

MCPHERSON'S LIMITED

*Modern*

# SLAVERY STATEMENT

July 2021 to June 2022



MCPHERSON'S  
EST. 1860

## DISCLOSURE NOTE

This Statement addresses the potential risk of slavery, servitude, forced or compulsory labour, forced marriage and human trafficking in McPherson's Limited ("McPherson's" or "the Company") supply chains and business operations, pursuant to the Australian Modern Slavery Act 2018 (Cth) ('the Act'). This statement has been made on behalf of McPherson's Limited.

This Statement covers all entities owned or controlled by McPherson's Limited, including:

- McPherson's Consumer Products (NZ) Limited
- McPherson's Consumer Products Pty Ltd (Australia)
- McPherson's Consumer Products Pte Ltd (Singapore)
- McPherson's America Inc. (USA)
- McPherson's Consumer Products (HK) Limited (Hong Kong)
- McPherson's (Shanghai) Co., Ltd (China)

Exclusions:

- McPherson's Limited Employee Security Plans Trust
- This is a non-trading entity
- McPherson's (UK) Limited
- This is a non-trading, dormant entity
- Dr. LeWinns China Limited
- This is a non-trading entity

ABN: 98 004 068 419



McPHERSON'S  
EST. 1860

# MODERN SLAVERY STATEMENT, FY22

## CONTENTS

ABOUT US	4
REPORTING CRITERIA 1 & 2: OUR BRANDS AND STRUCTURE	5
OUR ORGANISATIONAL STRUCTURE	5
OUR GOVERNANCE FRAMEWORK	5
OUR OPERATIONS	6
OUR PEOPLE	7
OUR BRANDS	7
OUR SUPPLY CHAIN	8
MODERN SLAVERY COUNTRY RISK RATING	9
REPORTING CRITERIA 3: MODERN SLAVERY RISKS IN OPERATIONS AND SUPPLY CHAIN	10
OVERVIEW	10
OPERATIONAL RISKS	10
SUPPLY CHAIN RISKS	11
SPEND RISK	11
CATEGORY RISK	12
SUPPLIER RISK	12
BRAND RISK	13
REPORTING CRITERIA 4: ACTIONS TAKEN TO ASSESS AND ADDRESS RISK	14
OUR ACHIEVEMENTS THIS REPORTING PERIOD	14
APPOINTING A SUSTAINABILITY MANAGER	14
DUE DILIGENCE FOR POTENTIAL NEW SUPPLIER	14
SUSTAINABLE SUPPLY CHAIN	14
PROGRESS ON COMPLIANCE WITH SUPPLIERS	14
MODERN SLAVERY ROADMAP	15
REPORTING CRITERIA 5: EFFECTIVENESS ASSESSMENT	15
REPORTING AND ACCOUNTABILITY	15
REPORTING CRITERIA 6: PROCESS OF CONSULTATION WITH ENTITIES OWNED OR CONTROLLED	16
REPORTING CRITERIA 7: OTHER INFORMATION	16
ENSURING WORKERS IN OUR SUPPLY CHAIN WERE NOT EXPOSED	
MODERN SLAVERY DUE TO COVID-19	16



# ABOUT US

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products with operations in Australia, New Zealand, and Asia. McPherson's markets and distributes beauty care, hair care, skin care, vitamins and supplements and fragrance product ranges, kitchen essentials such as baking paper, cling wrap and aluminium foil and personal care items such as facial wipes, cotton pads and foot comfort products.

McPherson's purpose is to provide care solutions to nurture confident, healthy, and sustainable lifestyles.

McPherson's Modern Slavery Statement, issued under the Australian Modern Slavery Act, outlines the steps we have taken and plan to take to assess and prevent modern slavery risks in our business and supply chains. While our commitment to addressing modern slavery is overseen at a board level our Modern Slavery Statement has been prepared in consultation with all areas of the business.

