



A Blackstone Portfolio Company

La Trobe Financial

MODERN SLAVERY STATEMENT

Reporting Period: 1 July 2020 - 30 June 2021

Publication date: 24 December 2021

Introduction

This Modern Slavery Statement (**Statement**) is a joint statement from the La Trobe Financial Group (**the Group or La Trobe Financial**) covering FY21 (1 July 2020-30 June 2021), in accordance with the *Modern Slavery Act 2018* (Cth) (**Act**).

As one of Australia's leading credit asset managers, our impact has gone well beyond financial returns. We have focussed on creating a long-term legacy for our employees, customers and the communities in which we live and work.

In that context, La Trobe Financial supports the movement against modern slavery and is taking steps to reduce risks within its operations and supply chains.

The purpose of this Statement is to describe the further steps La Trobe Financial has taken since FY20 to identify and assess modern slavery risks in its operations and supply chains and to demonstrate its commitment to achieving good governance outcomes and meeting the expectations of its key stakeholders in the next reporting period.

Addressing COVID-19

In accordance with the COVID-19 restrictions implemented by the Victorian and NSW Governments, La Trobe Financial's employees based in the Melbourne and Sydney office were required to work from home during the relevant periods in 2020 and 2021. La Trobe Financial's operations continued seamlessly with minimal business interruption and we continued to service our 82,630 customers.

Given that the Group does not engage in any outsourcing of its core business functions there was limited impact from a modern slavery risk perspective.

Overview of La Trobe Financial's Structure and Operations

Structure

On 22 December 2017 La Trobe Financial announced a strategic partnership with The Blackstone Group, Inc. (**Blackstone**). Blackstone acquired an 80% stake in the Group from entities associated with La Trobe Financial's President & Chief Executive Officer at that time.

La Trobe Financial Pty Limited is the Group's operational level holding company. All subsidiary entities are domiciled and incorporated in Australia, with the exception of La Trobe Financial (Shanghai) Wealth Management Consulting Limited, which is incorporated in China. There are three primary operating companies that are controlled by La Trobe Financial Pty Limited:

- La Trobe Financial Services Pty Limited, the Group's primary operating company which employs all 440+ staff in the Group;
- La Trobe Financial Asset Management Limited (**LFAM**), the responsible entity of the La Trobe Australian Credit Fund ARSN 088 178 321 (**Credit Fund**); and
- La Trobe Financial Custody & Securitisation Services Pty Limited, the Trust Manager of the Group's institutional mandates and residential mortgage backed securities (**RMBS**) loan securitisation program.

La Trobe Financial (Shanghai) Wealth Management Consulting Limited is wholly owned by La Trobe Financial Pty Limited. This entity does not have any employees.

Operations

The Group's core products and services are delivered by its 440+ employees through IT and communications (either face to face, or telecommunications and email). The Group operates from its Melbourne (Head Office) and Sydney Office. It has corporate offices in Shanghai and Hong Kong.

The Group operates through two complimentary business units through which it provides its principal and continuing activities:

- **Asset Management:**
 - operating and managing the Credit Fund, particularly through LFAM as the responsible entity, under its Australian Financial Services Licence, and La Trobe Financial Services Pty Limited as the Investment Manager for the Credit Fund;
- **Real Estate Credit Finance:**
 - advancing real estate based secured loans as an Australian Securities & Investments Commission (ASIC) approved and licenced Australian Credit Lender managing the wholesale and capital markets operations of the Group, consisting of multiple, legally separate, institutional facilities funded via long term institutional investment mandates and RMBS trusts with notes issued to capital markets investors; and
 - controlling group support functions and governance of the Group, including overheads and interest costs associated with the Group's corporate debt facilities.

Asset Management

La Trobe Australian Credit Fund

The Credit Fund is a managed investment scheme which was registered with ASIC on 14 July 1999 for the purposes of Part 5C.1 of the *Corporations Act 2001* (Cth). As at the date of this Statement, the Credit Fund has \$7.0 billion in assets under management across a variety of pooled portfolios and peer-to-peer investment accounts.

Each account invests either directly into loans originated and managed by La Trobe Financial or in notes in La Trobe Financial's warehouses and RMBS trusts. During the Reporting Period, the Credit Fund maintained its investment activities in cash and targeting fixed or variable interest rate mortgage assets and other credit instruments as described in the current Product Disclosure Statement (**PDS**) and in accordance with the provisions of the Credit Fund's Constitution. As described in the Credit Fund's PDS, the Credit Fund operates with seven investment accounts for investors:













Each investment account (and investment mandate) has a different risk reward profile for its investors. The Classic Notice, 90 Day Notice, 6 Month Notice, 12 Month Term, 2 Year and 4 Year Accounts operate as pooled accounts. As outlined in the PDS, the Select Investment Account comprises 'peer-to-peer' investments which are individualised loans underwritten by La Trobe Financial.








