PACIFIC CURRENT GROUP

PACIFIC CURRENT GROUP LIMITED
Modern Slavery Statement for financial year (FY) 2023

Background

This Modern Slavery Statement for FY 2023 (**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 2023, 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. Given PAC's reportable annual consolidated revenue can vary substantially from year to year depending on whether there have been any substantial portfolio transactions, PAC has determined to report on a voluntary basis each year, regardless if it meets the threshold requirements in a given period.

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 can 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 provides wholesale investor sales and marketing services through its Australian and US subsidiaries 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) and is listed on the Australian Securities Exchange. Its Boutique investments 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

[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 operations.

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 1 July 2023, PAC had 20 employees, most of whom are professionals in investment, finance, sales and marketing, and legal. Five are located exclusively in Australia and 15 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 (or some other similar governing body), 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.

<u>Operations</u>

PAC's operations are straightforward. PAC's 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 negotiates the acquisition and disposition of Boutiques with the assistance of legal and finance. The sales and marketing team assists a limited number of Boutiques that have contracted for the service with marketing and/or sales activities directed at Wholesale Investors. All other functions are support functions. PAC does not otherwise provide any significant products or services.

<u>Supply Chain</u>

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

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

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, track sales efforts, and 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 independently. Boutique operations are therefore not included in this 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. PAC's vendors with global reach also tend to be professional services firms. Other goods and services vended in are generally 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 obtained by PAC. Due to its size, PAC also generally lacks the purchasing power to effect extraordinary prices 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, 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 has little visibility into a vendor's outsourcing and employment practices other than through good faith reliance upon questionnaire responses, 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 – while 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 would be 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. During FY 2023 PAC did not "control" any of its Boutiques as defined in Standard 10.

Boutiques and their investment strategies – PAC ultimately invests in Boutiques based on 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 any 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.

<u>Actions Taken to Address Modern Slavery Risk</u>

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 FY 2023.

Understanding PAC's supply chain – As PAC conducted its fourth Modern Slavery review, PAC built on the understanding gained from prior reviews. 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 and taking comments on management's approach;
(ii) confirmed PAC's understanding of its supply chain and reviewed its Modern Slavey Policy (**Policy**);
(iii) revised the Modern Slavery questionnaire form sent to its top 10 vendors by prior year's billings (**Key Vendors**) in order to better elicit clear and informative responses;
(iv) conducted an annual review of Key Vendors' modern slavery practices using the newly revised questionnaire form;
(v) evaluated Key Vendor questionnaire responses; and
(vi) reported the results of the 2023 Review to the Committee and the Board and sought Board approval for the 2023 Statement.

Surveying key suppliers in the chain – PAC reviewed its general ledger to identify its FY 2023 Key Vendors. In doing so, special effort was made to assure that the Key Vendors were identified across all cost centers regardless of geography.

In 2023, PAC again sent surveys to its Key Vendors to enable PAC to evaluate its 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.

Integrated approach – based on a review of PAC's supply chain, the Key Vendor surveys returned and management's review of the Modern Slavery Policy, no material changes to the policy were recommended at this time.

In FY 2023, three new vendors were identified as Key Vendors, and the requisite information on Modern Slavery was obtained. Information from the vendor has been included in this Report.

Findings

PAC reviewed the responses to its FY 2023 survey to determine if meaningful information was provided and whether enhancements to PAC's process were warranted. Even with 3 of 10 new Key Vendors, the results were broadly consistent with prior years. In reviewing the responses, PAC noted the following:

- All 10 recipients responded, which is an improvement over prior years where only 9 responded.
- 4 Key Vendors indicated that they have Modern Slavery Act programs in place, including all 3 new Key Vendors. This is the same number as FY 2022, one less than reflected in the 2021 report.
- Of the 6 Key Vendors who responded that they do not have Modern Slavery Act programs in place:
    - 2 were small Australian professional services firms that indicated that they have no plans to implement formal Modern Slavery Act programs as they y have a limited number of service providers, all of which have been reviewed and assessed for Modern Slavery risks; and
    - 4 were US professional services firms who stated that they do not do sufficient business in Australia to be subject to the Act.

Tracking PAC's performance – After regarding the results of PAC's Modern Slavery Act efforts since inception, management is of the view that the results are generally stable and are broadly consistent with expectations given PAC's business model and size. The number of positive respondents (with Modern Slavery Act programs) has not changed significantly over time, with positive respondents being larger firms resident in Australia or having an Australian presence.

Enhancements to Questionnaire Process – after reviewing the results of the FY 2022 Key Vendor Survey, management undertook to revise the survey to elicit more information from Key Vendors with negative responses. Management believes the amended FY 2023 form accomplished this and no changes were recommended for the upcoming FY 2024 survey.

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

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 2023 a modern slavery situation in its supply chain requiring immediate remediation.

<u>Assessing on-going effectiveness</u>

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 material changes to the Policy are contemplated.

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

<u>Consultation with entities owned or controlled</u>

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. Considering 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.

<u>Other relevant information</u>

None at present.

<u>Approval:</u>

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 15 November, 2023.

Signed by:

This statement is signed by Antony Robinson in his role as Chair of the Board of Pacific Current Group Limited on 15 November 2023

sign here ►

print name	**Antony Robinson**
title	**Chair of the Board**
	Pacific Current Group Limited
	15 November 2023