This Modern Slavery Statement covers activities from 1st July 2021 to 30th June 2022.



**Anthony Ogilvie**  
Sustainability Manager



**Mark Brady**  
Supply Chain Director

*This statement has been approved by the McPherson's Board on the 22nd November 2022.*

APPROVED



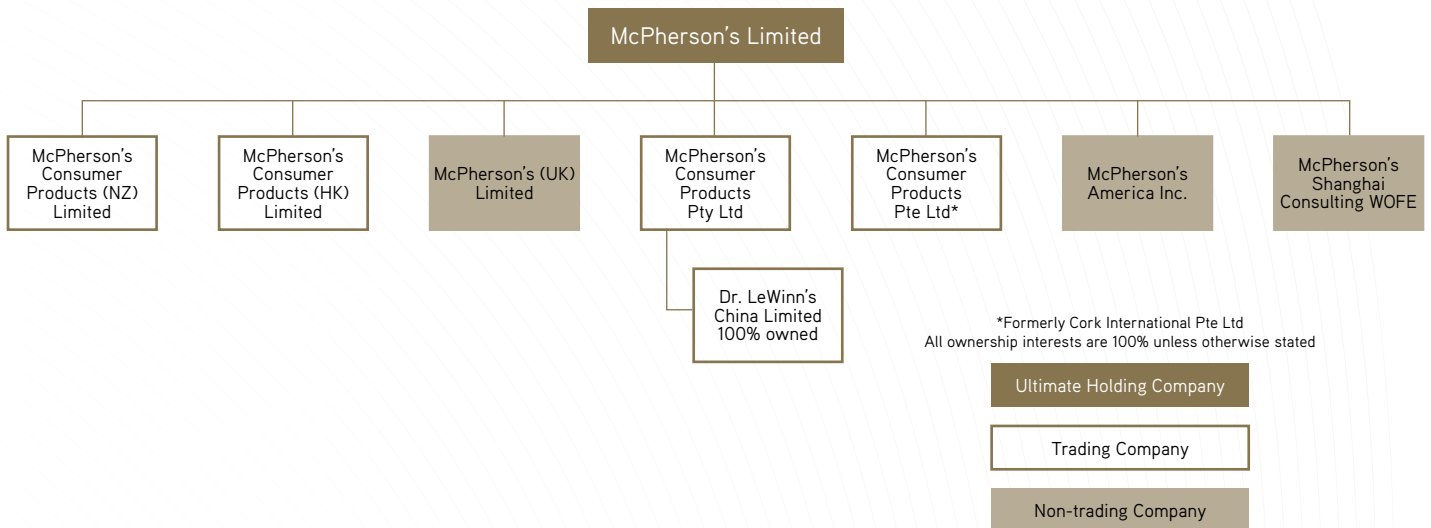
**GRANT PECK**  
CHIEF EXECUTIVE OFFICER

22nd November 2022

# REPORTING CRITERIA 1 & 2: OUR BRANDS AND STRUCTURE

## OUR ORGANISATIONAL STRUCTURE

McPherson’s Limited is the ultimate holding company which oversees operations of five trading entities and three non-trading entities as illustrated in the chart below. All ownership interests are 100% unless otherwise stated.



## OUR GOVERNANCE FRAMEWORK

McPherson’s Board of Directors is committed to achieving and demonstrating the highest standards of corporate governance. This is considered essential for the long-term performance and sustainability of the Group, and to protect and enhance the interests of shareholders and other key stakeholders.

### REVIEW OF CORPORATE GOVERNANCE PRACTICES

The Company and Board regularly review the Group’s governance practices, as well as developments in market practice generally, stakeholder expectations and regulations.

The Company undertook a comprehensive review of its corporate governance arrangements during the prior year, including with reference to the 4th Edition of the Corporate Governance Principles and Recommendations (“Corporate Governance Principles”) issued by the ASX Corporate Governance Council, and the Board made a range of changes to the Company’s Board charters and policies following that review.

