

29 January 2021

## **MESSAGE FROM OUR CHAIRMAN AND CEO**

We are pleased to share with you Japara Healthcare Limited's first Modern Slavery Annual Report, for the FY2020 period.

Slavery remains a huge worldwide challenge, with the International Labour Organisation estimating that 24.9 million people were living in forced labour at the time of its 2017 survey. The fact that these people are being forced to work within supply chains that generate many of the goods and services that we all benefit from means that all of society must take an interest in ridding the world of modern slavery.

Japara acknowledges its responsibility. As the attached Annual Report demonstrates, we are developing our understanding of our suppliers and supply chains and are beginning to implement controls and processes that will allow us to identify and remove instances of modern slavery from our supply chains.

The nature and complexity of modern slavery means that there are no easy solutions. We welcome the steps taken by the Commonwealth Government which align with our values. Care is at the centre of everything we do at Japara and this extends beyond our residents, their families and our staff to protecting and respecting human rights.

This is our first disclosure under the Modern Slavery Act 2018 (Cth). It describes our early progress in terms of risk identification and engagement with suppliers. We have also laid out the steps that we intend to take in FY2021. Our approach will continue to be adaptive and responsive, to meet the challenges and risks that are presented by modern slavery.



Linda Bardo Nicholls AO  
**Chairman**



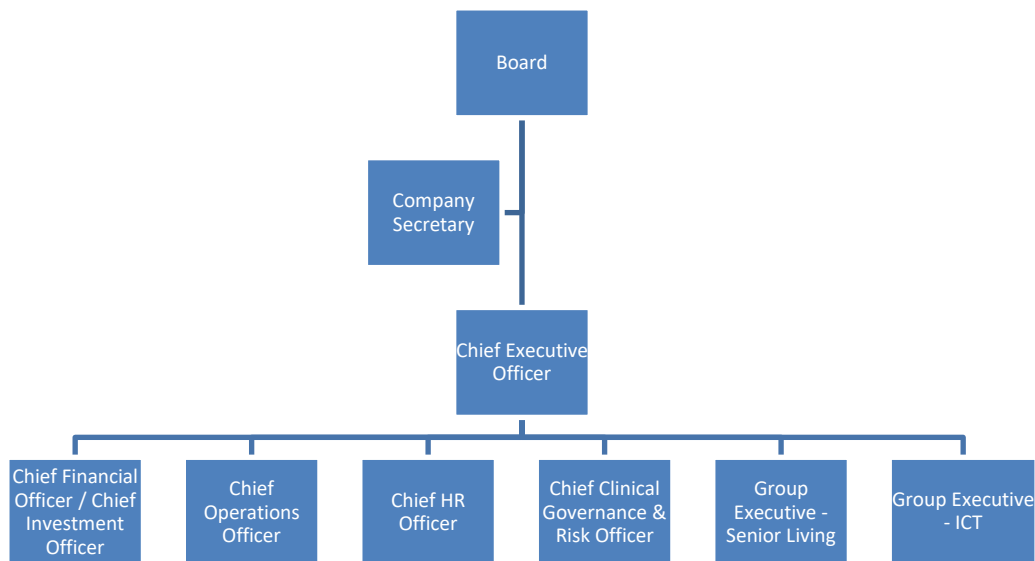
Chris Price  
**CEO and Managing Director**

### 1 Japara and its organisational structure

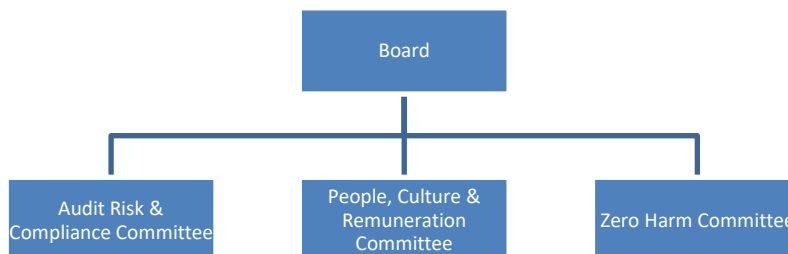
Japara Healthcare Limited ACN: 168 631 052 (“Japara”, “we” or “our”) is an Australian Aged Care provider listed on the Australian Securities Exchange (ASX). We are one of Australia’s largest providers and developers of residential aged care. We have a team of over 6,000 nurses, carers and support staff, and currently care for around 4,000 residents across 51 aged care homes and 5 retirement villages. Our high- care focussed model facilitates ‘ageing-in-place’ by servicing the full spectrum of resident care needs. We specialise in providing high acuity care including to residents living with dementia.

