

Murdoch Children's Research Institute

MODERN SLAVERY STATEMENT 2020



This is the Modern Slavery Statement (**“Statement”**) for Murdoch Children’s Research Institute (**“MCRI”**) and its wholly owned subsidiary Victorian Clinical Genetics Services Limited (**“VCGS”**) for the financial year ended 31 December 2020 (**“Statement Period”**) under the Australian Modern Slavery Act 2018 (Cth) (**“Act”**). MCRI is the reporting entity under the Act.

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INTRODUCTION

Modern slavery covers a range of exploitative practices that impact upon people's freedoms including human trafficking, forced or compulsory labour and the worst forms of child labour.

This Statement is the first modern slavery statement prepared for MCRI. The Statement seeks to present our business operations and the areas where our supply chain is most likely to be impacted by modern slavery practices.

MCRI does not tolerate any exploitative practices within either its business operations or its supply chain. For this Statement Period, we have detailed our approach, policies and steps taken to date as part of our commitment to combat modern slavery and protect the human rights and freedoms of our personnel and those whose activities support our business.

REPORTING ENTITY, STRUCTURE AND OPERATIONS

Murdoch Children's Research Institute (MCRI) is in its 35th year of operations and, with over 1,300 researchers, is Australia's largest child health research institute. We are dedicated to making discoveries to prevent and treat childhood conditions. Many of our researchers are also clinicians at the Royal Children's Hospital (RCH), and often hold joint appointments at the University of Melbourne. MCRI specialises in discoveries transforming child health and our research improves the lives of millions of kids each year. Our research encompasses five major themes: Stem cell biology, genomics, population health, global health and clinical sciences.

Our genomics work includes clinical genetic testing to find answers for families of children with previously undiagnosed conditions, using the latest genetic sequencing technology. We also allow children to access personalised treatments for conditions like cancer.

Whilst MCRI operates primarily out of its administrative and research facilities in Melbourne, we work across Australia and internationally, particularly in low and middle income countries (LIMCs) in Africa, Asia and the Pacific region. This work comprises research studies and investigations as well as clinical trials aimed at improving the health and general wellbeing of people within those areas. MCRI also has involvement in other regions of the world, including Europe and North and South America through research projects and clinical trials.

Due to the substantial growth in research activities undertaken in LIMCs over the last decade, in late 2018 MCRI established our Global Health group. From a modern slavery perspective, the work of Global Health is being managed and assessed separately from the remainder of MCRI, as discussed below.

Victorian Clinical Genetics Services Limited (VCGS), which marked its 32nd anniversary in 2020, is an Australian not-for-profit wholly owned subsidiary of MCRI. VCGS is a specialist prenatal, childhood and adult genetics service, one of the largest contributors driving genetic healthcare, research and policy in the country and the pioneering clinical genetic services arm of MCRI.

Located within MCRI at RCH Melbourne, VCGS provides an integrated genetic consultation, counselling, testing and diagnostic service for children, adults, families, and prospective parents who are at risk of, or living with a genetic condition. This is done through investment in new genetic and genomic testing, expanding the range clinical and laboratory services, and raising broader community understanding by improving access to information and to the services provided, both for practitioners and patients across the healthcare spectrum in Australia and internationally. VCGS aims to provide a human-centred genetic service that puts people at the heart of everything the Company does.

VCGS primarily services Victorians, however clinical genetic, counselling and pathology testing services are provided nationally across Australia, some through formal government contract arrangements, others on a demand basis. Pathology testing is occasionally undertaken on international samples.

For the purpose of this Statement, reference below to MCRI refers jointly to MCRI and VCGS unless otherwise stated.