The related Board and committee charters and Board policies have been subjected to further review and update in 2022.

## **BOARD COMMITTEE AND GOVERNANCE CHANGES IN 2022**

In February 2022 a comprehensive review was undertaken of the structure of the Board's supporting committees and their membership. Directors determined that the establishment of a new committee with a dedicated focus on the Company's risk management framework was appropriate, with a corresponding variation in the responsibilities of the existing Audit, Risk Management Committee. At the same time the name of that committee was changed to "Audit Committee".

Changes were made to the membership of the existing Board committees to reflect alignment with Directors areas of knowledge and experience. All members of each committee were then and remain currently designated as Independent Directors.

The Board committee structure and committee memberships continue to be fully compliant with all relevant recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

A charter for the newly formed Risk and Compliance Committee was developed, and the charter for the Audit Committee was amended to reflect the revised committee responsibilities.

## **CONFORMITY WITH THE 4TH EDITION OF THE ASX CORPORATE GOVERNANCE PRINCIPLES**

The Group's corporate governance arrangements have conformed the 4th Edition of the ASX Corporate Governance Principles for the whole of the year ended 30 June 2022.

## **OUR OPERATIONS**

McPherson's revenue is primarily derived from its diversified portfolio of owned market-leading brands, including:

- Dr. LeWinn's
- A'kin
- Manicare
- Lady Jayne
- Swisspers
- Multix
- Fusion Health
- Oriental Botanicals
- Moosehead
- Maseur

McPherson's also manages a small number of brands for agency partners.

Manufacturing is outsourced to various suppliers, predominantly in Asia and Australia. McPherson's maintains a strong presence in Hong Kong and mainland China, focused on product sourcing and quality assurance.

### **SINGAPORE**

McPherson's operation in Asia is focused primarily on personal care products and, household consumables products, operating with a combination of McPherson's brands and agency arrangements.

### **HONG KONG**

McPherson's Hong Kong branch manages the contract manufacturing for the McPherson's Group's products, generally outsourced to specialist manufacturers. It performs the quality assurance function and also works with marketing personnel on product design.

## OUR PEOPLE

At June 2022 we employed a total of 331 staff across operations in Australia, New Zealand, Singapore, and Hong Kong. 84.59% of our staff are employed in Australia, the majority of whom are female permanent full-time staff. Just over 3.5% of our workforce is comprised of contract workers employed on a full time or part time basis.

## OUR BRANDS



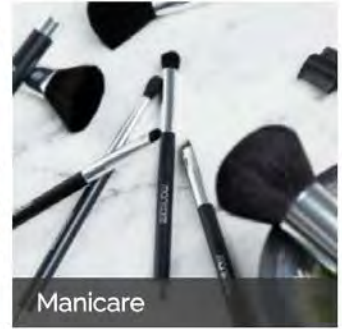
A'kin



Dr. LeWinn's



Lady Jayne



Manicare



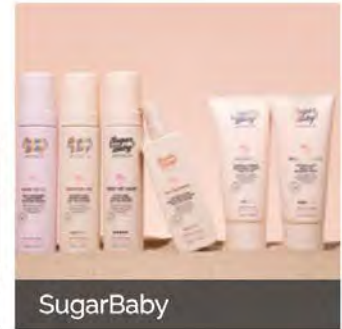
Glam by Manicare



Swisspers



Revitanail



SugarBaby



maseur



Footcare by Maseur



Fusion Health



Oriental Botanicals



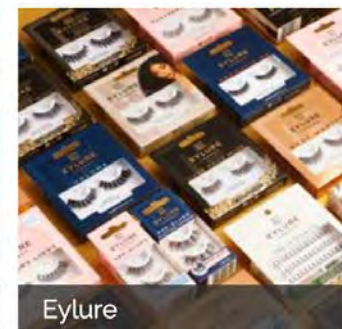
Stratton



Moosehead



Happy Flora



Eylure

## OUR SUPPLY CHAIN

The information below reflects a baseline of our spend across goods and services conducted for our initial statement. The business will conduct a full review of goods and service spend every three years unless a major acquisition, divestment or change of a Tier 1 supplier takes place.

