

ASX Announcement

29 March 2021

Respecting Human Rights

Proudly essential for 100 years

Reece Limited (“**Reece Group**”; ASX:REH) shares its first Modern Slavery Statement, ‘Respecting Human Rights’ for FY20.

Our Modern Slavery Statement shares our journey of identifying and understanding, as well as our initial actions taken to address modern slavery risks.

The statement has been created in accordance with the Australian Modern Slavery Act (Commonwealth) 2018.

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This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Board of Directors.

About the Reece Group

Reece Group is a leading distributor of plumbing, waterworks and HVAC-R products to commercial and residential customers through over 800 branches in Australia, New Zealand and the United States.

Established in 1920 and listed on the Australian Securities Exchange (ASX: REH), Reece Group has approximately 8,000 employees committed to improving the lives of its customers by striving for greatness every day.

For further information on Reece Group and its portfolio of businesses please visit www.reecegroup.com.au.

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Respecting Human Rights

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Our Purpose

To improve the lives of our customers and our people by striving for greatness every day.

Create customers for life

Discover your best

Grow as a team

Innovate big and small

Try. Try. Try.

Own it

Keep it simple

Do the right thing

Be humble

Write the next chapter

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This statement has been produced in accordance with the Australian Modern Slavery Act 2018 (Cth) and is the first for Reece Limited ('Reece' or 'the Group'). This statement outlines our business model and supply chains, while describing how we assess modern slavery at Reece Group. We will explain where we have acted or implemented change and our focus into the future.

OUR COMMITMENT



At Reece, our purpose guides our decisions and actions, big and small, and our values ground us. Together, they make up The Reece Way.

We're focused on improving the lives of our customers and our people by striving for greatness every day.

Working together, we can create thriving and sustainable communities. This is only possible if we lead by example and respect and uphold the human rights of our people, customers, and broader network across our supply chain.

We oppose all forms of slavery and forced labour in our operations and the operations of our suppliers.

We have always maintained a rigorous program to ensure supplier compliance with our expectations, and our culture of continuous improvement drives our commitment to building ethical and sustainable supply chains and supplier partnerships.

Our first modern slavery statement shares our journey of identifying and understanding, as well as our initial actions taken to address modern slavery risks. We are committed to working collaboratively across the industry to address this important issue.

This statement has been made in accordance with the Australian Modern Slavery Act (Commonwealth) 2018. This statement is made by Reece Limited on behalf of Reece Australia Pty Ltd, Actrol Pty Ltd, Reece New Zealand Pty Ltd, MORSCO Inc and Todd Pipe Holdings Inc. for the year ended 30 June 2020 and has been approved by the Board of Directors of Reece Limited.

A handwritten signature in black ink, appearing to read 'Peter Wilson'.

Peter Wilson
Reece Group Chief Executive Officer
and Managing Director

29 March 2021

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**“OUR CULTURE
OF CONTINUOUS
IMPROVEMENT
DRIVES OUR
COMMITMENT”**

WE ARE REECE

Reece Group is a leading distributor of plumbing, waterworks, and HVAC-R to more than 200,000 residential, commercial and infrastructure customers across Australia, New Zealand, and the United States.

In 2018, Reece Group acquired MORSCO to create a platform for future growth, and bring the same customised service to the growing Sun Belt region of the US.

In 2019, we built on these foundations with the acquisition of Todd Pipe in Southern California.

We support residential, commercial and infrastructure building trades, and our business is diverse. We are a wholesaler, retailer, and supply chain logistics company, and we invest in services and technology to partner with our customers, so they can provide essential services every day.

We source, import, market and distribute products, both locally and abroad, and we then sell these to customers. Our people facilitate all aspects of this operation, as well as support functions.

Our operations include 640 branches in Australia and New Zealand, and 189 branches across the Sun Belt region in the US. We have two regional head offices to support the branches, located in Melbourne, Australia and Dallas, US. The Group does not have any offshore manufacturing facilities.

We are global



Suppliers

8K

Products

300K

Branches

829

People

8,000+

Customers

200K

GOVERNANCE

We have a formal governance structure with Board-level oversight through an Audit Committee, which is responsible for managing and monitoring corporate compliance, including reporting for modern slavery.

The Supply Chain Transparency Working Group (the Working Group) is responsible for developing and implementing initiatives that address and minimise the risk of modern slavery. Members of the Working Group include management from procurement, brand and marketing, people experience, finance and communication, with oversight from Reece Group's Risk Committee.