MODERN SLAVERY WORKING GROUP

The initial major step towards identifying and addressing risks of modern slavery was the creation of the Modern Slavery Working Group (**'Group'**) shortly after the Act came into law. The Group comprises senior representatives from a range of relevant functions, such as Purchasing, Legal, Operations and Engineering, Laboratory Support, Finance, Risk Management and Human Resources. The Group is led by the Chief Operating Officer, providing direct representation from Executive management. Membership represents those considered best placed to identify and assess areas of activity and supply with potential for an increased likelihood of modern slavery. Due to reliance on the procurement services of the RCH for many laboratory supplies an RCH representative was invited to attend early meetings of the Group.

The Group identified a work plan for the Statement Period (being the 2020 calendar year) and work to be considered in future years. The Group determined to adopt a risk-based approach, work commencing with those supply chains and activities considered to be at greater risk of encountering modern slavery, based on a review of historic expenditure over recent years. This was subsequently updated to consider expenditure during 2020, leading to some changes in supply chains initially the subject to increased review.

INTERNAL RISK MANAGEMENT STRUCTURE

The risk management structure within the group flows upwards from operational areas addressing front line Modern Slavery issues via the Group, which comprises key staff in each operational area across both companies. A substantial number of Group members are also members of the MCRI and VCGS Risk Management Committee, providing a mechanism for other areas of activity across both organisations' to be kept updated on current issues and requirements around Modern Slavery.

The Risk Management Committee provides updates to Executive and also to the Board of Directors of both companies via the Audit, Finance and Risk Committee, which is advised of progress and issues around Modern Slavery at each of its meetings. This Committee has directorial representation from both companies, providing the final link between operational areas and each company board.

INTERCOMPANY CONSULTATION

Considerable consultation has occurred between MCRI and VCGS in identifying and undertaking work in relation to modern slavery. In particular, the bulk of administrative and operational support work for both companies is undertaken by the same members of staff. This covers functions involved in the Group (which as noted above includes functions such as Purchasing, Legal, Operations and Engineering, Laboratory Support, Finance and Human Resources). The Group's discussions and activities address both companies, as many of their processes are very similar, if not identical.

In addition, the Audit Finance and Risk Committee ('**AFR Committee**'), a committee of the MCRI Board, has been updated on a regular basis on actions being taken around modern slavery. This AFR Committee also supports the VCGS Board and it includes VCGS representation, a director of VCGS being an AFR Committee member, and discusses issues impacting on VCGS either specifically or in combination with MCRI. Matters raised during meetings of the AFR Committee are relayed as required to the VCGS Board by the director member.

SUPPLY CHAINS

As part of the initial assessment of MCRI's exposure to modern slavery an identification of its supply chains was undertaken. The following major supply chains were identified:

- Laboratory/Pathology supplies – chemicals, diagnostic kits and reagents, gases, glass/plastic ware
- Waste disposal – including dangerous chemicals and waste
- Research collaborators – universities, medical research institutes, hospitals, health care, government etc.
- General/Admin Service providers – temporary contract labour supply, repairs and maintenance, legal, communications, consultants, staff training, disaster recovery site
- Utilities – water, gas, electricity
- Global Health overseas field collaborators and suppliers
- Other overseas collaborators and suppliers
- Financial services – general banking including credit cards, investment management, insurances, audit, staff default superannuation, external payroll bureau
- Information Technology/Electronics/Lab Equipment – Computer equipment, lab equipment, mobile phones, equipment with electronic components, software supply and maintenance
- Furniture and non-electronic equipment – some laboratory equipment, office equipment, furniture and fittings, office refurbishments
- Medical and surgical supplies, including Personal Protective Equipment ('**PPE**')
- Couriers/shippers – domestic and international
- General Admin/Office supplies – printing and stationery, postage, telephone, advertising, subscriptions and memberships
- Travel and accommodation
- Catering and food

In addition, MCRI is heavily reliant upon its landlord, the Royal Children's Hospital ('RCH') and the manager of the RCH site, Spotless Services, for a range of services including:

- RCH services – purchasing, parking, child care, pathology services etc.
- Spotless Services – cleaning, maintenance, security, facility management etc.