The next review is scheduled to occur in FY24, based on both the acquisition of the health business (Fusion & Oriental Botanicals) and the passing of time since the last review. NOTE: although the acquisition of the health business was a major acquisition, after reviewing the business through the lens of sector and geography it was deemed to be a low risk. I.e. skilled manufacturing and Australian based manufacturers, which didn't justify bringing forward the full review scheduled for FY24.

Our baseline spend was approximately \$156 million annually with 231 suppliers across 21 goods and services categories. Of these 231 suppliers, 134 provide finished goods for sale and 97 provide non-stock goods and services such as office supplies, advertising, and professional services.

Our supply chain extends across sixteen countries including China/Hong Kong, Czech Republic, France, Germany, United Kingdom, Indonesia, Italy, Korea, the Netherlands, New Zealand, Pakistan, Thailand, Turkey, Taiwan, and the United States.

More than 80% of our spend is with **50 key suppliers** of which 20 are based in Australia and 30 are located internationally (see risk ratings page). Our ten largest overseas suppliers are based in mainland China (five suppliers), Hong Kong (three suppliers), South Korea (one supplier) and New Zealand (one supplier).

The main categories of goods and services procured from our Tier 1 (direct) suppliers are outlined in Table 1. Whilst many of our Tier 1 suppliers are based in Australia (or are a subsidiary of a global entity), the source country of some of the products we procure (such as raw materials, ingredients, packaging etc) are unknown. Further work will be undertaken to better understand our extended supply chain and the inherent modern slavery risks of our Tier 2 (indirect) suppliers.

**Table 1: Main categories of goods and services**

Goods	Services
Finished Goods - bags / wrap / foil	Advertising, marketing, and promotions
Finished Goods - health / beauty	Building, construction, and fabrication services
Office and building supplies and services	Hire cars, fleet, consumables, and maintenance
Packaging materials, containers, and storage	ICT Software, networking, and support services
	Logistics, warehouse, and transport services
	Print / Mail Provider
	Professional services
	Property and facility maintenance services
	Real estate / property management services
	Retail sales and distribution
	Travel, parking, and accommodation
	Utilities



# MODERN SLAVERY COUNTRY RISK RATING

## AUSTRALIA



127 SUPPLIERS  
41% OF SPEND

- Couriers and Transport
- Property Management
- Recruitment
- Goods and Merchandise
- Labour Hire
- Professional Services
- ICT Software and Services
- Advertising
- Retail and Distribution
- Utilities

## CHINA



50 SUPPLIERS  
35% OF SPEND

- Packaging
- Goods and Merchandise
- Materials / Consumables
- Retail and Distribution

### MODERN SLAVERY COUNTRY RISK RATING



## HONG KONG



13 SUPPLIERS  
11% OF SPEND

- Packaging
- Goods and Merchandise

## SOUTH KOREA



11 SUPPLIERS  
3% OF SPEND

- Goods and Merchandise

## TAIWAN



8 SUPPLIERS  
3% OF SPEND

- Packaging
- Goods and Merchandise

## UNITED STATES



4 SUPPLIERS  
1% OF SPEND

- Goods and Merchandise

## NEW ZEALAND



4 SUPPLIERS  
2% OF SPEND

- Goods and Merchandise
- Professional Services

## THAILAND



3 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

## INDONESIA



2 SUPPLIERS  
1% OF SPEND

- Goods and Merchandise

## UNITED KINGDOM



2 SUPPLIERS  
2% OF SPEND

- Goods and Merchandise

## PAKISTAN



1 SUPPLIERS  
1% OF SPEND

- Goods and Merchandise

## GERMANY



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

## FRANCE



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

## TURKEY



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise
- Professional Services

## CZECHIA



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

## ITALY



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

## NETHERLANDS



1 SUPPLIERS  
<1% OF SPEND

- Goods and Merchandise

# REPORTING CRITERIA 3: MODERN SLAVERY RISKS IN OPERATIONS AND SUPPLY CHAIN

## OVERVIEW

The information below reflects a baseline of our spend across goods and services conducted for our initial statement. It provides us with a solid foundation outlining where the potential modern slavery risks exist in our operations and supply chain.

