

Linfox Pty Limited



Modern Slavery Statement FY2020-2021

Introduction

The Modern Slavery Act 2018 (Cth) (the **Act**) defines 'modern slavery' as including eight types of serious exploitation: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour. The worst forms of child labour mean situations where children are subjected to slavery or similar practices or engaged in hazardous work¹.

Linfox Pty Limited (ABN 59 004 667 298) and its wholly-owned subsidiaries, including Linfox Australia Pty Ltd (ABN 47 004 718 647), Linfox Armaguard Pty Ltd (ABN 83 099 701 872) and Linfox International Group Pty Ltd (ABN 79 058 015 544), and their respective subsidiaries (together, **Linfox**) is committed to sourcing products and services in a transparent, ethical and responsible manner. Linfox has a zero-tolerance approach to modern slavery. It is committed to acting with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to assess and manage modern slavery risks.

This is Linfox's second modern slavery statement. It describes the steps Linfox has taken to assess modern slavery risks within its operations, inclusive of its supply chain, during the period 1 July 2020 to 30 June 2021, and details the actions being taken to help address these risks into the future.

Linfox company, operations, and supply chain

Linfox is Asia Pacific's largest privately-owned logistics company, incorporated and headquartered in Melbourne, Australia. The group has operations and offices in nine countries, and a workforce of more than 15,500 people, across operations in Australia, New Zealand, Thailand, Hong Kong, India, Indonesia, Laos, Malaysia and Vietnam.

Linfox is one of Australia's largest providers of logistics services including distribution centre management, shared warehousing capability, integrated property warehousing, transport management, specialised industrial transport and retail transport.

Linfox offers secure cash and valuables logistics, currency supply chain and technology solutions via its subsidiary, Linfox Armaguard. Armaguard is an iconic Australian brand with over 80 years' experience developing processes and systems that provide currency forecasting, management and processing, along with technology solutions and other security services to a growing number of customers, including major banks and retailers. It is the market leader in Australian currency management.

¹ Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities, Pt 1, Overview: p 8



Linfox-owned BevChain provides tailored supply chain solutions for the beverage industry, consolidating products from some of Australia's favourite brands for distribution.

Linfox provides supply chain and logistics solutions for a range of industries including food, beverages, healthcare and pharmaceutical, government, defence, industrial, resources and retail as well as cash management and precious cargo.

For more than 65 years, Linfox has offered a broad range of logistics solutions, backed by a 200-strong warehouse network and extensive fleet capability including: road freight, rail freight, airfreight, bulk liquids and haulage, cross border logistics, dangerous goods, intermodal and cold chain logistics.

Linfox supply chain

Linfox's supply chain includes the procurement of goods and services from over 10,000 active suppliers. Linfox's procurement expenditure for the period 1 July 2020 – 30 June 2021 was approximately \$2 billion.

Linfox's procurement arrangements for the reporting period include acquisition of products and services such as logistics subcontractors, agency labour, trucks and armoured vehicles (and related parts and components), fuel, tyres, safety equipment, IT equipment, personal equipment and clothing (uniforms), stationery, cleaning, wrapping/packaging and hardware, software, communications and servicing for/of ATMs, Smart Safes, cash recycling equipment, deposit kiosks and parking meters.

Approximately 90 per cent of the Linfox procurement expenditure was made by the Australian and New Zealand entities, and the remainder spent in the other countries (mentioned above) in which Linfox operates. Despite the majority of its suppliers being located in Australia, Linfox recognises that its suppliers are likely to have acquired products and componentry manufactured elsewhere in the world, which presents modern slavery risks deeper within the supply chain.

Risks of modern slavery in operations and supply chains

Recognising the prevalence of modern slavery and the global nature of logistics and supply chain solutions, Linfox acknowledges that modern slavery practices may be present in its operations and supply chains.

Linfox is committed to fostering and maintaining a reputation based upon Loyalty, Integrity, Fairness and Trust, also known as the LIFT values. This requires the highest ethical practices and standards to be observed across its operations and supply chains. This commitment is captured and operationalised by The Linfox Way, which explains the Code of Conduct and the standards of behaviour expected by everyone that works for Linfox.

