

## **Modern Slavery Statement 2023**

### **1 Introduction**

This third Modern Slavery Statement relates to the financial year ended 30<sup>th</sup> June 2023, and is made by Waterco Limited (ABN 62 002 070 733) in compliance with the Modern Slavery Act 2018 (Cth). It gives a rundown on meeting each of the 7 mandatory criteria and outlines the actions taken to identify, assess, address and remediate modern slavery risks across the company's operations and supply chains.

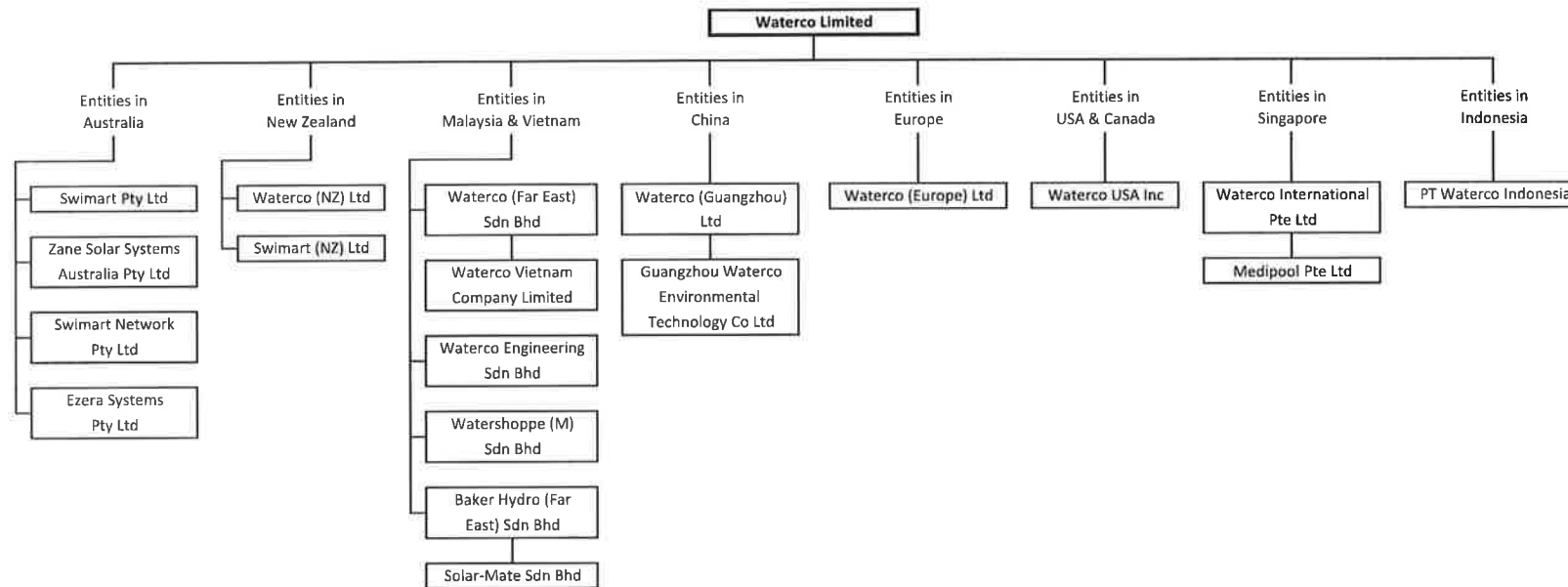
### **2 Identity (Mandatory Criteria 1)**

Waterco Limited was established in 1981 to manufacture, distribute and retail products into the water industry. It is an Australian public company limited by shares and is listed on the Australian Securities Exchange (ASX: WAT). Headquartered in Sydney, it has local offices in Brisbane, Melbourne, Adelaide and Perth, and international offices in New Zealand, Malaysia, Vietnam, China, Europe, United States, Canada, Singapore and Indonesia.