## OPERATIONAL RISKS

With the support of external experts, we undertook a modern slavery gap analysis to identify areas of improvement across five key categories:

- management systems
- human resources and recruitment
- procurement and supply chain
- risk management
- customers and stakeholders

Results of the gap analysis are summarised in Diagram 1.

Diagram 1: Gap analysis results

### MODERN SLAVERY PROGRAM GAP ANALYSIS RESULTS



We considered the risk of modern slavery within our direct business operations to be relatively low.

However, we recognise the importance of raising awareness of modern slavery amongst our staff and developing their capabilities – particularly those managing potentially high risk areas of our business such as operations, business development and procurement. We will ensure that our people are provided with the best available resources and know-how to identify, assess, and address modern slavery risk in our operations and supply chains.

Our Modern Slavery Action Plan and Three-Year Road map developed collaboratively by our Modern Slavery Working Group provides a comprehensive framework to identify, manage and mitigate risk. Elements of our action plan and three-year roadmap are included in Criteria 4 ‘Actions Taken to Assess and Address Risk’ below.

## SUPPLY CHAIN RISKS

McPherson's has a complex supply chain comprising a mix of global and local supply partners. Our supply chain risk analysis baseline focussed on 231 suppliers who provide a wide range of goods and services for our Australian and overseas markets.

Our procurement team, supported by external experts, analysed the baseline spend of \$156 million of procurement data for potential modern slavery risk against four internationally recognised risk indices:

- **Industry sector** – Specific industry sectors deemed as high risk in international and national guidance documentation.
- **Commodity / product** – Specific products and commodities deemed as high risk by the US Department of Labour's 2018 List of Goods Produced by Child and Forced Labour, the Global Slavery Index (GSI) and other international guidance materials.
- **Geographic location** – Based on the estimated prevalence of modern slavery and the government responses as outlined in the 2018 GSI and our consultant's proprietary risk profiles based on 13 county indexes of corruption, freedom of speech, worker rights etc. While we predominantly use suppliers based in Australia, we recognise that the goods and services they use in our products (our Tier 2 suppliers) may come from high risk counties.
- **Workforce profile** – In undertaking our supplier analysis we considered the type of labour involved in the production of our goods and services, particularly where low skilled, vulnerable, or migrant labour is used, or where the work is deemed as '4D' work (dirty, dull, degrading, or dangerous).

### SPEND RISK

Based on the risk indices outlined above, the analysis identified that approximately 50% of our procurement spend (\$78.4M) has a high potential risk for modern slavery (Diagram 2). This is largely due to our very high spend on finished goods.

**Potential high-risk procurement**

- 50% of total procurement spend
- 30% of suppliers
- 9 of the 21 spend categories

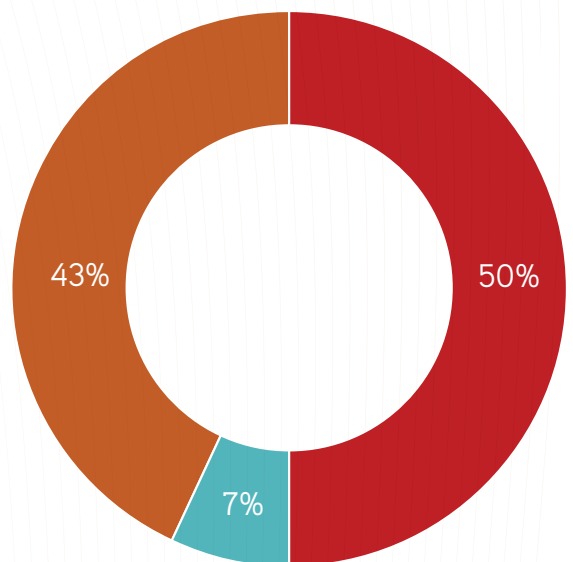


Diagram 2 Procurement spend by potential modern slavery by potential modern slavery risk.

