

Modern Slavery Statement

Under the Modern Slavery Act 2018 (CTH)



REPORTING PERIOD 1 JULY 2019 – 30 JUNE 2020

Pacific Health Supplies Topco1 Pty Limited (ACN 624 030 897)
Pacific Health Supplies HoldCo Pty Limited (ACN 624 033 450)

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Executive Summary

This Joint Modern Slavery Statement is made in accordance with section 14 of the Modern Slavery Act 2018 (Cth) (the Act). The mandatory reporting entities covered by this Joint Statement are:

- Pacific Health Supplies TopCo1 Pty Limited (ACN 624 030 897)
- Pacific Health Supplies Holdco Pty Limited (ACN 624 033 450)

This Modern Slavery Statement is also made on behalf of the following entities that form part of the consolidated group of entities that are owned or controlled by the mandatory reporting entities (referred to collectively in this Statement as "LifeHealthcare"):

- Pacific Health Supplies TopCo Pty Limited- ACN 624 032 051
- Pacific Health Supplies Mezzco Pty Limited- ACN 624 032 908
- Pacific Health Supplies Bidco Pty Limited- ACN 624 033 889
- Lifehealthcare Group Pty Limited- ACN 166 525 186
- Lifehealthcare Finance Pty Limited- ACN 166 526 941
- Lifehealthcare Pty Limited- ACN 130 225 599
- Lifefinance Pty Limited- ACN 123 284 944
- Lifehealthcare Distribution Pty Limited- ACN 117 449 911 (Core operational entity)
- Lifehealthcare Services Pty Limited- ACN 125 822 068
- Electrocore (Aust) Pty Limited- ACN 158 944 597
- Medical Vision Australia Cardiology & Thoracic Pty Limited- ACN 154 921 829
- Oceania Orthopaedics Pty Limited- ACN 141 857 767
- M4 Healthcare Pty Limited- ACN 154 565 769
- Central Neurophysiology Supplies Pty Ltd- ACN 080 745 955
- Coefficient Technologies Pty Limited- ACN 106 645 854
- Surgical Access Pty Limited- ACN 092 966 142
- Taylor Bryant Pty Limited- ACN 004 000 373
- Austspine Pty Limited- ACN 123 698 528
- Spiran Pty Limited- ACN 603 394 529

About Us & Our Industry

LifeHealthcare is a leading distributor of medical devices operating in the Australian and New Zealand markets. Our priority and passion is health. Our purpose is to make life better for others. We partner with world-leading medical device suppliers and manufacturers to support innovation and development throughout the healthcare systems in Australia and New Zealand.

During the subject reporting period, our distributed products covered the following medical disciplines and portfolios:



Orthopaedics & Spine



General Surgery & Diagnostic Imaging



Medical Capital & Consumables



Plastics & Reconstructive Surgery



Neurovascular Intervention & Neurosurgery



Robotics & Specialist Capital

Addressing Risks in Our Supply Chain

As a distributor in the medical devices and technology sector, our business depends on strong supplier relationships on an international scale. We acknowledge that modern slavery exists as a hidden scourge in many parts of the world, and can be a real risk within the supply chains and operations of any global company, no matter what their primary business activities.

We acknowledge our legal and moral obligation, as a good corporate citizen, to understand, assess, and address such risks in our operations and supply chains.

We recognise that an effective anti-slavery response will only become achievable through genuine multi-stakeholder collaboration between manufacturers, suppliers and distributors, along with government and non-governmental bodies.

Our Responsibility in Addressing Modern Slavery

We are part of an industry that assists more than 2.5 million patients in Australia every year.

We rely on complex global supply chains due to the large proportion of sourcing, engineering and manufacturing required in the production of the products that we distribute. The resilience and robustness of these supply chains remains a top priority, particularly with the onset of the COVID-19 pandemic.