Since its establishment, the company has evolved into a technological and manufacturing powerhouse that makes products more energy and water efficient, and easier to maintain. The brand "Waterco" is recognized in over 40 countries for designing and manufacturing filtration and sanitization innovations for the swimming pool, spa, aquaculture and water purification sectors. More information about our business and our products can be found on our website at [www.waterco.com.au](http://www.waterco.com.au)

### 3 Structure, Operations and Supply Chains (Mandatory Criteria 2)

Waterco Limited operates globally and has control over its subsidiaries located in Australia, New Zealand, Malaysia, Vietnam, China, Europe, United States, Singapore and Indonesia. None of the controlled subsidiaries is a reporting entity under the Australian Modern Slavery Act 2018 (Cth) and the United Kingdom’s Modern Slavery Act 2015. As at 30<sup>th</sup> June 2023, the corporate structure of the Waterco Group of Companies (“Waterco”) is outlined below. Waterco USA Inc has a branch office in Quebec, Canada. The manufacturing plants are located in Malaysia, China and United States.



Waterco’s products are used in residential, commercial and industrial sectors and sold around the world, directly and through the distributors, dealers and subsidiaries.

Waterco's operations focus on the design, manufacture and distribution of (a) equipment and accessories for the swimming pool, spa pool, aquaculture and water treatment industries, and (b) solar water heating systems (of brand names "Zane" and "Solar-Mate") for swimming pools and residential and commercial buildings. It also includes the franchise of retail outlets for swimming pool equipment and accessories, and the formulating, packing and distribution of swimming pool chemicals to the independent pool stores, and stores in the Swimart franchise network.

People are central to Waterco's business, and employing a global workforce of 721 people across 9 countries, of which 151 are in Australia, with diverse skills and cultures, Waterco not only strives to respect differences in beliefs, ethnicity and ideas to foster an inclusive workplace where people are valued and treated with respect and dignity, but also is committed to provide a safe and healthy work environment, where discrimination (based on race, colour, age, gender, sexual orientation, religion), bullying, harassment and vilification of any kind (physical, verbal, mental, sexual) are not tolerated.

Waterco respects human rights and do not accept any form of modern slavery and human exploitation in its operations and supply chains, and is committed to (1) act professionally, ethically and responsibly, and in compliance with all applicable laws and regulations in the manufacture and distribution of its products to meet customer outcomes, contribute to the community and create shareholder value; (2) implement policies and procedures on the identification, assessment and management of modern slavery risks and to continuously improve its systems and processes; and (3) source products and services from suppliers that provide safe working conditions, treat workers with respect and dignity, and comply with modern slavery laws.

Waterco's supply chain is diverse and global, and ranges from suppliers of raw materials and products for the manufacture and trading of equipment and accessories. It also includes services and non-trade and capital items for the business operations. The majority of the raw materials, products and services are sourced from Malaysia, China and Australia.

Waterco, in seeking to establish a transparent and long-term business relationships with all of its suppliers wishes to deal only with suppliers who comply with all applicable laws and

regulations regarding modern slavery and human rights, and that no modern slavery and disregard for human rights were used in the manufacture and delivery of products and services to Waterco. If Waterco becomes aware of credible information about any form of modern slavery and disregard for human rights were applied in the supply chain, it will conduct an investigation. If arising from the investigation, deficiencies were noted in the supply of products and services, Waterco will engage with the supplier concerned to discuss and agree on corrective and preventive action plans. Waterco will review their progress in implementing the remediation activities to ensure that the deficiencies were mitigated within the agreed time frame. If, however, the supplier failed to remediate the identified deficiencies in spite of several reminders, terminating the business relationship with the supplier is a last resort. Waterco will not knowingly work with suppliers who operate unethically, dishonestly and violate the law.

When vetting new suppliers, the purchasing team takes into account a range of factors, including price, quality, capability, capacity and potential modern slavery issues.

#### **4 Risks of Modern Slavery Practices in the Operations and Supply Chains (Mandatory Criteria 3)**

Given the prevalence of modern slavery globally, Waterco recognises that the risk of modern slavery exists in both the Australian and overseas operations and supply chains. The inherent risks were identified and assessed by reviewing what products, services, industry sectors, countries and workforce (i.e., type of labour involved in the production of products and services) pose the highest risk, according to the Verisk Maplecroft Modern Slavery Index 2022. Of the 198 countries featured in the said Modern Slavery Index, Malaysia and China have either high or extreme potential for modern slavery risks. Australia, on the other hand, have low to medium risk. The main concerns in Malaysia and China were forced labour, excessive overtime, bonded labour, human exploitation, freedom of association, access to grievance mechanisms and living conditions.