Linfox integrates human rights considerations, including combatting modern slavery, into its risk management processes. The following practices, policies and procedures contribute to the efforts to combat modern slavery across the group:

- Modern Slavery Policy
- Workplace Behaviour Policy
- Grievance Policy
- Conflict of Interest Policy

- Anti-Corruption and Bribery Policy
- Whistleblower Protection Policy
- Fraud and Corruption Control Policy
- Code of Conduct (The Linfox Way)
- Risk Policy
- Enterprise agreements, awards, collective agreements
- Recruitment and selection policies and standards
- Supplier and subcontractor management policies and systems.

Assessing modern slavery risks

Linfox has conducted a high-level risk and exposure assessment of its businesses to understand where modern slavery risks may exist. The assessment was undertaken by a cross-functional team across procurement, legal and risk representatives of the various entities forming Linfox. Information has been and continues to be collected from across the Group so as to complete our understanding and perspective of risks and existing controls and to capture any gaps.

The assessment involved a desktop review of Linfox's quantifiable spend on its supply chain. This assessment includes consultation with and consideration of supply arrangements in respect of each of the entities that Linfox owns or controls. Higher-spend suppliers across the whole Group were then categorised and assessed as high, medium, or low risk for modern slavery practices, based on the eight exploitative practices (as per UN and Australian Government definition of modern slavery). Any potential exposure to exploitative practices were further assessed according to 'reported high risk industry', 'commodity' and/or 'country where these exploitative practices frequently occur'.

Linfox's suppliers assessed as moderate or high risk were reassessed on factors including their modern slavery responses, country of origin clarification and commercial relationships that support fair employee pay.

The assessment found that the risks were largely dependent on geographical location, with higher risks linked to low-cost manufacturing countries where there are greater safety and security issues, political unrest and corruption.

Risks in Linfox operations

Approximately two thirds of Linfox employees are based in Australia and New Zealand, and around 90 per cent of Linfox suppliers are Australian entities.

Linfox engages subcontractors for vehicle transport, rail operations and other security services (such as guards, cash-in transit subcontractors or locksmiths) either directly with drivers or by engaging other logistics or security companies. Linfox also has labour hire agreements with a panel of providers for labour in warehouses and distribution centres, and uses software consultants to support its in-house information technology resources.

It is acknowledged that subcontracted labour across all operations (such as contracted drivers and agency-based cleaning staff) may expose the company to sham contracting and deceptive recruiting for labour and services. There is presumed to be a higher risk where the supplier can recruit from, or outsource to, low-cost countries.

Linfox's contractual agreements with subcontractor drivers and cash-in-transit and ATM services providers include modern slavery requirements. They are recorded and monitored through its subcontractor onboarding and management systems, which also facilitates the distribution of policies, procedures and work orders. Linfox's specialist rail operations provider is a large Australian company with a modern slavery statement. Labour hire agreements with all providers refer to both modern slavery laws and compliance with Linfox's Modern Slavery Policy. Linfox has assessed the risk of exploitation by driver and rail subcontractors as low.

Risks in the supply chain

Linfox has a network of suppliers across a range of goods and services. Linfox is aware that the risks of modern slavery may be exacerbated in businesses that rely on extensive contracting and subcontracting arrangements.

As well as the subcontracted activities discussed above, Linfox's major spend categories are related to the purchase and maintenance of the vehicle fleet - vehicles, parts and spares, fuel, tyres – and consumables for logistics operations - packing supplies and materials, stationery, uniforms and safety equipment. Additional significant categories of supply include cleaning and gardening services.

Global manufacturing practices, even via local suppliers, exposes Linfox to sourcing exploitation risks from low cost manufacturing countries that may have poor working conditions. Areas of concern are:

- Forced/bonded labour
- Deceptive recruitment
- Exploitation of migrant workers
- Child labour
- Underpayment of wages
- Excessive working hours.

