



Australian Pharmaceutical Industries Limited

**MODERN SLAVERY STATEMENT**  
FEBRUARY 2022

This **modern slavery statement** (Statement) has been prepared and published in accordance with the Australian Modern Slavery Act 2018 (Cth) (the Act) by **Australian Pharmaceutical Industries Limited (API)** and applies to the API Group of companies (API Group)<sup>1</sup>. The purpose of this Statement is to identify the actions taken by API to **address the potential modern slavery risks** in its operations and supply chains during the financial year ended 31 August 2021.

1. Please refer to the Annual Report for a list of API Group entities.

## API'S APPROACH

API is committed to achieving a high standard of ethical behaviour across our business operations and supply chains. API respects and supports the protection of human rights and recognises that modern slavery in all its forms, including slavery, servitude, forced or compulsory labour and human trafficking (together **modern slavery**) is unacceptable.

API is dedicated to playing its part in identifying and addressing modern slavery across its organisation and within its supply chains. API's vision of "Enriching Life" is aligned with this approach and we recognise that modern slavery is the antithesis of this vision.

## INTRODUCTION

This is API's second Modern Slavery Statement. It outlines the actions taken by API to assess and prevent modern slavery risks in its operations and supply chains during the financial year ended 31 August 2021.

The term "modern slavery" describes situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. It reflects exploitation of workers. While it does not include practices like sub-standard working conditions or underpayment of workers, these practices are also illegal and harmful, and may be present where modern slavery occurs.

At API, we recognise that modern slavery encompasses human trafficking, slavery, servitude, the worst forms of child labour, forced labour, debt bondage, slavery-like practices and deceptive recruiting for labour or services. We also recognise that human trafficking rarely occurs in isolation. It forms part of other complex challenges and systems and requires a coordinated approach from industry, government and non-government organisations.

## API'S STRUCTURE, OPERATIONS AND SUPPLY CHAINS

API is one of Australia's leading pharmaceutical health and beauty retail, distribution and services companies. API's operations are located in Australia and New Zealand and the API Group sources products from a range of countries. It is an ASX listed company<sup>2</sup> and is the parent company of Priceline and Clear Skincare. It is the franchisor of Priceline Pharmacy and the owner of other leading pharmacy brands, such as Soul Pattinson Chemist, Pharmacist Advice and Club Premium.

As a Community Service Obligation (**CSO**) accredited pharmaceutical wholesaler, API supports the ongoing distribution and equal access to the full range of Pharmaceutical Benefits Scheme (**PBS**) medicines to community pharmacies across Australia.

This, in turn, supports the Federal Government's National Medicines Policy. API is committed to providing timely, affordable access to high-quality vital medicines to all Australians. The API Group closely monitors compliance with its Community Service Obligation.

In addition, API's Clear Skincare division supplies beauty services and products throughout Australia and New Zealand. The manufacturing operations of the API Group are due to cease in the next few months.

## API'S GOVERNANCE FRAMEWORK

API's corporate governance frameworks and procedures have been designed to adhere to the ASX Corporate Governance Principles and Recommendations (**Principles**). API publishes an annual Corporate Governance Statement which reports on API's compliance with the Principles.

All API Group entities and business divisions operate under the direction and governance of API and its Executive Leadership Team. API's Sustainability Committee oversees sustainability, including modern slavery risks. There is a recognition across API of the increasing importance of making sustainable choices which benefit our community and our environment. This includes our focus on striving toward a more sustainable, transparent supply chain. API's approach to sustainability is detailed in its 2021 Sustainability Report, which is available at [api.net.au/investors](http://api.net.au/investors).

2. It is likely that API will be delisted in the next two months if the Scheme of Arrangement proposed by Wesfarmers Limited, by which Wesfarmers Limited would acquire API, proceeds.

