

Active Apparel Group Modern Slavery and Human Trafficking Statement

This statement is made pursuant to the Australian *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**). It describes the steps taken by AAG Holdings Pty Ltd (**AAG**) and each of its subsidiaries (**AAG Group** or **Group**)¹ to minimise modern slavery and human trafficking risks within its supply chains and in the operations of its business during the financial year ending 31 December 2020. AAG is a reporting entity for the purpose of the Modern Slavery Act. However, this statement covers the modern slavery risks arising from all of the Group's operations.

About us

AAG Group is a leading manufacturer of active wear and swim wear for both the leisure/lifestyle and performance markets. AAG commenced business in 1987 as Eclipse Textiles selling stretch fabrics to Australian swim, dance and sportswear garment manufacturers. In 2003, AAG Group commenced manufacturing in China and in 2006, the Group's subsidiary Ningbo Longson Garments Co., Ltd was incorporated and leased its first factory in Jangbei (China). The Group relocated to its new factory in 2012 with a total headcount of 1300 employees. The Group's headcount as at December 2020 was 2362. AAG Group's corporate operations and business services are located primarily at Level 1, 87 Schneider Road, Eagle Farm, Queensland, Australia. The Group has additional supporting functions in Los Angeles and New York.

In 2016, the Group was proud to receive Worldwide Responsible Accredited Production (**WRAP**) certification. The Group's WRAP certification was last audited on 30 December 2020. The WRAP program is the world's most widely accepted independent certification for the apparel/textile, footwear, and sewn products industry. The program monitors and certifies lawful, humane and ethical production. Importantly, the WRAP audit process is based on 12 core anti-modern slavery principles:

- a) compliance with laws and workplace regulations;
- b) prohibition of forced labour;
- c) prohibition of child labour;
- d) prohibition of harassment or abuse;
- e) compensation and benefits;
- f) hours of work;
- g) prohibition of discrimination;
- h) health and safety;
- i) freedom of association and collective bargaining;
- j) environment;
- k) customs compliance; and
- l) security.

¹ AAG Holdings Pty Ltd's subsidiaries include: Active Apparel Group Pty Ltd; 2 Chillies Pty Ltd; AAG Wearable Technologies Pty Ltd; Henmac Investments Pty Ltd; Huge Faith Group Limited; Jiujiang Longson Active Apparel Co., Ltd; Ningbo Longson Garments Co., Ltd; Ningbo Active Sourcing and Consulting Co., Ltd; Active Apparel Group (Hong Kong) Limited; Ningbo Active Apparel Co., Ltd; Active Apparel Group (US Holdco) LLC; Active Apparel Group (America) LLC; AAG SF LLC; Active Apparel Group (Canada) Ltd; Active Apparel (Singapore) PTE Ltd.



Commitment to Combatting Modern Slavery

At AAG Group, we are committed to conducting business in a responsible and ethical manner and are strongly opposed to any form of modern slavery, such as slavery, servitude, forced labour, human trafficking, or slavery-like practices.

We acknowledge our role in safeguarding human rights through ethical business practices and are committed to implementing and enforcing effective systems and controls to ensure that risks of modern slavery are minimised within our business and our supply chains.

Our approach to modern slavery is enshrined in our Modern Slavery Policy which was adopted by AAG's Board of Directors in June 2021. This Policy underpins our commitment to limit the risk of modern slavery within our business and supply chains. The Policy serves to ensure our compliance with applicable laws and regulations in each of the jurisdictions where AAG Group operates.

Our Supply Chains

The Group has direct suppliers based in mainland China, Vietnam, Taiwan, Europe, Australia and the United States. Our key supply chains include, but are not limited, to the following:

- a) supply chain for textiles;
- b) delivery, postal, courier and road freight services relating to the transport of manufactured goods;
- c) professional and business services including legal, tax, accounting, consulting or IT services; and
- d) maintenance and cleaning services for our corporate offices in Brisbane, Los Angeles and New York in addition to maintenance and cleaning services for our facilities in China.

Potential Modern Slavery Risks

We recognise the potential for modern slavery to occur within global supply chains, regardless of geographical location. We also acknowledge that there is a higher risk of modern slavery in our international operations, where worker rights and protections are sometimes less formalised than in Australia. Where we identify any actual or potential risks as part of our operations or supply chain, we acknowledge our responsibility to take steps to address those risks through our own activities and business relationships. In our supply chains, we note the following risks:

- a) sector and product risk: AAG Group is aware that the global clothing and textile industry is considered a particularly high area of risk for modern slavery. This high risk is attributable to the combination of the high intensity nature of production and low skill of the labour involved in the manufacture of garments; and
- b) geographic risk: AAG Group is acutely aware that, from a generalised industry and country risk profile, our manufacturing facilities in China present a high risk for the presence of modern slavery. In addition, shipping and air freight services have been identified as having a potential risk of modern slavery practices based on the jurisdiction in which they are procured from/provided in.