In order to meet the required disclosure requirements under the Australian Modern Slavery Act 2018 (Cth) (the “Act”), we have prepared this report to cover the steps taken by Japara and its subsidiaries (“Japara Group”) during the 2020 financial year to address the risks of slavery and human trafficking taking place in our operations and supply chains.

Ultimate governance for Japara’s operations is overseen by the Board, with the day to day management of the business conducted by the Executive Leadership Team.



The Board is assisted by sub-committees whose members are non-executive directors from the Board, as follows:



This report covers Japara Group, of which a full listing of those entities can be found on pages 76 and 77 of our 2020 Annual Report which is available at <https://investor.japara.com.au/Investor-Centre/?page=Annual-Reports>. All Japara Group companies are registered within Australia and provide similar or related services.

## 2 Our operations and supply chains

Japara's operations are split between:

- 1) **Residential aged care:** Japara operates aged care homes primarily for elderly residents. The services provided by Japara include 24-hour nursing care, accommodation, food and lifestyle activities. Other additional services can be requested and arranged for individual residents.
- 2) **Retirement villages:** Japara currently owns and manages 180 Independent Living Units (ILU's) across 5 retirement villages, co-located to its aged care homes, providing property management services to the residents, as well as community facilities and amenities.
- 3) **Property development:** Japara internally manages the development of properties for its own residential aged care home and retirement village purposes. This includes the design, development, construction and fit out phases for these properties, as well as upgrades and refurbishments.

Japara is headquartered in Melbourne, Australia, with operations in five states across Australia as follows:

State	Residential Aged Care	Retirement Villages
Victoria	33	3
New South Wales	8	
South Australia	5	1
Queensland	3	
Tasmania	2	1
<b>Total</b>	<b>51</b>	<b>5</b>

Japara sources significant quantities of goods and services, including construction materials, food, linen, medical supplies and medical equipment, as well as engaging a significant number of external contractors and agency workers. In FY2020, Japara spent around \$202 million across 2,483 suppliers, with 90% of that spend being across 216 Australian based suppliers. Japara engages with large, medium and small businesses that vary in their response and governance around social responsibility. We have targeted our Modern Slavery response approach to address the areas of our operations and supply chains perceived to have greater risks.

By the nature of Japara's operations, our 216 key suppliers are focussed in the following sectors:

- Construction and construction services, being 38% of FY2020 supplier spending;
- Facilities management, being 14% of FY2020 supplier spending;
- Medical suppliers and consumables, being 11% of FY2020 supplier spending;
- Food & catering, being 8% of FY2020 supplier spending;
- ICT hardware and software, being 3% of FY2020 supplier spending; and
- Contract and agency labour, being 3% of FY2020 supplier spending.

While the risk of Modern Slavery in Australia is lower than many other jurisdictions (according to GSI data), Japara acknowledges that our Australian suppliers (who make up 90% of our supplier spending) provide us with goods and services across all recognised high-risk categories and thus should still be subject to engagement and assessment.

Japara aims to develop strong long-term relationships with all its suppliers, to foster reciprocal trust and understanding to mutually benefit both parties. This is critical to our success in providing excellent residential aged care and senior living services, including for assurance around the quality of care, accommodation and lifestyle we can deliver.

### **3 Our risk of exposure to practices of Modern Slavery**

Japara has a strong corporate culture of operating in a caring, compassionate and ethical manner, whether dealing with residents, employees, suppliers or the wider public. A key part of maintaining this culture is strong governance around the identification and management of risks that could undermine that culture. Japara therefore approaches the risks of Modern Slavery within our supply chains from a strong risk governance position that includes applying existing acceptable Codes of Conduct and oversight by a Board sub-committee, the Zero Harm Committee, including on aspects of ethical practices within the Group.

Japara has considered its operations and supply chains to scope where the risks of Modern Slavery practices may exist. Japara has identified the following key areas of risk:

- 1) **Sector and industry risk:** Sectors that are at higher risk of Modern Slavery practices include those that operate in cost sensitive, labour intensive industries. These industries are more likely to exploit labour that may be managed under unofficial, “cash in hand” arrangements. Due to the lack of transparency and oversight of this sort of labour, there is a higher risk of Modern Slavery practices. Examples of such sectors with which Japara does business includes construction, textiles and electronics.
- 2) **Goods and services risk:** Certain goods and services are often at higher risk of Modern Slavery practices due to the way they are produced or provided, the raw materials that go into producing the good or service, or the geography of where they are sourced. Examples of such goods and services used by Japara include bed linen, cleaning services, healthcare agency labour and ICT equipment.
- 3) **Geographic risk:** Where our direct Australia based suppliers, including contractors, source materials or labour from overseas or where we source goods and services directly from overseas, there is an increased risk of exposure to incidents of Modern Slavery, especially where those overseas countries have a poor human rights and slavery records.