Our business and industry is subject to extensive oversight by the Therapeutic Goods Administration, which is primarily responsible for monitoring the quality, supply and advertising of the products that we procure and distribute. We are a member of the Medical and Technology Association of Australia

striving to ensure the benefits of modern, innovative and reliable medical technology are delivered effectively to provide better health outcomes to the Australian community.

We are certified to the ISO9001:2015 Quality Management Systems standard, designed to provide effective quality management over our distribution and use of medical devices. We also have complex regulation in place to protect the intellectual property (IP) of such devices. There is also large reliance on our human capital in the sourcing, distribution, education and use of medical devices.

Our Initiatives

The following is a brief summary of the initiatives that we have engaged in during this inaugural reporting period under the Act:



Initial Risk Assessment and Mapping of our Supply Chain.



Modern Slavery Training for our Executive and Procurement Team led by external subject matter experts.



Foundational due diligence activities, including comprehensive Policy & Document Review to specifically address Modern Slavery issues; and the development of a desktop audit and supplier self-assessment questionnaire.



Developing of a baseline framework with internal KPI's for measuring the effectiveness of our modern slavery response, and to facilitate a continuous improvement approach to all that we do in addressing modern slavery risk in our operations and supply chains.

Reporting Entities & Operations

Identify the Reporting Entity

The mandatory reporting entities covered by this Joint Statement are:

- Pacific Health Supplies TopCo1 Pty Limited (ACN 624 030 897)
- Pacific Health Supplies Holdco Pty Limited (ACN 624 033 450)

Reporting Entity's Structure, Operations and Supply Chains

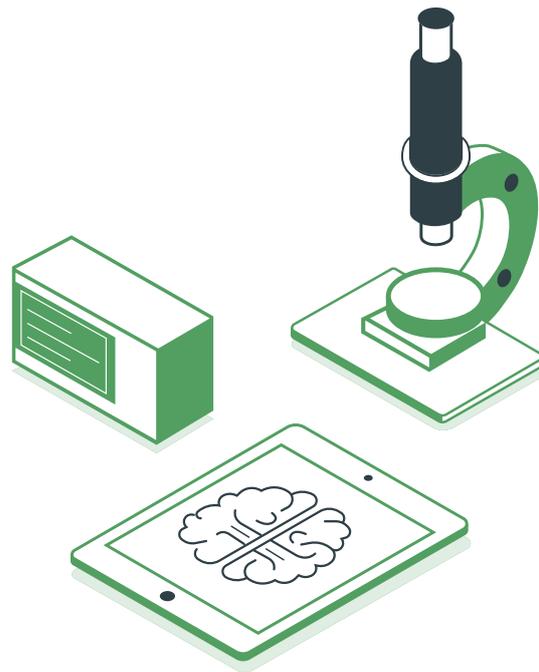
We have over twenty Australian entities as part of our Corporate Group. These entities include non-operational and operational entities provided below:

Non-Operational Entities

Pacific Health Supplies TopCo1 Pty Limited- ACN 624 030 897
Pacific Health Supplies Holdco Pty Limited- ACN 624 033 450
Pacific Health Supplies TopCo Pty Limited- ACN 624 032 051
Pacific Health Supplies Mezzco Pty Limited- ACN 624 032 908
Pacific Health Supplies Bidco Pty Limited- ACN 624 033 889
Lifehealthcare Group Pty Limited- ACN 166 525 186
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Surgical Access Pty Limited- ACN 092 966 142
Taylor Bryant Pty Limited- ACN 004 000 373
Austspine Pty Limited- ACN 123 698 528

Operational Entities

Lifehealthcare Distribution Pty Limited- ACN 117 449 911
Lifehealthcare Services Pty Limited- ACN 125 822 068
Spiran Pty Limited- ACN 603 394 529



Company Overview

Our core operational entity is Lifehealthcare Distribution Pty Limited- ACN 117 449 911, which, in turn, has an operational subsidiary, Spiran Pty Limited- ACN 603 394 529.