## API'S BROAD AND GEOGRAPHICALLY DIVERSE SUPPLY CHAIN INCLUDES:

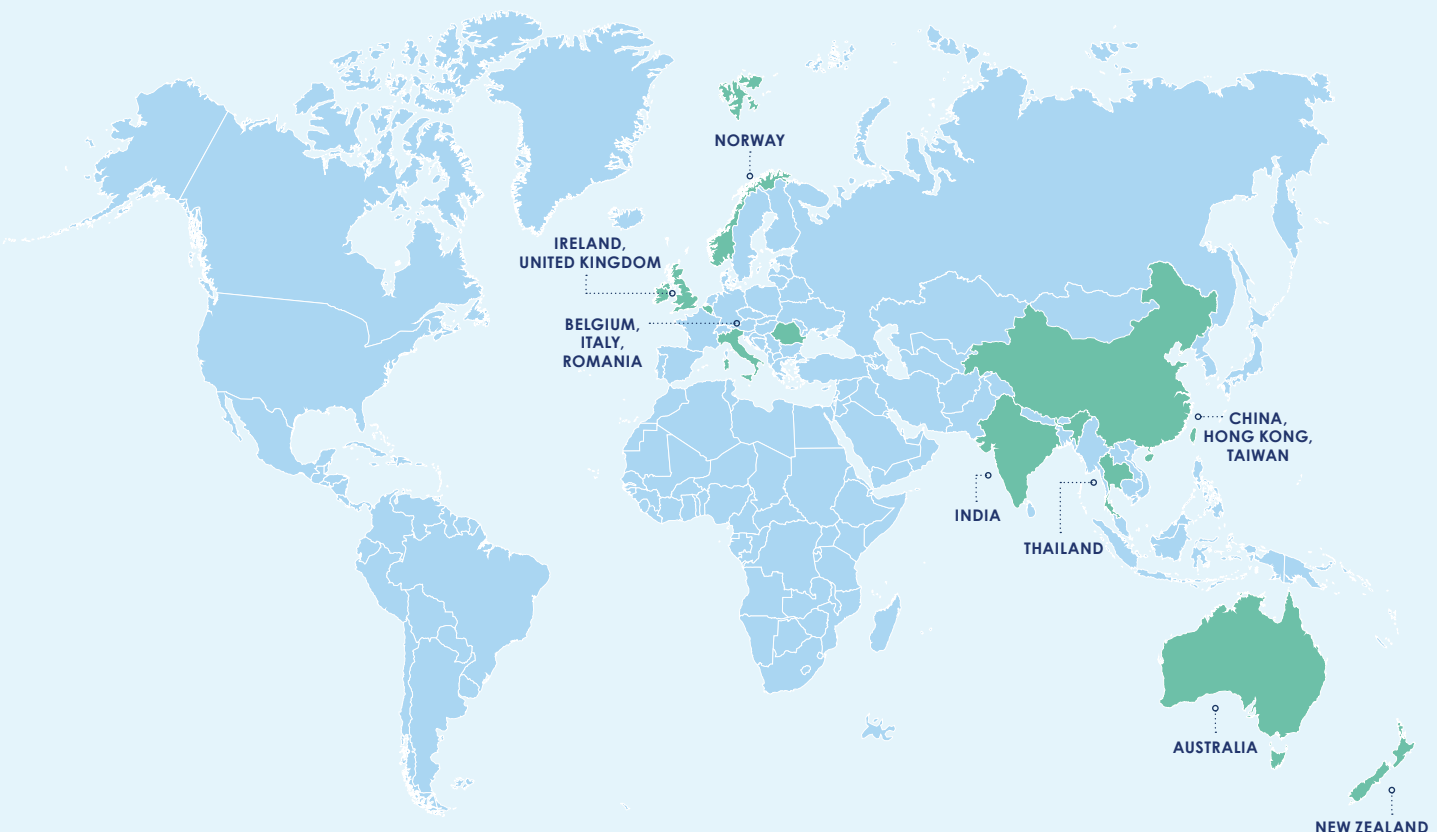
Australia › Belgium › China › Hong Kong › India ›  
Ireland › Italy › New Zealand › Norway › Romania  
› Taiwan › Thailand › United Kingdom

The impact of the COVID-19 pandemic continues to be felt in different ways by different parts of the API Group.


Throughout the 2021 financial year, the API Group contributed a critical component to the nation's management of, and response to, the COVID-19 pandemic. While API's global supply chain also continued to suffer disruptions caused by COVID-19, the Group worked closely with the Government to address the challenges faced by the pandemic,

including in some cases sourcing products from alternative suppliers. In a time of uncertainty, the pandemic requires a collaborative, agile yet rapid response by the Government and industry alike. Our response reflects API's commitment to our customers, suppliers and community.

API upholds high legal and ethical standards across both its internal and external networks and seeks to align itself with suppliers who share its values.