High Value Direct Suppliers

Linfox assessed the following high-value direct suppliers relevant to the 2020-21 financial year.

Vehicles

Linfox purchases a range of different vehicles for its large fleet. Maintaining the Linfox fleet requires parts, spares and consumables. These items are sourced from the manufacturer or original equipment manufacturer (OEM).

These are sourced from major manufacturers who have provided detailed modern slavery statements.

This category of spending has been evaluated as low risk.

Fuel

As a logistics provider with a large fleet, Linfox purchases fuel for its vehicles. The petroleum industry has had a history of exploitative practices, in drilling, refining or logistics². The fuel supply chain is identified as a high-risk category by the United Nations.

The majority of Linfox fuel spend is in Australia and New Zealand where a detailed assessment of its major suppliers has been undertaken. Linfox's major suppliers have well-developed modern slavery policies and practices across refining and importation, and so have been re-evaluated as low risk. In Asia, a modern slavery policy was provided by a major supplier and therefore the risk assessment has been downgraded to moderate risk, but is flagged as requiring a more detailed review.

Tyres

As a logistics provider with a large fleet, tyres are a material spend, covering both vehicle and manual handling equipment tyres. The majority spend is with preferred brands: three suppliers are responsible for approximately 90 per cent of spend.

The tyre industry is the main consumer of natural rubber and is a large consumer of soybean oil used to replace petroleum products. The rubber and soybean commodities have been highlighted for exploitative risks in multiple US Government reports³. Linfox's manufacturers of tyres have sites in low manufacturing cost countries including South Africa, Mexico, China and India. Some manufacturing is carried out in the United States.

The tyre supply chain was initially assessed as high risk. Linfox's two main suppliers operate globally and have provided detailed modern slavery statements to meet legislative requirements in the United States and the United Kingdom. The supplier providing the greatest number and volume of tyres to Linfox is also a reporting entity for the purposes of the Act, so has in place policies and procedures to mitigate risk relating to modern slavery. Both major manufacturers are aware of the exploitative risks related to the commodities used and low-cost sourcing countries and are implementing mitigation policies. Linfox has therefore reduced the assessed risk to low but requires ongoing management.

Cleaning and gardening services

Cleaning has been recognised as a key risk area for modern slavery in Australia by the Department of Home Affairs⁴. Withholding of wages, immigration-related coercion and threats, deceptive recruitment, excessive overtime, debt bondage, confiscation of personal and travel documents, and dangerous and substandard working conditions are all practices that have been identified in the cleaning industry in Australia. Additionally, cleaning services are regarded as high risk due to industry "sham" labour contracts being prevalent.

Linfox engages cleaning contractors through one major supplier and several other local agencies. Some of the Group entities have their own cleaning contractors, which are intended to transition to Linfox's preferred supplier as those contracts expire. Linfox's key cleaning services contractor responsible for over 75% of spend is an Australian company

² Source: BP Slavery and human trafficking statement 2019 dated June 2020

³ "Trafficking in Persons Report", U.S. Department of State 2018; "List of Goods Produced by Forced Labour and Child Labor", U.S. Department of Labor (DOL)

⁴ Commonwealth Modern Slavery Act 2018 – Guidance for reporting entities, accessible at: <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

and has a modern slavery policy and practice management procedures in place and has been audited and reviewed to ensure compliance. Other suppliers of smaller cleaning contracts have been locally sourced in Australia and at least half of those have modern slavery policies in place. Linfox has therefore, down-graded its modern slavery risk assessment from high to low, but this is also an area for Linfox to continue to monitor.

Gardening services are also regarded as high risk; however, as the services are sourced and provided locally and comply with Australian legislation, Linfox has reduced the assessed risk to low.

In Asia, outsourced agency services are regarded as high risk due to industry “sham” labour contracts being prevalent and some possibility of bonded labour. Contractual obligations upon vendor engagement minimise risk of sham or bonded labour, and the audit process reduces likelihood of breach of obligations. Linfox has therefore reduced the assessed risk to low.

