

# MODERN SLAVERY STATEMENT 2022



Environment. Responsibility. Community.

Clifford Hallam Healthcare (CH2) is committed to managing the risks of modern slavery and addressing human rights violations within our operations and supply chain. With continuous improvement we strive to achieve this in accordance with our values, stakeholder expectations, industry expectations and the law.

Modern slavery is a severe violation of human rights. It occurs when a person is coerced into work and exploited for personal or commercial gain. Under Australian and international law it includes offences such as forced labour, servitude, child labour, deceptive recruiting and debt bondage.

This third Modern Slavery statement has been prepared in accordance with the *Australian Modern Slavery Act 2018* (the Modern Slavery Act). It describes the risk of modern slavery in our own operations and our supply chains during the period 1<sup>st</sup> July 2021 to 30 June 2022 (CH2 FY22 financial year) and details the steps CH2 has taken to identify the risks of modern slavery and the effectiveness of these steps.

#### Australian Modern Slavery Action Mandatory Reporting Criterion

- Identify the reporting entity and supply chains of the reporting entity
- Describe the risk of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls
- Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls to assess and address those risks, including due diligence and remediation processes
- Describe how the reporting entity assesses the effectiveness of such actions
- Describe the process of consultation with any entities that the reporting entity owns or controls
- Provide any other information that the reporting entity, or the entity giving the statement, considers relevant

*CH2 acknowledges the Traditional Owners of Country throughout Australia and pays its respects to Elders past and present. We recognise their rich cultures and continuing connection to land, water and seas.*

*Aboriginal and Torres Strait Islander peoples are advised that this document may contain names and images of people who are deceased.*

## Table of Contents

A message from our CEO.....	4
About CH2.....	5
Guiding Principles .....	6
Managing labour rights and modern slavery in our internal operations.....	5
Contingent workforce.....	6
Facilities Management.....	6
Offshore Vendors- Suppliers.....	6
Offshore Vendors – Private Label.....	7
Offshore Vendors – Outsourcing Labour.....	8
Quality.....	9
Governance and accountability.....	10
CH2’s policies and procedures.....	11
Risk & Assessment of Operations & Policies.....	11
Staff Training .....	12
Reporting and Monitoring - ESG reporting.....	12
Actions completed in FY2022.....	13
Outcomes and effectiveness of CH2’s actions during FY2022.....	13
FY2023 Commitments.....	13

## A Statement from our CEO

As the 3<sup>rd</sup> Modern Slavery Statement by CH2 it gives me an opportunity to reflect on the work and greater understanding CH2 has of the issues that could be hiding in our operations and supply chain. The last 12 months have seen some significant changes in CH2 with the updating of the governance structure to ensure better oversight of challenges around modern slavery, environment, and culture & diversity in our operations.

The implementation of the CSR Steering Committee which oversees the Environmental Working Group, and the Modern Slavery Diversity & Inclusion (D&I) Working Group is an important step forward in the governance structure of CH2 in these important areas of Corporate Social Responsibility (CSR).

CH2 is committed to respecting human rights across our business and supply chain. As one of Australia's leading healthcare distributors we know that we have a responsibility to work towards improving and driving positive change across the healthcare sector.

The ongoing complexities in our operation and supply chain continue to raise the prospect of external challenges associated with the safeguarding of human rights and CH2 are working to ensure we have identified and addressed any that may exist in our span of control. We have an opportunity in this 3<sup>rd</sup> Slavery Statement to highlight the work that is carried out through our private label partner, to ensure CH2's Private Label products are only manufactured from facilities in China, Malaysia, or Thailand that have been audited and comply with all the relevant standards expected under the Responsible Sourcing program.

CH2's governance is in place to ensure we operate our business and source our products ethically, sustainably, and responsibly. We are committed to learning, growing, and striving to continually improve our approach knowing that best practices in this area will always be evolving.

The CH2 Ethical Sourcing Program is an important program to achieve a higher standard of supply chain accountability and safeguard human rights risks which we will continue to improve.



