

# Modern Slavery Statement

Policy Owner: Group Finance

Version: 2

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## 1. Introduction and reporting entity

In accordance with the requirements of the Australian Modern Slavery Act 2018 (**the Act**), Lynch Group Holdings Limited (**the Group**) has prepared this Modern Slavery Statement (**the Statement**) outlining the actions undertaken by the Group to identify and address risks of modern slavery occurring in its operations and supply chain for the year ending 30 June 2022 (**the Reporting Period**).

This statement is made by the Group as a reporting entity under the Australian Modern Slavery Act 2018 (Cth). It covers the Group and all of its controlled entities, including our two main trading entities: Lynch Group Australia Pty Limited and Lynch China (HK) Ltd, as well as their associated brands.



The term 'modern slavery' is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Specifically, the Act defines modern slavery as including the following eight types of serious exploitation:

- Trafficking in persons.
- Slavery.
- Servitude.
- Forced marriage.
- Forced labour.
- Debt bondage.
- Deceptive recruiting for labour or services.
- Child labour.

The Group is committed to identifying and mitigating modern slavery risks and human rights violations occurring within its business operations or supply chain.

## 2. Our structure, operations and supply chain

### 2.1. Our structure

The Group is an Australian incorporated wholesaler of floral products headquartered in Sydney, New South Wales. We are the largest wholesaler of floral products in Australia, with a national footprint and

facilities in all major Australian cities. The Group has been in operation for more than 100 years and has supplier relationships that go back more than 60 years.

The Group's product offering can be broken down into three main categories:

- **Straights:** single flowers or bunches of the same flower commonly purchased for self-consumption.
- **Bouquets and arrangements:** mixed arrangements of multiple flower types directed towards the gifting market and minor self-consumption for convenience of ready-made products.
- **Potted plants:** low-maintenance small potted plants for indoors commonly purchased for gifting.

The Group does not sell core nursery products (i.e., seeds, bulbs, shrubs and trees).

The Group manages a complex, global, vertically integrated value chain, which drives the long-term sustainability of the business and helps overcome the challenges of a short shelf life in our floral products. We operate throughout the four key steps in the floral market value chain:

- **Breeding:** providing floral genetics with optimal characteristics (e.g., colour, longevity, disease resistance etc.). This involves royalties paid by growers to breeders for propagation and customer-informed floral strain development / enhancement. On occasions the Group acts as agent for breeders and/or propagators.
- **Growing:** includes flower propagation and initial processing:
  - **Flower propagation:** growing / propagating flowers ready for harvest, paid on a per stem basis. Activities include seed and / or bulb raising, flower propagation and farming, and often having supply contracts with wholesalers.
  - **Initial processing:** preparing harvested for further transport within the supply chain.
- **Wholesaling:** includes procurement, transportation, customs clearance and processing activities:
  - **Procurement:** procuring floral / plant supply and componentry through engagement with breeders on desired breed varieties, providing growers with planting cycle direction, and often having contracts with multiple growers to ensure security of supply.
  - **Transportation:** organising cold chain transportation logistics including securing appropriate mix of land / air transportation for cut flower volume. Flowers and potted plants are refrigerated and transported by air, sea (global) and road (domestic), and potted.
  - **Customs clearance:** ensuring customs are cleared by the Australian Department of Agriculture where flower imports go through documentation review, pest / biosecurity inspections and additional re-processing if failed inspections.
  - **Processing:** processing bulk flowers dependent on the wholesaling model where activities include unpacking and cutting, re-hydrating, producing into finished floral

products (or no further processing) and packaging for distribution. The processing of flowers is also dependent on the retail channel which could mean products are either processed into finished goods (e.g., florists adding value) or purchasing of finished flower products from wholesaler.

- **Retailing:** selling finished products to end consumers, which includes activities such as category management, merchandising and other point of sale activities, and sales and marketing to tend consumers.

## 2.2. Our operations

Our core operations include the growing, wholesaling and retailing of our floral products.

Growers are managed under several arrangements to provide flexibility of supply. Such arrangements include Group owned, contracted and partially contracted growers. For the farms owned and managed by the Group, we oversee the planting, growing, harvest, packing and transportation of floral products.

The Group has also developed a large and sophisticated cool chain distribution network (including use of cold storage spaces and refrigerated trucks) with facilities located in all major Australian cities. Our cool chain distribution network allows us to prolong flower life through the use of cool chain technology for certain varieties imported in Australia from overseas farms.

This model enables the Group to not only grow floral products but also to use fresh cut flowers to design and create consumer-ready floral products; wholesale floral products to all retail and wholesale channels in Australia (supermarkets in particular); and merchandise floral and potted display stands for supermarket clients in Australia.

