

BGH Capital

Modern Slavery
Statement
FY22



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). 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 has grown to 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 during the reporting period with \$3.6 billion of committed capital.

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

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.

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 and Hong Kong.

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 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.

4.2. Modern slavery risk assessment: Supply chains

BGH Capital's supply chain falls in 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.

To supplement the modern slavery risk assessment undertaken by BGH Capital in FY21, BGH Capital further reviewed the services procured across the above categories. BGH Capital was supported in this review by an external specialist advisor. The review focused on facilities, technology hardware and outsourced service providers as detailed below.

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. BGH Capital will engage in ongoing dialogue with the landlord to ensure appropriate risk management arrangements are maintained.

Technology Hardware

Electronic goods such as computer equipment often contain high risk commodities that are connected with child labour and forced labour. BGH Capital has four direct suppliers in this category with spend less than 0.1% of total spend. 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 and India. Geographically, India is considered higher risk. However, given the provider supplies high skilled labour and complies with recent, more stringent, Indian labour law changes, modern slavery risk is considered moderate to low. This assessment follows engagement with the provider, review of its Modern Slavery Statement and questionnaire responses. BGH Capital will engage in ongoing dialogue with the provider.

4.3. Modern slavery risk assessment: BGH Capital portfolio companies

BGH Capital managed nine portfolio companies in FY22. These companies operate in diverse industries and face a variety of risks across Tiers 1, 2 and 3 of their supply chains.

Across FY22 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 nine of BGH Capital's portfolio companies are above the Act's reporting threshold and 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 FY22 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 nine portfolio companies.

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

Policy settings

BGH Capital has a number of policy controls in place which mitigate the risks of modern slavery within our direct operations.

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.

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 how BGH Capital manages modern slavery risk. It has appointed the Head of Operations Group and General Counsel, both Partners of the firm, to be jointly responsible for ensuring BGH Capital manages and mitigates the risk of modern slavery and that all team members are aware of and understand modern slavery risks and are familiar with 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, BGH Capital engaged specialist counsel to assist updating our supplier risk assessment, to ensure we continue to capture and address any emerging risks.

Engagement with suppliers regarding modern slavery

Across FY22 BGH Capital collaborated with key suppliers to understand, and make an informed assessment of their risk management practices, including requesting modern slavery management information. For panel professional firms BGH Capital also required attestations as part of selection and onboarding and is in the process of updating master engagement agreements to mandate a modern slavery attestation.

Investment due diligence

Modern slavery considerations are explicitly included in BGH Capital's pre-investment screen phase of due diligence. This process was enhanced during FY22 to better capture 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 internal training, support from external experts and shared learnings.

Additional resourcing

BGH Capital has appointed an ESG Associate as a specialist resource whose role includes the management of modern slavery considerations within BGH's operations and to provide support to portfolio company management. This has strengthened modern slavery resourcing, management and the mitigation of risk.

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

Throughout FY22, BGH Capital undertook a range of activities to ensure that all portfolio companies continuously improve their identification, assessment and how they address modern slavery within their own operations and supply chains.

Education

All portfolio companies participated in a Modern Slavery Roundtable organised by BGH Capital and facilitated by external experts, supporting continued engagement, learning, and better risk management. Resources and tools for identifying and assessing modern slavery risks have been distributed amongst the portfolio companies.

Best practice guidance

As a part of BGH Capital's broader investment in ESG oversight, a *Best Practice Guidance Framework* has been developed for portfolio companies. This includes specific human rights and modern slavery activities that BGH Capital endorse and support each portfolio company to undertake.

Incident escalation and reporting

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

BGH Capital's Modern Slavery Maturity Framework

During FY22, BGH Capital developed a *Modern Slavery Maturity Framework* to provide explicit and tangible guidance to portfolio companies on how to strengthen their modern slavery programs. It defines the stages of maturity (from 'basic' to 'best practice') across nine criteria, with clearly defined indicators and actions for each. The Framework is currently in the final stages of review and portfolio companies will be assessed in the FY23 reporting period utilising this tool.

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:

- engagement of expert counsel to undertake the first modern slavery risk assessment and Modern Slavery Statements for two portfolio companies;
- support from subject matter experts to manage high risk items and identified issues, such as implementing a portfolio company's labour hire onboarding survey;
- inclusion of modern slavery short-form clauses into portfolio companies' supplier contracts; and
- ongoing engagement and specifically identified improvements, such as improving accessibility to whistle-blower hotlines.

6. Assessing the effectiveness of BGH Capital's actions

BGH Capital has established a number of methods to assess the effectiveness of its actions. Methods are necessarily both qualitative and quantitative in nature and will evolve 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 training; and instances of internal escalation of modern slavery risks.

Quantitative

- **Instances of modern slavery identified:** The number of instances of modern slavery identified would be a clear quantitative measure of effectiveness. Currently, no instances have been identified within BGH Capital's operations (or those of its portfolio companies).
- **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 FY22 one in-depth investigation was initiated, with no instances of modern slavery identified.
- **Ethical Audit results, and progress:** BGH Capital portfolio companies' Sedex Members Ethical Trade Audit (SMETA) results provides both qualitative and quantitative information to assess efficacy. While there were no portfolio company SMETA audits undertaken in FY22, the year-on-year comparison of the number of "non-compliances" and remediation of audit findings demonstrate improvements. BGH Capital will continue to monitor progress and results and SMETA audits will be utilised where considered appropriate.
- **Use of the BGH Capital Modern Slavery Maturity Framework:** As described in section 5.2, BGH Capital is in the final stages of developing a *Modern Slavery Maturity Framework*, which will enable a quantitative reflection of modern slavery risk management maturity.

7. Process of consultation

Entities within the BGH Capital Group have shared information in respect of their supply chains and operations risk assessments and activities. This has been facilitated by the BGH Capital General Counsel and involved senior advisors and professional services firms. BGH Capital has proactively engaged in consultation with and collaborated with all 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 FY22 reporting period to deepen and continuously improve their approach to modern slavery risk management.

Future activities and next steps will be guided by the roll out and implementation of BGH Capital's *Modern Slavery Maturity Framework* (as explained in section 5.2), alongside additional education and upskilling. 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 period include to:

- implement the *Modern Slavery Maturity Framework* across portfolio companies;
- finalise and implement BGH Capital's stand-alone *Modern Slavery Policy*;
- 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; and
- provide further collaborative opportunities across modern slavery identification, assessment, management and mitigation education at BGH Capital, and across the portfolio 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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20 December 2022



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20 December 2022



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