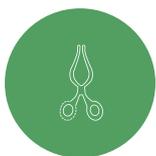
LifeHealthcare Distribution Pty Limited is engaged in distribution of medical devices in the therapeutic areas listed under paragraph 7, apart for plastics and reconstructive surgery. Spiran Pty Limited is engaged in the distribution of medical devices in plastics and reconstructive surgery including breast implants and garments used post operatively. The remaining operational entity, Lifehealthcare Services Pty Limited- ACN 125 822 068, manages the employment of our human capital of the said entities.

Our products are covered by three overarching areas:



Implantable Devices:

Such as those devices that replace, support or enhance the body's biological structure.



Non-Implantable Devices:

Includes instruments used in surgical procedures.



Capital Equipment:

For diagnostic or surgical purposes such as ultrasound and operating theatre capital equipment.

We distribute these products throughout the healthcare sector, including public and private hospitals, surgeons and medical specialists around Australia.

We also provide regulatory and reimbursement management, professional education and training to medical professionals.

We have 220 employees in the following locations throughout Australia and New Zealand:



New South Wales

Level 8, 15 Talavera Rd, North Ryde
NSW 2113



Victoria

Unit 3, 484 Graham St, Port Melbourne
VIC 3207



South Australia

186 Glynburn Rd, Tranmere
SA 5073



Western Australia

Level 2, 327 Cambridge St, Wembley
WA 6014



Queensland

Level 1, South Building 153 Campbell St,
Bowen Hills QLD 4006



New Zealand

Suite 1.5, 72 Dominion Rd, Mount Eden
Auckland 1024

Our Supply Chain

Our business operations involve the distribution of medical devices and products, as opposed to the direct production and manufacture of those products. Accordingly, the establishment and maintenance of positive and long-standing global supplier relationships is critical for our business operations.

At least 77% of our supply chain consists of wholesale trade in globally sourced medical and surgical instruments and equipment. Other segments of our supply chain include goods and services to support our central business operations and corporate functions, include in the following general industry categories:



Computer & Technical Services
Including IT consulting services.



Forwarding Agencies - including associated freight costs to receive our goods and transport them to our clients.



Ownership of Dwellings
Including rent for our offices around Australia.



Hospitals & Nursing Homes



Services to Finance & Investment
Including finance consulting, services and payment platforms.



Interactions with Healthcare Professionals - including peer to peer clinical education and training in theatre in the proper use of new tools, products and techniques.



Market Research & Other Business Management Services

The greatest share of our direct suppliers is based in Australia (50.9%) or the USA (26.9%).

The remaining Tier 1 suppliers are in the following locations:

- Germany- 7.8%
- Canada- 8.2%
- Netherlands- 2.6%
- Finland- 1.5%
- Great Britain- 1.2%
- New Zealand- 1.0%
- Israel- 0.5%
- France- 0.4%
- Japan- 0.4%

Many of these suppliers span the following global regions either through their own manufacturing or sales operations, which in turn, are acknowledged as forming part of our supply chains for the purpose of the Act:

- Asia-Pacific
- Europe
- Middle East
- North America
- Latin America

Modern Slavery Risks in Supply Chains and Operations

Description of Modern Slavery Risks in Supply Chains and Operations

We have not identified any cases of actual or suspected modern slavery or associated conduct occurring in our supply chains and operations over the reporting period.

A significant risk mitigation factor is that our human capital largely depends on highly skilled professionals. This, of course, does not mean that modern slavery risks do not exist at the earliest stage of product manufacture, including the extraction and refinement of raw materials, or the production of less sophisticated ancillary products such as packaging for transport or storage.

We have engaged external subject matter experts to assist us in the detailed mapping of our supply chain and identification of modern slavery risk to Tier 10. This risk assessment took into account a complex interaction of factors that operate to elevate risk within business operations and supply chains, including:



Total supplier spend amounts (i.e. the value of our direct supplier contracts).



Industry category, including industries that, in turn, feed into particular categories further down the supply chain.



Depth of tiering within the supply chain(s) e.g., 3rd tier supplier, 5th tier supplier, etc.