## 2.3. Our supply chain

The Group has access to worldwide breeders and maintains longstanding global grower relationships that provide large scale, low cost and secure supply, with the Group's China farm operations further securing low cost and a high-quality supply. Some of our supplier relationships span over 40 years, allowing the Group to have a solid understanding and insight over how these breeders operate.

We understand that the best quality products come from building long term relationships with suppliers. It is for this reason that we have developed and invested in our internal teams and supply chain management. In addition to our operations mentioned above, the Group relies on a complex, global supply chain to deliver our products to market.

Our key suppliers are the flower farms and nurseries which supply our floral and potted products. These farms are operated by third parties and come in two forms:

- Farms where the Group secures up to 100% of supply.
- Short term contracts or uncontracted purchases to ensure low-cost, secure and flexible supply.

Other direct suppliers include:

- Manufacturers of accessories used in our products.

- Third-party transportation and logistics companies which transport our products internationally and domestically.
- Personnel responsible for cleaning and maintenance of our facilities around Australia and China.

#### **2.4. Our customers**

The Group primarily services supermarkets and mass-market retailers in Australia, as well as online retailers and florists. We acknowledge the importance of collaborating with our customers in the assessment and mitigation of modern slavery risks in operations and supply chains. We also understand that our customers have rising expectations from suppliers on managing ethical sourcing, human rights and modern slavery risks, resulting in:

- Requirements contained within updated supplier contracts.
- The introduction of policies, supplier codes of conduct.
- Requesting completion of supplier self-assessment questionnaires.
- Implementing ongoing monitoring and auditing programmes.

We understand that our key customers are large and established organisations who have a number of requirements regarding human rights and modern slavery in place. We are focused on continuing to align to their expectations, requirements and commitments. To ensure that this continues, the Group engages in ongoing dialogue with key customers to keep up to date with changing modern slavery and human rights expectations.

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### **3. Risks of modern slavery in our operations and supply chain**

The floral products that the Group produces are manufactured and stored in facilities across Australia and supplied from farms within Australia and overseas. We understand that some overseas farms may be operating in countries where modern slavery risks are elevated, we recognise that modern slavery is an issue that exists across many industries and in all countries in the world. We take this risk seriously and approach our management of it accordingly.

#### **3.1. Modern slavery risk in our Australian operations**

Due to the nature of the Group's business model and workforce profile, we recognise the potential for modern slavery risks in our operations. Within our Australian operations, a portion of our workforce includes workers:

- Within the Agriculture sector.
- Employed through third-party agencies.
- With base-skilled labour roles.

- Who are foreign-born and living in Australia on a visa.

These are characteristics that could potentially put workers at an elevated risk of modern slavery. However, the vast majority of our workers are employed by the Group directly through permanent contracts or by reputable, well-established labour-hire agencies. Additionally, we have a number of internal controls in place to ensure fair work practices in compliance with Australian law. As such, we consider the risk of modern slavery within our Australian operations to be low.

We acknowledge that it is important for us to continue to monitor working conditions, recruitment, and gender issues across our business to ensure we are effectively managing this risk on behalf of all of our workers.

### **3.2. Modern slavery risk in our supply chain**

The Group acknowledges that modern slavery risks may exist within our Australian and international supply chain, given our complex and vertically integrated model and global scale.

To continue to enhance our understanding of where the likelihood of modern slavery risks sit within our supply chain, the Group conducted a survey of all its Tier 1 global suppliers to assess their modern slavery risks and that of their supply chains. This has helped inform our approach on managing modern slavery risk within our supply chain and enabled the Group to confirm that none of our Tier 1 global suppliers appear to fall within the high-risk category.

Due to the nature of our business, we acknowledge that a large majority of our suppliers fall into elevated risk categories. Examples of suppliers in higher risk sectors<sup>1</sup>, includes:

- Agricultural Products.
- Human Resource and Employment Services.
- Plastic, Metal and Glass Containers.
- Fertilisers and Agricultural Chemicals.

From our risk assessment, we note that the Group engages suppliers operating in a number of higher risk countries, including, but not limited to:

- China
- Colombia
- Ecuador
- India
- Kenya
- Malaysia
- Thailand
- Vietnam

<sup>1</sup> Categories are based on the Global Industry Classification Standard.

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#### 4. Assessing and addressing risks of modern slavery

No incidents of modern slavery were identified in our operations or supply chain during the reporting period.

While we have a strong governance structure in place with regards to managing operational and supply chain risk, we are continually reviewing our approach and priorities to have the greatest impact. We leverage this existing governance structure to implement key controls related to modern slavery risk, for both our operations and supply chain, as part of our evolving Modern Slavery Roadmap.

##### 4.1. Operational modern slavery risk management

The Group expanded its existing modern slavery training and awareness activities across the whole of its Australian operations by developing and distributing an online training module which has been completed by all key personnel, including those responsible for procurement decision making. In addition, the Group maintains a suite of policies and procedures for our Australian operations which underpin our governance approach to maintaining a safe, fair and diverse workplace. These policies apply to all workers located at any facility across all of our Australian operations.

