



Nanosonics Limited

2022

Modern Slavery Statement

NANOSONICS LIMITED (ABN 11 095 076 896) reports annually with respect to modern slavery. This Modern Slavery Statement covers the period 1 July 2021 to 30 June 2022. It is the second consolidated Modern Slavery Statement covering our Australian and United Kingdom entities following our initial Modern Slavery Statement for the financial year 2020/21. This Statement has been reviewed and approved by the Board of Directors.

Unless otherwise specified, measurements and data in this Statement pertain to Nanosonics Limited and its controlled entities during the reporting period. All dollar values refer to Australian dollars (AUD) unless otherwise specified.

For any additional inquiries or feedback in relation to this Statement please contact:

<https://www.nanosonics.com/contact/>

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Introduction

This joint Modern Slavery Statement (**Statement**) has been prepared by Nanosonics Limited (**Nanosonics**) on behalf of itself pursuant to the Australian *Modern Slavery Act 2018*, and Nanosonics UK Limited, a wholly owned subsidiary of Nanosonics that operates in the UK, pursuant to the United Kingdom's *Modern Slavery Act 2015*.

This Statement sets out the approach and actions taken by Nanosonics and its subsidiaries to assess and address modern slavery risks in their operations and supply chains during the 12-month period ending 30 June 2022 (**FY22**).

This Statement has been approved by the Board of Directors of Nanosonics Limited on 5 December and the Board of Directors of Nanosonics UK Limited on 23 December 2022.



MICHAEL KAVANAGH

CEO and President

23 December 2022

About Nanosonics

Overview

Nanosonics Limited (ASX:NAN) is an emerging global leader in automated instrument reprocessing. Nanosonics is an Australian-born infection prevention company that has successfully developed and commercialised a unique automated disinfection technology, trophon®, representing the first major innovation in high level disinfection for ultrasound probes in more than 20 years.

trophon is fast becoming the global standard of care for ultrasound probe disinfection. We will continue to drive trophon adoption through our ability to transform the way infection prevention practices are understood and conducted in existing markets and through continued geographical expansion.

Our commitment to innovation is reflected in our investment in research and product development as we look to expand our product portfolio and bring new infection prevention products to market. Last year, we launched Nanosonics AuditPro™, our first discrete data, traceability and compliance management system. We have also made positive progress across development activities, clinical/regulatory planning and manufacturing preparation of our new endoscope instrument reprocessing platform, Nanosonics CORIS®.

Structure

Nanosonics Limited is the parent company for the Nanosonics Group globally (together, **the Group**). Nanosonics is listed on the Australian Securities Exchange (**ASX**) (ASX:NAN) and is a respected ASX 200 company.

The Group includes regionalised subsidiaries which aid in the sale, distribution and customer support for Nanosonics products and services supplied in the markets in which we operate. The Group also includes Australian-incorporated subsidiaries which support the Group through the management of intangible assets and activities associated with respect to strategic investments. Details of Nanosonics' subsidiaries are listed in our Annual Report.

Operations

The Group's operations primarily include the development, manufacture, marketing of and support for our infection prevention products and services. Nanosonics currently sells its products in 31 markets.



Nanosonics engages with a range of third party suppliers and contractors to deliver our products and services to market. Key third parties include suppliers of components and other inputs, consultants, cloud infrastructure and other expertise, as well as distributors and resellers of our products and services.

Our workforce continues to grow year-on-year, reaching 425 employees at the end of FY22. Details on Nanosonics' employee headcount and breakdown of permanent and temporary employees and number of employees in each geographical region as at 30 June 2022 are set out in our 2022 Sustainability Report.

Supply chain

Nanosonics develops, manufactures and markets the trophon® ultrasound probe disinfectant and its associated consumables, accessories and services. Nanosonics has its primary manufacturing facilities in Australia. Nanosonics also develops and distributes a new product, Nanosonics AuditPro, an innovative cloud-driven traceability, reporting and compliance tool for hospitals and healthcare facilities to maintain live records of reprocessing and cleaning procedures. Other products, components and inputs are sourced globally. Finished units are distributed across the Group or to third-party distributors with which Nanosonics maintains an ongoing distribution relationship.