## CATEGORY RISK

We identified 8 of our 21 spend categories as potentially high risk for modern slavery (Diagram 3) including:

- Finished goods: bags, foils and wraps;
- Finished goods: health and beauty products;
- Retail sales and distribution;
- Building, construction, and fabrication services;
- Office and building supplies and services;
- Packaging materials, containers and storage;
- Travel, parking and accommodation;
- Building and facility maintenance.

Finished goods account for over 95% of our high risk spend. These goods are largely sourced from suppliers located in higher risk countries such as mainland China, Pakistan, and Indonesia. To gain a better understanding of potential risk associated with finished goods we separated finished goods into two categories: household consumables and health & beauty products (see page 15).

Other categories of potentially high risk spend include corporate events, office supplies, clothing, and personal protective equipment. As our total spend across these categories is relatively low, we will not be focusing our risk management efforts on these categories in the short to medium term.

## SUPPLIER RISK

Thirty percent or 83 of the 231 suppliers analysed are considered potentially high risk for modern slavery (see Diagram 4). Over 80% of high risk spend is with 25 major suppliers all of whom provide finished goods in our household consumables and health and beauty product lines. The majority of these high spend suppliers are located overseas and will be the focus of our supplier risk management program going forward.

While we have classified some of our suppliers as potentially high risk, this does not mean that these companies are knowingly causing or contributing to modern slavery. They are, however, in high-risk industry sectors or geographic areas, or use commodities known to have higher risk of worker exploitation. They may also use vulnerable people in their workforce.

As such, we consider these suppliers to be a higher priority. Our modern slavery risk management program will focus on engaging these key suppliers and developing a greater understanding of potential risk in their supply chains (for example, our Tier 2 and Tier 3 suppliers) and the systems and processes they have in place to manage modern slavery risk.

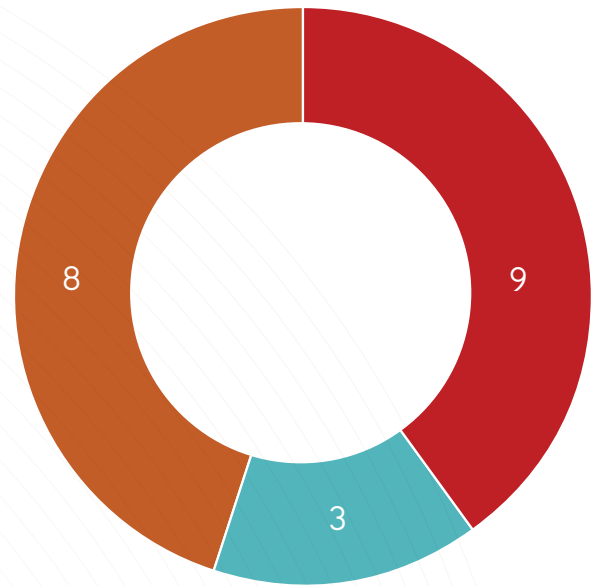


Diagram 3: Spend category by risk.