In managing the risks, self-assessment questionnaires on modern slavery were sent to operations (in the purchasing and human resource functions) and top suppliers for their completion and return, among others. These self-assessment questionnaires inform Waterco whether the company and its suppliers are engaged in modern slavery in producing and providing the products and services, and the actions taken to remediate, if there were

instances of modern slavery. Arising from their responses Waterco acknowledges the following:-

**(a) In Respect of the Operations**

Waterco has a high level of direct control and visibility over its operations. The company, in compliance with all applicable local labour laws and with a range of human resource policies, controls, and grievance mechanisms in place, provides safe working conditions, treats its employees humanely, fairly and with dignity, respects their human rights, and recruit migrant workers responsibly and ethically. With robust safeguards against modern slavery practices, the residual risks of Waterco causing or contributing to incidents of modern slavery across its operations is low.

Regarding the recruitment of migrant workers by the manufacturing subsidiary in Malaysia, Waterco recognises that migrant workers and low skilled workers are the most vulnerable groups with regards to labour exploitation and abuse in the private sector. Thus, in compliance with the company's policies and procedures on preventing modern slavery in the operations, all migrant workers in Waterco are recruited ethically and are paid no less than the legal minimum wage and are not indebted or coerced/forced to work. They retain their passports, have freedom of movement and enjoy the protection of local employment laws, such as working hours, overtime rates, limits of overtime hours, annual leave, sick leave and paid holidays, which Waterco fully abides. Overtime work is voluntary and they can terminate their employment by providing the specified notice according to their employment contracts without fear of retaliation or physical threat. Wages are paid directly to the workers and there is no underpayment or withholding of wages, deceptive recruitment, labour exploitation, and child labour in Waterco. And, living accommodation provided is clean, safe, hygienic, uncrowded and meet basic human needs without risk to health.

The manufacturing subsidiaries in China and United States do not hire migrant workers, and arising out of the risk assessment performed on these two subsidiaries, it is affirmed that their operations are not engaged in modern slavery.

**(b) In Respect of the Supply Chains**

Waterco recognises that the highest area of risk is within the supply chain. Hence, our goal is that only suppliers that satisfy the qualifying criteria of capacity and capability to produce and deliver on time quality goods and services in conformity with Waterco's specifications at competitive prices, and who state that they comply with all applicable laws and regulations on modern slavery and human rights are onboarded, and engaged. The company has 1,798 reputable local and overseas suppliers, from which it sources a wide range of products and services under purchase orders with standard terms. Each purchase involves varying types and degrees of modern slavery risk and challenges.

In light of the nature of the products purchased and services rendered [such as the purchases of raw materials, tooling, parts, machinery, equipment, ICT hardware (servers, desktop computers, laptops and phones), stationeries, uniforms, high visibility safety vest, safety shoes, personal protective equipment, corporate gifts, beverages, and procurement of transportation (sea, land and air), public relations, office cleaning, waste disposal, security guarding, groundskeeping, third party labour providers and engagement of contractors to carry out renovation works] Waterco acknowledges the potential to inadvertently contribute to or be directly linked to modern slavery practices. The inadvertent contribution or direct linkage are through (i) suppliers and third party suppliers operating in high-risk countries where it is reported to have high prevalence of modern slavery and human rights violations due to discrimination, low wages and a lack of laws governing modern slavery, albeit that there may be local labour laws to protect workers against injustices; (ii) suppliers sourcing materials to process and fabricate their products from manufacturers involved in modern slavery and human trafficking; (iii) suppliers, third party suppliers and contractors using migrant workers and paying below the minimum wage to manufacture, renovate and deliver the goods and services; and (iv) lack of visibility in the procurement process and workforce profile of third party suppliers.

**5 Actions Taken to Assess and Address Modern Slavery Risks Including Due Diligence and Remediation Processes (Mandatory Criteria 4)**

Waterco expects all its employees and suppliers in the operations and supply chain to comply with the provisions in the Modern Slavery Act 2018 (Cth). The assessment of modern slavery risks is based on the potential to cause, contribute to or directly linked to

modern slavery, as set out in the UN Guiding Principles on Business and Human Rights. Waterco has the following systems in place to assess and address modern slavery risks.