Our Governance structure and this statement are supported by a policy set. The policies outlined below are those most relevant to managing modern slavery risk.



The policies and procedures listed below were in place prior to the current reporting period. Changes made in the reporting period included updates to terms and conditions to Supplier Trading Agreements in ANZ, and a voluntary Modern Slavery Declaration for suppliers to complete where the Supplier Trading Agreement was not updated.

Policy or procedure	Purpose
Corporate Governance Statement (Group)	We believe good governance means ethical dealings with everyone – investors, customers, suppliers, employees, and neighbours near and far. This policy outlines our corporate governance policies and practices in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
Code of Conduct (ANZ)	A series of clear and concise rules concerning the conduct of the Directors and senior executives of Reece Limited, including expectations regarding creating a safe and non-discriminatory workplace, and only dealing with business partners who demonstrate similar ethical and responsible business practices.
Equal Opportunity and Diversity Policy (ANZ)	Reece recognises the importance of equal opportunity and diversity in the workforce and values the contribution of all employees regardless of gender, age, ethnicity, disability, sexual orientation, and cultural background. This policy aims to ensure that the work environment is free from discrimination, harassment and bullying and that everyone respects and values the diversity of our workforce.
Code of Ethics (ANZ)	Commits the Directors and all employees to adhere to high standards of business conduct and compliance with the law and articulates the principles and values that allow the Directors and all employees to work in a positive, supportive environment.
Whistleblower Policy (ANZ)	Provides all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. These concerns can be raised internally with our people advisory department, or through an independent and confidential service.
Supplier Code of Conduct (ANZ)	Provided to all our suppliers, the Supplier Code of Conduct outlines the values we live every day, and the way in which we do business with our suppliers. It also outlines our expectations for supplier partnerships to support these values.
Supplier Trading Agreement (updated) (ANZ)	Our contracts with suppliers set out our terms of trade. It enlists our suppliers to act as partners and support our business to act responsibly and ethically.
Modern Slavery Declaration (new) (Group)	We have a commitment to verify our suppliers do not engage in, or support modern slavery, while helping Reece to adhere to its ethical sourcing and social responsibility requirements.

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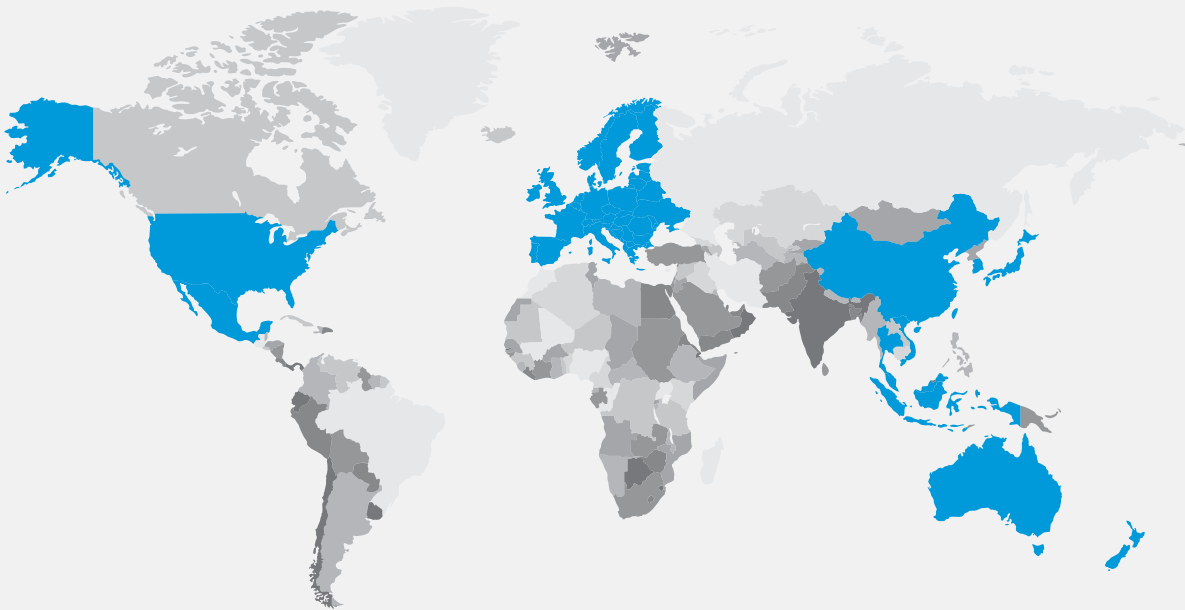
OUR SUPPLY CHAIN

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Reece is proud of our long standing relationships with our major supplier partners.