Real Estate Credit Finance: One of Australia’s leading non-bank financial institutions

As one of Australia’s oldest non-bank financial institutions with seven decades of proven credit management, La Trobe Financial has originated over \$76 billion of loans backed by retail and institutional mandates. Our point of difference is that we offer alternative solutions across both residential and commercial property. We have multiple borrower types such as individuals, corporates and trusts (including Self-Managed Superannuation Funds), and can cater to a variety of purposes including property purchase, debt consolidation, equity release and construction. La Trobe Financial’s product offering includes both residential and commercial mortgage loans.

RESIDENTIAL PRODUCTS

 Full Doc	 Lite Doc®	 SMSF	 Construction/ Vacant Land	 Rural ≤100 ACRES
 Bridging	 International	 Parent-2-Child (P2C®)	 Aged Care	 Everyday Heroes

COMMERCIAL PRODUCTS

 Full Doc	 Lite Doc®	 Lease Doc	 SMSF
 Development Finance	 Residual Stock	 Rural ≥100 ACRES	

La Trobe Financial's supply chains

During the reporting period, La Trobe Financial procured goods and services from 407 suppliers directly. 398 of these suppliers are based in Australia. Nine suppliers are based overseas: Ireland, Singapore, the United States and the United Kingdom.

The number of suppliers that supply the products and services to La Trobe Financial within the divisions identified below, are as follows.

Corporate suppliers (office furniture & supplies, essential services, post, security, stationery, gifting, subscription & memberships, travel)	106
Professional services (suppliers required for business operations)	104
Marketing suppliers (digital, collateral and professional services)	78
Technology & IT suppliers (hardware and software)	69
Food, catering & hospitality (including hotels and entertainment venues)	47
Cleaning suppliers	3
TOTAL	407

At a high level, La Trobe Financial considers that its indirect suppliers would provide similar products and services: for example, applications and software; financial, legal and other professional services; marketing, print and products; cleaning; catering; and courier and delivery services.

The Group's contractual arrangements with suppliers vary depending on the size and value of the goods or services procured, and are in the form of both short and long-term agreements.

Modern slavery risks

Risks of modern slavery in operations

La Trobe Financial is confident that the risk that it could cause, contribute to or be directly linked to modern slavery through its internal operations is low. All 440+ employees are in skilled professional roles and are domiciled in Australia, which is considered a low risk region because of its strong labour protections and prohibitions against modern slavery. The Group does not engage in outsourcing of its operations, other than limited outsourcing of non-core IT work to a US company. Further, the Group is pleased to report that it complies with all legislative requirements, awards and collective bargaining agreements relating to the employment of staff and payment of wages.

Risks of modern slavery in customer relationships

La Trobe Financial considers that the risk that it could cause, contribute to or be directly linked to modern slavery through its financial services, managed funds and lending operations is low because its investment portfolios and lending activities involve Australian real estate based secured loans, and therefore carry a lower risk of facilitating the flow of funds to activities involving modern slavery.

Most of the Group's customers are retail or institutional investors domiciled in Australia, which are likely to carry a low risk of modern slavery.

The exception is La Trobe Financial's lending to fund development finance (i.e. construction) projects. There is a relatively higher risk that this form of lending could be directly linked to modern slavery, as the construction industry often involves labour by low-paid, migrant workers and complex supply chains. As at 31 October 2021 construction loans comprised 7.20% of La Trobe Financial's total loan portfolio. However, La Trobe Financial generally lends to customers constructing and developing small to medium sized projects within Australia. La Trobe Financial therefore considers that the inherent risk in its construction lending is reduced to the extent that Australia has strong worker protection regimes and a low level of geographic risk for modern slavery.