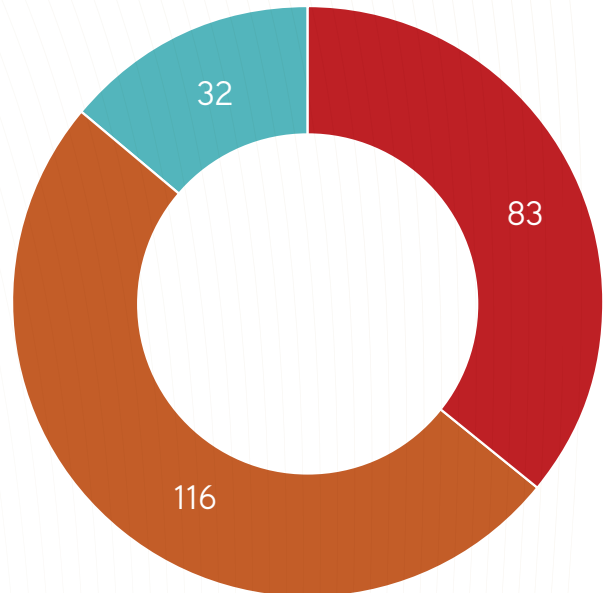


Diagram 4: Potential risk by number of suppliers.

## BRAND RISK

Our initial risk assessment also identified potential modern slavery risk associated with different brands within our household consumables and health and beauty ranges. Results of the analysis enabled us to better prioritise our modern slavery risk management actions and focus on potentially high risk brands and suppliers.

We recognise that there is a high likelihood of modern slavery risk in our supply chain given the diversity of regions we procure from and will focus our initial supplier due diligence efforts on our highest risk international suppliers. A review of the Global Slavery Index and other publicly available information indicates that the following forms of modern slavery and worker exploitation may be present in our supply chain:



Forced, Bonded and  
Indentured Labour



Deceptive  
Recruitment



Child Labour



Exploitation of  
Migrant Workers



Underpayment  
of wages



Excessive Hours

By way of example, we procure finished goods in our household consumables range from China, ranked 111th out of 167 on the Global Slavery index (GSI). While the GSI indicates that less than 1% of the population of China is living in modern slavery (3.9 million people), the vulnerability of people to modern slavery is 50.65 out of 100. China is now the second largest economy in the world with much of its rapid economic development the result of a domestic economy specialising in the production of labour-intensive, cheap goods for export. Forced labour mainly occurs in the production of these goods, including in the manufacturing and construction sectors, as well as in more informal industries. China's network of state detention facilities that use forced labour is also widely reported. The government's response rating to managing modern slavery is a CC.

We also procure finished goods in our health and beauty range from Indonesia (ranked 74th out of 167 on the GSI), with an estimated 1.2 million people living in slavery and a vulnerability rating of 50.45/100. While the government has made some progress in managing modern slavery in Indonesia, child labour and forced labour remains prevalent across a range of industry sectors and in commodities harvested in Indonesia. Some of these may form part of our supply chain, including within the forestry, paper and board production, textiles, manufacturing, assembly, and packaging sectors.

# REPORTING CRITERIA 4: ACTIONS TAKEN TO ASSESS AND ADDRESS RISK

We are committed to conducting our business to prevent and tackle modern slavery in our operations and supply chain. Our commitment extends to workers in our extended supply chain and other people touched by our business activities.

Addressing modern slavery risk is a complex and challenging process and our response will evolve as we continue to improve the capabilities of our people, our business systems and processes.

## OUR ACHIEVEMENTS THIS REPORTING PERIOD

The following actions were completed in this reporting period:

### APPOINTING A SUSTAINABILITY MANAGER

The business acknowledged it hadn't found an effective option to drive progress on a range of business imperatives relating to a more sustainable business model, including Modern Slavery. To address this a Sustainability Manager was appointed in mid-December 2021.

From mid-December to June 2022, the Sustainability Manager has developed and had approved a Sustainability Strategy, which includes a commitment to a Sustainable Supply Chain. That commitment incorporates foundational governance requirements which relate to addressing Modern Slavery risks.

