

	<b>HR POLICIES AND PROCEDURES MANUAL</b>	Policy No: HR-027
		Revision No: 1
<b>NATIONAL HUMAN RESOURCES DIVISION</b>	Section: <b>MODERN SLAVERY STATEMENT</b>	Effective Date: 1 January 2021

## 1. Introduction and our reporting entity

In accordance with the requirements of the Australian Modern Slavery Act 2018 (**the Act**), Lynch Group Holdings Pty Limited (**Lynch**) has prepared this Modern Slavery Statement (**the Statement**) outlining the actions undertaken by Lynch to identify and address risks of modern slavery occurring in its operations and supply chain for the year ending 30 June 2020 (**the Reporting Period**).

This statement is made by Lynch as a reporting entity under the Australian Modern Slavery Act 2018 (Cth). It covers Lynch and all of its controlled entities, including our two main trading entities: Lynch Group Australia Pty Limited and Lynch China (HK) Ltd, as well as their associated brands.



The term ‘modern slavery’ is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Specifically, the Act defines modern slavery as including the following eight types of serious exploitation:

- trafficking in persons;
- slavery;
- servitude;
- forced marriage;
- forced labour;
- debt bondage;
- deceptive recruiting for labour or services; and
- child labour.

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<b>Document Title</b>	Modern Slavery Statement	<b>Originator</b>	National Human Resources Division
<b>Page</b>	Page 1 of 12	<b>Revised By</b>	Senior Management
<b>Reason for Revision</b>	General Update	<b>Approved By</b>	Group Chief Executive Officer
<b>Issue Number</b>	1	<b>Issue Date</b>	1 January 2021

Lynch is committed to identifying and mitigating modern slavery risks and human rights violations occurring within its business operations or supply chain.

## 2. Our structure, operations & supply chain

### a) Our structure

Lynch is an Australian incorporated wholesaler of floral products headquartered in Sydney, New South Wales. We are the largest wholesaler of floral products in Australia, with a national footprint and facilities in all major Australian cities. Lynch has been in operation for more than 100 years and has supplier relationships that go back more than 60 years.

Lynch's product offering can be broken down into three main categories:

- **Straights:** single flowers or bunches of the same flower commonly purchased for self-consumption;
- **Bouquets:** mixed arrangements of multiple flower types directed towards the gifting market and minor self consumption for convenience of ready-made products; and
- **Potted plants:** low-maintenance small potted plants for indoors commonly purchased for gifting.

Lynch does not sell core nursery products (i.e. seeds, bulbs, shrubs and trees).

Lynch manages a complex, global, vertically integrated value chain, which drives the long-term sustainability of the business and helps overcome the challenges of a short shelf life in our floral products.

We operate throughout the four key steps in the floral market value chain:

- **Breeding** - providing floral genetics with optimal characteristics (e.g. colour, longevity, disease resistance etc.). This involves royalties paid by growers to breeders for propagation and customer-informed floral strain development / enhancement;
- **Growing** - includes flower propagation and initial processing:
  - Flower propagation - growing / propagating flowers ready for harvest, paid on a per stem basis. Activities include seed and / or bulb raising, flower propagation and farming, and often having supply contracts with wholesalers;
  - Initial processing - getting harvested flowers ready for import / sale through devitalisation to limit further propagation as well as fumigation (done through growers or through third parties) to meet Australian biosecurity laws;
- **Wholesaling** - includes procurement, transportation, customs clearance and processing activities:

- **Procurement** - procuring floral / plant supply and componentry through engagement with breeders on desired breed varieties, providing growers with planting cycle direction, and often having contracts with multiple growers to ensure security of supply;
- **Transportation** - organising cold chain transportation logistics including securing appropriate mix of land / air transportation for cut flower volume. Flowers are refrigerated and transported by air, sea (global) and road (domestic), and potted;
- **Customs clearance** - ensuring customs are cleared by the Australian Department of Agriculture where flower imports go through documentation review, pest / biosecurity inspections and additional re-processing if failed inspections;
- **Processing** - processing bulk flowers dependent on the wholesaling model where activities include unpacking and cutting, re-hydrating, producing into finished floral products (or no further processing) and packaging for distribution. The processing of flowers is also dependent on the retail channel which could mean products are either processed into finished goods (e.g. florists adding value) or purchasing of finished flower products from wholesaler;
- **Retailing** - selling finished products to end consumers, which includes activities such as category management, merchandising and other point of sale activities, and sales and marketing to tend consumers.

#### **b) Our operations**

Our core operations include the growing, wholesaling and retailing of our floral products.

