

# MODERN SLAVERY STATEMENT

National Pharmacies

## Modern Slavery Statement

This Modern Slavery Statement (**Statement**) has been developed to ensure compliance with the *Commonwealth Modern Slavery Act 2018 (the Act)* which came into force in 2019.

This statement has been published by the Friendly Society Medical Association Limited (**FSMA**), trading as National Pharmacies, as required by the *Act*. This statement covers the financial year ending 30 June 2020 and applies to FSMA and its wholly owned subsidiary National Pharmacies Australia Pty Ltd (**FSMA Group**).

### Structure, operation and supply chains of FSMA

FSMA, is a mutual organisation owned by its members. Established in 1911, FSMA is an organisation that prides itself on caring for its members and the wider community by providing a high-quality range of products and services. Our profits made through operations are returned to members in the form of benefits and discounts. The FSMA Group operates as National Pharmacies. It carries on business as a pharmacy wholesaler and distributor from its distribution centre in South Australia and, through National Pharmacies Australia Pty Ltd, operates 49 pharmacy Stores and 21 optical Stores in South Australia, Victoria and New South Wales with a single corporate governance, corporate social responsibility, policy and operational support structure. National Pharmacies employs over 900 full-time equivalent employees.

National Pharmacies is committed to encouraging the growth of efficient and sustainable business operations in order to add value to our members' lives and to the communities in which we work. We endeavour to minimise our impact on the environment and our activities will be conducted ethically and safely by well trained team members.

Further information on National Pharmacies' business can be found in our [Annual Report 2020](#).

National Pharmacies' supply chain is multifaceted and diverse. Our portfolio of pharmaceuticals, medical consumables and fast-moving consumer goods are sourced from over 500 suppliers. National Pharmacies has a considerable distribution network throughout Australia; however, we do not manufacture products directly. National Pharmacies' supply chains also involve goods and services that maintain our ongoing operations. This includes, marketing, IT, facilities management, labour hire and so on.

A copy of National Pharmacies' Supplier Code of Conduct is available [here](#).

## Modern Slavery

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, all of which have in common, the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. Modern slavery includes the following conduct or practices:

- human trafficking;
- recruitment with the intention of depriving a person of their personal freedoms;
- confiscation of personal or travel documents;
- forced labour;
- debt bondage;
- servitude;
- child labour; and
- any other kind of exploitation that violates a person's human rights and dignity.

National Pharmacies is committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls directed to ensuring that modern slavery is not taking place anywhere in our own business or our supply chain.

We are also committed to ensuring there is transparency within our own business and in our approach to tackling modern slavery throughout our supply chain. We expect the same from all our contractors, suppliers and other business partners.

## Risk of modern slavery practices in the operations and supply chains of National Pharmacies

Using the 2018 Global Slavery Index (**GSI**) and the International Labour Organisation (**ILO**), National Pharmacies has been able to identify certain risk indicators in the operation of our business. National Pharmacies believes that the Modern Slavery Risks in its directly employed workforce can be considered low. This is due to National Pharmacies' operation being limited to Australia. The pharmaceutical industry is highly regulated. As such, compliance and regulation are already a significant consideration in the operation of National Pharmacies.

Nonetheless, National Pharmacies has identified potential operational risks in its association with third parties. In this evaluation, it was determined that National Pharmacies may be exposed to higher risk sectors in our procurement processes.

5 February 2021

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National Pharmacies' direct supply chain involves pharmaceutical companies which both operate and manufacture their products worldwide. However, National Pharmacies believes that the risks associated with these companies remain relatively low. This is due to:

- the pharmaceutical industry being highly regulated
- the requirement that employees must be adequately educated and skilled
- labour being utilised in controlled environments with comprehensive policies and processes.

National Pharmacies is conscious of the growing risks associated with modern slavery, regarding its tier one and tier two supplier relationships. This involves companies' manufacturing arms in which National Pharmacies' visibility is limited.

## Actions taken by the National Pharmacies to assess and address the risks of Modern Slavery, including the due diligence and remediation processes

National Pharmacies has established a program designed to:

- Gather information about our supply chains,
- Continually improve our understanding of modern slavery risks within these supply chains;
- Monitor the effectiveness of our modern slavery mitigation steps.

### Supply Chain Correspondence

We have instigated a process of writing to our suppliers on an annual basis requiring information about those suppliers, their supply chains and their processes for identifying and mitigating modern slavery risks.

For the current reporting period, National Pharmacies has contacted suppliers in which the company's spend is over \$1,000,000. This amounts to a total of 44 suppliers and contributes significantly to the company's annual spend.