### DUE DILIGENCE FOR POTENTIAL NEW SUPPLIER

During FY22 the business commenced work to identify potential new Tier 1 suppliers for some of our cotton products. The outcome of that work identified Lavino Kapur (India) as a potential new supplier. Part of the due diligence undertaken was a review of 3rd party verification regarding work practices at the firm across a range of social requirements, including Modern Slavery concerns. A 2021 amofori BSCi audit report confirmed the firm received an overall A rating.

### SUSTAINABLE SUPPLY CHAIN

A cross business project team has developed a draft Suppliers Code of Conduct (the code). The code clearly articulates our requirements regarding Modern Slavery, alongside several other requirements around Human Rights, Environmental Protection and Good Governance.

Actions relating to the final approval and distribution to our contract manufacturers will be captured in our FY23 Modern Slavery Statement.

### PROGRESS ON COMPLIANCE WITH SUPPLIERS

The Hong Kong team has worked across the 89 suppliers within the system during FY22 to confirm (via written response) commitments and actions regarding Modern Slavery in their activities. It's important to note that whilst there were 89 suppliers in our systems not all of them provided McPherson's with goods during this time period.

Currently 3 of the 89 suppliers have not responded to our form relating to Modern Slavery. No orders were placed with those organisations in the reporting period and activities are underway to find replacement entities. 62 of the 89 have undertaken external 3rd party ethical audits e.g. SEDEX.

## MODERN SLAVERY ROADMAP

As covered in last year's statement, progress had been suboptimal regarding foundational aspects of addressing Modern Slavery. Taking that into account the Sustainability Manager has revised the list of actions for FY23. FY24 actions will be driven from the findings of the review of our spend across goods and services.

FY23 Actions:

- Schedule review of McPherson's spend across goods and services in FY24 as part of the three-year review process.
- Review and complete appropriate updates to all corporate level policies e.g. Code of Conduct, Whistle Blower
- Progress metrics incorporated into Sustainability Monthly Business Performance Review sessions, including:
- Progress on review and amendments to corporate policies
- Acceptance of Supplier Code of Conduct by required contract manufacturers
- Ownership for data capture residing with relevant internal resources e.g. procurement, sourcing, brand managers
- Board Risk and Compliance Committee – reintroduce into triannual reporting metrics

# REPORTING CRITERIA 5: EFFECTIVENESS ASSESSMENT

## REPORTING AND ACCOUNTABILITY

As we track our journey to manage modern slavery risks, we leverage the following review process to ensure we make tangible progress towards achieving our goals.

### Annual Review – Board

Our annual Modern Slavery Statement is approved and signed off by the Board as per mandatory reporting requirements.

### Biannual Review – Audit and Risk Management and Compliance Committee

Action Plan progress, issues and achievements are reviewed by the Audit and Risk Management and Compliance Committee regularly as part of the compliance update.

# REPORTING CRITERIA 6: PROCESS OF CONSULTATION WITH ENTITIES OWNED OR CONTROLLED

McPherson's has a controlling interest in all entities included in this report. Relevant members of the entities were included in the development and deployment of the initiatives and ongoing review and deployment of the initiatives.

# REPORTING CRITERIA 7: OTHER INFORMATION

## ENSURING WORKERS IN OUR SUPPLY CHAINS WERE NOT EXPOSED TO MODERN SLAVERY DUE TO COVID-19

The steps taken during the early stages of COVID-19 remain in place and are described below.

Holding additional stock levels in our warehouse to ensure continuity and reduce manufacturing pressure on suppliers. All contracts were and continue to be honoured i.e. orders were not cancelled as a result of COVID-19 economic challenges.

One challenge that COVID-19 continues to place on our Modern Slavery efforts is the ability of external on-site audits / inspections of facilities in China. China's zero tolerance policy towards COVID continues to make travel challenging as auditors run the risk of being unable to return for a period of time should an outbreak occur.

There is no additional relevant information during this reporting period.





MCPHERSON'S

Est. 1860