Growers are managed under several arrangements to provide flexibility of supply. Such arrangements include Lynch owned, contracted and partially contracted growers. For the farms owned and managed by Lynch, we oversee the planting, growing, harvest, packing and transportation of floral products.

Lynch has also developed a large and sophisticated cool chain distribution network (including use of cold storage spaces and refrigerated trucks) with facilities located in all major Australian cities. Our cool chain distribution network allows us to prolong flower life through the use of cool chain technology for certain varieties imported in Australia from overseas farms.

This model enables Lynch to not only grow floral products but also to use fresh cut flowers to design and create consumer-ready floral products; wholesale floral products to all retail and wholesale channels in Australia (supermarkets in particular); and merchandise floral and potted display stands for supermarket clients in Australia.

**c) Our supply chain**

Lynch Group has access to worldwide breeders and maintains longstanding global grower relationships that provide large scale, low cost and secure supply, with Lynch's China farm operations further securing low cost and a high-quality supply. Some of our breeder supplier relationships span over 40 years, allowing Lynch to have a solid understanding and insight over how these breeders operate.

We understand that the best quality products come from building long term relationships with suppliers. It is for this reason that we have developed and invested in our internal teams and supply chain management. In addition to our operations mentioned above, Lynch relies on a complex, global supply chain to deliver our products to market.

Our key suppliers are the breeder farms which supply the flowers for our floral products. These farms are operated by third-parties and come in two forms:

- Contracted farms where Lynch secures up to 100% of supply (e.g. China, Kenya, Columbia, Ecuador, Vietnam); and
- Short term contracts to ensure low-cost, secure and flexible supply.

Other direct suppliers include:

- Manufacturers of accessories used in our floral arrangements;
- Third-party transportation and logistics companies which transport our products internationally and domestically; and
- Personnel responsible for cleaning and maintenance of our facilities around Australia and China.

**d) Our customers**

Lynch primarily services supermarkets and mass-market retailers in Australia, as well as online retailers and florists. We acknowledge the importance of collaborating with our customers in the assessment and mitigation of modern slavery risks in operations and supply chains. We also understand that our customers have rising expectations from suppliers on managing ethical sourcing, human rights and modern slavery risks, resulting in:

- requirements contained within updated supplier contracts;
- the introduction of policies, supplier codes of conduct;
- requesting completion of supplier self-assessment questionnaires; and
- implementing ongoing monitoring and auditing programmes.

We understand that our key customers are large and established organisations who have a number of requirements regarding human rights and modern slavery in place. We are focused on continuing to align to their expectations, requirements and commitments. To ensure that this continues, Lynch will be

engaging in ongoing dialogue with key customers to keep up to date with changing modern slavery and human rights expectations.

### **3. Risks of modern slavery in our operations & supply chain**

The floral products that Lynch produces are manufactured and stored in facilities across Australia and supplied from farms within Australia and overseas. We understand that some overseas farms may be operating in countries where modern slavery risks are elevated, we recognise that modern slavery is an issue that exists across many industries and in all countries in the world. We take this risk seriously and approach our management of it accordingly.

#### **a) Modern Slavery risk in our Australian operations**

Due to the nature of Lynch's business model and workforce profile, we recognise the potential for modern slavery risks in our operations. Within our Australian operations, a portion of our workforce includes workers:

- within the Agriculture sector;
- employed through third-party agencies;
- with base-skilled labour roles; and
- who are foreign-born and living in Australia on a visa.

These are characteristics that could potentially put workers at an elevated risk of modern slavery. However, the vast majority of our workers are employed by Lynch directly through permanent contracts or by reputable, well-established labour-hire agencies. Additionally, we have a number of internal controls in place to ensure fair work practices in compliance with Australian law. As such, we consider the risk of modern slavery within our Australian operations to be low.

We acknowledge that it is important for us to continue to monitor working conditions, recruitment, and gender issues across our business to ensure we are effectively managing this risk on behalf of all of our workers.

#### **b) Modern Slavery risk in our supply chain**

Lynch acknowledges that modern slavery risks may exist within our Australian and international supply chain, given our complex and vertically integrated model and global scale.

In order to better understand where the likelihood of modern slavery risk sits within our supply chain, Lynch completed a high level risk assessment over our direct (Tier 1) suppliers to our Australian operations, based on factors like geographic location, sector or industry and types of goods and services provided.

Due to the nature of our business, we acknowledge that a large majority of our suppliers fall into elevated risk categories. Examples of suppliers in higher risk sectors<sup>1</sup>, includes:

- Agricultural Products;
- Human Resource & Employment Services;
- Plastic, Metal & Glass Containers; and
- Fertilisers & Agricultural Chemicals.