Nanosonics depends on a complex international supply chain to support its products and services (**direct suppliers**), as well as its day to day business operations and corporate functions (**indirect suppliers**). Nanosonics sources components and inputs from more than 400 Tier 1 Suppliers¹ in locations including Europe, the UK, North America, China and the Asia Pacific region. To support our manufacturing and R&D activities, Nanosonics has approximately 87 direct suppliers – 89% of which are single-source suppliers and 66% of which provide custom-made components for Nanosonics. As a proud, Australian head-quartered business, during the reporting period, Nanosonics spent \$11.2 million dollars supporting 52 local, direct Australian suppliers and \$9.6 million dollars supporting 319 local, indirect Australian suppliers.

Risks of modern slavery practices in our operations and supply chain

Nanosonics is committed to making efforts to identify any modern slavery risks throughout our value chain and addressing them where they exist. These efforts extend to our internal operations and throughout the various tiers of our supply chain. We recognise that defeating modern slavery is a complex, long-term challenge. We strive to continue to develop and strengthen our modern slavery program as our company continues to grow and expand its workforce and product portfolio.

Operations

Most of Nanosonics' workforce is employed directly by the Group. This lowers modern slavery risks within our direct workforce. Non-employees (such as individuals contracted through third-party labour providers) are used sparingly throughout the business, though may contribute to product assembly, manufacturing and laboratory-based testing functions. Where third-party labour providers are used, appropriate contracts are put in place. Naturally, we may have less direct visibility and control over these workers and their employment terms, who may be susceptible to exploitation, which presents human rights risks, such as forced labour risk.

Supply chain

Components for our trophon and AuditPro products are sourced from suppliers residing within Europe (including Germany), the UK, North America, China and the Asia Pacific region (including Australia and New Zealand). Certain minerals and inputs into our products and services may have disproportionately large exposure to human rights abuse, namely due to the manner of extraction, such as conflict minerals including tin, tantalum, tungsten and gold (3TG).

In FY22, Nanosonics completed an initial review of our largest Tier 1 suppliers whom collectively represent around ~80% of our total supplier spend for FY21.

¹ Tier 1 Suppliers are defined as suppliers who provide goods or services directly to Nanosonics, without an intermediary party. These are suppliers that we have a direct trading relationship with.

Our initial Tier 1 supplier review focused upon identifying our largest suppliers by spend who may be exposed to modern slavery risks as a result of their location or the categories of products supplied to Nanosonics. Our Tier 1 suppliers are based in various countries such as China and Taiwan and supply a range of products, components and inputs including electronics components for Nanosonics' products and consumables.

Actions taken to assess and address modern slavery risks

In FY22, Nanosonics implemented planned activities under the initial roll-out of its Sustainable Supply Chain Initiative. Our Sustainable Supply Chain Initiative is an ongoing, multi-year initiative which seeks collaboration from our valued suppliers to better understand the scope and impact of our supply chain on various sustainability metrics, including climate change, safety and human rights.

In FY22, Nanosonics sent an engagement survey to our most significant Tier 1 Suppliers to gather information on issues including:

- Environmental responsibility – environmental management system, water security, waste management, water and energy consumption, greenhouse gas emissions, public reporting, and compliance;
- Social responsibility – workplace health and safety;
- Business ethics – Code of Conduct and Ethics; and
- Supply chain sustainability – Supplier engagement, sustainable procurement, modern slavery, and conflict minerals.

The responses to the survey, which reflect approximately 80% of Nanosonics' total Tier 1 Supplier spend, produced the following insights:

- All respondents stated that they did not source any conflict minerals for use in the production of goods being supplied to Nanosonics;
- All respondents stated that they have policies and programs in place to help maintain a workplace free of harassment, abuse and discrimination and, to ensure a safe work environment;
- 94% of respondents stated that they have a system in place to monitor workplace health and safety, and address any issues and prevent recurrences; and
- 94% of respondents stated that they had a Code of Conduct and Ethics or equivalent policy.