The majority of products and services in Australia and New Zealand are sourced from domestic suppliers, with the remainder imported from China, Europe, South East Asia and Japan.

In the US, the majority of products and services are sourced domestically, with a small number sourced from Mexico, China, Europe, South Korea and Vietnam.



Reece Group sources products and services for sale to our customers, and products and services to support operations.

Products for sale to customers

may include plumbing, bathroom, kitchen, heating and cooling and pipe products for residential, large-volume home and civil projects.



Services for sale to customers

may include technology, financial or learning platforms and services to support our trade customers.



Products to support group operations

may include IT equipment, electronics, and software to support Reece Group operations, fleet and retail store requirements.



Services purchased to support group operations

may include cleaning services or consulting services.



IDENTIFYING RISK

Understanding our role

The Working Group was established in 2019, engaging key leaders to represent each part of the business.

The Working Group developed an understanding of the requirements of the Modern Slavery Act 2018 (Cth) and best practice reporting by engaging with the Modern Slavery and Human Trafficking Branch of the Australian Border Force and working with external consultants to inform our approach.

Identifying risk

Outlined here are the steps we took during FY20 regarding our supply chain.

An investigation and audit process is underway to better understand our supply chain to assess the level of modern slavery risk with our most significant suppliers. These suppliers account for the majority of purchases across both product stock and services (for sale) and product stock and services to support group operations.

The risk matrix considers:

Location

Some countries and regions have an increased risk of modern slavery. This can relate to regional and intra-country political tension, regulation, development, and cultural norms.

Outsourcing

We purchase finished goods from our suppliers, so have less visibility of how our suppliers outsource manufacturing of finished goods. We consider the portion of a product manufactured beyond our direct supplier as part of our risk assessment.

Audits (product suppliers)

Supplier manufacturers of finished goods are audited either by an independent third party or a Reece representative. Suppliers who pass the bi-annual audit are deemed to be lower risk than those that have not been recently audited.

Our risk assessment

The Working Group developed key criteria to assess the risk of modern slavery in Australia, New Zealand, and the US. This risk matrix categorises suppliers (low, moderate, and high risk) and focuses our engagement with those we deem to be at greatest risk. The risk matrix will be updated and refined by region as appropriate in future reporting periods.

For our first reporting period, the risk matrix was applied to the ANZ supply chain, with a focus on overseas product suppliers for sale. Reece has not yet completed its risk identification process for the US supply chain and we have not yet considered modern slavery risks in group operations.

“IT’S NOT JUST A TRANSACTION, IT’S A PARTNERSHIP”

Spend with Supplier

The more we spend with an individual supplier, the deeper our relationships grow, allowing us to work together to ensure our ethical standards are met.

Updated Trading Agreement/ Modern Slavery Declaration

We have updated our Trading Agreement and introduced a Modern Slavery Declaration. Where a supplier signs an updated agreement or declaration, we consider that supplier to have a lower risk. Suppliers are subject to periodic independent third-party audits. If a supplier does not sign these documents, we will carefully review continuing these partnerships.

Industry Reputation (business support suppliers)

Suppliers in industries dependent on low-cost labour are considered higher risk. In these cases, we require evidence of equitable and safe conditions for their workforce.

OUR ACTIONS

We are at the beginning of our journey to understand the potential risks of modern slavery in our supply chain in ANZ and the US.

In the next reporting period, we aim to provide more granular detail on the risks identified. We recognise the requirement to implement remediation plans and assess the effectiveness of our actions to address modern slavery risk.

Working with our suppliers

Supplier partners in ANZ

The ANZ supply chain includes both product and service suppliers (for sale) based in Australia and overseas. Additionally, products and services are sourced to support group operations both domestically and overseas.

Product and service suppliers (for sale)

Overseas product supplier partners (for sale)

During FY20, the Working Group focused on identifying and addressing modern slavery risks with our tier one overseas product supplier partners.

Our actions included:

- Updated Trading Agreements and Terms & Conditions to Supply, outlining our expectations regarding modern slavery and repercussions for non-compliance.
- Introduced a Modern Slavery Declaration for suppliers in the event they had not signed a new Trading Agreement as an alternate form of confirming compliance.

As of 30 June 2020, 95% of our overseas ANZ product suppliers (for sale) had signed Updated Trading Agreements or signed the Modern Slavery Declaration.