From our risk assessment, we note that Lynch engages suppliers operating in a number of higher risk countries, including:

- China
- Columbia
- Ethiopia
- India
- Kenya
- Lebanon
- Thailand
- Vietnam

This initial risk assessment has helped to inform our approach on managing modern slavery risk within our supply chain. As such, we intend to start by engaging with our key suppliers (our contracted, third party farms) and then progressively engage with the remainder of our higher risk suppliers, before moving on to the medium and low risk suppliers over time.

We will also expand our supplier risk assessment to include all direct suppliers in our global operations in coming periods.

#### **4. Assessing and addressing risks of modern slavery**

No incidents of modern slavery were identified in our operations or supply chain during the reporting period.

While we have a strong governance structure in place with regards to managing operational and supply chain risk, we are continually reviewing our approach and priorities to have the greatest impact. We intend to leverage this existing governance structure to implement key controls related to modern slavery risk, for both our operations and supply chain, as part of our Modern Slavery Roadmap.

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<sup>1</sup> Categories are based on the The Global Industry Classification Standard.

**a) Operational modern slavery risk management**

Lynch maintains a suite of policies and procedures for our Australian operations which underpin our governance approach to maintaining a safe, fair and diverse workplace. These policies apply to all workers located at any facility across all of our Australian operations.

Key policies include:

- **Lynch Code of Conduct** - describes the standards of behaviour and conduct expected from workplace participants in their dealings with customers, suppliers, clients, co-workers, management and the general public;
- **Contractor management procedure** - covers the selection, management and monitoring of contractors engaged by the company;
- **Recruitment policy** - provides guidance and assistance to all managers and supervisors who are involved in the recruitment, selection and promotion of employees at Lynch;
- **Anti-Discrimination and Equal Employment Opportunity Policy** - relates to any forms of discrimination, vilification, sexual harassment, bullying and victimisation;
- **Gender Equality in the Workplace Policy** - a workplace program attempting to eliminate discrimination and contributing to gender equality in employment and in the workplace; and
- **Whistle-Blower Policy** - aligned to Australian legislation, it describes the process by which a worker is able report any instances of wrongdoing across our operations, as well as the protections afforded to them through the process.

We understand that our workforce includes workers with base-skilled labour roles, with immigration visas and who have English as their second language. These workers may need additional support and information regarding potential human rights and modern slavery risks, and we recognise Lynch's role in assisting with this.

While no modern slavery concerns have been noted within our operations during the period, we intend to continue to strengthen controls related to our direct workforce, our third-party agency workers and any on-site contractors with respect to modern slavery risk.

**b) Supply chain modern slavery risk management**

We are committed to taking a leadership role in ensuring our supply chain reflects the highest standards of ethical conduct and activity. In alignment with our company Vision and Values, we seek to positively

influence ethical standards within and across our industry. We recognise that responsibility for ethical trade throughout our supply chain resides as much with our key suppliers as with ourselves.

Prior to entering into a contractual agreement with key suppliers, Lynch's Procurement team undertakes a due diligence process to ensure that the supplier has obtained all necessary certifications related to the Ethical Trade Initiative and International Labour Organisation conventions, as per Lynch's Ethical Sourcing Policy's requirements. Examples of certifications tracked include:

- Fair Trade
- Rainforest Alliance
- Global Gap
- Florverde
- Flor-Ecuador
- MPS Socially Qualified
- Ethical Trade Initiative
- Kenya Flower Council Silver Certificate

The outcomes of this review are presented to the Quality team, which perform additional checks as required. If no issues are noted, our Procurement team will then perform a site visit to ensure that quality of products, working conditions and use of chemicals are in line with Lynch's expectations and international standards.

Within our Ethical Sourcing Policy, we set out the following expectations of our key suppliers:

- Provide staff with wages, benefits and hours of work that are non-discriminatory;
- Ensure working conditions are not harsh or inhumane, and provide for adequate standards of health and safety; and
- Be respectful of local regulations and comply with relevant environmental standards.

To ensure ongoing compliance with our Ethical Sourcing Policy, the Lynch Procurement and Quality teams undertake annual audits of our key suppliers to confirm they are in compliance with these practices.

Additionally, the Lynch Quality team maintains a register of external certifications for all key suppliers, which is reviewed and updated on a monthly basis. The register allows Lynch to ensure that supplier certifications are maintained and up to date. The Quality team is also responsible for monitoring and ensuring that any regulatory changes are considered and appropriately addressed in order to maintain compliance.