David Collins  
Shareholder, Managing Director/Chief Executive Officer  
*This statement was approved by the board of CH2 on 15<sup>th</sup> December 2022.*

## About CH2

CH2 is the leading distributor of healthcare products to the Australian Healthcare market. CH2 has an extensive product range to offer a consolidated procurement solution of pharmaceutical, medical consumables and equipment products. CH2 has been distributing products for over 80 years, specialising in logistics, with a focus on supply chain solutions to our customers and business partners. CH2 operates its business in Australia and have staff in Australia and the Philippines.

CH2 has been a privately owned company since December 2015.

## Guiding Principles

The guiding principles of CH2's '1 Culture' underpin the business drive for fairness, ethical behavior, and continuous improvement across the organisation. CH2 has implemented a Code of Conduct which provides the guidelines for interactions with our employees and contractors, as well as with affiliates, and other business partners. All decisions made by CH2 are guided by these principles.

CH2 employees are encouraged to raise concerns including potential breaches of the CH2 Code of Conduct, company policies and applicable laws. CH2 have also implemented a Whistle Blower Policy to always ensure the integrity and safety of employees, and so that concerns can be raised anonymously. CH2 do not tolerate any form of retaliation for raising concerns in good faith, asking questions, or participating in an investigation.

All employees are trained and provided with the Code of Conduct upon employment with CH2. Ongoing training on ethical behavior and values and our commitment to relevant laws and principles are provided to the team throughout the year, including refresher training. CH2 employees have also received awareness training on the Modern Slavery Act to ensure there is a high level of understanding of the risks of modern slavery and human trafficking.

## Managing labour rights and modern slavery in our internal operations

CH2 utilise education and awareness, supplier and business partner engagement, consultation, and third-party audits, to manage risks of modern slavery and human trafficking in our supply chain. Manufacturers engaged for our Private Label are stringently reviewed and audited to assess, monitor, and act. All new contracts are reviewed to ensure all parties have a clear understanding of modern slavery and actions required to mitigating risk in the supply chain. Tier one wholesale suppliers that are required to comply with the Australian and relevant international standards on forced labour and Modern Slavery are required to submit their Modern Slavery Statements and their commitment to their action plans. All stakeholders are encouraged to identify risks, raise concerns, and share open learnings to ensure that we come together to improve the supply chain we all operate in.

CH2 has identified 3 areas of risk to the Modern Slavery Act, two are direct operational risks (contingent workers & facility management) and the third is offshore vendors.

The offshore vendors are in two streams. The first covers CH2's Private Label range of products which are manufactured for CH2 offshore through our Private Label partner. The second stream is the wholesale supply vendors selling to or through CH2 into the Australian Healthcare market, these suppliers represent the largest portion of products coming into CH2 warehouses.

CH2's supply partner for Private Label has oversight of the manufacturing of these products and continues to audit and monitor these facilities to ensure compliance within the audit criteria.

The supply of wholesale products through CH2's warehouses is monitored through the development of supplier surveys which have been sent out to all suppliers (see offshore vendors section).

**1. Contingent Workforce**

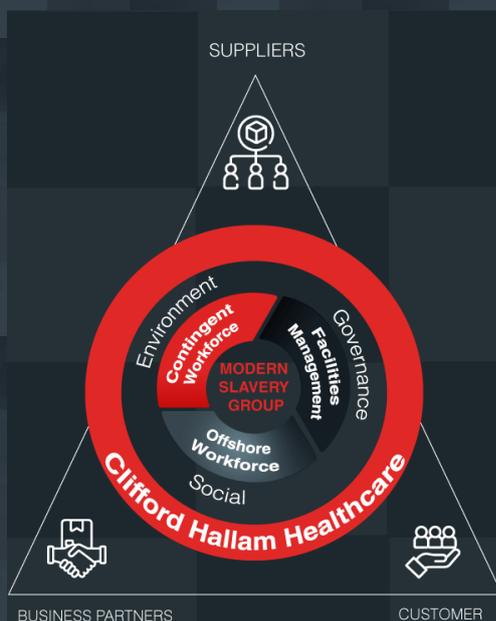
CH2 has a contingent of workers at most warehouses who are employed through registered labour hire groups across Australia to support operational needs for labour and customer demand. All labour hirer staff are employed under the same conditions as full-time staff and are covered by the Enterprise Agreements where applicable, otherwise they are covered by the applicable Award. Labour hire staff have the freedom to associate, and it is estimated that around 25% are union members. CH2 works with each labour hire group to ensure all staff are paid as required and where applicable on the time of service offered full-time or part-time positions based on their hours of work.