Risks of modern slavery in supply chain

In this reporting period, La Trobe Financial has analysed the level of risk associated with categories of direct suppliers engaged with by the Group across its different business units. La Trobe Financial has concluded that the following business units may be directly linked to modern slavery through their supply chains:

IT infrastructure & technology: key Group infrastructure including printers, monitors, laptops, keyboards and cables are likely to be manufactured overseas. Electronics supply chains are exposed to higher risks of modern slavery because their production and assembly is commonly undertaken by migrant workers in jurisdictions with lower worker protections, while components such as tungsten and gold may be produced with forced labour.³

Corporate services, cleaning and hospitality: the Melbourne and Sydney offices are managed by a facilities management company. We note that suppliers of office cleaning products tend to be based overseas, and La Trobe Financial has a low degree of oversight and control over these often-complex supply chains. Further, cleaning, catering and courier contractors are more likely to employ lower-paid workers and / or migrant workers, and incidents have been reported within the industry generally where workers have been paid wages that do not comply with Australia's legislative requirements. As it is the facilities management company that purchases the products used and procures the labour to provide the services, La Trobe Financial does not have a direct contractual relationship with those carrying out the services or the manufacturers of the products used.

Marketing & digital: La Trobe Financial purchases goods for distribution for internal and external marketing purposes. Some of these goods, such as textiles, may be manufactured internationally and have complex and opaque supply chains.

As noted above, all but nine of the Group's direct suppliers are based in Australia. The Group considers a lower degree of modern slavery risk to attach to Australia-based suppliers both because of Australia's strong enforcement of labour and modern slavery laws, and because many of these suppliers provide professional services and employ highly-qualified and suitably remunerated individuals.

While there is a higher risk associated with the Group's nine overseas suppliers, La Trobe Financial notes that the jurisdictions in which they are based also have protections against modern slavery and reasonably good governance generally. In particular, according to the Global Slavery Index's 2018 findings, no suppliers are based in any of the 10 countries taking the least action to respond to modern slavery.

Actions taken to reduce modern slavery risks

Modern Slavery Policy and Working Group

The Group's Chief Risk Officer (**CRO**) published the second version of the Modern Slavery Policy Statement (**Modern Slavery Policy**) in May 2021. The Modern Slavery Policy forms part of the Group's governance framework and demonstrates the Group's commitment to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chain and acting ethically and with integrity in all of our business dealings and relationships. The CRO has primary responsibility for the implementation of the Modern Slavery Policy.

The Modern Slavery Policy sets out the processes and procedures La Trobe Financial has adopted to manage modern slavery risk within the Group's operations and supply chains, including:

- identification of higher-risk suppliers;
- establishment of a modern slavery working group;
- supplier due diligence; and
- employee training and education.

These processes and procedures are explained in detail below.

The Modern Slavery Policy notes La Trobe Financial's obligation to provide an updated Modern Slavery Statement annually, and provides for its preparation and approval by the Board.

La Trobe Financial has also established a Modern Slavery Working Group (**MSWG**) which oversees the Group's ongoing compliance with Modern Slavery regulations and co-ordinates its response.

Identification of medium to high risk suppliers

In the last reporting period, La Trobe Financial identified 142 suppliers in the categories identified above as having greater exposure to modern slavery risks. In this reporting period, the number of suppliers identified by La Trobe Financial to fall within these higher-risk categories has increased to 303. This increase is as a result of a review by the MSWG of the categorisation of suppliers, with a number of suppliers being re-categorised as 'higher-risk'.

The MSWG developed during the reporting period a supplier questionnaire which for medium to high risk suppliers. This questionnaire requires suppliers to provide details of:

✓	the due diligence activities undertaken by the supplier to identify, prevent and mitigate modern slavery risks;
✓	the supplier's consequences for non-compliance as embedded in its policies and standards;
✓	if modern slavery is uncovered, the remediation and escalation processes in place;
✓	whether the supplier has been convicted of breaching any human rights regulations, including in relation to modern slavery and/or labour standards or had any notice served upon it, by any regulator or authority;
✓	legitimacy of the supplier's workforce and terms of employment;
✓	the locations (countries) of the supplier's operations and its suppliers; and
✓	if the supplier has any responsible sourcing third-party certification.

In the next reporting period, La Trobe Financial will roll out this questionnaire to suppliers in the higher-risk categories. Questionnaires will target suppliers which are relatively more likely to be directly linked to modern slavery: for example, a boutique Australian marketing firm with under ten employees and considered to have minimal other modern slavery risk factors will be excluded from being supplied with a questionnaire.

To assist with this process, La Trobe Financial has engaged with a compliance platform provider which supplies fully automated capabilities for assessing and managing risks within internal operations and suppliers. As part of this platform, La Trobe Financial is able to automate the distribution and collection of questionnaires to selected suppliers.