Overseas product suppliers (for sale) are screened to ensure they meet our high expectations and are assessed for safety and quality and modern slavery risk, using the risk matrix as a framework. We work collaboratively with suppliers to uphold human rights.

Audits of overseas product suppliers (for sale) focus on social responsibility, including workplace safety, environment laws and relevant government laws regarding employment, including child labour and freedom of association. These audits are outsourced to an independent third party or conducted by a Reece representative.

These audits are conducted proactively every two years for tier one overseas product suppliers to assist with identifying any potential modern slavery risks at supplier manufacturing facilities.

When conducting an audit, failure to meet certain expectations will result in a warning, and we work collaboratively with the supplier to remediate identified issues and improve results. Failure to remediate within specific timeframes will result in termination of the supplier relationship.

Physical supplier audits in 2019 and online risk assessments up to June 30, 2020 identified no major issues or critical breaches across our ANZ supply chain profile for tier one suppliers.

Domestic product and service suppliers (for sale)

During this reporting period, Modern Slavery Declarations or updated Trading Agreements were requested from our largest domestic product and service suppliers (for sale) and assurance will be a focus of FY21 activities.

Product and services to support ANZ operations

Our actions included:

- Applying the risk framework to identify tier one supply partners.
- Sharing updated Trading Agreements and Terms and Conditions of supply with overseas suppliers where we have the greatest spend.

Assessing risk and seeking assurance from domestic product and service suppliers for ANZ will be a focus from FY21 onwards.

Supplier partners in the US

In the US, we continue to focus on building foundations by aligning culture and developing capability, working with MORSCO to familiarise US supplier partners with Australian Modern Slavery legislation.

In FY20, the Working Group began the process of collaborating with the US leadership team to gain a deeper understanding of our supply chain to assess for indicators of risk of modern slavery. Collaboration included a sub-working group established in the US business and combined working group meetings in the FY20 reporting period.

Our actions included:

- Identifying all product and service suppliers (for sale).
- Identifying all products and service suppliers that support US operations.

Moving forward, the risk matrix will be applied to better understand modern slavery risk in our US supply chain.

Impact of COVID-19

We acknowledge COVID-19 has increased existing vulnerabilities and created new ones, and has the ability to increase the risk of modern slavery practices in our supply chain.

Due to COVID-19, our third-party auditors completed a limited number of visits to our overseas product and service suppliers (for sale) and group operations. Reece representatives have not been able to physically visit our supplier factories.

The impact of COVID-19 has also limited our ability to progress our modern slavery agenda across our US business in FY20.

Virtual meetings allowed us to complete as much risk assessment as possible. While travel restrictions and overall impacts of COVID-19 remain, we are continually looking at ways to implement effective risk assessment.



OUR WAY FORWARD

We're continuing to build a sustainable and fair supply chain. COVID-19 will impact how we partner with our supply chain globally in the short term.

Over the next two years, we will focus on the following initiatives and deliverables:

1. A Group policy for modern slavery
2. Refresh whistleblower policy for the Group
3. Internal training on modern slavery risks for procurement and those directly responsible for purchasing
4. Complete a risk matrix assessment of our ANZ and US supply chain
5. Update standard agreements and obtain Modern Slavery Declarations for domestic suppliers if they have not signed a new Trading Agreement
6. Update Supplier Expectation Guide (ANZ)
7. Conduct an internal audit of the supplier screening process (ANZ)
8. Establish a reporting framework to review and assess effectiveness of our actions to address modern slavery risks

Being accountable and assessing our actions

Reece has not yet assessed the effectiveness of actions taken to address modern slavery risks.

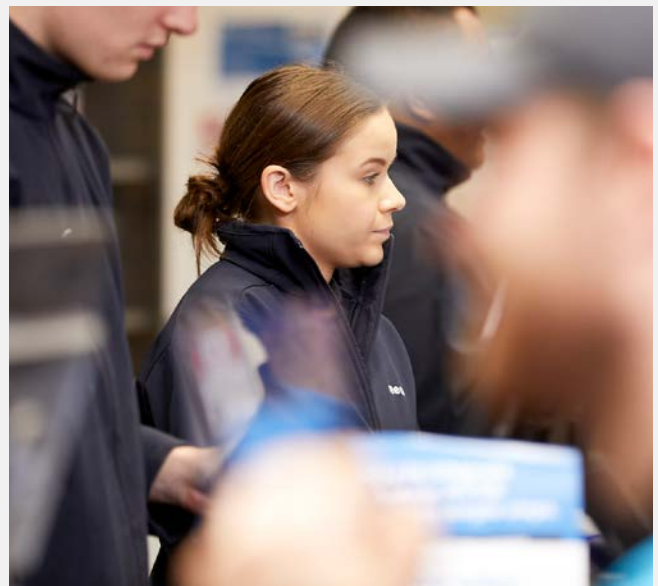
Moving forward, the Working Group will report on progress against actions to the Risk Committee and Reece Limited Board.

