

MODERN SLAVERY STATEMENT 2022

Background

This Modern Slavery Policy ("the Policy") has been developed in accordance with the Australian Commonwealth Modern Slavery Act 2018 and includes references from the UN Guiding Principles on Business and Human Rights and ACSI Modern Slavery Risks, Rights and Responsibilities report for the financial year ending 31 December 2021 for Lipa Pharmaceuticals Limited ("Lipa").

Lipa recognises Modern Slavery as a term which covers a range of exploitative practices including human trafficking, forced labour, forced criminality, domestic servitude and child exploitation. Lipa is committed to limiting the risk of modern slavery within its own business, within its supply chains and through any other business relationships.

This Policy applies to all persons working for or on behalf of, or providing services to, Lipa in any capacity, including all suppliers, employees, officers, agency workers, contractors, trainees, consultants and any other third party representatives.

Structure, Operations and Supply Chains

Headquartered in Minto, Sydney Lipa is Australia's leading, full service, integrated, contract manufacturer of dietary supplements and OTC pharmaceutical products. Lipa's core manufacturing operations include tablets, soft gelatine capsules, two-piece hard gelatine capsules, powders, liquids and creams. Lipa also conducts R&D services which includes developing new products to target specific consumer health needs and market segments, improvements and enhancements to customers' existing products and novel and/or exclusive ingredients and claim substantiation.

Lipa is an organisation, which employs some 300 local people, servicing Australia's leading brands and various overseas customers across North and South America, Europe, Asia and the Pacific region.

Lipa controls Quest Pharmaceuticals Pty Limited a cream and liquids manufacturing facility based in Victoria.

Lipa's supply chain extends to third party suppliers in countries mainly located in the Association of Southeast Asian Nations (ASEAN) for direct materials (active pharmaceutical ingredients, manufacturing and packaging) for the production of dietary supplements and OTC pharmaceutical products.

Potential Risks

To improve the understanding and transparency of various modern slavery risks Lipa uses online tools including the Global Slavery Index (GSI) and the Modern Slavery Registry to seek more in-depth information of our supply chain activities.

- ❖ Lipa sources raw materials from the ASEAN region. Several of these countries (e.g. China, India) are registered as having high levels of forced labour and child exploitation. As such this presents a potential risk that Lipa's supply chain may reach into high-risk levels of modern slavery geography.
- ❖ Certain industries are more exposed to modern slavery due to a variety of factors including the use of sub-contracting, migrant workers and lower-skilled labour. Lipa has identified certain third party contracted services including cleaning and maintenance which are key modern slavery risk industries.
- ❖ Lipa has also identified a risk in the purchase of consumable products. These include protective clothing (e.g. gloves, garments and hairnets) which are categorised as having a risk of being produced under forced labour and sub-standard working conditions, which violate Australian Labour rights including pressuring workers with unreasonable production targets and the withdrawal of wages. Further information into these high-risk categories where our business may be involved in modern slavery can be found [here](#).

Due Diligence and Assurance (Actions)

In light of these potential risks, Lipa takes a range of steps aimed to reduce the likelihood of engaging with suppliers that utilise modern slavery in their supply chain.

Identifying and Assessing

- ❖ All new suppliers, as well as existing suppliers (as part of the Quality accreditation process) are subject to a due diligence process prior to on boarding or contract award/extension. Initially, suppliers are requested to answer a brief pre-qualification questionnaire administered by Lipa's procurement contract management system.
- ❖ Suppliers with a rating score on the Modern Slavery SAQ below Lipa's minimum acceptance criteria will not be approved and instead provided feedback on areas they can address in order to improve their Modern Slavery rating. This triage process helps Lipa to identify and screen potential areas of risk, and where identified, the supplier will be referred for further due diligence.

Training and Awareness

- ❖ Lipa conducts training with the aim of educating relevant employees on signs that could indicate modern slavery, due diligence practices for suppliers, auditing existing suppliers and actions an employee can take if they have a concern in relation to modern slavery.
- ❖ All employees have a written contract of employment in a language they understand and confirming they have not been required to pay any direct or indirect fees to secure work. In addition, ensuring employees are legally able to work in the country in which they are recruited.
- ❖ Lipa aims to create greater social awareness by making its modern slavery policies accessible across numerous online platforms, including on the Australian Border Force's Modern Slavery Registry.

Compliance

- ❖ All suppliers are informed that a breach of this Policy will be dealt with, on a case-by-case basis. Depending on the nature of the breach, Lipa may choose to adopt a zero-tolerance stance towards the supplier's behaviour and look at methods of

preventing further engagement with the supplier, or may decide to work with the supplier to ensure they become compliant with this Policy.

- ❖ All Lipa employees are notified during their induction training that any breaches of this policy may lead to disciplinary action in accordance with Lipa's disciplinary process. Serious breaches may be regarded as gross misconduct and could lead to immediate dismissal in accordance with the disciplinary procedure.

An investigation will be undertaken where Lipa is made aware of any claims of modern slavery practices in its business or within its supply chain. Where substantiated, the matter will be resolved in accordance with the process outlined in this Policy.

Measuring Effectiveness

Lipa is constantly committed to improve its adherence with its Modern Slavery Policy and Supplier Questionnaires are undertaken annually, which provides valuable feedback.

During the reporting period, feedback received from suppliers and employees surrounding the weighting scores for each SAQ question identified opportunities for revision. As a result of this feedback, weighting scores were adjusted which allowed a more accurate representation of the supplier's performance in relation to modern slavery and subsequent evaluation.

During the reporting period, Lipa conducted a 4- Pillar SMETA Audit to identify actions for improvement in relation to on- site ethical and labour work practices, health and safety, environment and business ethics. This was the first audit of this kind conducted on-site and provided a deeper probe into the processes used to address and mitigate modern slavery. Following the insights from the audit, various improvement opportunities were identified such as:

- ❖ Additional formalisation of various policies including Child Labour and Forced Labour to make these more transparent to our employees and suppliers.
- ❖ Suggestions to improve our Modern Slavery SAQ with questions to help identify Human Rights compliance with our suppliers and contractors.

The above points have been taken on board with the leadership team and will be worked on throughout the following reporting period.

Stakeholder Engagement and Entity Consultation

All entities under Lipa's management control were consulted during the preparation of this modern slavery statement. Lipa's executive management oversees the Quest Pharmaceuticals operation and local Quest management were consulted on changes and sent the statement to examine. They were encouraged to provide feedback which was used in the finalisation of the final modern slavery statement. Lipa has also encouraged all internal employees to raise concerns or assist in addressing any suspected incidents of modern slavery that may have occurred by introducing various communication channels.

These include addressing issues through an anonymous “suggestion box” self-service portal as well as following the procedures outlined in our ‘Whistle-blower Policy’ for anonymous disclosure.

Moving Forward

We are constantly reviewing and improving the measures we have in place to prevent, identify and mitigate aspects of modern slavery. We aim to create an environment that is free from the risks of modern slavery.

This Modern Slavery Statement has been approved by the Executive Board of Lipa Pharmaceuticals Limited on the 29th September 2022.



Rob Tanna

Chief Executive Officer
Lipa Pharmaceuticals Limited
29 September 2022