Our largest areas of total direct spend fall within the following three industry categories:



Wholesale trade in Australia.



Surgical and medical instrument manufacturing in the USA.



Medical, scientific, optical equipment and watches in Germany.

A number of factors such as the relatively labour intensive nature of the medical device manufacturing industry, the potential for such risks to be hidden at lower tiers of the supply chain and the geographical spread of such operations all interact to potentially increase the relative modern slavery risks in these areas.

Despite a strong compliance regime in our operations, we acknowledge that the covert nature of many modern slavery activities means that such egregious human rights violations may go undetected or unreported, especially at lower tiers of our supply chain where the workforce tends to involve less skilled labour, and there are typically lower levels of visibility and control.

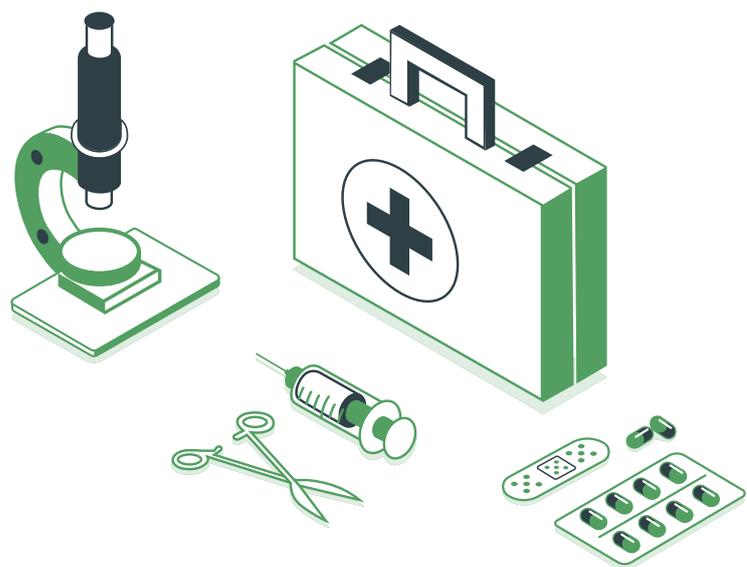
Modern Slavery Risks in Supply Chains and Operations

Wholesale Trade in Australia

Wholesale trade in Australia was assessed as having the highest relative modern slavery risk out of the top 15 industry categories as a whole. In addition to the medical device technology inventory that we purchase and distribute as part of our core business, we also have significant supplier relationships with medical device agents and intermediaries that assist with the sales and distribution of our inventory. Less significant spend components within this industry category include items such as print solutions and camera equipment.

At least 80% of the medical devices used within Australia are imported products. Many Australian medical devices are part of global multinationals that have a wide geographical footprint in terms of their sourcing, manufacturing, production and sales; of the Australian medical devices market are subsidiaries of such multinationals.

In addition to the proportionally high total spend amount within this category, the relatively elevated modern slavery risk is likely attributable to the high incidence of imported products. These medical devices and technology goods are likely to be manufactured or have components and parts sourced in countries that have a higher risk for modern slavery, especially at lower tiers of the supply chain such as raw material extraction and refinement.



Modern Slavery Risks in Supply Chains and Operations

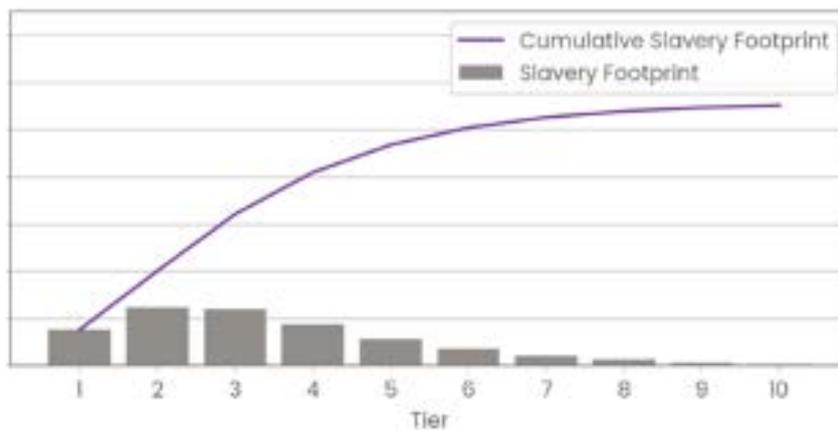
Medical Devices Manufactured in the USA

Medical device manufacturing in the USA was the second highest industry risk category overall from our initial risk assessment.

