

# Joint Modern Slavery Statement FY22

## Introduction

Zip Co Limited is an ASX listed (ZIP: ASX) leading global financial services company that offers point-of-sale credit and digital payment services in numerous markets around the world, including through strategic investments.

This joint Modern Slavery Statement (“**Statement**”) is Zip’s third Statement and covers the reporting period for 1 July 2021 to 30 June 2022 (“**reporting period**”). This Statement applies to Zip Co Limited, ZipMoney Payments Pty Ltd (as reporting entities under the *Modern Slavery Act 2018* (Cth) (“the **Act**”)) and the entities that it owns or controls operating in Australia, New Zealand, the United Kingdom, the United States, Mexico, Canada and Singapore (“**Zip**”, “**we**”, or “**our**”).

We understand that slavery extends far beyond traditional legal notions of corporate responsibility, as modern slavery can occur in many forms, including forced labour, child labour, domestic servitude and human trafficking. In this Statement, we refer to ‘modern slavery’ as defined by the Act.

We are committed to operating our business lawfully and ethically. We expect our suppliers to do the same, including operating in accordance with all applicable modern slavery laws. We are committed to upholding all laws regarding corporate social responsibility, workplace health and safety, and diversity, equity and inclusion.

## Key initiatives in FY22

We recognise that conducting our business in a responsible and ethical manner, and making positive contributions to the communities in which we operate, is critical to the way we do business. Our zero tolerance to modern slavery is key to that approach.

During this reporting period, we continued to implement and ensure compliance with our modern slavery commitments, including completion of the following key steps:

- Performed an operational risk assessment to assess the level of modern slavery risk in Zip's operations.
- Performed a modern slavery risk assessment of Zip's suppliers.
- As part of developing Zip's sustainability strategy last year, undertook several activities to identify our environmental, social and governance risk areas.
- Through the Modern Slavery Working Group (a cross-functional and jurisdictional working group comprising members from business functions including finance, legal, compliance, financial crime, new markets and representatives of Zip's subsidiaries), undertook a consultation about Zip's modern slavery plan with representatives of subsidiaries in the global Zip group;
- Assessed effectiveness against the key performance indicators (“**KPIs**”) that were set out in the previous statement.
- Through the Modern Slavery Working Group, initiated the following recommended actions from our modern slavery roadmap:
  - considered progress against our three-year plan to proactively mitigate modern slavery risks; and
  - conducted a preliminary review of standard modern slavery related clauses in our supplier contracts.

- Introduced an independent whistleblower service, Convercent, to allow officers or employees (including full-time, part-time and temporary staff), suppliers and associates, as well as relatives, dependents and spouses, in all jurisdictions to anonymously lodge a whistleblower report through the hotline.
- Raised awareness of Zip's anonymous whistleblower hotline among employees, contractors and sub-contractors. During the reporting period, no modern slavery incidents were reported through the whistleblower hotline. Zip also reviewed all whistleblower reports to assess whether they related to modern slavery or human rights.
- Conducted an independent review of the Supplier Code of Conduct.
- Implemented mandatory modern slavery training for employees in Australia and New Zealand.
- Enhanced our risk management processes with a focus on core markets in Australia, New Zealand and the United States. This included an external independent review of our risk practices, the appointment of a Risk and Compliance Director and the development of key policies such as a detailed risk appetite statement, risk matrix and crisis management plan.

The Boards of Zip Co Limited and ZipMoney Payments Pty Ltd have approved this Statement for lodgement, in accordance with the Act's requirements on 29 November 2022.



**Larry Diamond**  
**CEO, Co-Founder and Director**  
**Zip Co Limited & ZipMoney Payments Pty Ltd**

## Zip's structure, operations and supply chains

Zip's journey began in 2013, when we launched our first product, Zip Money. Since that time, Zip has expanded its product and customer base, and globalised. During this reporting period, Zip has served 11.4 million customers globally, delivering \$8.7 billion in total transaction value to our 90,000 plus merchants, helping them maintain and grow their businesses.

### Structure

Our parent company, Zip Co Limited, is a publicly listed company (ASX: ZIP) that is registered and domiciled in Australia. ZipMoney Payments Pty Ltd, a wholly owned subsidiary of Zip Co Limited, operates Zip's operations in Australia (which include consumer products Zip Pay and Zip Money and the business product Zip Business Capital).