As part of this correspondence, a Supplier Due Diligence Questionnaire was drafted and distributed in line with the Australian Government's Supplier Questionnaire Guidelines. This questionnaire has helped National Pharmacies identify its risks on both a tier one and tier two level and provided a strong foundation for National Pharmacies' future mitigation steps.

National Pharmacies' approach to identifying and managing Modern Slavery risks builds on the company's efforts to maintain a high standard of human rights. National Pharmacies has developed

5 February 2021

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and published a new [Supplier Code of Conduct](#) which reinforces National Pharmacies' commitment to encouraging sustainable and ethical business operations. This code of conduct integrates primary ideas from important policies such as the Corporate Governance Policy and Corporate Social Responsibility Policy and frameworks such as health and safety, bribery and anti-corruption, and our general procurement principles.

In order to contract with National Pharmacies, all current and future suppliers must share our commitment to mitigating modern slavery risks in our supply chains, by signing and adhering to our Supplier Code of Conduct. National Pharmacies has also developed a process in the event breaches or shortcomings regarding the Code are identified. This encompasses corrective action plans or even potential supplier relationship termination. National Pharmacies believes that rigorous enforcement of the new Supplier Code of Conduct will be an important, initial step in mitigating the risks of Modern Slavery and will also reinforce National Pharmacies' firm commitment to complying with the Act.

## Internal Framework Changes

### Contractual Terms

We have updated our standard Trading Terms Agreement with our suppliers to include specific modern slavery provisions requiring that; our suppliers not be associated with modern slavery practices, they undertake their own due diligence processes and they provide relevant information to us for the purposes of our due diligence assessments. We are rolling out these new terms and conditions with all our suppliers as soon as practicable.

## Assessing the effectiveness of actions taken to address Modern Slavery Risks

We have established a process to monitor and review the effectiveness of our modern slavery program in response to the outcomes from our continuing due diligence enquiries. We acknowledge that best practice in identifying, monitoring and addressing modern slavery practice is a matter that will continually evolve. However, National Pharmacies is committed to developing our standards and processes in order to operate in line with best practice.

National Pharmacies reserves the right to conduct audits with its suppliers to ensure compliance with the Company Trading Terms Agreement and the Supplier Code of Conduct, both of which incorporate Modern Slavery considerations. National Pharmacies' Board of Directors' access and monitor a Risk Register, which helps navigate and manage the company's risks in identified risk areas. The Modern Slavery risks identified have now been included in this register, with emphasis on risks associated with

5 February 2021

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Supply Chains. This register is regularly reviewed, and all regulatory compliance matters are reported on, monitored and acted on as necessary. National Pharmacies' Legal Counsel and Company Secretary also reviews and reports on National Pharmacies' Whistleblower Policy at regular intervals.

National Pharmacies has further extended our computer systems to capture and record activity and compliance with each of our suppliers in this space.

The key functions of the program are:

- Maintaining demographic and contact information with each of our suppliers
- Rating each supplier as Tier 1, Tier 2 or Tier3
- Maintaining compliance flags on: (1) Attestation Questionnaires, (2) Acknowledged and accepted our Supplier Code of Conduct, (3) Outstanding Actions to be remedied.
- Maintaining agreement dates and details.
- Maintaining any related correspondence with each of our suppliers

## Continuous Improvement

The due diligence processes currently in place have been implemented as part of National Pharmacies' first stage in implementing the *Act*.

Stage one was designed to assist us:

- map our supply chains with as much detail as possible;
- conduct a high-level risk assessment of our suppliers;
- monitor over time how our suppliers engage with National Pharmacies and cooperate with our efforts to mitigate the risks of modern slavery in our supply chains

We intend to continue to develop and refine these processes over the following stages of National Pharmacies' ongoing approach to mitigating Modern Slavery risks.

## Future Commitments

Following the current reporting period, National Pharmacies have identified several due diligence activities which aim to further mitigate modern slavery risks in our operations and supply chains.

These activities involve:

- Expanding National Pharmacies' risk matrix and risk management plan
- An in-depth assessment of our product categories and service catalogues in areas considered high risk

5 February 2021

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- Revising our Corporate Social Responsibilities Statement to reflect content regarding Modern Slavery
- Revising our Whistleblower policy to reflect content regarding Modern Slavery
- Establishing a new supplier suitability assessment in the onboarding of new suppliers to the organisation, including ongoing assessment of existing suppliers.
- Fostering a more targeted awareness program around the specifics of modern slavery across our employees and key stakeholders.
- A further enhancement of our computer systems to manage the organisation's modern slavery risks.

## Approval of this Statement

This Statement has been approved by the board of FSMA and is hereby signed by the Chairman of the Board.



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P F Carr

FSMA Chairman