On completion of the questionnaire, suppliers will be requested to certify their answers and agree to be followed up by means of audits or checks.

Questionnaires were provided to some suppliers in this reporting period. It is the intention that within the next financial year, questionnaires will be submitted to all high-risk suppliers identified by La Trobe Financial, and responses will be reviewed and analysed by the MSWG.

Due diligence within procurement

La Trobe Financial has developed a Supplier Code of Conduct (**Supplier Code**). The Supplier Code of Conduct sets out the expectations of La Trobe Financial that suppliers will meet minimum requirements for compliance with laws, work health and safety practices and human rights and labour practices.

In the next financial year, suppliers designated as 'high-risk' (as determined by the supplier's response to the questionnaire) will be asked to acknowledge receipt of the Supplier Code and agree to be bound by it. If suppliers are found to be in breach of the Supplier Code, La Trobe Financial will engage with the supplier immediately to seek to remediate the breach. If appropriate and / or required by law, La Trobe Financial will notify relevant authorities.

La Trobe Financial's Legal & Compliance team have continued to assess new supplier relationships for modern slavery risks. Where the supplier relationship is considered to give rise to modern slavery risks, the contracts are screened for obligations to mitigate modern slavery risk. If there are no such obligations, the Legal & Compliance Team seek to negotiate those obligations into the contractual terms.

Training and education

In the last reporting period, La Trobe Financial required all executive level employees and above, and members of the Legal & Compliance team, to complete a compulsory training and education module on the topic of Modern Slavery. It is the intention that a revised version of this module will be prepared and rolled out in the next reporting period as a refresher.

Implementation of breach and incident register

As part of its compliance framework arising from the AFSL and ACL licenses held by entities within the Group, La Trobe Financial maintains a breach and incidents register which records all internally reported incidents and breaches of its licenses, laws, policies and procedures.

Within the breach and incidents register, La Trobe Financial's employees are able to lodge a report of an identified 'modern slavery incident'. A modern slavery incident takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. The reporting of all incidents and breaches in the register triggers a review and investigation by the second-line Compliance Team in consultation with the Chief Risk Officer within the timeframes prescribed by law. If the Compliance Team and CRO determine that a breach of the Act has occurred, if appropriate and / or required by law, La Trobe Financial will notify relevant authorities and the supplier(s) involved.

As at the date of this report, there have been no modern slavery incidents identified or reported by La Trobe Financial.

Assessment of Effectiveness

The MSWG conducts an annual review of the effectiveness of the actions that have been taken by the Group to address modern slavery risks.

In FY21, the MSWG reviewed the steps and processes established in the first reporting period. It assessed that:

- The Modern Slavery Policy should be updated to align with the Group's objectives and intentions to combat modern slavery risks within its operations and supply chains. This was completed.
- Measures need to be taken to increase supplier engagement. La Trobe Financial had a limited number of responses to the supplier questionnaires that it sent via its platform, despite attempts to follow up certain suppliers. The MSWG has recommended that suppliers that do not respond to the questionnaire rolled out in FY22 be directly contacted by the relationship manager in the business to seek to increase response rates.
- The implementation of the modern slavery incident reporting within La Trobe Financial's breach and incidents register is sound. This functionality enables the swift reporting of potential modern slavery breaches by front line and management to the Legal & Compliance team and the CRO.
- A contracts policy may assist the business with its understanding of the importance of identifying modern slavery risks during the procurement phase. The MSWG are considering the implementation of a formal contracts policy.
- Within three to five years from the date of the end of the first reporting period (i.e. by Q1 2024), La Trobe Financial's Internal Audit function conduct an audit of the effectiveness of the MSWG's actions. The MSWG has concluded that there would be little utility in a review within an earlier period given the low engagement by suppliers.

Consultation within the Group

To prepare this Statement, La Trobe Financial consulted internally with relevant stakeholders across all parts of the business through its MSWG, as well as with the relevant entities that it owns and controls. It confirms that the commitment to addressing modern slavery risks, and its response, is Group wide.