Global Sourcing

Linfox also assessed suppliers with exposure in their supply chains to low-cost manufacturing countries. Global sourcing, even via local companies, presents the risk of exploitation: labour rights and working conditions are considered a high exploitation risk in these countries.

Packaging supplies and materials

Linfox purchases packaging supplies and materials to support logistics and cash-in-transit operations. This includes plastic films and stretch wrap, labels, tamper-evident packaging, adhesive tapes and strapping as well as pallets, trolleys, castors and wheels.

The majority of this spend is with eight suppliers, seven of whom has provided a modern slavery statement. Although most suppliers are Australian, it is very likely that materials are manufactured globally. The risk has been assessed as low, but is flagged for continued and ongoing modern slavery risk assessment.

Stationery, safety equipment and uniforms

As well as traditional office supplies like paper, Linfox’s stationery spend includes labels and seals for packages. A single supplier is responsible for over 75 per cent of spend, and the supplier advises material is sourced from China. The remaining 25 per cent is spread across over 70 low value suppliers, with items sourced locally but manufactured globally. The modern slavery risk was initially assessed as high, but a modern slavery statement was provided by our main supplier and so this rating has been reassessed as low.

Personal protective equipment (PPE) and safety equipment are listed as one of the main industries at risk of exploitation in China⁵. This category has multiple suppliers, but one supplier is responsible for over 50 per cent of spend. Most of these suppliers are local, but the items are manufactured globally. Safety wear/uniforms are a major component of the spend and Linfox’s Procurement team has found this is predominantly sourced from manufacturers in China. The risk associated with safety equipment was initially assessed as high; however, Linfox’s main supplier provided a modern slavery policy and so this area was reassessed as low.

⁵ US Responsible Sourcing Tool, www.responsiblesourcingtool.org

Uniforms are also sourced from manufacturers in China; 95 per cent of the spend on uniforms is through a single supplier. An initial assessment of high was revised to low after Linfox's major supplier provided its modern slavery policy.

Assessing the effectiveness of our actions

Linfox assesses the effectiveness of its risk assessment and management process on an ongoing basis by continuing to review our internal and direct employment, procurement and contracting practices, as well as liaise with key suppliers to raise awareness of and take steps to mitigate the risks of modern slavery deeper in our supply chain.

We have additionally taken the following steps to increase and improve effectiveness:

- Established a multi-functional team across the Linfox entities to meet regularly to assess and report on modern slavery risks within the Group and to share learnings and resources;
- Improved our HR policies and practices, including by uplifting our Modern Slavery policies, whistleblower policies and Anti-bribery and Corruption policies;
- We have engaged an independent third party to provide a service whereby disclosures of purported fraud, misconduct, or an improper state of affairs or circumstances (including without limitation breaches of our modern slavery policy or the Act) may be reported by employees, suppliers, contractors, customers or members of the public on a confidential basis to better protect whistleblowers;
- Uplifted our subcontractor onboarding and management systems to communicate our modern slavery policy and to contract to our expectations that modern slavery risks will be assessed and mitigated by our suppliers and partners;
- Updated our precedent supply and procurement agreements to include modern slavery provisions;
- Increased the number of suppliers that were reviewed for modern slavery policies, practices and statements in the course of our risk assessment;
- Engaged an educational provider for modern slavery training content, which is currently being tailored to our various business operations and will be rolled out to key roles throughout the Group's business;
- Developed a Register of obligations to report/notify our customers in relation to Modern Slavery breaches;
- Improved our reporting capability and systems;
- Obtained and recorded modern slavery policies from our suppliers; and
- Accessed the Australian Border Force's Online Modern Slavery Register to review other comparable entities' modern slavery statements and to identify whether suppliers have a registered modern slavery statement.

Linfox acknowledges that there are still some opportunities to improve our assessment of modern slavery risks and the effectiveness of steps taken to mitigate those risks. We will continue to develop and improve our frameworks and processes to assist us to assess the effectiveness of our actions to better identify and manage modern slavery risks as further described below.

