



Australian Pharmaceutical
Industries Limited

Modern Slavery Statement Feb '21

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'). Please refer to our Annual Report for a list of all entities. 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.



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.

WHAT IS MODERN SLAVERY?

Modern slavery is a complex, global issue that can occur in every industry and sector and has severe consequences for victims.

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 serious 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, child labour, forced labour, debt bondage, slavery like practices, forced marriage and deceptive recruiting for labour or services. The worst forms of child labour are situations where children are subjected to slavery or similar practices, or engaged in hazardous work.¹

API'S STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Established in 1910 as a co-operative of three pharmacists, API has grown to become one of Australia's leading pharmaceutical distributors, retailers and manufacturers of health and beauty products. API is an ASX listed company 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 and Club Premium.

The API Group employs around 2,900 people across Australia and New Zealand, and our franchisees employ around 5,200 people. As at the end of API's 2019-2020 financial year, our retail store network included 474 Priceline

and Priceline Pharmacy franchise stores in Australia, and 67 Clear Skincare clinics across Australia and New Zealand.

As a Community Service Obligation (CSO) pharmaceutical wholesaler, API supports 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 continuous, affordable access to high-quality vital medicines to all Australians.

In addition, API's Consumer Brands division, based in New Zealand, sources a range of over-the-counter and PBS medicines and personal care products.

There is a genuine 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 2020 Sustainability Report, which is available at api.net.au/investors.

API utilises its global supply chain to source pharmaceutical and personal care products, raw materials for Consumer Brands' two manufacturing plants, as well as products and services for the day to day operation of our retail businesses. This includes inventory, goods and equipment, transport, packaging, warehousing, retail equipment and services and leasing of premises.

“**MODERN SLAVERY IS A COMPLEX, GLOBAL ISSUE THAT CAN OCCUR IN EVERY INDUSTRY AND SECTOR AND HAS SEVERE CONSEQUENCES FOR VICTIMS.**”

474

Priceline and Priceline Pharmacy franchise stores

~900

Independent Soul Pattinson, Pharmacist Advice and Club Premium pharmacy members in Australia

~2,900

API Group employees across Australia and New Zealand

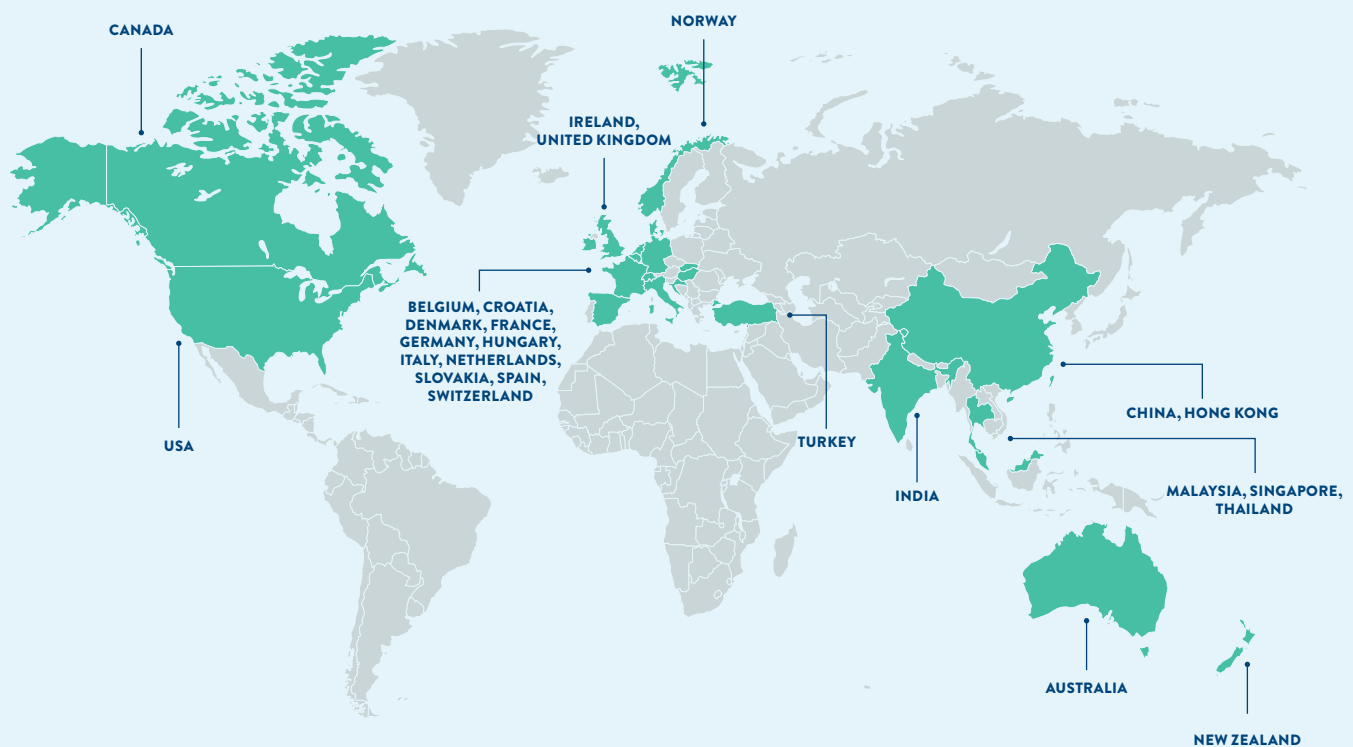
The API Group contributed a critical component to the nation's management of, and response to, the COVID-19 pandemic. While API's global supply chain has been disrupted by COVID-19, the Group has worked closely with the Government to address the challenges faced by the pandemic,