**2. Facilities Management**

CH2 is aware of some risks with the service providers engaged with CH2 to provide services to our facilities in the areas of cleaning or other sub-contracted areas. As the risk covers all facilities, all service providers have been engaged via a supplier survey to respond on their level of commitment and understanding of Modern Slavery Law. While many of the service providers are not required to have a Modern Slavery Statement, CH2 have received responses from service providers of all sizes who engage with CH2 on their understanding and commitment to follow the expected employment standards with all staff. To date, all responses have been positive and provided commitment that no unlawful practices are used in their organisations or service to CH2.

**3. Offshore Vendors – suppliers**

CH2 sources products from a range of different types of suppliers with over 700 separate companies supplying in this stream. It has been identified that the majority of providers in the pharmaceutical supply are in a highly regulated industry. CH2 has developed and contacted each vendor with a Modern Slavery survey to fully engage with this market. CH2 has a goal of assessing all current suppliers bi-annually and new suppliers at the time of engagement with CH2.



In the first survey of suppliers it has been established that 60% are not required to produce an Australian Modern Slavery Statement due to their size or location. Of the first-round 31% have high visibility of the supply chain, 49% have moderate visibility, and 20% are developing their supply chain mapping.

CH2 will continue to engage with suppliers to complete assessments of all current and new suppliers with follow-ups every 6 months on suppliers who have not responded to the survey.

Through the ongoing modern slavery surveys sent to suppliers and service providers CH2 is monitoring responses and investigating further if any of the responses are not meeting the expected standard, particularly for those businesses in areas identified as high risk for modern slavery by CH2. Once all suppliers have been assessed the CH2 CSR Steering Committee will establish what the review cycle will be to monitor business risks with suppliers of products & services.

### Offshore Vendors - Private Label Manufacturing

CH2 has a long-term relationship with our Private Label provider who has agreements with large-scale manufacturing companies based in China, Thailand, and Malaysia producing CH2's own branded Barmedical product range sourced and managed by our Private Label provider.

CH2 does identify the supply from these regions as a risk of companies engaging in modern slavery behavior. The Responsible Sourcing Program initiated by our Private Label provider is the key to ensuring all products manufactured for CH2 have been audited and meet the requirements of the program.

CH2 ensure they abide and commit to:

- All suppliers are audited every 3 years
- Any "Critical Issues" will trigger PO Hold immediately
- Any "Normal Issues" (minor nonconformance) will allow suppliers to provide corrective action and will be re-audited within 90 days to ensure issues are properly closed
- Our Private Label provider has joined the United Nation (UN) Global Compact initiative to strengthen their commitment to human rights within operations and supply chain



The ongoing audit program ensures issues are highlighted and addressed with all manufacturing sites being held to an expected standard of ethical behavior for staff and general business dealings.

Country of Origin (COO)	Category	QA Factory Audit	Responsible Sourcing Audit (Human Rights Protection)	Local Private Label Staff in COO	Factory QA Audit	Responsible Sourcing Audits
Malaysia	Gloves	✓	✓	✓	Factories audited against ISO 13485:2016 Medical Device Standard & 21 CFR 820 FDA Quality System Regulations	Performed based on the Supplier Sustainability Principles
China	Gloves	✓	✓	✓		
Thailand	Gloves	✓	✓	✓		
China	Incontinence	✓	✓	✓		
China	Nursing Supplies	✓	✓	✓		
China	Personal Care	✓	✓	✓		
China	PPE	✓	✓	✓		
China	Respiratory	✓	✓	✓		
China	Syringe/Needle	✓	✓	✓		
China	Urological	✓	✓	✓		
China	WoundCare	✓	✓	✓		