Further information on API's business can be found in its Annual Report which is available at <https://www.api.net.au/investor/annual-reports/>



# RISKS OF MODERN SLAVERY PRACTICES

## API'S OPERATIONS

API has undertaken a review process to identify where potential modern slavery risks exist within geographic, industry, product and service areas of API's operations.

API has evaluated the modern slavery risk in its operations as follows:

### a. Franchisees' workforces

Whilst Priceline Pharmacy franchise stores are not owned or controlled by API, API has considered the risk of modern slavery within those workforces and assessed this risk as low.

### b. API's workforce

API also considers that the risk of modern slavery within its own workforce is minimal. API is nevertheless aware that it must continue to educate and build awareness amongst its workforce about modern slavery and about the Group's intolerance of all forms of modern slavery and unethical practices.

## API'S SUPPLY CHAIN

The risk of modern slavery in API's supply chain is monitored as part of the API Group's risk management framework. The purpose of this framework is to identify material risks and ensure they are monitored and adequately managed to acceptable levels. This framework emphasises our integrity, transparency, and accountability for managing risk.

During the 2021 financial year, API utilised its global supply chain to source pharmaceutical and personal care products, raw materials for its two manufacturing plants, as well as products and services for the operation of its retail businesses. This included inventory, goods and equipment, transport, packaging, warehousing, retail equipment and services and leasing of premises.

The risk of modern slavery in API's supply chain is considered to be lower than in some other industries because of the highly regulated nature of the pharmacy and pharmaceutical industries. Nevertheless, API recognises that the risk of modern slavery does exist through its broad network of global suppliers.

As API does not control or directly influence many of the operations in its supply chain, the management of this risk presents challenges and is complex. API considers that a "whole of supply chain" approach is required through partnering with large, reputable suppliers where possible. API is confident that most of its suppliers share its goal of identifying, addressing, and eliminating modern slavery in all its forms. By working closely with our suppliers, API hopes that its action to address modern slavery risk will result in the enrichment of the lives of those working at API and across its supply networks, in accordance with our vision of Enriching Lives.

API has evaluated the modern slavery risk in its supply chain as follows:

### a. Products

API has identified some products that carry a higher level of modern slavery risk, such as electronics and IT products. The table below outlines the key risks in API's top sourcing countries.

### b. Services

API has identified a risk of underpayment of wages amongst workers who are employed by third-party labour hire firms and businesses contracted by API to provide cleaning, security and maintenance services. This risk is managed through due diligence processes which API undertakes before contracting with providers of these services. API is aware that underpayment of wages can be an indicator of modern slavery risk and accordingly, through its management of underpayment of wages risk, API is also managing modern slavery risk.

### c. Country of sourcing

Modern slavery risk is elevated by sourcing from certain countries. The table below summarises the types of products and services API sources from particular countries which we consider may have a more significant risk of modern slavery risk than other countries.

Country	Example of product/service sourced
Australia	Cleaning, maintenance and security services
China	General merchandise and electronics
India	General merchandise
Thailand	General merchandise and general wholesale products



## ACTIONS TAKEN TO ADDRESS MODERN SLAVERY RISKS

API takes a collective approach to identifying and addressing the risks of modern slavery. During the 2021 financial year, API identified and assessed the highest risk areas in its supply chain, and used the knowledge and expertise gained to build on its existing risk management framework.

The implementation of API's framework to address modern slavery risks is facilitated and managed by API's Sustainability Committee, with support from and consultation with API's internal Legal, Compliance, Indirect Procurement, Transport/Supply Chain and Supplier Engagement teams and others. The Sustainability Committee consists of Senior Executives from across the API Group. The Committee is overseen by the Audit and Risk Committee of the API Board, which comprises three non-executive Directors. The Audit and Risk Committee also oversees the API Group's risk management framework.

The Group comprises different divisions and business units, operated through various corporate entities, its risk management and modern slavery management framework stretches across the entire Group and involves people from all divisions. The corporate entities involved in all business units are therefore covered by the Group's modern slavery risk management frameworks.

### POLICIES

API Group policies help to create a clear, robust set of standards for identifying any unethical practices across API's networks. These Group policies set out API's expectations for all employees, suppliers and contractors and promote a culture of honest and ethical behaviour, consistent with the principles set out in both our *Code of Conduct & Ethics* and our *Supplier Code of Conduct*.

API supports and respects the protection of human rights and aims to ensure it is not knowingly or unknowingly condoning human rights breaches.