including in some cases sourcing products from alternative suppliers.

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.

API'S BROAD AND GEOGRAPHICALLY DIVERSE SUPPLY CHAIN INCLUDES:

- › Australia › Belgium › Canada › China › Croatia
- › Denmark › France › Germany › Hong Kong › Hungary
- › India › Ireland › Italy › Malaysia › Netherlands
- › New Zealand › Norway › Singapore › Slovakia
- › Spain › Switzerland › Thailand › Turkey › UK › USA



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

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.

A foundational process is being developed and applied to identify where modern slavery risk may exist within geographic, industry, product and service areas of API's operations and supply chain.

API has considered the main areas of its modern slavery risk as follows.

a. Franchisees' workforces

Whilst Priceline Pharmacy franchise stores are not owned nor 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 low. API is nevertheless aware that it must continue to educate and build awareness amongst its workforce about modern slavery and the Group's intolerance of all forms of modern slavery and unethical practices.

c. Supply chain

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. 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 will result in the enrichment of the lives of those working at API and across its supply networks.

ACTIONS TO ADDRESS MODERN SLAVERY RISK

API takes a collective approach to identifying and addressing the risks of modern slavery. API intends to prioritise the highest risks in its supply chain, and use the knowledge and expertise gained from this exercise 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. The Committee consists of senior executive from across the API Group. The Committee is overseen by the Audit and Risk Committee of the API Board, comprised of three non-executive Directors. The Audit and Risk Committee also oversees modern slavery risk as a component of the API Group's risk management framework.

The controlled entities all operate under the direction and governance of API and share the same executive management. The consultation, communication and training processes relating to modern slavery described in this Statement include all entities and businesses of the API Group.

API recognised the need to compare its approach for managing modern slavery risk against community and stakeholder expectations. Accordingly, during 2020, API voluntarily participated in a KPMG modern slavery benchmark self-assessment. The process informed API's strategy for continuous improvement in its management of addressing the risks of modern slavery.

a. Modern slavery plan

During the past 12 months, API has developed a Modern Slavery Management Action Plan (Action Plan). This has been developed internally and is the basis for implementing specific actions within the API Group.

The Action Plan is intended to allow API to proactively assess and manage risk with the continuous oversight of the Audit and Risk Committee. It is a flexible, ongoing plan and aims to ensure that, over time, awareness and management of modern slavery risk is continuously improved both within the API Group and across its supply chain.

b. Policies and governance

The implementation and review of various policies and practices helps to create a clear, robust set of standards for identifying any unethical practices across API's networks. These set out API's expectations for all employees and suppliers, and help to promote a culture of honest and ethical behaviour.