Additionally, we will develop a measurement framework to assess the effectiveness of our actions, including:

1. Formalising a process to regularly review actions undertaken
2. Assessing the impact of modern slavery training and awareness-raising activities for both employees and suppliers
3. Measuring outcomes of our auditing process
4. The number of suppliers we engage with that are deemed moderate to high risk
5. Engagement with policies and procedures, such as whistleblower reports, and monitoring the resolution of any cases.

The wellbeing of our customers and employees is at the heart of what we do at Reece. We want to be the trades most valuable partner and provide them with confidence that by working with us, they are also making a positive difference.

We will continue to share our progress, as part of our commitment to respecting the human rights of our people, customers, and communities.



CONTROLLED ENTITIES OF REECE LIMITED

Reece Limited is the ultimate parent of the Group and is incorporated in Australia. The registered office of Reece Limited is 118 Burwood Highway, Burwood, Victoria, 3125. Telephone (03) 9274 0000.

Below is a list of controlled entities from the date the Group obtains control. Control exists where the Group has the power to govern the financial and operating policies of the entity to obtain benefits from its activities.

Name of entity		Country of Incorporation	Ownership Percentage 2020
Reece Limited (ultimate parent)	A.B.N. 49 004 313 133	Australia	%
1. Reece Australia Pty Ltd	A.B.N. 84 004 097 090	Australia	100%
2. Plumbing World Pty Ltd	A.B.N. 99 004 910 829	Australia	100%
3. Reece Project Supply Pty Ltd	A.B.N. 54 100 065 307	Australia	100%
4. Reece International Pty Ltd	A.B.N. 11 100 278 171	Australia	100%
5. Reece New Zealand Limited	Company number 1530569	New Zealand	100%
6. Actrol Parts Holdings Pty Ltd	A.B.N. 98 142 644 488	Australia	100%
7. Actrol Parts Finance Pty Ltd	A.B.N. 21 142 653 889	Australia	100%
8. Actrol Parts Pty Ltd	A.B.N. 93 142 654 564	Australia	100%
9. A.C. Components Pty Ltd	A.B.N. 69 134 588 935	Australia	100%
10. Metalflex Pty Ltd	A.B.N. 18 007 133 057	Australia	100%
11. Metalflex Regional Pty Ltd	A.B.N. 50 142 651 509	Australia	100%
12. Metalflex (S.A.) Pty Ltd	A.B.N. 88 084 260 837	Australia	100%
13. Metalflex (W.A.) Pty Ltd	A.B.N. 98 105 291 263	Australia	100%
14. Air Plus Pty Ltd	A.B.N. 33 135 270 718	Australia	100%
15. The Creative Plane Pty Ltd	A.B.N. 50 092 585 058	Australia	100%
16. Viadux Holdco Pty Ltd	A.B.N. 51 603 303 368	Australia	100%
17. Viadux Bidco Pty Ltd	A.B.N. 42 603 305 326	Australia	100%
18. Viadux Pty Ltd	A.B.N. 75 087 415 745	Australia	100%
19. Hamilton HoldCo, LLC	Company number 6843365	Delaware (United States)	100%
20. Hamilton BidCo, Inc	Company number 6843426	Delaware (United States)	100%
21. Patriot Supply Holdings, LLC	Company number 45-4808005	Delaware (United States)	100%
22. Patriot Supply Intermediate, Inc	Company number 5054616	Delaware (United States)	100%
23. MORSCO, Inc	Company number 75-0450550	Delaware (United States)	100%
24. MORSCO Supply, LLC	Company number 75-2588495	Texas (United States)	100%
25. Fortline, LLC	Company number 56-2136499	North Carolina (United States)	100%
26. Fortline, Inc	Company number 57-0819190	South Carolina (United States)	100%
27. Todd Pipe Holdings, Inc	Company number 82-5080186	California (United States)	100%
28. Todd Pipe & Supply, LLC	Company number 27-0938208	California (United States)	100%
29. LegendMRO, LLC	Company number 47-3650938	California (United States)	100%

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