

PARADICE
INVESTMENT MANAGEMENT

**Paradice Micro Investment
Fund
Modern Slavery Statement
2021**

Table of contents

Table of contents	1
Background	2
Structure, operations and supply chains of the Fund	2
About Paradise	2
Operations and supply chains	2
Risks of modern slavery practices in operations and supply chains of the Fund	3
How the Fund and Paradise assess the effectiveness of actions to assess and address risks	6
Consultation process	6
Other relevant information	7
Approval	7

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 Micro Investment Fund a 'Reporting Entity' under the Act.

The Statement is issued by Paradise Investment Management Pty Ltd ABN 64 090 148 619 (**'Paradice'** or **'Trustee'**) in its capacity as the Trustee of the Paradise Micro Investment Fund (the **'Fund'**) in accordance with the Act and has been approved by the Board of Paradise as their principal governing body

This Statement discloses Paradise and 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 financial year ending 30 June 2021.

This is the first Statement for the Paradise Micro Investment Fund.

Structure, operations and supply chains of the Fund

Paradice Micro Investment Fund is an unregistered wholesale trust. Its investors are classified as wholesale clients pursuant to the Corporations Act (Cth) 2001.

The Board of Directors of Paradise govern the Fund's operations. The Fund's investments and investment strategy are managed by the Paradise Investment team.

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 its business and supply chains and in the assets in which it invests.

About Paradise

Paradice Investment Management Pty Ltd is a privately-owned Australian boutique fund manager established in 1999 by David Paradise. Paradise holds an AFSL_No: 224 158. Paradise's primary place of business is Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia.

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 Micro Investment product was launched in 2004, the Australian Mid Cap product was launched in 2006 and 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.

Operations and supply chains

The Fund's investment strategy is to focus on short and long term money making opportunities that offer absolute returns against the S&P/ASX Small Ordinaries Index by investing in Australian and New Zealand shares listed outside of the Top 100, as defined in the S&P/ASX 100 Index and stocks considered illiquid in nature. There is no limit to the number of shares that the Fund may invest in.

In preparing this statement, the Fund's direct supply chain has been considered. Paradise, as investment manager, forms part of the Fund's direct supply chain.

The Fund's operations and supply chains involve custody and administration of assets and also include several support functions including marketing and communication, governance, risk and

compliance services, information technology and human resources. These support functions are provided by 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 and operational) process which includes risk assessments and thorough reviews with internal subject matter experts.

Paradice, as Trustee 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 Fund

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.

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, the following operations/supply chains exhibit sector and industry risk of modern slavery:

- 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.

Of those sectors and industries above, as at 30 June 2021, the Fund had investment exposure to companies operating in the following sectors¹:

- Healthcare
- Financial services
- Mining

¹ Determined from GICS classifications.

The Fund may employ the services of suppliers in sectors of elevated risk² 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 Paradise has not identified any of the Fund's suppliers 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. No significant areas of product services risk in the Fund's direct operations or supply chains have been identified.
- **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. The Fund's investments in respect of geographic risk have been considered and given that investments are limited to Australian and New Zealand listed equities no areas of significant geographic risk have been identified in the Fund's investments on that basis.
- **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 violations. No instances of entity risk in the Fund's investments and suppliers have been identified. The risk of Modern Slavery with respect to the employment practices of Paradise is low due to their reliance on high skilled, predominantly full time and permanent workforce based in Australia.

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

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

As Investment Manager, Paradise is committed to taking actions which mitigate modern slavery risks across our 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.

Paradice 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.

Paradice has a Modern Slavery Policy which is supported by additional policies including: Code of Conduct; Vendor Management Policy; 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

Paradice 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

² Sourced from Global Estimates of Modern Slavery (ILO, Walk Free Foundation in partnership with IOM, 2017) and North Korean Sanctions and Enforcement Actions Advisory (U.S. Department of State, 2018)

where it is confirmed or strongly suspected that modern slavery practices have occurred in our 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 monitoring and ongoing monitoring.

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 our supply chains, modern slavery risk is embedded within our procurement and vendor management practices.

Onboarding processes will consider the geographical risk of the business. 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 modern slavery risks for investment portfolios are assessed and monitored.

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. Geographies are considered 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 will 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.

Company Engagements for Modern Slavery

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 our own 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 Fund and Paradice assess the effectiveness of actions to assess and address risks

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

Paradice intends to provide its Sustainability Committee, as delegated by the Board of Directors, with reporting on the modern slavery risks including updates indicating the effectiveness of implementation and actions. The Paradice 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 Fund which require to be consulted with to prepare this statement.


Other relevant information

A comprehensive approach to modern slavery is an evolving process and Paradise acknowledges 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. Paradise has established a process which enables the identification, recording and monitoring of incidents in the supply chain as well as the investment process. As this process is implemented, Paradise will explore in what circumstances reporting and/or remediation of victims is required, and how to go about this. Paradise will progressively consider whether this approach is effective, in the spirit of reducing harm to people, and enhance our response accordingly.

Paradise 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 by the Board of Directors of Paradise, the trustee and principal governing body of the Paradise Micro Investment Fund, on 16 December 2021.



John Lake