The risk of modern slavery for medical devices manufactured in the US can be attributed to the potential for component parts of these medical devices being sourced or manufactured in high risk geographies around the world. The USA is a large importer of medical devices and products from regions such as Asia, which elevates the relative risk profile.

Figure 1 below, indicates that our risks are likely to accumulate at Tiers 2 and 3 of our supply chains, where our level of direct visibility and control is substantially lower.

Figure 1: Risk by Tier



Modern Slavery Risks in Supply Chains and Operations

Medical, scientific, Optical Equipment and Watches in Germany

Modern slavery risks in this industry may be elevated at lower tiers. Medical devices in this industry category are likely to be dependent on inputs from certain high risk sectors such as extractive industries, mining and metal production.

Electronic products manufacturing is also recognised as having elevated risks, primarily due to the component parts of such devices potentially having supply chains that, particularly in the lower tiers, potentially featuring:



Exposure to hazardous working conditions and chemicals.



An unstable and fragmented labour market.



Vulnerable foreign workers being exploited by recruitment agents in high-risk geographies.



Mining and extractive sectors remain hazardous in nature with a large proportion of low-skilled workers in unregulated markets and geographies, including an elevated risk for child labour and forced labour.



Due Diligence & Remediation Processes

Supply Chain Mapping and Risk Assessment

As noted in Part Three, we have undertaken an initial risk assessment over the reporting period with the assistance of subject matter experts. This involved mapping the supply chains of all of our supplier base for the reporting period, of 490 direct suppliers.

Further due diligence and risk mitigation activities described below have been, and will continue to be, undertaken utilising the results of this in-depth risk assessment. The methodology for the initial risk assessment is further summarised in the Appendix to this Statement.

Policy and Document Review

During the period covered by this inaugural Statement, we commenced the process of comprehensively reviewing our internal governance frameworks, policies and documents to ensure we are adequately addressing modern slavery.

The planned rollout of standard contractual provisions and the further development of our internal governance framework to include express modern slavery clauses is proposed, where appropriate, to be a focus of the upcoming 20-21 reporting period. These include:

- Human Rights Policy
- Code of Conduct
- Supplier Code of Conduct
- Supplier & Procurement Evaluation Process and Policy
- Modern Slavery Provisions for Selected Supplier Contracts
- Whistleblower Policy
- Human Rights Grievance Policy & Procedure

The introduction of a specific, stand alone, Modern Slavery Policy for incorporation into our existing internal governance framework is also in the initial scoping stage.

Due Diligence & Remediation Processes cont.

Internal Education and Training

Our executive and procurement teams have undertaken bespoke modern slavery training. Online education modules have also been developed and will be rolled out throughout our workforce during the next reporting period.

Due Diligence for Direct Suppliers with an Elevated Risk Profile

As noted above, a key outcome of the initial risk assessment was the identification of those suppliers in the higher risk industry categories. The process of distributing a supplier self-assessment questionnaire is currently underway to the top 50 suppliers with the greatest likelihood of modern slavery, taking into consideration both industry risk and total spend with the supplier.

In conjunction with this voluntary self-reporting, we have also engaged subject matter experts to undertake a comprehensive desktop audit of those suppliers. We anticipate being in a position to report more fully in the results of these activities as part of our Statement for the next reporting period.