RISK ASSESSMENT

The Group identified major supply chains and undertook an initial risk-based assessment to identify those considered most likely to encounter a heightened risk of modern slavery being present. Global Health was represented on the Group, however its modern slavery management and assessment processes were managed separately.

A review was undertaken in early 2019 of expenditure on goods and services for the period 2015 to 2018. During 2020 this was expanded to include 2019 expenditure and was then compared to progressive 2020 expenditure to identify any major changes. In most cases 2020 expenditure indicated that the approach initially identified remained appropriate. The review identified a large number of individual suppliers used during the five-year period across both companies, and this continued in 2020. The review indicated an opportunity to improve the existing purchasing system, including enhancement of transparency over purchases through RCH. This ultimately led to an overhaul of the procurement function, resulting in a decision to select and implement a modern purchasing system and to repatriate purchasing functions managed by RCH.

The review identified a wide range of suppliers, some common to each company but many unique to only one, spanning the range from large enterprises, government departments and universities through to small and medium sized businesses, sole traders and consultants. During the initial five-year period, excluding activity through RCH, business was transacted with almost 3,400 suppliers. Of these, 77% had five or less invoices processed during the period, while those having only one invoice processed representing 46% of the total. The top 14 suppliers accounted for 50% of combined expenditure, while 93% of suppliers represented 10% of expenditure and 64% only 1% of expenditure. The vast majority of suppliers were situated in low-risk countries as defined by the OECD (<https://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/financing-terms-and-conditions/country-risk-classification/>). The number of individual suppliers fell during 2020, most likely due to the impact of COVID.

The following areas (excluding Global Health, dealt with separately below) were initially identified as requiring initial consideration and assessment due to being at heightened risk or due to the level incurred on their supplies and hence the ability to have impact:

- RCH services – purchasing, parking, child care, pathology services etc.
- Spotless Services – cleaning, maintenance, security, building management etc.
- Research collaborators – universities, medical research institutes, hospitals, health care, government etc., including overseas research collaborators in Europe and the USA
- Travel and accommodation
- Catering and food
- Financial services – general banking including credit cards, investment management, insurances, audit, staff default superannuation, external payroll bureau

- Information Technology/Electronics/Lab Equipment – Computer equipment, some laboratory equipment, mobile phones, equipment with electronic components
- Furniture and non-electronic equipment – some laboratory equipment, office equipment, furniture and fittings, office refurbishments
- Other major suppliers with total expenditure over the five-year period in excess of \$500,000.

Due to changed expenditure patterns arising from the effect of COVID-19 on operations during 2020, which impacted in particular Travel and accommodation and Catering and food, the Catering and food category was replaced with PPE suppliers for the initial first-level assessment.

The mechanism used for an initial assessment of the high risk determined suppliers was a questionnaire, sent out to some 175 suppliers in electronic format towards the end of 2020. This is discussed further below.

RISK ASSESSMENT - GLOBAL HEALTH

Most of the research and clinical trial activity undertaken by MCRI outside of Australia, primarily in Africa, Asia and the Pacific region, is run by research groups who work in MCRI's Global Health research initiative.

Since 2017 MCRI has been a full member of the Australian Council for International Development (**'ACFID'**).

ACFID is the peak body for Australian non-government organisations (**'NGOs'**) involved in the areas of international development and humanitarian action. Members work to alleviate poverty, reduce inequality, support environmentally sustainable and inclusive development and on the front lines of humanitarian emergency and disaster relief. ACFID membership comprises over 130 Australian organisations actively working in the international aid and development sector.

As an ACFID member MCRI is required to maintain the highest standards in its operations overseas and to maintain and enhance a range of policies and procedures which specifically address a range of issues around: protection of children, the vulnerable and marginalised: human rights; gender equality; modern slavery; disability inclusion; and fraud and corruption control (including anti-terrorism).