### Supplier Sustainability Principles

<p><b>General Principles</b></p> <ul style="list-style-type: none"> <li>Compliance with applicable laws and regulations</li> <li>Business ethics</li> </ul> <p><b>Management Systems</b></p> <ul style="list-style-type: none"> <li>Monitoring and enforcement of these principles</li> </ul> <p><b>Labor and Working</b></p> <ul style="list-style-type: none"> <li>Child labor, forced and bonded labor</li> <li>Wages and benefits, Working hours, Non-discrimination</li> <li>Labor union, collective bargaining</li> </ul>	<p><b>Health and Safety</b></p> <ul style="list-style-type: none"> <li>Safety and working condition of workers</li> <li>Emergency preparedness and response</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>Compliance with local environmental laws and regulations</li> <li>System to mitigate accidental spills and releases</li> </ul>
---	--

### Offshore Vendors – Outsourcing Labour

CH2 has a partnered an outsourcing labour hire organisation based in the Philippines to recruit and maintain a CH2 Team located in Manila. The Team located in Manila are seen as part of the greater CH2 Team and are incorporated into the daily function and activities of the business. Along with CH2’s policy and procedures, the organisation provides detailed steps to ensuring the CH2 Team and their wider business provide ethical recruiting and focus on risk mitigation and education on Modern Slavery.

CH2 utilise and consult with our business partner to ensure they abide by their commitment to:

- Include a resource reference for the Modern Slavery Act in the company’s New Hire Orientation to ensure that the employee population understands the concept of modern slavery and the risks it presents to the organization and ensure that they shall adhere to the organization’s drive in eliminating any form of slavery in the workplace.
- Continuously monitor, amend, and update our company’s policies and procedures which will reinforce its commitment to anti-slavery in the workplace.

- Implement a supplier accreditation due diligence process that requires contractual terms that set out Modern Slavery Act 2018 compliance expectations and penal provisions for any supplier who proves to be in violation of these requirements.
- Maintain a committee to be headed by the Country Manager of the Outsourcing Organisation with regards to the protection of employees in the workplace through a whistleblower policy that would serve as an avenue for duly reporting cases about modern day slavery practice. The committee will also be responsible for regular review of processes, internal audits, and compliance monitoring.

### Quality

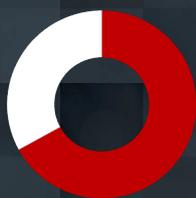
CH2 aims to constantly provide the best quality control measures through its process, standards, and people. The dedicated Quality Department ensures these standards are met at each of our warehouse locations. CH2 has developed a business management system that meets the specific requirements of AS/NZS ISO 9001:2015, excluding section 7.3 - design & development – this is not applicable as CH2 is strictly a distributor/wholesaler & does not directly manufacture any of the products it sells.

This integral management system incorporates all key business management functions that provide consistency throughout the business.

### Governance and accountability

CH2 has continued to evolve the organisation and has expanded the governance structure to include the CSR Steering Committee and two working groups to develop and improve in the areas covered by each working group. CH2 has a stable workforce employed directly under the terms of the National Employment Standards (NES), employment contracts covering 5 National Awards, and 2 Enterprise Agreements. CH2 upholds the right of staff to freely associate and collective bargaining with Union representation.

