



## **Modern Slavery Statement 2022**

True Alliance Pty Ltd ACN 098 282 001 is the parent company of:

- True Alliance Corporate Services Pty Ltd ACN 100 525 362;
- True Alliance Brands Pty Ltd ACN 098 979 803;
- True Alliance Retail Pty Ltd ACN 100 526 798;
- Speedo Australia Pty Ltd ACN 050 097 375;
- True Alliance Trading Pty Ltd ACN 002 674 544; and
- True Alliance NZ Ltd NZ Company No. 384 156;

together, 'True Alliance', 'Company', 'we', 'us' or 'our'.

This joint Modern Slavery Statement is made on behalf of True Alliance in compliance with s14 of the *Modern Slavery Act 2018* (Cth). It sets out the actions taken by us to identify and address modern slavery risks in our supply chain during the period from 1 July 2021 to 30 June 2022.

Modern slavery covers a set of specific but non-exhaustive legal concepts including forced labour, debt bondage, forced marriage, slavery and slavery-like practices, and human trafficking. It is an umbrella term that focuses attention on commonalities across these legal concepts and situations of exploitation that a person such as threats, violence, coercion, deception or abuse of power to prevent people from refusing or leaving employment.

True Alliance recognises that modern slavery is an ongoing challenge facing the fashion industry. In 2017, the International Labour Organization and Walk Free estimated that, manufacturing, which includes the garment and footwear industry, accounted for 15 per cent of the nearly 25 million people in forced labour in 2016.

The COVID-19 pandemic has exacerbated inequalities across global supply chains - in particular, in developing countries which were already at high risk of incidents of modern slavery. The impact of declines in living and working conditions has been significant as government-imposed restrictions to prevent the spread and companies sought to mitigate losses flowing from cancellation of orders, shipment cancellations, and volatile demand. To address a matter of this scale requires commitment and action from both government and business at all tiers of the supply chain.

Encouragingly, there is growing common interest in corporations and directors taking a longer-term view and having more scope to support purposeful initiatives, such as tackling modern slavery, instead of only serving shareholders and focusing on short-term profits.

### **Our Company, operations and supply chain – including the process of consultation between our subsidiaries**

True Alliance is the licensee and distributor of some of the world's best-known fashion, sport and outdoor brands in the Australian and New Zealand. All personnel of the Company are employed by a



wholly-owned subsidiary, True Alliance Corporate Services Pty Ltd. In the reporting period, we employed approximately 639 team members who are tasked with executing the operations of the Company. Our team members are mostly office-based or working in one of our retail outlets, whilst a small number of staff are based in our warehouse in Sydney. There is no process of consultation required across the Company as we have a consolidated governance structure and common management system.

True Alliances applies a common sense, risk-based approach to modern slavery due diligence and risk management. Whilst we did not complete a formal risk assessment of our operations in the reporting period, we considered various country risk factors and industry risk factors to enable sufficient focus on high impact areas.

We have determined that the risk of modern slavery associated with True Alliance's local operations is low. Our local supply chain covers mainly non-trade suppliers, such as logistic and warehousing, leading and store development, IT services, marketing, corporate services and retail store operations.

The nature of our business means that our supply chain is complex and multi-tiered with each brand, that True Alliance represents, owning or operating its own distinct international supply chain. It is difficult for us to have clear visibility of where the risks lie across all brands and all tiers. As a small component of each brand's global business (often making up just 1-2% of global sales), our ability to leverage and influence the inventory procurement process is limited. Where brands have common ownership there is however some synergy in the way which we work with suppliers to minimise the risk of modern slavery.

In summary, we work under three models:

- Distribution model: where we purchase branded products which are designed and sourced directly by our brand principals, including The North Face, Speedo and Lacoste. This model comprises the substantial proportion of our trade supplies.
- License model: we design, source and manufacture the majority of the range for our denim vertical. These goods are sourced exclusively from factories approved by the brand principal and are subject to stringent supply chain due diligence processes, such as ongoing audit procedures and remediation processes run collaboratively between supplier, brand principal and True Alliance.
- Hybrid model: for some brands, we operate a hybrid model where we sell product purchased off catalogue, as well as products designed in-house and produced by approved nominated suppliers, for sale specifically in Australia and New Zealand. The impact of the COVID-19 pandemic has meant a continued shift away from this model back towards a traditional distribution model which has reduced our direct involvement with many suppliers. By volume, Speedo is the best example of that shift within our business.

We have also seen a continued, material shift in respect to the source of production of the goods we purchase. In the reporting period, just 39% of the production occurred in China compared to 46% last year). Vietnam remained our second largest source of supply at 24% (consistent with the prior reporting period) with Cambodia picking up a material proportion of the loss of supply from China.



True Alliance does not own any of the factories from which our products are sourced. We have only approximately 15 direct relationships with factories which are all subject to approval and audit by our brand principals. All other inventory is sourced via our brand principals or sourcing agents. Whilst the countries identified above have a heightened risk of modern slavery practices, our brands work with many long-term trusted partners within regimented control frameworks to manage modern slavery risk.