**(a) Policies and Procedures**

As strong policies and procedures is one of the key controls to ensure all employees comply with laws and regulations and conduct themselves ethically and professionally, the Board of Directors have instituted the below mentioned key policies and procedures on professional behaviour for all employees to take cognizance of and to observe attentively.

- (i) Modern Slavery Policy;
- (ii) Code of Conduct;
- (iii) Statement of Values;
- (iv) Anti-Corruption Policy
- (v) Diversity and Equity Policy;
- (vi) Work, Health and Safety Policy;
- (vii) Workplace Harassment Policy;
- (viii) Workplace Bullying Policy;
- (ix) Grievance Resolution Policy; and
- (x) Whistleblowing Policy and Procedure.

**(b) Due Diligence**

The Group Corporate Assurance and Advisory Department (GCAAD) is responsible to undertake ongoing due diligence to (1) check and ensure compliance with the Modern Slavery Policy; (2) identify, assess and respond to modern slavery risks; (3) review the supplier's responses to the self-assessment questionnaire; (4) work with the relevant people to address and remediate any violation of modern slavery and human rights across the company's operations and supply chains; and (5) perform on-site supplier audits.

**(c) Risk Registers**

A risk register is maintained to record all the risks and opportunities that affect the achievement of objectives, including modern slavery and human rights. The

identified risks are assessed in terms of impact and likelihood, evaluated, prioritised and treated by designing and implementing controls to mitigate the risks.

**(d) Self-Assessment Questionnaire**

To establish whether or not suppliers engage in modern slavery practices, Waterco request its suppliers to complete a Self-Assessment Questionnaire. The Questionnaire consisting of 17 questions requests the suppliers to (i) identify the types of modern slavery risks in their operations and supply chains; (ii) report the actions they took to address those risks; and (iii) provide a copy of their Modern Slavery Policy. A total of 284 Questionnaires and a copy of the Waterco's Modern Slavery Policy were sent out to the selected suppliers of products and services in Australia, New Zealand, Malaysia, China, Europe, United States and Canada. Basis of selection is the top 50 highest spend suppliers in each major Waterco entity, excluding those who had responded in previous years.

A total of 98 suppliers (or 35% of the total sent out) responded to the Questionnaire, despite repeated follow-up emails to those who didn't respond. Waterco will continue to engage with the nonrespondents by resending the Questionnaire to them next year. Among the 98 responders, 23 did not complete the Questionnaire - 5 said that the Questionnaire is not applicable to them because they are not in Australia and their countries, although do not have modern slavery laws, do have labour laws to protect the rights of the workers, including the need to treat the workers fairly in the workplace or that they are a small company with consolidated revenue less than AUD100 million, 1 said that they do not wish to comment or participate in the survey, and 17 said that Waterco will find the answers to the Questionnaire and their compliance with modern slavery laws in their Modern Slavery Statement. The answers the suppliers gave in the returned Questionnaires, including their Modern Slavery Policy, Modern Slavery Statement and Code of Ethics, were reviewed and assessed. There were no major concerns.

**(e) On-Site Supplier Audits**

To gain first-hand knowledge on how the suppliers are producing and sourcing goods and services, and identifying, assessing and addressing modern slavery risk in their operations, on-site audits were conducted on suppliers that were deemed to have high



inherent risk of modern slavery. With GCAAD based in Malaysia and plans for overseas travel deferred to next year, only 3 suppliers with labour intensive manufacturing operations and hire migrant workers in Malaysia were audited. 2 suppliers have an issue on the safekeeping of passports, but after discussions the issue has been resolved.

**(f) Modern Slavery Clause in all Purchase Orders**

The terms and conditions in the Waterco purchase orders include a modern slavery clause that compels the supplier to put in place policies and procedures to prevent modern slavery in their operations and supply chains.

**(g) Onboarding of New Suppliers**

Onboarding of new suppliers are vetted by the purchasing team and approved by Management in order to become an approved Waterco supplier. As awareness of the Modern Slavery Act 2018 (Cth) becomes the norm and compliance increases, Waterco intends to expand its vetting processes to require prospective suppliers to answer a brief prequalification questionnaire on modern slavery and submit their latest Modern Slavery Statement (if any). At that stage, only suppliers that can demonstrate that they are committed and have policies and procedures in place on ethical sourcing and to prevent modern slavery and human rights abuse in their operations and supply chains can be onboarded.