Within the Zip group, our services and products span a range of countries including Australia, the United States, New Zealand, Mexico and Canada. During the reporting period, Zip also operated in Singapore and in the United Kingdom. At the end of FY22, Zip decided to close its Singapore business and made the decision to close its operations in the United Kingdom in August 2022.

During the reporting period, we employed 1,078 employees (on a full-time or part-time basis), 32 casual workers and 96 contractors. Our employees are predominantly located in Australia, New Zealand, North America and Europe. We have a smaller presence in the Middle East and Africa. More than one third of our employees work within the Product and Software Engineering functions and are responsible for driving the innovation of our products and services.

We note that the number and location of contractors within our business may vary from time to time.

### Operations

Zip is a leading player in the digital retail finance and payments industry. We offer point-of-sale credit and digital payment services to the retail, home, health, automotive and travel industries. Though Zip's operations remained largely the same as set out in the 2021 statement, Zip's geographical footprint has expanded since that time.

During the reporting period, Zip acquired Spotti, Payflex and Twisto ("**New Zip Entities**"), which respectively cover markets in the UAE, South Africa, and the Czech Republic and Poland. As Zip is still in the process of fully integrating the New Zip Entities into its operations, for this Statement, the scope of our assessment focused on our core markets during the reporting period, being Australia, New Zealand, the United Kingdom, the United States, Singapore, Mexico and Canada.

During the reporting period, our focus has also shifted from global expansion to growth in core markets. We are therefore allocating capital and resources to the core markets of Australia, New Zealand and the United States, where we see the most significant opportunity for profitable growth in the near term. We are also currently conducting a strategic review of our global footprint.

## Supply chains

During the reporting period we directly engaged 728 suppliers. The majority of our suppliers were based in Australia, the United States, Mexico, New Zealand, the United Kingdom, Canada and Singapore. We also engaged suppliers based in European countries such as Germany, Ireland, Spain and the Netherlands. In the reporting period we engaged one supplier in each of the following jurisdictions: Indonesia, Latvia, Poland, Russia, Thailand, China and Vietnam.

Our top 8 categories of procurement spend for this reporting period were suppliers in the following industry categories:

- Marketing, media, social media and advertising.
- IT services including IT consulting, software development and data management/analysis.
- Financial services.
- Recruitment, employment consultants and talent acquisition.
- Retail.
- Payroll software, payroll consulting and employee benefits.
- Office equipment.
- Office premises and rental.

Consistent with our previous statement, our suppliers continue to predominantly consist of other professional services including IT (e.g., software applications and subscriptions, sales, advertising, and marketing), as well as financial services. This is reflective of the high dependency of our business on technological products, software applications and finance.

## Zip's Modern Slavery Risks

Considering the nature of our industry, operations, products, and supply chain against the risk assessment methodology that was applied, we consider our overall risk of modern slavery to be moderate to low.

This year, we engaged an independent specialist firm to examine the modern slavery risks for suppliers contracted by Zip in Australia, New Zealand, the United States, the United Kingdom, Mexico, Canada, and Singapore. The assessment found that:

- we primarily procured goods and services from suppliers who are inherently low risk from a modern slavery perspective; and
- just under 20% of Zip's suppliers operate in sectors with a high risk of modern slavery.

Although some of the goods and services that we procure may be higher risk from a modern slavery perspective, including computer hardware and IT equipment, ecommerce retail goods and transport, logistics and utilities services, Zip strives to source goods and services from reputable third parties, and we regularly review our supply chain selection and management processes with these risks in mind.

To date, there have also been no reported cases of actual or suspected modern slavery or associated conduct, made directly to Zip or via our independent and anonymous whistleblower hotline.

## Description of the Modern Slavery Risks in Zip's Operations

We have assessed the modern slavery risk in our operations based on the nature of our operations, the geographical location of our operations, and our relationship with our employees. Based on these factors, we have assessed the risk of modern slavery in our operations to be low.