API will not tolerate the use of child labour in its workforce or the workforce of its supply chain partners. API expects all employees to have the right to be represented, paid their legal entitlements and to work in a safe environment which is compliant with all labour and workplace laws.

### Internal API Policies

The API Group promotes a supportive, safe culture of honest and ethical behaviour, employee wellbeing, corporate compliance and good corporate governance. API has the following internal policies in place which address these principles:

- Code of Conduct & Ethics
- Anti-Bribery & Corruption Policy
- Diversity Policy
- Safety, Health & Wellbeing Policy
- Whistleblower Policy

### Supplier Policies

API's Modern Slavery expectations are set out in its *Supplier Code of Conduct* which is provided to all suppliers and is publicly available on API's corporate website [api.net.au](http://api.net.au).

Also, our Indirect Procurement Policy sets out the standards we expect of suppliers in relation to ethical sourcing, employee accountability and safety, together with a requirement to take account of sustainability practices when evaluating suppliers.

### DUE DILIGENCE PROCESSES



API has adopted a risk-based approach to modern slavery supplier due diligence that is guided by the United Nations *Guiding Principles on Business and Human Rights*. The API Group focuses on tier one suppliers in its supply chain.

### Onboarding Suppliers

API has introduced a modern slavery assessment process as part of the supplier onboarding process. Information is sought from potential suppliers and responses assessed by the API Compliance Team. API's supplier onboarding process is aligned with API's Audit and Risk Management practices.

## ACTIONS TAKEN TO ADDRESS MODERN SLAVERY RISKS continued

### Supporting supplier engagement in managing risk

API has also introduced and conducted a supplier due diligence process, covering various areas of ethics and compliance including modern slavery risk management. Suppliers are required to complete this process so that API is assured that their policies, practices and audits comply with API's expectations in these areas.

These processes allow API to monitor the conduct of its suppliers and help identify any modern slavery breaches in the supply chain.

### INTERNAL AWARENESS AND CAPABILITY



#### CASE STUDY

##### Capacity building of our teams

Educating our employees and building capacity of all API employees is a key part of our approach to mitigating the risk of modern slavery in our business.

API continues to roll out modern slavery awareness and education training to all salaried API employees. To date, this awareness and education training has been made available to all salaried API employees across all divisions of the business including our Supply Chain, Priceline Pharmacy and Healthcare Services teams. The training has been designed to assist these employees in identifying and taking steps to mitigate modern slavery risks.

API recognises the importance of training all employees and working with its suppliers to mitigate modern slavery risks.

Throughout the 2021 financial year, the API Supplier Engagement team worked with various Category Management teams to increase their assessment capability and understanding of modern slavery risks. This has enabled these teams to have more engaging discussions with suppliers and to actively manage modern slavery risks.

During the 2021 financial year, API communicated information and made modern slavery awareness training available to salaried API employees across the Group, to improve their knowledge and understanding of the potential modern slavery risks in API's operations and supply chains. Certain team members have also participated in external training relating to modern slavery risk management.

### MAPPING API'S SUPPLY CHAIN

API has mapped modern slavery risk in its supply chain based on the particular product or service, geographic location, risk rating and value.

This will enable API to identify suppliers where potential modern slavery risks require monitoring and/or further assessment.

### SUPPLIER CONTRACTUAL OBLIGATIONS

Compliance with API's policies and procedures is a contractual requirement within our standard terms and conditions which govern our agreements with suppliers. The *API Code of Conduct*, which includes requirements in respect of modern slavery risk, is referenced in API's standard *Terms and Conditions of Purchase* which are incorporated in agreements entered into with suppliers.

API will not tolerate any form of modern slavery or discriminatory or exploitative behaviour and it expects all suppliers to comply.

### SUPPLIER SELF-AUDIT

All API suppliers are expected to perform periodic evaluations of their manufacturing facilities. Suppliers are requested to provide API with audit reports that demonstrate their capability to produce safe and good quality products consistently. Suppliers may satisfy this by providing a technical audit conducted for another global and reputable retailer, as long as it is dated within the last 12 months and demonstrates that adequate systems and processes are in place. This expectation applies to all supplier sites.

Where issues of non-compliance with API's *Supplier Code of Conduct* are identified as part of this process, suppliers are required to remediate the issue.

### A GROUP-WIDE APPROACH

The consultation, communication and training processes relating to modern slavery described in this Statement include all entities and businesses within the API Group.