Following this survey, no respondent suppliers required remediation action plans.

In future years, we intend to review other suppliers as part of our Sustainable Supply Chain Initiative such as those that represent modern slavery risks due to the sector/industry, product/service risks or geographic location of their business.

In the same reporting period, Nanosonics also:

- reviewed and updated its Risk Management Policy and Framework, as well as its Risk Appetite Statement;
- conducted mandatory training on its Code of Conduct & Ethics which covers our Mission, Core Values and critical policy frameworks, and sets the standard for business conduct, including modern slavery, for all of its staff;
- engaged a professional advisory firm to provide an overview of the modern slavery regulatory landscape;
- improved its supplier due diligence processes by implementing a digital supplier onboarding platform where new suppliers receive a questionnaire about whether they comply with relevant modern slavery standards; and

trained and certified its Procurement team in the CIPS Advanced Procurement Certificate in Ethical Procurement and Supply. We intend to renew the certification for each Procurement personnel annually. Since the end of the reporting period, as part of strengthening our policy framework, Nanosonics has launched its Procurement Policy which sets out the company's approach to procuring goods and services on behalf of Nanosonics. Training on the Procurement Policy is being rolled out to the business. New direct suppliers undergo a screening process for major governance, modern slavery and environmental risks. Our standard supply agreements require suppliers to comply with applicable modern slavery laws.

Currently, we are also in the process of formalising a Supplier Code of Conduct which sets out standards we expect all of our suppliers and contractors to adhere to.

As part of our ongoing reporting and risk management practices, Nanosonics will continue to update its modern slavery related policies and procedures, implement training and internal education programs to its employees on modern slavery issues, report at least annually to the board on modern slavery risks and develop and update its supply chain mapping as Nanosonics expands its business.

Assessing the effectiveness of our actions

We are committed to improving our modern slavery program and understand the importance of assessing the effectiveness of the actions we are taking to identify and address modern slavery risks. Currently, we are reviewing the data and metrics from our initiatives undertaken in the reporting period to understand their effectiveness and impact, and which will inform any changes and improvements to be implemented to enhance the effectiveness of our processes and systems in addressing modern slavery risks.

For future reporting periods, we intend to assess the effectiveness of our actions in assessing and addressing modern slavery risks by reference to the following key measures and target activities:

- frequency of review of relevant policies,
- % of employees in the Group who have completed in person or virtual training on our policies, including the Code and on modern slavery risks in our operations and supply chain, with a focus on staff involved in procurement and purchasing,
- evaluation as to whether insight we gain from our surveys and questionnaires align with industry averages for risk areas as informed by modern slavery expert stakeholders such as government bodies, non-governmental bodies, consultants, charities, etc.,
- internal benchmarking against other ASX200 reporting entities and comparable industry peers, taking into account public commentary by modern slavery expert stakeholders on how entities can improve their modern slavery efforts,
- feedback from senior management, the Board, and shareholders,
- where applicable, the number and efficiency of resolution of complaints raised under our Speak Up Policy with respect to any modern slavery issues,
- where possible, analysing the results of our supplier engagement efforts against industry-standard insights prepared by modern slavery expert stakeholders; and
- where applicable, the number of Tier 1 Suppliers with remedial plans in place and implemented in response to modern slavery risks identified.

Consultation throughout the Group

This Statement has been prepared by Nanosonics in consultation with representatives of our UK reporting entity. The process of consultation involved engagement with our key teams that collaborate in an effort to identify, assess and manage human rights and modern slavery risks in our operations and supply chain (including representatives from Procurement and Legal across the Group).

The Boards of Nanosonics Limited and Nanosonics UK Limited, were provided this Statement for final review and approval.