Effectiveness Assessment

We have established the following KPI's to measure their effectiveness of addressing modern slavery:

-  Deeper supplier engagement: continuing positive and collaborative direct supplier engagement, including through providing access to online training with targeted suppliers and contract negotiation.
-  Desktop auditing of select suppliers and engagement through the process of supplier self-assessment questionnaires.
-  Continued education for internal stakeholders and our Board to ensure that we continually improve our understanding of how to most effectively address modern slavery.
-  Development and implementation of a grievance mechanism for external stakeholders.
-  Continued risk management through our Risk Management Policy and Plan to include and address modern slavery risk related to the conduct of our business operations at a multidisciplinary level.

Due Diligence & Remediation Processes cont.

Consultation With Any Owned or Controlled Entity

Over the reporting period we have consulted with our reporting and non-reporting entities that we own and control in order to address modern slavery. These include those entities that provide direct operations as well as our non-reporting entities. This consultation has included engagement with our Board.

Impacts of COVID-19 Pandemic on Modern Slavery Issues and Response

➤ High-demand for COVID-19 related medical equipment

As a distributor of medical technology and devices, our business operations and supply chain have been directly and significantly impacted by the COVID-19 pandemic.

Our industry has remained a key focus area for the Australian Government Department of Health. We are heavily reliant on overseas and multinational suppliers and manufacturers. We have seen a heightened demand for such equipment for the testing and treatment of patients impacting our operations, supply chains and the industry as a whole in an unprecedented manner.

Products such as circuitry filters, breathing circuits, oximeters and related raw materials have been in high demand from the industry, noting that we do not distribute any of these products.

➤ Logistics & Supply

Furthermore, there has been a rise in freight costs overall, particularly given that Australian manufacturing in this sector is relatively small and relies significantly on imports. With the addition of closed and/or heavily monitored state and territory border control and the reduction of internal air freight, access to patient treatment in rural areas were severely impacted.

➤ Education and Surgical Practice

With interstate and international travel restricted, Healthcare Professionals were limited in their 'hands-on' education, supervision and provision of technical support amongst their peers. Our industry relies on medical device companies' support of bona fide research, education and enhancement of professional skills to improve patient safety and increase affordable access to medical devices and technology around the world.

Additionally, the temporary suspension of elective surgery during the pandemic has placed economic pressure and uncertainty on the distribution and supplies for other medical equipment and products.

Within our own business offices and operations, many activities that we had intended to engage in to identify, assess and mitigate modern slavery were delayed significantly, including such that they were only able to be undertaken after the end of the reporting period, but prior to the time that this Statement was approved by the Board and finalised for lodgement.

Initial Risk Assessment Methodology Summary

An initial risk assessment was carried out to identify the elevated areas of modern slavery risk in our supply chains. This baseline exercise provides the foundation for our subsequent focus for ongoing due diligence and remediation activities across not only the present reporting period but for upcoming years.

Incorporating company spend data throughout global markets, we have utilised external consultants with proprietary technology to trace the economic inputs required to produce products and services sourced from Tier 1 suppliers to Tier 2 suppliers, Tier 2 suppliers to Tier 3 suppliers, and so on, all the way to Tier 10 suppliers of the supply chain of LifeHealthcare's top suppliers by spend. This was undertaken for over 490 of our suppliers.

This supply chain mapping was performed using a balanced, global Multi-Regional Input-Output (MRIO) table which links supply chain data from 190 countries, and in relation to 15,909 industry sectors. This MRIO table is assembled using the following sources:



The United Nations' (UN) System of National Accounts



UN COMTRADE databases



Eurostat databases



The Institute of Developing Economies, Japan External Trade Organisation (IDE/JETRO)



Numerous National Agencies including the Australian Bureau of Statistics

The MRIO is then examined against the following international standards:

- The UN Guiding Principles on Business and Human Rights
- The Global Slavery Index
- International Labour Organisation (ILO) Global Estimates of Modern Slavery
- The United States' Reports on International Child Labour and Forced Labour

A proprietary algorithm has then been applied to synthesise publicly available risk data against the exclusively licensed MRIO table. The result of this process is the creation of a modern slavery risk profile to Tier 10 for each supplier for LifeHealthcare.