API supports and respects the protection of human rights and aims to ensure it is not complicit in human rights breaches.

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

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;
- Whistleblower Policy;
- Discrimination, Harassment and Workplace Bullying Policy; and
- Safety and Wellbeing Policy.

c. Supplier engagement and due diligence

API has included ethical sourcing and modern slavery provisions in its supplier policies and documents to help address modern slavery risks across its supplier network.

API will not tolerate any form of modern slavery, discriminatory or exploitative behaviour. It has incorporated clauses to that effect in the following policies and processes, and it expects all suppliers to comply.



API PROMOTES A CULTURE OF HONEST AND ETHICAL BEHAVIOUR, CORPORATE COMPLIANCE AND GOOD GOVERNANCE.

- API Supplier Code of Conduct;
- API Supplier Terms & Conditions of Purchase;
- API Indirect Procurement Policy; and
- API Supplier Section & Relationship Management Audit.

API conducts appropriate due diligence checks to ensure its suppliers are compliant with the ethical sourcing and modern slavery provisions of its supplier policies. API's supplier due diligence process is evolving and is aligned with API's Audit and Risk Management practices.

In 2020, API commenced the process of providing new and existing local and international suppliers with a Due Diligence Questionnaire covering to various areas of ethics and compliance, which they were required to complete and sign. Suppliers were asked whether they had modern slavery related policies, practices, audits and certifications in place and whether they had received any notice of modern slavery breaches within their supply chain. The suppliers were also asked what they would do if they did find a modern slavery contravention in their supply chain.

Of the responses received, none identified any instances where a supplier had become aware of any significant breaches in relation modern slavery and/or ethical trading.

API intends to continue to develop this questionnaire process to ensure it collects useful information and identifies potential risks. This process will allow API to continue to monitor the conduct of its suppliers and is intended to help identify any modern slavery breaches.





d. Whistleblower processes

API promotes a culture of honest and ethical behaviour, corporate compliance and good governance. We encourage employees of API and our related companies, contractors, consultants, suppliers, franchisees and other third parties to report any suspected instances of unethical, illegal, dishonest, fraudulent or corrupt conduct involving the API Group and to report this behaviour in a fair, safe and confidential manner, without fear of retaliation.

API has a robust Whistleblower Policy and process 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 also have several avenues available to them through which they could raise such concerns with API (for example, they have access to API's senior management).

e. Stakeholder engagement and consultation

API recognises the importance of raising awareness of modern slavery risks and of working with others to address it. During the last 12 months, API has:

- delivered modern slavery awareness and education training and provided information to API employees to improve their understanding of modern slavery risks within the API Group;
- participated in the Modern Slavery Benchmarking Self-Assessment; and
- participated in external seminars relating to modern slavery risk management.

ASSESSING THE EFFECTIVENESS OF API'S ACTIONS

API takes a continuous development approach to addressing modern slavery risk. API will assess the effectiveness of its Action Plan on an ongoing basis through its Sustainability Committee and through oversight by the Board's Audit and Risk Committee. It intends to focus on the effectiveness of actions taken in relation to supplier engagement and employee awareness.

The process for assessing the effectiveness of managing modern slavery risk is encapsulated within the Group's risk management framework and associated processes. 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.

Approved by the Board,
February 2021.

Signed

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 work during the last 12 months has begun to provide it with greater visibility of the API Group's own supply chain. However, we acknowledge that addressing the risk of modern slavery will be an ongoing task requiring further work in partnership with suppliers and a continuous improvement approach.

API will continue to take a risk-based approach. Accordingly, in the year ahead, our efforts will focus on identifying which parts of API's supply chain are likely to have a higher risk of modern slavery, through monitoring and due diligence.

Through the supplier questionnaire process, API will try to identify any gaps in our suppliers' ethical business procedures and work with them to improve their management of the risk of modern slavery.

API will also continue to engage with, and raise awareness of, modern slavery risk across the Group.

Overall, API is committed to continuing to work to remediate any modern slavery risks identified and to further strengthen the protection of human rights within our supply chain in a sustainable manner.



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