Key policies include:

- **Code of Conduct:** describes the standards of behaviour and conduct expected from workplace participants in their dealings with customers, suppliers, clients, co-workers, management and the general public.
- **Human Rights Policy:** describes the Group's commitments to upholding human rights and its expectations of its suppliers, contractors and partners if they wish to continue to do business with the Group.
- **Ethical Sourcing Policy:** describes the ethical and legal standards required from suppliers, particularly in respect of their dealings with workers, in order to be eligible to remain as suppliers of the Group. This is discussed in greater detail below.
- **Ethical Sourcing Grievance Process:** describes the process by which a worker, supplier, or anyone else who wishes to report any non-compliance with the Ethical Sourcing Policy may do so, including the protections afforded to them throughout the process.
- **Contractor management procedure:** covers the selection, management and monitoring of contractors engaged by the Group.
- **Recruitment Policy:** provides guidance and assistance to all managers and supervisors who are involved in the recruitment, selection and promotion of employees of the Group.
- **Anti-Discrimination and Equal Employment Opportunity Policy:** relates to any forms of discrimination, vilification, sexual harassment, bullying and victimisation.
- **Gender Equality in the Workplace Policy:** a workplace program attempting to eliminate discrimination and contributing to gender equality in employment and in the workplace.

- **Whistle-blower Policy:** aligned to Australian legislation, it describes the process by which a worker is able report any instances of wrongdoing across our operations, as well as the protections afforded to them through the process.

We understand that our workforce includes workers with base-skilled labour roles, with immigration visas and who have English as their second language. These workers may need additional support and information regarding potential human rights and modern slavery risks, and we recognise the Group's role in assisting with this.

While no modern slavery concerns have been noted within our operations during the period, we intend to continue to strengthen controls related to our direct workforce, our third-party agency workers and any on-site contractors with respect to modern slavery risk.

#### 4.2. Supply chain modern slavery risk management

We are committed to taking a leadership role in ensuring our supply chain reflects the highest standards of ethical conduct and activity. In alignment with the Group's Vision and Values, we seek to positively influence ethical standards within and across our industry. We recognise that responsibility for ethical trade throughout our supply chain resides as much with our key suppliers as with ourselves.

Prior to entering into a contractual agreement with key suppliers, the Group's Procurement team undertakes a due diligence process to ensure that the supplier has obtained all necessary certifications related to the Ethical Trade Initiative and International Labour Organisation conventions, as per the Group's Ethical Sourcing Policy's requirements. Examples of third-party certifications tracked include:

- Fair Trade.
- Rainforest Alliance.
- Global Gap.
- Florverde.
- Flor-Ecuador.
- MPS Socially Qualified.
- Ethical Trade Initiative.
- Kenya Flower Council Silver Certificate.
- SA 8000.

The outcomes of this review are presented to the Group's Quality team, which perform additional checks as required. If no issues are noted, our Procurement team will then perform a site visit to ensure that quality of products, working conditions and use of chemicals are in line with the Group's expectations and international standards.

Within our Ethical Sourcing Policy, we set out the following expectations of our key suppliers:

- Provide staff with wages, benefits and hours of work that are non-discriminatory.
- Ensure working conditions are not harsh or inhumane and provide for adequate standards of health and safety.
- Be respectful of local regulations and comply with relevant environmental standards.

To ensure ongoing compliance with our Ethical Sourcing Policy, the Group ensures that appropriate contractual provisions are included in its supplier agreements that require compliance with modern slavery laws and permit the Group to conduct compliance audits of its suppliers and supply chains, and the Group's Procurement and Quality teams undertake periodic surveys of our key suppliers to confirm they are in compliance with these practices. The Group intends to incorporate similar provisions in purchase orders to increase the breadth of ongoing compliance with its Ethical Sourcing Policy.

When the Group conducts supplier site visits, it also conducts a formal review to ensure compliance with the Group's Ethical Sourcing Policy, Human Rights Policy and Modern Slavery risk management processes. The review is designed to consider matters such as the condition of site facilities and infrastructure, employee health, safety and wellbeing, the freedom of movement of people and the freedom of association and to ensure there is no evidence of children working on site. The review provides the basis for a modern slavery/ethical trade assessment that is undertaken, as a matter of course, for supplier site visits and acts as a direct, supplementary risk mitigation exercise to other measures articulated above.

Additionally, the Group's Quality team maintains a register of external certifications for all key international suppliers, which is reviewed and updated on a monthly basis. The register allows the Group to ensure that supplier certifications are maintained and up to date. The Quality team is also responsible for monitoring and ensuring that any regulatory changes are considered and appropriately addressed in order to maintain compliance.