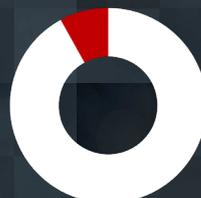
#### CH2 workforce as at 30 June 2022



Operations 67%  
Balance 33%



Australia 96%  
Manila 4%

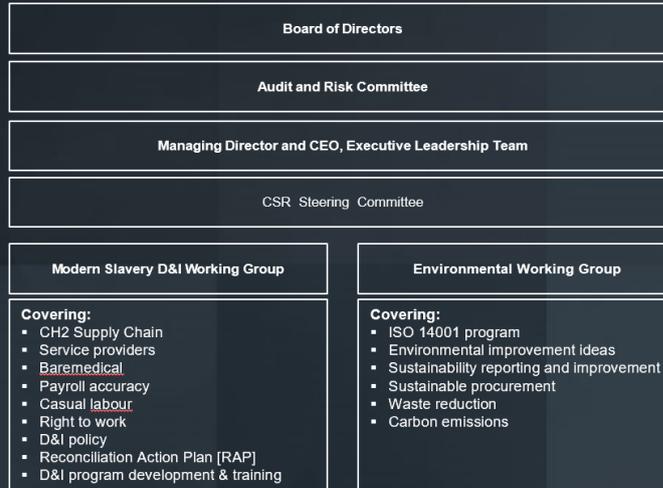


Permanent 92%  
Labour Hire 8%



Male 51%  
Female 49%

## CSR GOVERNANCE STRUCTURE



### CH2's governance for modern slavery in internal operations and supply chain

<b>Board of Directors and CEO</b>	Responsible for overseeing and reviewing the management, administration, and governance of the Company, including overseeing CH2's strategic direction.
<b>Leadership Team</b>	Implementation and management of labour rights standards is the responsibility of the General Manager – People and Safety. The CEO and wider Leadership Team are accountable for overall implementation of CH2's strategy, including reviewing and implementing the CSR Steering Committee objectives.
<b>Audit &amp; Risk Committee</b>	Oversees CH2s internal audit and controls. Reviews internal audit assessments of our internal operations, including its labour and social performance.
<b>CSR Steering Committee</b>	The committee will set the direction and oversee the working groups to review the implementation and effectiveness of CH2's policies, procedures, and actions with regard to modern slavery risk and human rights. Ensuring that the training, education, and commitment are transparent and provided to all employees within CH2.
<b>Modern Slavery Working Group</b>	Responsible to review processes and develop plans for better identification and management of modern slavery and labour rights risks in our third-party supply chain. Reporting back to the CSR Steering Committee on new and current project delivery.
<b>General Manager – People and Safety</b>	Responsible for managing risk in the recruitment and management of employees in both the CH2 Team in Australia and the Manila Team.
<b>Quality Assurance Manager</b>	Liaises with the private label Global Quality Assurance, Regulatory Affairs and Compliance Team to ensure Australian standards are met and exceeded and full transparency is maintained. Coordinates internal and external Audits of CH2, ensuring compliance with relevant standards.
<b>Private Label Business Unit Manager</b>	Responsible in ensuring Private Label products are sourced and manage risk on Modern Slavery and Labour Rights. Coordinates the reporting and communication in Audits conducted by the private label team.
<b>Procurement Manager</b>	Responsible in ensuring suppliers through CH2's wholesale channel collaborate in mitigating risk in the supply chain. This will include committing to transparent information, education and solution sharing to support momentum in awareness and action across the globe.

## **CH2's policies and procedures with relevance to management of modern slavery:**

- Modern Slavery Statement
- Code of Conduct
- Whist Blower Policy
- Diversity and Inclusion Policy
- Key Contracts
- Private Label Contract
- Transport Contracts
- Terms of Trade Agreements

## **Risk & Assessment of Operations & Policies**

CH2 continues to review the potential risks in our operations and supply chain against those risk factors which may result in modern slavery.

CH2 has not identified any specific instances of modern slavery harm in the current reporting timeframe in CH2 operations.

CH2 has been involved in the consultation process where a supplier's glove factory was identified as breaching the Modern Slavery Act. CH2 engaged with the supplier to review actions that were taken and supported the communication channel to the wider industry. The supplier always acted with transparent communication and provided detailed responses. CH2 will continue to monitor and work with the supplier while they remedy these issues.