Global Health has developed questionnaires and checklists, for completion either by Global Health staff or by representatives of overseas collaborators, addressing these specific issues, including modern slavery. Risks are assessed and controlled through a collaborator assessment and child safety and Preventing Sexual Exploitation, Abuse and Harassment (**'PSEAH'**) risk assessments. We are currently compliant with Department of Foreign Affairs and Trade (**'DFAT'**) child protection minimum standards, including introducing risk management system for project activities and guidance on child labour risk assessment and control. Assessment of all current collaborators was still ongoing at the end of 2020.

MCRI seeks to minimise the risk of encountering modern slavery within its Global Health activities by working primarily with local government departments, hospitals, universities, NGOs and international research bodies. We seek to ensure that local staff working on research projects and trials are paid and treated appropriately. MCRI staff working in Global Health management all have considerable experience of working within LMICs and managing local relationships, whether research collaborators or local suppliers. This experience assists in developing relationships only with reputable organisations where the likelihood of modern slavery existing is reduced. This experience is also passed on to newer staff members as they become involved in projects and trials outside Australia.

Due to growth in recent years of work within the Pacific region, a relationship was established in 2018 with a highly respected Australian NGO to manage day-to-day operations of our work in Fiji and Solomon Islands, in particular recruitment and employment of local staff for work on projects and clinical trials, as well as local suppliers.

During 2020 MCRI's Global Health team operated projects in: Afghanistan, Brazil, Fiji, The Gambia, Indonesia, Lao PDR, Malawi, Mongolia, Papua New Guinea, Solomon Islands and Vietnam. In addition, Global Health was involved in projects administered by collaborators in the following countries: Ethiopia, India, Mozambique, Nigeria and South Africa.

MCRI uses the Global Slavery Index in risk assessments for modern slavery as a tool to understand the size of the problem, existing responses, and contributing factors within the countries where we operate. The countries with the highest estimated prevalence of modern slavery are Afghanistan (22.2 per 1,000 population), Mongolia (12.3 per 1,000) and Papua New Guinea (10.3 per 1,000). Other countries where we operate have a prevalence of less than 10 per 1,000 population. However, there is no data on modern slavery for Fiji and Solomon Islands. In 2020 MCRI did not operate in any of the industries identified as high-risk for modern slavery in the US Department of Labour 'List of Goods Produced by Child Labor or Forced Labor' and in the Global Slavery Index.

FINANCIAL SERVICES

An early step undertaken by the Group was for a number of members to meet with the team involved in monitoring modern slavery within our primary banking services provider. The bank has been required to report under the UK's Modern Slavery Act 2015 prior to the local legislation coming into force. The meeting provided useful background information on working through supply chains on a risk basis to identify high risk areas, actions taken to mitigate risk locally and the need to ensure any action taken does no harm to anyone who may be at risk from modern slavery practices.

In addition to general banking services we utilise companies as investment managers and also to provide employer-nominated (default) superannuation services for staff as required by law.

The questionnaire sent out in late 2020 to selected suppliers included a section specific to financial services and superannuation providers and was sent to all banks, investment managers and default superannuation fund providers.

IMPACT OF COVID-19

COVID-19 impacted on operations during 2020. For MCRI, many staff started to work from home in mid-March and this largely continued through the rest of the year. Staff unable to work from home, such as laboratory based research work, were, where appropriate, designated as essential workers, in line with government regulation, and so were able to continue work on-site. With onsite staff numbers significantly reduced and meetings held via computer, food and catering supplies reduced substantially. Laboratory support staff continued to work onsite and significant work was required during the period to June in sourcing PPE. 2020 expenditure on safety products by MCRI rose by almost 700% over 2019, reflecting increased use and substantial price increases due to supply constraints. Consequently PPE was identified as an additional supply chain to be subject to increased review. Despite difficulties in obtaining PPE supplies during the first half of 2020, responsible staff worked to ensure only ethically sourced supplies were acquired.

