

# PACIFIC CURRENT GROUP

Tacoma // Denver // Sydney // Melbourne

## Introduction to Pacific Current Group's Modern Slavery Statement for FY 2020:

Pacific Current Group Limited (PAC) supports the intent and objectives of the Modern Slavery Act 2018 (Act) and has implemented appropriate processes and procedures to assess and address modern slavery risks. As PAC does not meet the formal reporting threshold for FY 2020, it has determined to voluntarily publish its Modern Slavery Statement for FY 2020 on its website as a good corporate citizen. PAC also intends to register to voluntarily publish its 2021 Modern Slavery Statement with the Department of Home Affairs in addition to making it available on its website.

PAC advises that its Modern Slavery Statement has not been approved by the Australian Border Force or been uploaded to the Modern Slavery Statement Register.

Please see the full Modern Slavery Statement for FY 2020, beginning on the following page.

# PACIFIC CURRENT GROUP

Tacoma // Denver // Sydney // Melbourne

PACIFIC CURRENT GROUP LIMITED  
(ABN 39 006 708 792)

## Modern Slavery Statement for financial year (FY) 2020

### Background

This Modern Slavery Statement for FY 2020 (**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 (ASX: PAC / ACN 006 708 792) (**PAC**) to assess and address modern slavery risks it faces in its supply chain and operations during FY 2020, 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.

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 are able to 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, through its Australian, US, and UK subsidiaries, provides wholesale investor sales and marketing services 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 corporation formed under the *Corporations Act 2001* (Cth). Its Boutique holdings 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.<sup>1</sup> In 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 provide sales and marketing services to non-Boutiques.

PAC currently has 19 employees. Seven are located exclusively in Australia and twelve in the US. Of these, 17 are professionals in investment, finance, sales and marketing, and legal. The remaining employees are in support roles.

PAC owns, indirectly through the Trust and through the Trust's subsidiaries, 100% of its operating entities.<sup>2</sup> 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 rights 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, 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.

### Operations

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

### Supply Chain

PAC's supply chain consists principally of its own employees. PAC's supply chain also includes more generally:

---

<sup>1</sup> 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 material operations.

<sup>2</sup> In Australia, employees are employed by PAC. In the US, employees are employed by Northern Lights Capital Group, LLC. Sales and marketing services are conducted through TIS and NLCGD as previously described.

- (i) professional services, i.e., legal and accounting, and
- (ii) general office facilities support including office premises, general office IT, record keeping, cleaning, security and food services for each of PAC's offices.

Additionally, the 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**, and to 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 Boutiques are an asset of the company, and Boutique operations are not included in this section of the 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 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 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. Goods and services vended in are 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. Due to its size, PAC generally lacks the purchasing power to effect extraordinary price 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, IT 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. PAC may have little visibility into a vendor's outsourcing and employment practices, 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* – in the course of investing in the Boutiques, PAC may from time to time acquire ‘control’ (as that term is defined in ‘AASB Standard 10: Consolidated Financial Statements’) of a particular Boutique until such time as that controlling interest can be liquidated or sold. Because PAC does not acquire Boutiques with a view to operating them and because PAC is in the process of exiting its investment, modern slavery risks associated with such Boutiques held for sale or liquidation are considered on a case-by-case basis. As noted, PAC does not regard its Boutiques as part of PAC’s supply chain.

*Boutiques and their investment strategies*– PAC ultimately invests in Boutiques on the basis of their overall 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 prospective Boutiques deploying ESG-specific 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.

#### Actions Taken to Address Modern Slavery Risk

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 the past 12 months.

*Understanding PAC’s supply chain* – reflective of FY 2020 being the first year of implementation of the Act, PAC’s efforts focused on:

- (i) understanding the Act’s definition of supply chain;
- (ii) identifying its supply chain as defined by the Act; and
- (iii) identifying key risk areas of its supply chain where PAC may cause, contribute or be linked to modern slavery practices.

These efforts consisted of, among other things, consultations with PAC’s outside legal experts, research into modern slavery statements and policies by other companies in PAC’s industry, review of the Act’s requirements with senior management and finance, and review of management’s conclusions with PAC’s Board.

*Surveying key suppliers in the chain* – based on the foregoing assessment, PAC identified what it believes to be the highest impact vendors in its supply chain based on the cost of goods and services to PAC as a proxy for PAC’s ability to obtain relevant information and influence practices.

In 2020, PAC sent surveys to its top 10 qualifying vendors in order to establish a working baseline with which to evaluate PAC’s 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.

## Findings

PAC reviewed the responses to its questionnaire to determine if meaningful information was provided and whether enhancements to PAC's process were warranted. In reviewing the responses, PAC noted the following:

- Six of the respondents either had existing modern slavery programs (Program) or had identified the need for, and were in the process of, developing a Program. These were by and large professional services firms and included the bulk of PAC's top vendors by billing;
- Two respondents expressed awareness of modern slavery requirements but stated that they had no current plans to institute a formal Program because they were small professional services firms that had few employees, no material foreign operations and low modern slavery risk;
- One respondent expressed awareness of modern slavery requirements, but stated it had no current plans to institute a formal Program without providing a clear justification. PAC views this situation as anomalous and intends to monitor the vendor's response in the current year, before deciding on a course of action.
- One vendor failed to respond even after repeated follow-ups. Management is considering this vendor in the larger context of its business plans.

*Integrating findings* – based on the evaluation of the supply chain and attendant risks, management has recommended, and the Board has approved, a policy that:

- (a) any vendor that might qualify as a part of PAC's supply chain; and
  - (b) which is expected to have annual billings sufficient to raise practical concern,
- is required to complete a modern slavery questionnaire prior to being hired. Subsequent questionnaires would be conducted in accordance with PAC's then-applicable Modern Slavery procedures.

*Tracking PAC's performance* – given FY 2020 was the initial implementation year, PAC's efforts with respect to tracking performance have focused on identifying to management and the Board, methodologies and reports to enable effective tracking in subsequent years, and to set a baseline for subsequent year reporting by vendors that remain in the questionnaire process, year-to-year.

*Publicly communicating* – this Statement has been made available on PAC's website.

*Remediation* – PAC did not identify in FY 2020 a modern slavery situation in its supply chain requiring immediate remediation, however, refer to the findings above.

Assessing on-going effectiveness

The CRO, in consultation with management, will assess the effectiveness of PAC's Modern Slavery Policy and will report to PAC's Board at least annually.

Given PAC's relatively small size, the relative infrequency of turnover in its employees, 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.

Consultation with entities owned or controlled

Because PAC's owned or controlled entities that house its employees and/or its sales and marketing operations 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. In light of 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.

Other relevant information

None at present.

Approval:

This Statement was considered and approved by PAC's Board of Directors as its principal governing body on 25 February 2021.

**Signed by:**

sign  
here ►



print  
name

**Tony Robinson**

title

**Chairman**