Based on the above criteria, Japara identified 25 key suppliers, covering \$55 million of its FY2020 supplier spend. These suppliers were then issued with a Self-Assessment Questionnaire (“SAQ”) as detailed in Section 4.

## **4 Actions taken by Japara in FY2020 and plans for FY2021**

This is Japara's first report under the requirements of the Act and the below highlights the actions we have taken in FY2020 towards addressing the risks of Modern Slavery that exist in our operations and supply chains:

- Developed of a draft Modern Slavery Policy for review by the Zero Harm Committee;
- Established of a Modern Slavery Working Group, comprising members from key areas of the business and the Executive Leadership, focussing on assessing the current state and required response to Modern Slavery as guided by the draft Modern Slavery Policy;
- Extended the Zero Harm Committee's role to oversee and provide governance to the ethical integrity of Japara's operations in response to Modern Slavery;
- Updated Japara's Goods and Services Agreement to include specific references to the Modern Slavery Act;
- Performed a scoping exercise of all our suppliers to identify those likely to have the highest exposure to Modern Slavery risk. This was performed with a focus on the key risks identified in Section 3; and
- Beginning active engagement with high risk suppliers identified, to obtain a greater understanding of their operations, as well as their approaches and attitudes to Modern Slavery. This engagement was initiated through the issuing of SAQ's to suppliers. The collation and assessment of the responses to these SAQ's is ongoing and further details will be included within our FY2021 Modern Slavery Report.

In FY2021, Japara plans to further enhance our approach to Modern Slavery through the following actions:

- Board approval of the draft Modern Slavery Policy;
- Update Japara's Code of Conduct to reference Modern Slavery and the expectations Japara has of goods and services suppliers;
- Staff awareness update on Japara's Codes of Conduct and ethical practices;
- Enhance Japara's tender process to include specific reference and consideration of each supplier's policies and procedures in respect of Modern Slavery.
- In depth training for staff members specifically involved with suppliers and supplier onboarding, namely in procurement and finance; and
- Ongoing engagement with suppliers, assessment of suppliers and finalisation of remediation and due diligence strategies.

## **5 Effectiveness assessment**

Japara has taken a risk-based approach to be able to perform a broad, attribute focussed assessment of the suppliers with which it engages. Japara believe this is an effective approach to quickly identify suppliers with the highest exposure to Modern Slavery risk, and therefore identify and mitigate instances of Modern Slavery in our supply chains. We expect to continue to expand the range of suppliers under assessment over the course of time to provide a complete picture of all our suppliers and their operations.

Japara's primary focus regarding Modern Slavery during FY2021 will be to critical assess the responses from the SAQ's issued to suppliers to identify where specific risks exist at the individual supplier level. The SAQ has been designed to assist identify where key weaknesses may exist within supplier operations and their supply chains. Where weaknesses are identified, Japara proposes to undertake the following steps:

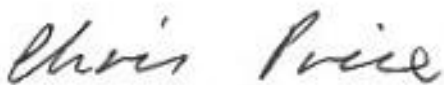
- Obtain further information, if needed, to better understand the risk and if there is a genuine exposure to Modern Slavery;
- Re-confirm the obligations of suppliers under Japara's Goods and Services Agreement to ensure they are aware of their responsibilities and obligations;
- Regularly monitor and issue "top-up" questionnaires to key suppliers; and
- Where an exposure is identified and persists, communicate the matter to the Zero Harm Committee for recommendation of further action, including cessation of business with the supplier, and whistleblowing to authorities.

Japara believes these steps, combined with the additional activities to be performed in FY2021 as detailed in Section 4, will create an effective environment over the course of time for identifying and mitigating Modern Slavery in our supply chains.

## 6 Consultation with entities owned or controlled

All entities within the Japara Group are managed and governed by the same Executive Leadership Team and Board, and therefore have been appropriately considered in producing this report.

The Board of Japara Healthcare Limited approved this Annual Report on 2 December 2020.



Chris Price

**CEO and Managing Director**