VCGS continued to meet the needs of its genetic and pathology test patients. Clinical genetic consultancies were moved to meetings over computer rather than face-to-face, although the latter were held where considered necessary for patient wellbeing or to avoid mis-diagnosis. Pathology testing continued onsite, with staff split into teams which worked alternatively on and offsite, minimising the risk of all staff in a particular laboratory contracting COVID-19 and the service having to be cancelled whilst they quarantined.

The supply chain around chemicals and test kits for its pathology tests was severely impacted. Significant quantities are sourced from overseas and were severely limited, particularly up to July. Considerable effort went into establishing alternate supply, again ensuring they were ethically sourced, and a decision was taken to establish an internal rotating stock of required materials to minimise any future impact of supply chain constraints. VCGS outlays on laboratory consumables increased by 25% over 2019.

A major impact of COVID-19 was the need to significantly increase laboratory and office cleaning. This necessitated an increase in the number of cleaners used within the Parkville facility. Cleaning staff are supplied on a contract basis by Spotless. During the process to arrange additional services enquiries were made to ensure appropriate staffing levels, training, PPE supplies and working hours and conditions were provided to cleaning staff, and appropriate wage and overtime payments made. Cleaning costs increased by 25% over 2019 and were identified as an area requiring more detailed review.

The move for the majority of staff to work from home rather than in the office led to an increase in minor computer hardware expenditure of 28% and internet costs of 200%, confirming these areas for increased review.

Conversely, catering and grocery expenditure fell by 70% and specific functions by 60%, resulting in these areas being removed from those subjected to more detailed review until activity returns to normal. Travel costs fell by over 80% as domestic and international travel ground to a standstill.

A number of Global Health activities overseas were halted or did not commence as planned. Expatriate staff returned home. Local personnel involved in these overseas activities are primarily medically qualified, as they undertake work directly with research or trial participants, and so they were readily able to find alternate work around COVID-19 testing, research, management and treatment.

ACTIONS TAKEN DURING 2020

Actions taken during the 2020 financial year centred around the supply chain identification and subsequent risk assessment. This was initially based on the review of historic trends and subsequently updated as 2020 activity was reviewed. For those areas and specific suppliers identified as being of higher risk a decision was taken to prepare and forward to them a questionnaire addressing various aspects of modern slavery and any actions taken or proposed to date by them to manage modern slavery risks (the '**Questionnaire**'). The questionnaire, comprising 16 questions, addressed the following in addition to gathering background "corporate" information:

- compliance and policies - five questions addressing any history of modern slavery being encountered and, if so, remedial action taken, reports under relevant legislation, and policies and procedures, with particular emphasis to a whistleblower policy, including review process frequency;
- goods and services – four questions covering review of supply chains, whether a risk-based approach is undertaken, whether suppliers are reviewed for action they take in relation to modern slavery, mitigation strategies and any special action taken when ordering from designated high-risk countries;
- training – two questions covering training for staff and contractors and whether any additional training occurs for procurement staff;
- financial services and investments – four questions specific to entities providing financial services, including what action they take to investigate organisations they invest in or recommend for investment, frequency of any such reviews, requirements for any entities they invest in or recommend to undertake modern slavery reviews, and whether specific investments are excluded from their offering on ethical grounds, such as modern slavery.

The questionnaire was sent out in December 2020, in electronic format, to 175 suppliers identified as potentially high risk and/or high expenditure. Results will be reviewed and assessed in 2021.

Having identified deficiencies in the existing purchasing system which, amongst other matters, made management of modern slavery issues extremely difficult and exceedingly time consuming, a tender process was undertaken to select a new modern purchasing system solution. In 2020 a new eProcurement system was selected and work commenced on implementation. The decision was also taken to take back procurement operations from RCH and for MCRI staff to manage deliveries and distribution. Managing all aspects of our procurement processes will improve the transparency of our supply chains and improve our ability to identify and act on potential areas impacted by modern slavery. There will be new onboarding processes implemented as part of the upgrade so as to highlight our modern slavery requirements for all new suppliers.

Staff involved in the purchasing function are aware of modern slavery issues and continue to monitor for any potential new area of risk.