Should a supplier be found to be non-compliant with Lynch's requirements or expectations, Lynch reserves the right to cease its business relationship with that supplier until sufficient remediation has been implemented.

Our Ethical Sourcing Policy, ongoing monitoring of regulatory requirements and certification compliance, and annual supplier contract reassessments provide us a strong governance structure which we can leverage to install and manage additional controls related to modern slavery risk in our supply chain.

There were no modern slavery issues identified during the FY20 reporting period. However, should any such incidents be identified, our Quality team would consider appropriate next steps that focus primarily on establishing and maintaining the safety of the affected people.

#### **5. Assessing the effectiveness of our actions**

This is the first year that Lynch has prepared a Modern Slavery Statement. However, as part of developing our statement, we have produced an internal modern slavery roadmap that will outline the key activities required in order for Lynch to manage the risk of modern slavery effectively into the future. As part of this roadmap, milestones will be included to guide our actions and keep us accountable. Additionally, we will integrate our modern slavery approach into our existing program of ongoing review, assessment and refinement of our policies, procedures and governance structures in order to ensure our approach is one of continual improvement.

#### **6. Consultation with our entities**

Our approach to managing modern slavery risk has focused on our Australian operations for this reporting period. However, we have signalled our intent to expand our approach to encompass all controlled entities of Lynch domestically and overseas.

It is our intent that all Lynch entities operate under a common set of governance principles and policies. This includes the programs through which modern slavery risk in our operations and supply chains will be managed. Our approach will be developed in consultation with key internal and external stakeholders throughout our business and will be progressively rolled out to all our controlled entities. Our intent is that the approach to modern slavery will be organisation-wide.

A process of internal consultation across Lynch informed the drafting of this statement. This included engagement with members of Lynch's modern slavery working group which includes four senior members from Lynch's Business Development, Human Resources, Quality and Procurement functions within Lynch.

This working group was formed in FY20 as part of Lynch's commitment to help manage human rights and modern slavery risks across its operations and supply chains.

## **7. Other relevant information and next steps**

### **a) Impacts of COVID-19**

COVID-19 has had a limited impact on our ability to manage risks relating to modern slavery. Travel restrictions locally and abroad have resulted in a reduction of planned key supplier site visits. However, our Procurement team has continued monitoring supplier certifications to ensure these are up to date and have transitioned to virtual / remote supplier site check-ins until such time that travel restrictions are lifted.

### **b) Modern slavery roadmap**

To guide our efforts in addressing potential risks of modern slavery within our operations and supply chain, Lynch is developing a multi-year Modern Slavery Roadmap. This Roadmap will focus on designing robust policies and training programs, supplier risk assessments and ongoing due diligence and grievance and remediation channels. Key activities undertaken as part of year 1 of our Roadmap include:

#### **Building robust policies & educating our people:**

- Updating our Ethical Sourcing Policy to ensure it is fit for purpose and includes reference to the human rights and modern slavery issues relevant to our operations and our suppliers' operations;
- Designing Lynch's first Human Rights Policy, which will be applicable to all Lynch operations and suppliers; and
- Developing internal training and awareness programs related to our Ethical Sourcing Policy, our Human Rights Policy and our Modern Slavery Statement.

#### **Undertaking detailed risk assessment and ongoing due diligence:**

- We are currently developing a supplier risk assessment to assist us in focusing our efforts on the higher risk areas within our supply chain, both domestically and overseas;
- As part of the supplier risk assessment, Lynch will look to begin incorporating modern slavery related clauses into contracts of our key suppliers and progressively rolling them out to our higher risk suppliers; and
- An audit checklist that includes human rights and modern slavery considerations is in development for our Procurement team members to use during their site / farm visits.

**Expanding our modern slavery approach to all controlled entities:**

- Our existing approach to modern slavery will be discussed with, and expanded to include all of our controlled entities overseas; and
- All policies and procedures currently in development will be progressively rolled-out to all of our controlled entities in the coming reporting periods.

The actions within our Roadmap will be monitored and reviewed by our modern slavery working group, to ensure we meet our internal deadlines and external commitments moving forward.

This statement has been developed by our working group, discussed and agreed with Lynch's Chief Executive Officer and approved by the Board.



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Signature of Signing Authority

Hugh Toll, Chief Executive Officer on behalf of Lynch Group Board of Directors

**APPENDIX**

Revised Statement date: 3 March 2021

Reason for resubmission: This statement has been edited and re-submitted due to the original statement inadvertently containing an appendix which had unrelated, sensitive information. Note that no other changes have been made to the document, including no changes to the content within the Statement itself.