team as part of investment due diligence, reflecting the efficacy of employee education and improvements in due diligence processes.
- **Investigations into higher risk areas of business:** The number of investigations into instances of suspected modern slavery can be used to assess effectiveness. More investigations reflects a more successful, well-resourced modern slavery program. In FY23 one portfolio company undertook an in depth investigation across a high-risk area of their business, with no instances of modern slavery identified.
- **Ethical Audit results, and progress:** Sedex Members Ethical Trade Audit (SMETA) results provides both qualitative and quantitative information to assess efficacy. The year-on-year comparison of the number of “non-compliances” and remediation of audit findings can demonstrate improvements. One portfolio company had a SMETA audit undertaken in FY23. BGH Capital will continue to monitor progress and results and SMETA audits will be utilised where considered appropriate.
- **Results of the BGH Capital Modern Slavery Maturity Framework:** As described in section 5.2, BGH Capital’s *Maturity Framework* has independently assessed the maturity of each portfolio company across nine criteria. Each portfolio company will be re-assessed every 24 months to understand, quantify and demonstrate modern slavery maturity progression.

## 7. Process of consultation

As in prior reporting periods, entities within the BGH Capital Group have shared information in respect of their supply chains, operational risk assessments, activities and plans to improve maturity in managing modern slavery risks. Consultation has been facilitated by the BGH Capital General Counsel, with support from BGH Capital’s ESG Associate and involved senior advisors and professional services firms. BGH Capital has proactively engaged in consultation with and collaborated with portfolio companies, some more extensively than others depending on risk assessments and program support required.

## 8. Future actions

BGH Capital welcomed the opportunity to collaborate with and support portfolio companies across the FY23 reporting period to deepen and continuously improve their approach to modern slavery risk management.

Future activities and next steps will be guided by BGH Capital’s Modern Slavery Maturity Framework (as explained in section 5.2), alongside additional education and feedback from the portfolio companies. In combination, this will further progress our portfolio companies’ focus and approach to assessing, mitigating and managing risks of modern slavery.

Future actions to progress BGH Capital's modern slavery management in the next reporting periods include to:

- finalise and implement BGH Capital's *Modern Slavery Response and Remediation Guidance* and make this available to portfolio companies in FY24;
- periodic re-assessment of each portfolio company against the BGH Capital *Modern Slavery Maturity Framework*;
- encourage and support BGH Capital portfolio companies to adopt a stand-alone Modern Slavery Policy (if not already in place);
- update BGH Capital's master engagement agreements to mandate a modern slavery attestation for panel professional services firms (across 3-year rolling reviews);
- further review procurement processes of portfolio companies (where relevant) to identify and implement opportunities to improve modern slavery mitigation and controls;
- provide further collaborative opportunities across modern slavery identification, assessment, management and mitigation education at BGH Capital, and across the portfolio companies; and
- seek ongoing feedback on BGH Capital's modern slavery program from portfolio companies to support continuous improvement for both BGH Capital and its controlled companies.

All future activities will be designed and implemented to contribute to reducing the prevalence and damaging impacts of modern slavery in both Australia and across global supply chains.

## Approvals

This report has been reviewed and approved by the board of directors of BGH Capital Pty Ltd and signed by each of the directors:




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**Robin Bishop**  
Founding Partner  
18 December 2023




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**Ben Gray**  
Founding Partner  
18 December 2023




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**Simon Harle**  
Founding Partner  
18 December 2023

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