Staff involved in the Working Group have availed themselves of relevant online material and professional seminars covering modern slavery matters. In particular issues around supply chain management and annual Modern Slavery Statement compliance.

A Modern Slavery Policy, separate from that used by Global Health was developed during 2020. The Whistleblower policy was updated to better reflect issues around modern slavery concerns and to better integrate with Global Health specific policies. A revised supplier Code of Conduct to address modern slavery was drafted, in preparation for the implementation of the new eProcurement System. Global Health documentation was reviewed and updated as required to better reflect modern slavery and whistleblower issues. The Global Health questionnaires developed, including modern slavery issues, are being used to progressively assess local collaborators.

Management of modern slavery across supply chains are very much in a formative stage. Action has been taken to improve systems and information on suppliers and supply chains which will translate into improved management of modern slavery in future years.

MEASURING THE EFFECTIVENESS OF OUR ACTIONS

During the next reporting period we will be developing effectiveness measures in line with our modern slavery risk mitigation program. These measures are likely to include the following considerations.

- The percentage of suppliers responding meaningfully to supplier questionnaires.
- The number of staff trained – both existing staff and as a part of our on-boarding arrangements.
- Implementation and on-boarding of suppliers into the new procurement system with capacity to incorporate modern slavery risk.

Other effectiveness measures will be incorporated as our anti-modern slavery work develops.

PLANNED AND PROPOSED ACTION FOR 2021 AND BEYOND

The Modern Slavery Working Group will continue to meet in 2021, identifying potential risks as they arise and developing a program of work to better identify and manage modern slavery risk within all our supply chains, including a mechanism for determining the effectiveness of our actions.

Actions currently planned or proposed for 2021 and beyond include:

- review of responses received from the Questionnaire with a view to identify any areas of immediate concern or potential risk and to develop strategies to manage such issues and develop a strategy for following years addressing existing and new suppliers. This will include a strategy for following up on those suppliers who did not respond to the questionnaire

- implementation of eProcurement system and establish how best to utilise its features to better identify and manage modern slavery within supply chains. This includes taking over those purchasing functions currently undertaken on our behalf by RCH
- implementation of new standardised staff onboarding processes, including a training component on modern slavery
- identify general modern slavery staff training requirements and any additional specialist training required for Purchasing staff
- establish processes and procedures to adopt in the event modern slavery is identified within a supply chain or with specific suppliers. This is likely to encompass:
 - adoption of an approach which looks beyond our immediate interests and risk minimisation and engages with relevant suppliers to remediate and eliminate modern slavery where found rather than ceasing business with the supplier which is likely to further negatively impact their workers;
 - consideration of working with other organisations purchasing from the supplier, seeking to bring about change through combined pressure and economic force;
 - develop remediation plans which can be put in place if/when instances of modern slavery are detected in the supply chain. This may include putting impacted victims in touch with appropriate support avenues; and
 - ensuring confidentiality within the system so that any whistleblowers identities are protected to avoid them being subject to prosecution or increased hardship
- develop mechanisms by which we can measure the effectiveness of actions taken around modern slavery identified in our supply chains
- establish a regular review and feedback process will be required to measure the impact of actions taken, with flexibility to change when actions are found not to be working
- update legal agreement templates to ensure our suppliers and collaborators are contractually bound to develop and maintain a process to identify, manage and control risks associated with its operations, including supply chain risks and risks related to labour and human rights
- review internal consumable supplies – e.g. tea, coffee, biscuits
- Global Health to introduce training on modern slavery for projects undertaken in LMICs
- Ongoing assessment of risks arising from operating with specific collaborators in LMICs through collaborator assessments and child safety and PSEAH risk assessments.

It is anticipated that as work continues and our understanding of modern slavery management improves that further actions will be identified.

This Statement has been approved by the Board of Murdoch Children's Research Institute.

Signed

Mr Patrick Houlihan
Chair
XX July 2021