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Modern Slavery Statement 2022

1 Introduction

This second Modern Slavery Statement for the single reporting entity, Waterco Limited (ABN 62 002 070 733), is made in accordance with the Modern Slavery Act 2018 (Cth). It outlines the actions taken to identify, assess, address and remediate modern slavery risks across the company's operations and supply chains during the year ended 30th June 2022.

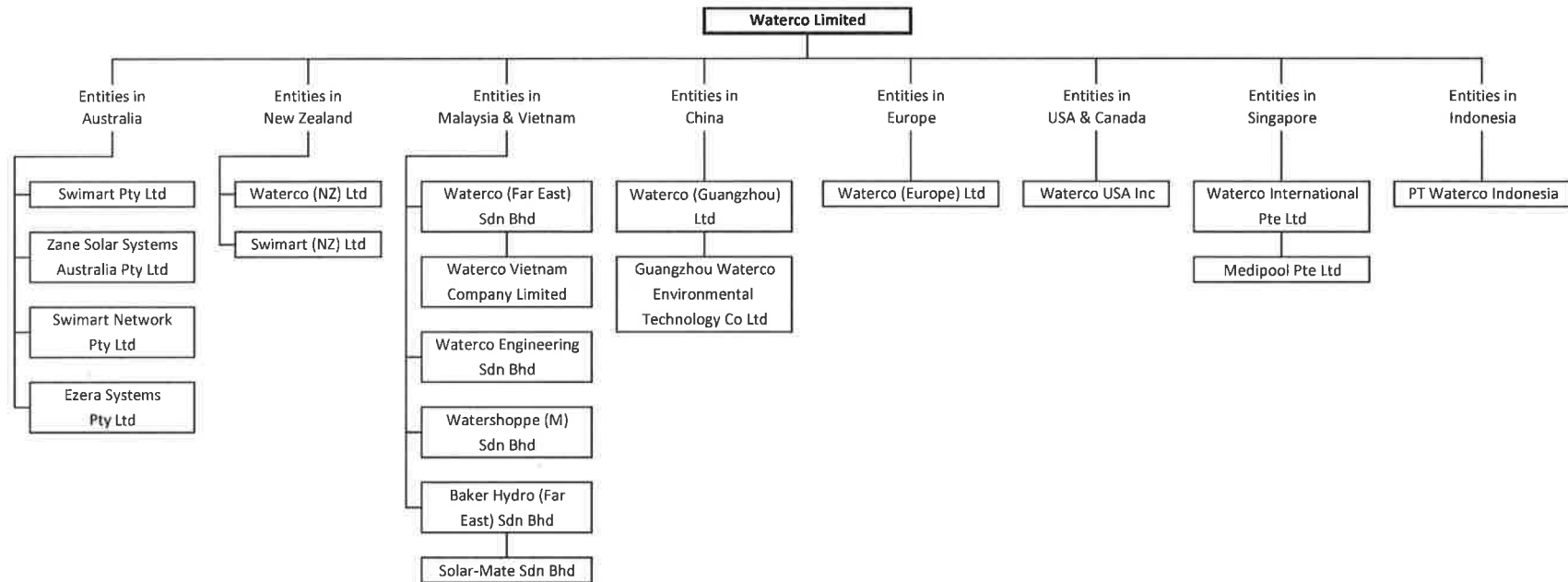
2 Identity (Mandatory Criterion 1)

Waterco Limited is an Australian public company limited by shares. Incorporated in 1981 and listed on the Australian Securities Exchange (ASX: WAT) in 1989, the company's head office is in Sydney with 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 commencing business in 1981, 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

3 Structure, Operations and Supply Chains (Mandatory Criterion 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. As at 30th June 2022, 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 applications 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 722 people across 8 countries, of which 164 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 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 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 Criterion 3)

Given the prevalence of modern slavery globally, Waterco recognises that modern slavery risks may be present in both the Australian and overseas operations and supply chains. The risks are 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 modern slavery risks, according to the risk indicators provided by the International Labour Organization and 2018 Global Slavery Index. In a country by country ranking of the number of people estimated to be in modern slavery the latter found that of the 167 countries surveyed, Malaysia was the 42nd riskiest country, China 111th and Australia 163rd.¹ The main concerns in Malaysia and China were forced labour, excessive overtime, bonded labour, exploitation and freedom of association.

In addition, 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. These self-assessment questionnaires inform Waterco whether the company and its

¹ Walk Free Foundation, The Global Slavery Index 2018, 178, https://downloads.globalslaveryindex.org/ephemeral/GSI-2018_FNL_190828_CO_DIGITAL_P-1653965393.pdf

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 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 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.

(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, and who state that they comply with all applicable laws and regulations on modern slavery and human rights are onboarded, and can be engaged to provide goods

and services to Waterco. The company has 2,053 reputable local and overseas suppliers, from which it sources a wide range of raw materials, 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 ICT hardware (servers, desktop computers, laptops and phones), uniforms, high visibility safety vest, safety shoes, personal protective equipment, corporate gifts, beverages, and procurement of transportation (sea, land and air), 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 Criterion 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 18 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 330 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 last year.

A total of 122 suppliers (or 37% 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 122 responders, 19 did not complete the Questionnaire - 5 said that the Questionnaire is not applicable to them because 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, and 14 said that Waterco will find the answers to the Questionnaire 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 were 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. Due to the increasing number of new cases of Covid-19, especially the deadly Delta variant and the more contagious Omicron variant, and the travel restrictions on interstate and overseas, only 5 suppliers with labour intensive manufacturing operations and hire migrant workers in Malaysia were audited. There were no adverse findings.

(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 30th June 2022 there was no report of any violation of 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 Criterion 5)

Waterco recognizes the need to continually assess the effectiveness of its actions to address modern slavery risks. Accordingly, Waterco assesses the effectiveness of the 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 number of suppliers removed due to non-compliance with the laws and regulations on modern slavery; and
- (iv) 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 30th June 2022, no critical breach was identified and no whistleblowing report was made.

7 Consultation with Other Entities (Mandatory Criterion 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 Head 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.

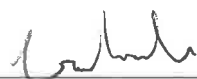
8 Other Information (Mandatory Criterion 7)

The Covid-19 pandemic had been disruptive and created challenges for both Waterco's management and staff and suppliers. Waterco has continued to engage fairly with the staff and suppliers. Concerning the staff, actions were taken to mitigate the impact and likelihood of Covid-19 by (i) retaining the workers; (ii) office personnel working from home, with phased return in line with government requirements; (iii) developing a "catch-up plan" once the lock-down has ceased to make up for the production backlog; and (iv) implementing preventive controls, such as taking daily temperature reading, periodic self-testing, social distancing, providing hand sanitizers and personal protective equipment, and cleaning and disinfecting the office and factory to protect the health of the workers. And, concerning the suppliers, the purchase orders were maintained in spite increase in prices and delay in deliveries. Customers were supportive in that they recognized there would be delays and difficulties in scheduling shipments due to shortage of containers, port congestion and insufficient supply of shipping capacity.

In Malaysia, Waterco donated basic food items totalling more than MYR72,000 to provide relief and help the low-income families recover from the pandemic.

9 Board Approval

This Statement was reviewed by the Audit Committee and approved by the Board of Directors of Waterco Limited on 24th June 2022.



Soon Sinn Goh
Chairman and Group Chief Executive Officer
Date: 1st August 2022