## ACTIONS TAKEN TO ADDRESS MODERN SLAVERY RISKS continued

### GRIEVANCE MECHANISMS

API has a grievance mechanism process to identify and escalate issues relating to modern slavery risk under its Whistleblower Policy. This policy ensures that the resolution of a particular grievance or dispute takes place as close to the source of the problem and as soon as possible, in a manner that is fair for parties involved. The primary objective is to resolve grievances using API's values framework and to provide workers, suppliers and other third parties with an appropriate avenue to report issues or concerns.



### CASE STUDY

#### Managing business conduct concerns

To mitigate the risk of modern slavery in our business API promotes a culture of honest and ethical behaviour, corporate compliance and good governance.

We encourage all employees and all employees of our related companies, contractors, consultants, suppliers, franchisees and other third parties to report any suspected instances of unethical, illegal, dishonest, fraudulent or corrupt conduct, including modern slavery, involving the API Group. We work hard to ensure that any such reports can be made in a fair, safe and confidential manner, without fear of retribution.

API has engaged ProAct Link to facilitate the reporting, anonymously if necessary, of improper conduct or other queries or concerns. ProAct Link can also facilitate communication relating to any subsequent investigation or resolution.

During the 2021 financial year, API reviewed its Whistleblower Policy to ensure it was inclusive of all suppliers, third parties and sufficiently covered all conceivable modern slavery concerns.

API has robust whistleblower processes in place (including a whistleblower hotline), through which individuals are able to report any concerns regarding ethics (including modern slavery concerns), should they arise. Suppliers can raise such concerns with API management.

If concerns are raised, the API Group will work in partnership with its suppliers and third parties and consider ways to remediate any such concerns.

### STAKEHOLDER ENGAGEMENT

Our focus for the 2022 financial year is to continue to engage with stakeholders and work in collaboration with industry wide initiatives, Government and non-government organisations to ensure we have a robust strategy in place and are better positioned to manage the potential risks of modern slavery in API's operations and supply chain.



### CASE STUDY

#### Managing external stakeholders

In the last 12 months, the API Indirect Procurement team actively engaged with stakeholders and suppliers on the topic of modern slavery and required all supplier tender submissions to confirm the supplier's compliance with applicable modern slavery legislation.



## ASSESSING THE EFFECTIVENESS OF ACTIONS

Modern slavery is a complex and challenging issue that requires committed and ongoing input and collaboration with stakeholders and suppliers. It requires a long-term strategy, developed over many years that builds positive and transparent industry partnerships. Accordingly, API takes a continuous development approach to addressing modern slavery risk, including assessing the effectiveness of its approach.

### EFFECTIVENESS OF COMPLAINTS / GRIEVANCE MECHANISMS

API has a Whistleblower framework for reporting issues that are raised, including by suppliers. All reports made are investigated by the appropriate Group protected officers. These reports are assessed and addressed under the *Whistleblower Policy*. A report of all Whistleblower complaints received is regularly provided to the Audit and Risk Committee of the API Board.

During the 2021 financial year there were no modern slavery reports against an API supplier (this excludes work-related grievances) which were brought to API's attention.

### REVIEWING OUR PROCESSES

The API *Strategic Internal Audit Plan* contains periodic internal audit reviews of compliance with supplier relationship management processes, which includes consideration of the API *Supplier Code of Conduct* requirements.

The results of these audits, including any findings addressed as part of the review process, are reported to and considered by the Audit and Risk Committee of the API Board.

### ONGOING MONITORING OF EFFECTIVENESS

The Sustainability Committee meets regularly to assess the overall effectiveness and progress of the Group's management of modern slavery risk.

The process for assessing the effectiveness of managing modern slavery risk at an operational level is encapsulated within the Group's risk management framework. The Group's risk team manages this process, with input from API's senior executive team and oversight by the API Board's Audit and Risk Committee.

API is committed to enhancing the effectiveness of its actions in relation to reporting and improving supplier and team member engagement and awareness across the Group.

Approved by the Board  
February 2022



**Richard Vincent**

Chief Executive Officer  
and Managing Director

### LOOKING FORWARD

Modern slavery is a significant challenge, given the scale and complexity of worldwide supply chains. API's continued work during the 2021 financial year has provided greater visibility of the API Group's own supply chain, as well as enhanced team member and supplier engagement with this important issue.

We acknowledge that addressing the risk of modern slavery will continue to be an ongoing objective, requiring further work in partnership with suppliers and a consistent continuous improvement approach.



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