We assessed our potential risks by undertaking a modern slavery risk assessment of our operations. Our risk assessment involved considering publicly available data and media reporting relating to modern slavery risks in the clothing and textiles industry in the jurisdictions where we operate. We also reviewed our relationships with direct and indirect suppliers (including our Tier 1 suppliers based in Vietnam, mainland China, Europe



and Taiwan), including by reference to our WRAP Audit Summary. Our review has identified the following as modern slavery risks of particular concern:

- a) forced labour: forced labour is where someone has been forced or coerced to work through violence, intimidation, physical threats or threats of reporting to governmental or immigration authorities where the worker is an undocumented or illegal migrant or minority group. AAG Group is satisfied that it has appropriate controls and policies in place to prevent potential modern slavery risks at both its manufacturing facilities, and also the risk of modern slavery arising in its Tier 1 and Tier 2 supply chains. This includes the Group's "Social Accountability Management Manual" which was implemented on 1 March 2016 to avoid employing involuntary, forced, prison, indentured, bonded and trafficked labour. In any event, AAG Group must remain continually alert to forced labour risks in its supply chains;
- b) child labour: child labour can be defined as work that deprives children of their childhood, their potential and their dignity. It is dangerous work that exceeds reasonable hours and interferes with a child's education. AAG Group has various risk mitigation measures to ensure that child labour is eliminated from its Tier 1 and Tier 2 supply chains. This includes the implementation of a child labour policy and age verification mechanisms to ensure that child labour is eliminated from the Group's Tier 1 and 2 supply chains and its manufacturing facilities. In any event, the risk of child labour is becoming more widespread in China and the Group must remain continually alert to the risk of child labour being present in its supply chains; and
- c) harassment and abuse: there is risk that workers in the Group's manufacturing facilities, and its Tier 1 and Tier 2 supply chains could be subject to mental or physical coercion, physical punishment, sexual harassment or gender-based discrimination. In order to ensure that AAG's facilities are respectful environments, which value a worker's rights and dignity, the Group has implemented procedures to ensure the responsible supervision of workers, and the prevention of all forms of harassment, abuse and corporal punishment.

The Group's modern slavery risk assessment, which included completing questionnaires and reviewing copies of relevant policies, confirmed that many of our suppliers already have formal policies and procedures in place to prevent modern slavery related risks in their supply chains. AAG is committed to ensuring that its suppliers comply with all laws and regulations of the place where it conducts business. These relationships are reviewed regularly by the Group's Material Management Department.

Assessing Effectiveness

We understand the importance of assessing the effectiveness of the actions we are taking to assess and address modern slavery risks. This is particularly the case given the nature of our business, and the modern slavery risks in our supply chains. As noted above, AAG Group has adopted a Modern Slavery Policy and encourages openness and reporting of any breaches or potential breaches of the Policy. In the event a supplier identifies any occurrence of, or a material risk of, modern slavery in their supply chain or operations, the supplier must notify AAG Group and take practical and effective steps to address that occurrence or risk.

The Group's Modern Slavery Policy complements existing reporting mechanisms contained in the following documents published by AAG or its subsidiaries:

- a) Business Conduct Code;
- b) Recruitment Policy to Avoid Forced Labour;
- c) Abstract of Compliance Procedures;



- d) Procedures on Avoiding Forced Labour;
- e) Grievance Procedure; and
- f) Supplier Code of Conduct Declaration;

AAG Group will undertake a modern slavery risk assessment on an annual basis, and in addition to ongoing reporting of potential or actual risks, will assess the effectiveness of actions it has taken in controlling or addressing modern slavery risks through this assessment process. We will continue to monitor the effectiveness of our actions by:

- reviewing any reports received from employees, the public, or law enforcement agencies to indicate that modern slavery practices have been identified;
- engaging with stakeholders to maintain a proactive dialogue regarding modern slavery risks; and
- independently verifying due diligence questionnaires to confirm the accuracy of information provided by our key suppliers.

Ultimately, our approach to combatting modern slavery risks will be underpinned by our commitment to maintain WRAP certification. By maintaining WRAP certification, the AAG Group will ensure that it is complying with its modern slavery obligations.

Our focus in 2020 was to review our existing processes and procedures. We also strengthened our understanding of the potential modern slavery risks and impacts related to our activities and further upstream in our supply chains. Our planned activities in 2021 include:

- strengthening our due diligence assessment of our identified “high risk” areas, particularly the textiles supply chain;
- building expertise among our employees, especially those that rely on contractors, so that they can better identify and act on indications of modern slavery;
- reviewing and updating (where necessary) our suite of policies and procedures to further embed management of modern slavery aspects in our standard form documents; and
- exploring the implementation of key performance indicators to track our progress and effectiveness in relation to addressing modern slavery risks.

Consultation has occurred with key managers within the different divisions of the Group’s operations in relation to modern slavery risks. These consultations will continue following the adoption of the Modern Slavery Policy.

This statement has been approved by the Board of Directors by resolution passed on 30 June 2021.



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Daniel Hawker

Director

9 July 2021