Managing modern slavery risks – the road ahead

Linfox has continued its program to combat modern slavery by identifying and assessing those areas that are most exposed to modern slavery, either by size of expenditure or risk across each of entities within the Group. Linfox is committed to continuing to develop its understanding and management of modern slavery risks in its operations and supply chain.

Continue to incorporate modern slavery into Linfox's risk management and compliance framework

Linfox will:

- Partner with suppliers and contractors to undertake regular review of governance and assurance practices to uncover and reduce modern slavery risks;
- Act promptly to investigate and take definitive action in the event that modern slavery or other disclosures of purported fraud, misconduct, or an improper state of affairs or circumstances are reported via our internal communications or the external reporting function;
- Periodically review its Modern Slavery Policy to ensure that the policy remains consistent with all relevant legislative requirements as well as the changing nature of the company;
- Continue to incorporate Modern Slavery requirements in its other policies and procedures as they are reviewed and updated;
- Provide training and awareness raising of the risks of modern slavery in the requirements for relevant roles;
- Continue to update and improve induction programs and onboarding practices for employees, contractors and key suppliers;
- Continue engaging with suppliers to improve Linfox's understanding of modern slavery risks deep in the supply chain;
- Continue to monitor the effectiveness of controls against modern slavery risk, including compliance with the Modern Slavery Policy and any relevant procedures; and
- Report material modern slavery risks to leaders, the Executive Leadership Team and the Board Risk Committee through Linfox's risk management framework. Management teams will also report to the Boards if there are any material incidents and/or allegations of modern slavery in its operations or supply chain identified or disclosed during the year, and any steps taken to respond.

Incorporate modern slavery risk into procurement decisions

Linfox will:

- Continue to update its procurement processes to ensure they align with Linfox's commitment to human rights and the LIFT values;
- Continue to improve modern slavery engagement with existing suppliers by the development of a Supplier Code of Conduct, prioritising those suppliers considered high risk, high value or strategically important;
- Identify and assess human rights and modern slavery risks during tenders and other means of evaluating new or renewing suppliers and subcontractors. Linfox will consider these risks as a factor in evaluating the suitability of suppliers; and
- Contractually oblige suppliers and subcontractors to comply with applicable employment and workplace laws and regulations, including labour and child labour laws. Linfox will have the right to audit and enforce these requirements.

Continue expanding assessment

Linfox's assessment for this statement has continued to focus on a risk-based approach. This involved focusing its efforts on areas assessed as having a higher risk of modern slavery practices such as those with high spend, and where the supply chain includes low cost manufacturing countries.

Linfox recognises that it still has limited visibility over some of its suppliers, particularly those further along the chain of supply or for suppliers providing goods and services at a lower spend. Linfox acknowledges that it is still developing its capacity to systematically identify and respond to modern slavery risks across its supply chain, but is committed to continuing to improve its frameworks for combatting modern slavery and Linfox's introduction of data into a central and integrated system will support improvements in this regard.

In the next year, Linfox will extend its modern slavery risk assessment. Linfox will review the approaches to managing modern slavery risks from the top five suppliers in each spend category, and more closely review sourcing arrangements for risks deeper in the supply chain.

Process of consultation

In the course of preparing this second modern slavery statement, Linfox consulted with each entity within the Group that is owned and controlled by Linfox. This was achieved by cross-functional representatives from each entity (including Risk Management, Procurement and Legal team members) forming a Modern Slavery Working Party to meet to agree a process and format for assessing and reporting modern slavery risks, discussing actions and approaches for mitigating modern slavery risks and sharing knowledge and resources (e.g. policy uplifts, training content and expertise). The Executive Leadership Teams and Boards of each entity have been consulted in the preparation and approval of this statement.

Approval

Linfox acknowledges that modern slavery can occur in every industry and sector and has severe consequences for victims. Linfox is committed to operating to the highest ethical practices and standards, and to addressing and managing modern slavery risks in its supply chain in accordance with this statement.

The Linfox Board of Directors authorised and approved the publication of this statement on 31 December 2021.



Peter Fox
Executive Chairman
Linfox Pty Ltd