Should a supplier be found to be non-compliant with the Group's requirements or expectations, the Group reserves the right to cease its business relationship with that supplier until sufficient remediation has been implemented.

Our Ethical Sourcing Policy, ongoing monitoring of regulatory requirements and certification compliance, and annual supplier contract reassessments provide us a strong governance structure which we can leverage to install and manage additional controls related to modern slavery risk in our supply chain.

There were no modern slavery issues identified during the FY22 reporting period. However, should any such incidents be identified, our Quality and Procurement teams would consider appropriate next steps that focus primarily on establishing and maintaining the safety of the affected people, potential corrective actions and assessment of future risk.

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## **5. Assessing the effectiveness of our actions**

This is the third year that the Group has prepared a Modern Slavery Statement. Over the past year, the Group has made further progress in implementing and evolving its internal modern slavery roadmap, including by:

- Completing surveys of all of the Group's Tier 1 global suppliers to assess their modern slavery risks and that of their supply chains.
- Expanding its modern slavery training and awareness activities across its Australian operations by developing and distributing an online training module completed by all key personnel, including those responsible for procurement decision making.



- Formalising the review process for supplier site visits to ensure ongoing compliance with the Group's Ethical Sourcing Policy, Human Rights Policy and Modern Slavery risk management processes.
- Completing formal ethical trading reviews as part of on-site assessments for an initial round of supplier visits in Australia and Africa, with a view to expanding on-site assessments to suppliers in other jurisdictions, including South America, in the near future.

Additionally, we are continuing to integrate our modern slavery approach into our existing program of ongoing review, assessment and refinement of our policies, procedures and governance structures in order to ensure our approach is one of continual improvement.

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## **6. Consultation with our entities**

The Group has now expanded its approach to modern slavery risk management to encompass all controlled entities of the Group, both domestically and overseas.

All Group entities now operate under a common set of governance principles and policies. As part of this, we are in the process of implementing programs through which modern slavery risk in our operations and supply chains will be managed within the Group's foreign entities, adopting a consistent organisation wide approach to modern slavery risk management.

A process of internal consultation across the Group's Australian entities informed the drafting of this statement. This included engagement with members of the Group's modern slavery working group which includes four senior members from the Group's Business Development, Human Resources, Quality and Procurement functions within the Group. This working group was formed in FY20 as part of the Group's commitment to help manage human rights and modern slavery risks across its operations and supply chains.

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## **7. Other relevant information and next steps**

### **7.1. Impacts of COVID-19**

COVID-19 has continued to have a limited impact on our ability to manage risks relating to modern slavery. Travel restrictions locally and abroad have resulted in a reduction of planned key supplier site visits. However, our Procurement team has continued monitoring supplier certifications to ensure these are up to date and in addition to virtual / remote supplier site check-ins have been able to conduct an initial round of on-site supplier visits in Australia and Africa.

### **7.2. Modern slavery roadmap**

To guide our efforts in addressing potential risks of modern slavery within our operations and supply chain, the Group is continuing to develop and expand its multi-year Modern Slavery Roadmap. This Roadmap focuses on designing robust policies and training programs, supplier risk assessments and ongoing due diligence and grievance and remediation channels. Key activities undertaken as part of year 3 of our Roadmap include:

**Building robust policies & educating our people:**

- Continuing to develop internal training and awareness materials and programs related to our Ethical Sourcing Policy, our Human Rights Policy and our Modern Slavery Statement.
- Requiring all key personnel (including all those responsible for procurement decision making) to undertake online modules on modern slavery and ethical procurement.

**Undertaking detailed risk assessment and ongoing due diligence:**

- Continuing to refine our supplier risk assessment process to assist us in focusing our efforts on the higher risk areas within our supply chain, both domestically and overseas.
- Adopting a formal Ethical Trade Risk Assessment Matrix, to facilitate consistent risk assessment processes in accordance with the Group's Ethical Sourcing Policy, Human Rights Policy and Modern Slavery risk management processes.
- Formalising the review process for supplier site visits to ensure reviews are conducted of supplier's compliance with the Group's Ethical Sourcing Policy, Human Rights Policy and Modern Slavery risk management processes.
- Recommencing on-site assessments of suppliers as travel restrictions has begun to reduce, including for suppliers in Australia and Africa, with a view to expanding these to other continents in FY23.

**Expanding our modern slavery approach to all controlled entities:**

- Formally adopting and implementing all policies and procedures are being adopted and implemented by all of our controlled entities in the coming reporting periods.

The actions within our Roadmap will be monitored and reviewed by our modern slavery working group, to ensure we meet our internal deadlines and external commitments moving forward.

This statement has been developed by our working group, discussed and agreed with the Group's Chief Executive Officer and approved by the Board.