**(h) Reporting Suspected Violations of Modern Slavery and Human Exploitation**

Recognising the importance of making it safe for all stakeholders (employees and third parties) to freely raise concerns, Waterco has developed a grievance mechanism and uploaded on the website its Whistleblowing Policy. The policy applies to all stakeholders and contains details on how a person, in good faith, can make a confidential and anonymous report on any actual or suspected violations of modern slavery and human exploitation or any presumed improper conduct allegedly committed by Waterco or suppliers without fear of reprisal, intimidation, victimisation or detrimental action. Waterco uses an external provider to independently manage the whistleblowing hotline to ensure all grievances are handled in a systematic, fair, transparent and timely manner. They are empowered to

investigate reports of wrongdoings received via email, intranet or postal mail. The results of their investigations are submitted to the Audit Committee for determination on the appropriate course of action. In the financial year ended 30<sup>th</sup> June 2023 there have been no issues raised internally or externally concerning modern slavery and human exploitation.

**(i) Training and Awareness**

Fundamental to tackling and managing the risk of modern slavery, is raising awareness and instilling knowledge among the people about modern slavery and human rights, and encouraging them to voice their concerns without fear of retribution. In this instance, the Human Resource team is responsible for training the employees on their roles and responsibilities to ensure that the operations and supply chains are free from modern slavery. The training, delivered in a diverse range of mediums such as online courses, e-learning modules, video session with Management and Head of Departments, and written resources, focus on what is modern slavery, how to identify and recognize different types of modern slavery practices, assess the risks, and what they should do to address and how to report modern slavery risks.

**6 Assessing the Effectiveness of the Actions Taken to Assess and Address Modern Slavery Risks (Mandatory Criteria 5)**

Waterco recognizes the need to continually assess the effectiveness of its actions to address modern slavery risks. Accordingly, Waterco assesses the effectiveness of its actions outlined in Section 5 above by:

- (i) the number of suppliers completing and returning the Self-Assessment Questionnaire, and the number and nature of critical breaches and the actions they have put in place to address the breach;
- (ii) the information gathered and verified through observations and interviews with suppliers in an on-site supplier audit;
- (iii) the audit findings on modern slavery raised by GCAAD in their internal audit reports to the Audit Committee;
- (iv) the number of suppliers removed due to non-compliance with the laws and regulations on modern slavery; and

- (v) the number of people who make whistleblowing reports on issues of modern slavery and human rights through the whistleblowing hotline.

During the financial year ended 30<sup>th</sup> June 2023, no critical breach was identified and no whistleblowing report was made.

## **7 Consultation with Other Entities (Mandatory Criteria 6)**

Waterco strives to ensure that all entities in the Waterco Group are on the same page on modern slavery. The major entities worked in collaboration with the Manager of the Group Corporate Advisory and Assurance Department to identify, assess, address and remediate modern slavery risk in the operations and supply chains by sending out the Self-Assessment Questionnaire to selected suppliers and reminders to those who have not yet responded, and to develop the Modern Slavery Statement. In the process of developing this Statement, a draft was made available to each of the entity and their comments and feedback were incorporated in the fair copy submitted to the Audit Committee.

## **8 Other Information (Mandatory Criteria 7)**

Waterco is committed to continuous improvement in all aspects of its business operations, and this extends to refining the risk assessment procedures and response processes, and also to building trust with suppliers to enable a transparent supply chain in tackling modern slavery and human exploitation. Towards this end, Waterco will continue to engage with suppliers who do not comprehend that modern slavery and human exploitation for personal and commercial gain is a crime against humanity, and that they too have a responsibility to ensure that their materials, products and services are not purchased, manufactured and provided with slavery.

## **9 Board Approval**

This Statement was reviewed by the Audit Committee and approved by the Board of Directors of Waterco Limited on 23<sup>th</sup> June 2023.



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Soon Sinn Goh  
Chairman and Group Chief Executive Officer  
Date: 30 June 2023