Through a review of policies CH2 has established new policies and updated existing documents that govern human rights-related issues regarding employees, supply chain, and business operations, including:

- Updated Code of Conduct
- Review of Equal Employment Opportunity Policies
- Slavery awareness training for CH2 Board and Leadership Team
- New Diversity & Inclusion Policy
- Updated Procurement Policy/supplier handbook and
- Review of the CH2 Whistle-blower Program
- All contracts include expectations to comply with the Modern Slavery Act

CH2 will continue to develop and expand policies as necessary if further risks are identified and monitor the effectiveness of these steps with processes including;

- Board reports and senior management reviews
- Checks through CH2's risk assessment processes
- Internal audits and supplier reviews
- Steering Committee and Working Group meetings and projects

## **Staff Training**

Since the last Slavery Statement CH2 has undertaken staff training through face-to-face toolbox sessions and the online training platform. Training has continued in the area of staff code of conduct, ethical behaviour, and CH2's employee handbook, having over 750 individual training sessions completed with 147 on modern slavery, including the CH2 Board and Leadership Team. CH2 staff training will continue to ensure all staff understand modern slavery, the risks it poses, and the awareness to report any areas of concern.

## **Reporting and Monitoring - Ecovadis ESG reporting**

CH2's utilisation of Ecovadis ESG reporting platform for monitoring and critical assessment against global standards has rated CH2 at a Bronze level on the 1st assessment. With the ongoing development of processes and monitoring, it is CH2's goal to be at the Silver level by 2023.

### **Actions completed in FY2022:**

- ✓ Train Board and Leadership Team in Modern Slavery
- ✓ Training program for all employees in Modern Slavery
- ✓ Establishment of the ESG Policy Framework and Modern Slavery Working Group
- ✓ Engage with suppliers to provide their Modern Slavery Statements and implementing supplier due diligence and risk identification processes
- ✓ Ensure Private Label factories are Audited to the appropriate standard
- ✓ Ensure that the offshore team do not work excessive hours and are provided the same working conditions as the Australian team, particularly during COVID lockdowns.
- ✓ Payment Times Reporting and Annualised Salaries
- ✓ Update the Whistle Blower Policy
- ✓ Ecovadis ESG Reporting Platform enrolment
- ✓ Supplier Survey on Modern Slavery
- ✓ Updated Modern Slavery Statement

## **Outcomes and effectiveness of CH2's actions during FY2022**

### **The CH2 Team**

Greater awareness through the CH2 Training program at all levels of the CH2 business. This is a whole of business approach and the commitment of the CH2 Team to embrace the training and actions will continue to build our knowledge and accountability.

### **Supply Partners**

The education has expanded between our Supply Partners. Both CH2 and our Suppliers have a greater understanding of the requirements, actions, and accountability.

### **Key Contracts**

All new contracts in FY2022, including Transport, Cleaning, Material Handling, Customer (both private and government) all include our commitments working together towards eradicating Modern Slavery.

### **Offshore Private Label**

Partnering with a global leader in product sourcing and being educated in their commitment to Modern Slavery has supported the CH2 Team's confidence in a partner that has an absolute commitment to eliminating forced labour and modern slavery. The private label team have collaborated with supply partners and take proactive and immediate action to manufacturers that choose not to take early action on improving conditions.

### **Consultation**

A call to action in place for any identified risks within the Supply Chain network.

### **Monitoring and reporting tools implemented.**

CH2's Governance structure and CSR Framework has provided a voice to our team and to provide confidence that CH2 will continue to monitor, review, and build on our knowledge to ensure CH2 continues to take steps in elevating any risk to modern slavery within our entire supply chain network.

### **FY2023 Commitments**

- Continue training and education with the CH2 Team and Business Partners
- Develop a Supplier Framework for onboarding, due diligence and risk identification processes
- Reporting of modern slavery surveys and compliance for suppliers
- Establish a grievance framework within our supply chain control
- Continue to reinforce CH2 values around speaking up and making ethical decisions
- Reporting and Monitoring by continuing to build on our ESG reporting transparency

CH2 believes our efforts to date as outlined in this statement have been appropriate in helping prevent modern slavery in our organisation.