In respect of the steps that were taken within the Group to consult, the following actions occurred in FY21:

- To confirm that there is monitoring of the Group's compliance with its modern slavery obligations, on a quarterly basis, the Deputy CEO certifies to the Board of Holdco that the Group has met its Environmental, Social and Governance (ESG) reporting obligations including those under the Modern Slavery Act. This certification includes specific acknowledgements in respect of the steps taken by the Group. For example, that the Group complies with all legislative requirements, awards and collective bargaining agreements relating to the employment of staff and payment of wages.
- The Board Audit & Risk Committee is also kept informed of the modern slavery risks with the Group, specifically any failures to report modern slavery risks. Further, the Compliance Committee of the responsible entity of the Credit Fund and the management Audit & Risk Committee considered quarterly the MSWG's actions towards enhancing the Group's compliance with Act.
- Further, modern slavery has been incorporated into the Group's ESG Risk Management Framework. Within this framework, supply chain management and the impact of engaging in unethical/non-compliant supply chain activities is considered to be a key risk vector arising from the Group's core activities.

Environmental Social Governance (ESG)

Aligned with our ESG Framework to building a sustainable business for many generations, La Trobe Financial has achieved carbon neutrality as part of our ESG commitments.

We have also pledged net zero emissions by 2030 and a formalised Company Carbon Reduction Plan is in force to support this pledge.

To achieve carbon neutrality, we have offset our carbon footprint and invested in two high standard projects.

The primary criteria was to select the highest in quality and integrity standards in the projects that La Trobe Financial chose for its offset program. These projects that fell within the strict criteria were highly recognised Gold Standard and Verified Carbon Standard projects. These included Sequestration: Australian Native Reforestation – Yarra Yarra Biodiversity Corridor, Vintage 2020 & 'Avoided Deforestation': Rimba Raya Biodiversity Reserve Project, Indonesia, Vintage 2014. These projects respectively support reforestation in Australia and avoided deforestation which includes endangered species such as Orangutans in Indonesia.

By committing to these projects, we are supporting all 17 United Nations Sustainable Development Goals.

La Trobe Financial Charitable Foundation

We have also recently released our 2021 Charitable Foundation Report. To date, through our philanthropic work the Charitable Foundation has gifted over \$17 million, predominantly in Australia. No one individual, government, or philanthropic foundation can expect to solve all societal issues. That is why La Trobe Financial has focused on four social key pillars:

- Increasing financial literacy for women – empowering women to become more financially independent;
- Mental health – a broadly under-estimated cost to our economy;
- Indigenous education and Constitutional recognition of our first nations peoples; and
- Life science advancement.

More importantly, our philanthropic work is closely aligned with the company's ESG approach and duties as a business.

We believe that 'when customers and communities succeed, so does business'. Strong communities are the very bedrock to creating great employees and customers who need to trust in companies again; this in turn helps build wealth that has enormous multiplier effects throughout the broader economy.

With this said, we will continue to use our position as Australia's leading credit Asset Manager to help improve the community and truly making a difference to people's lives who are over-looked or under-served.



Approval

The Statement was considered and approved by the board of La Trobe Financial Pty Limited, being the principal governing body of the primary operating companies within the La Trobe Financial Group. It has been formally approved by the board of La Trobe Financial Pty Limited on the basis that it is the primary operating entity in the Group which determines La Trobe Financial's policies and procedures.



Chris Andrews

Deputy CEO & Director of La Trobe Financial Pty Limited
24 December 2021

Disclaimer: The material that precedes this presentation is of general background information about La Trobe Financial's activities current at the date of this publication. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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1. For the purposes of the Act, there are four reporting entities within the La Trobe Financial Group. La Trobe Financial Pty Limited ACN 115 895 362 is the primary group operating entity. La Trobe Financial Asset Management Limited ACN 007 332 363 is the responsible entity of the La Trobe Australian Credit Fund ARSN 088 178 321. BTO LT Hold Pty Ltd ACN 623 323 044 (Holdco) and BTO LT Sub Pty Ltd ACN 623 324 292 (Subco) are ownership entities, with Holdco the ultimate holding company within the La Trobe Financial Group. Subco is 100% owned by Holdco. Holdco and Subco are reporting entities for the purposes of the Act. However, since they adopt the same policies and processes, operate in the same sector and have shared suppliers this Statement will provide a single, consolidated description of their actions to address modern slavery risks. The registered office address of the reporting entities is Level 25, 333 Collins Street, Melbourne VIC 3000.

2. As noted above, Holdco is the ultimate holding company within the La Trobe Financial Group. However, as Holdco and Subco have no employees or operations and are exclusively ownership entities, it would not be appropriate for these entities to approve this Statement.

3. See, e.g., Know the Chain, *Eradicating Forced Labor in Electronics: What do company statements under the UK Modern Slavery Act tell us?* (March 2018) https://knowthechain.org/wp-content/uploads/KTC-ICT-MSA-Report_Final_Web.pdf.