### **Risks of Modern Slavery**

Our trade procurement predominantly consists of final-product apparel, footwear and accessories. True Alliance is conscious that these categories have a heightened risk of various forms of modern slavery, such as child labour and forced labour. The recent shifts in source of production and conditions imposed naturally and by government have further exacerbated the labour intensity. That said, whilst suppliers from certain parts of the world are considered by True Alliance to be higher risk, our audit processes have been developed to account for these suppliers.

Most of the suppliers generally have long-term relationships with our tier 1 suppliers, as well as their subcontractors, with a good understanding of their own supply chains and established due diligence and remediation processes in place. Whether the supplier is new or a long-term partner, alongside our brand principals, we seek to apply similar onerous audit and compliance processes before engaging with them.

During the reporting period this formed the focus of our efforts and will continue to do so in the future, as there is where we can have the biggest positive impact.

We are conscious of the risk of modern slavery existing beyond our tier 1 suppliers, being those suppliers of raw materials and other article component such as zips and button. Whilst we have no direct relationship to influence these suppliers directly, we do liaise with our Brand Principals on these matters.

### **Actions undertaken**

Last year, we identified education on the topic of modern slavery as one of the key initiatives that needed to be undertaken to raise employee awareness of the potential risks for our business and to the people working throughout our supply chain. Whilst our initial plan was to target key team members involved in procurement decisions, we took steps to expand the program across our entire business. True Alliance's Board and C-Level executive completed a training and Q&A session with leading modern slavery consultants, FairSupply. In conjunction with our partners, we also rolled out a company-wide awareness session on our learning management system. We are proud to report that as at 30 June 2022, 93% of our office-based team members (i.e. non-retail or warehouse team and excluding those any team members on maternity leave and casual contractors) completed the modern slavery awareness session.

Consistent with True Alliance's core values, we have continued to implement our Modern Slavery Policy, Supplier Code of Conduct and rigorous audit and remediation processes. Through the ongoing review and questioning of our Brand Principals' and suppliers' modern slavery statements, as well as our



ongoing involvement in audit and remediation processes implemented alongside the brands (where relevant), we have satisfied ourselves that our key suppliers have met our requirements, including any remediation requirements, in order to continue their supply of goods to True Alliance.

Further to this, we continue to engage directly with our customers who are building out their own modern slavery processes. Feedback from customers is communicated to our brand principals in order to drive continual improvement.

We continue to negotiate clauses which place obligations on our brand principals and suppliers to continuously improve their own modern slavery records and due diligence on their supply chains by adequately implementing their own modern slavery policies.

In the next reporting period, True Alliance intends to engage with external consultants as part of a broad and regular review of our policies and procedures relating to appropriate workplace behavior, and compliance with relevant laws and regulations including those relating to discrimination, bribery, corruption, harassment and matters related and adjacent to modern slavery. This will shift the focus to the protection and welfare of our local labour resources which are a critical part of our supply chain.

### **Effectiveness of our actions**

Despite ongoing disruption caused by COVID, True Alliance and its brands and agents have continued to enforce the high standards required of existing and new partners to improve conditions in supplier factories to meet our minimum standards via the completion of regular audits and remediation processes. There were no material incidents that were required to be reported to our board in the reporting period.

There were however examples during the reporting period where factories failed their audits and remediation processes were initiated by our brand principals in accordance with company policy. Some of these examples are set out below:

- Brightpoint Garment Factory – Brightpoint is a part of True Alliance’s direct supply chain. The factory failed an initial audit following the discovery of evidence of illegal subcontracting via a stamp on a tag from a non-approved laundry (i.e. a tier 2 or 3 supplier being audited up the line by our brand partner but which True Alliance does not directly audit). Brightpoint advised that the tag was stamped in error which was corroborated by the fact that it was not a clearly visible stamp. To remediate the issue, the sample was sent to both True Alliance and its denim brand parent Kontoor to determine whether the garment had in fact been washed. Upon assessment by both parties, it was agreed that the sample had not been washed. The tech pack for that SKU was also reviewed and had no evidence of a garment wash being requested. The ‘red’ assessment was immediately downgraded and Brightpoint reinstated for supply. As an extra precaution and to help improve the performance of the factory (and reduce its risk of harbouring modern slavery in its supply chain), we then worked with the factory to establish a partnership with a Kontoor approved laundry in case of garment washing being requested in the future. All other issues identified on the Corrective Action Plan were worked through with the supplier and it has now obtained the highest rating ‘green’ on its follow up audit.



- Longhua Garment Washing Factory- this factory is not yet part of our direct supply chain. Before production (including sampling) can begin, all factories must first pass a Kontoor audit. The laundry provider failed its initial audit but have showed a willingness to remediate the issues included on the Corrective Action Plan. Some of these issues are structural and others require at least 3 months to rectify. The factory has been advised that no production can commence until another audit takes place in December, but Kontoor and Longhua are working collaboratively to improve this factory's performance.

Finally, our compliance and contract management team continued to work with key suppliers to include clauses relating to modern slavery compliance and continual improvement.

Our Board recognises that modern slavery is an unacceptable issue and that we must be committed to continuous improvement in identifying and addressing modern slavery in the supply chain.

**This statement was approved by the board of directors of True Alliance.**

David Smith

**Chief Executive Officer**