This analysis was performed for the purposes of risk identification under Section 16(1)(c) of the Act. No information confirms the actual existence of non-existence of slavery in LifeHealthcare's supply chains or operations. Analysis was undertaken at the industry and country level. It does not account for variances at the entity, region or product level.

Initial Risk Assessment Methodology Summary

The multi-faceted approach to modern slavery risk assessment that we have undertaken has included examination and analysis of the following:

- The individual suppliers and industries with the most elevated risk of modern slavery
- Supply chain plots to provide a visual representation of the supply chain for LifeHealthcare's top 3 first tier industries
- Plotting the relative slavery risk in the supply chain by tier, up to tier 10
- Geographical depiction of the cumulative risk of modern slavery across the supply chain around the world

➤ An overview of the classification of the first tier of our supply chain by country and industry, including relative modern slavery risk.

The top 50 suppliers in our supply chains and operations that posed the highest calculated risks in relation to modern slavery were identified. Further samples of results from our Initial Risk Assessment is provided below.



Initial risk Assessment Methodology Summary cont.

Supply Chain Plot

This supply chain plot indicates that 35.7% of the total value of our supply chain is represented at the first 3 tiers of the supply chain. Its top three industry risk categories are plotted above including; wholesale trade in Australia, surgical and medical instrument manufacturing in the USA, and medical, scientific and optical equipment in Germany. It includes the inputs that these industry categories depend on at Tier 2 and Tier 3. The first 3 tiers of our supply chain are likely to account for 11.4% of the total probable slaves. This is relatively high and takes into account the geographical spread of medical device manufacturing and operations.

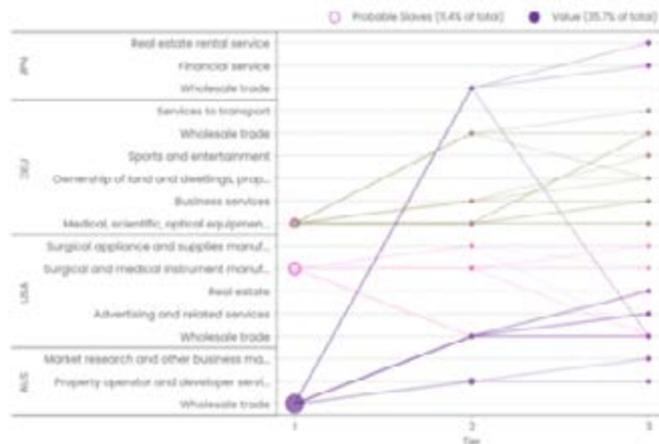


Figure 1.2

Risk by Country

This Country heatmap highlights the geographical spread of our suppliers and potential regions where aspects of their supply chain are likely to be tainted by modern slavery. Risks are likely to be concentrated in regions such as USA, India, China, Pakistan and North Korea. The map takes into account the complex array of inputs and their relative geographical and country risk at lower tiers of the supply chain.

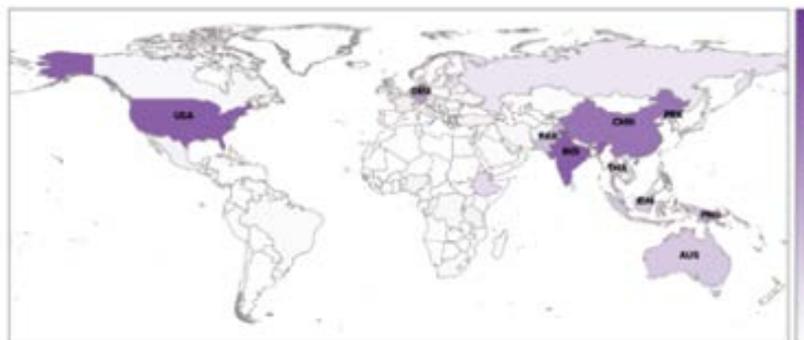


Figure 1.3