- **The nature of our operations and our products and services.** Zip operates in the financial sector, offering 'Buy now Pay Later' products across several markets. The risk of modern slavery occurring in the finance sector is generally considered low, mainly because of the use of a skilled, professional workforce.
- **The geographical location of our operations.** During the reporting period, Zip operated through wholly owned subsidiaries in Australia, New Zealand, Canada, the United States, the United Kingdom, Mexico, and Singapore. The majority of our operations are based in jurisdictions which have been assessed by the Global Slavery Index as having a lower prevalence of modern slavery practices. Mexico has a slightly higher score for vulnerability to modern slavery of 57.3/100 citizens. Zip is aware of the geographic risk that comes from having operations in Mexico and is therefore focused on ensuring its operations in this country adhere to Zip's global modern slavery policies.
- **The relationship with our employees.** Zip has procedures to ensure fair and equitable treatment and remuneration of employees. This is evidenced by the nature of its relationships with its employees. In particular, Zip does not engage:
  - any foreign employees unless it is under a collective agreement;
  - any unskilled, temporary and/or seasonal labour or contract workers; and
  - any staffing agencies for recruitment purposes.

Zip has a relatively small number of short-term independent contracts with individuals in Australia, the United Kingdom and the United States. There are strict laws relating to employment and workplace safety in these jurisdictions. All full-time, part-time, and casual Zip employees are provided with a written contract with clear terms of employment including remuneration and hours of work. Finally, Zip has implemented clear internal recruitment policies across our business to ensure equitable remuneration and treatment of employees and conducts regular external benchmarking of its policies.

## Description of Modern Slavery Risks in Zip's Supply Chain

As noted above, an independent specialist firm was engaged to perform a risk assessment to understand the risk of modern slavery in our supply chain. The risk assessment comprised an analysis of the jurisdictions in which Zip's supply chain is located, the type of goods or services obtained from the suppliers in each of those jurisdictions, any previous or suspected modern slavery allegations or incidents in relation to each supplier, and, if known, the nature of the suppliers' relationships with their workers. This analysis was performed at a supplier and jurisdictional level and was carried out with respect to Zip's direct suppliers (referred to as 'tier 1 suppliers').

In performing this risk assessment, a number of sources were considered, including:

- the Global Slavery Index 2018, prepared by the Walk Free Institute, the most authoritative guide to global modern slavery risk based on country;
- ‘Hidden in Plain Sight’, the Commonwealth of Australia's Final Report of the Inquiry into Establishing a Modern Slavery Act in Australia;
- the United States Department of Labor’s 2020 List of Goods Produced by Child Labor or Forced Labor (as of 23 June 2021); and
- Verité's 'Strengthening Protections against Trafficking in Persons in Federal and Corporate Supply Chains' report.

As a result of the risk assessment, we identified the following industry categories as presenting higher risks of modern slavery:

Industry	Overall	Jurisdictional risk	Industry Risk	Comment
IT / computer equipment	High	Moderate	High	<p>Most of Zip's suppliers in this category are located in jurisdictions which are considered low to moderate risk jurisdictions for modern slavery. However, products within this category typically involve complex supply chains which have been associated with forced labour and modern slavery practices.</p> <p>We have less visibility over the lower tiers of these supply chains. Therefore, we have assessed our suppliers within this category as being at a higher risk of modern slavery.</p>
Ecommerce	High	Moderate	Moderate	<p>Most of Zip's suppliers in this category are located in jurisdictions which are considered low to moderate risk jurisdictions for modern slavery. However, 'ecommerce' suppliers are often associated with retail supply chains which are relatively higher risk in terms of modern slavery because the supply chain usually consists of garments and electronics which are all high risk goods from a modern slavery perspective. We acknowledge that modern slavery risks may be hidden at much lower tiers of the supply chain, into which visibility is greatly restricted. We have therefore assessed our suppliers within this category as being at a higher risk of modern slavery.</p>
Transport, logistics and utilities	High	Moderate	High	<p>Most of Zip's suppliers in this category are located in jurisdictions which are considered low to moderate risk jurisdictions for modern slavery. However, the transport and logistics sector is considered to be an inherently higher modern slavery risk category because of the lack of visibility and the significant presence of contractors, agents and other intermediaries in this industry. We have less visibility over the lower tiers of these supply chains, therefore we have assessed our suppliers within this category as being at a higher risk of modern slavery.</p>

We considered the other categories of our supply chain to be lower risk. We also note that we consider that the suppliers which make up the most of our supplier spend (being suppliers in the marketing, media, social media and advertising industry, IT services including IT consulting, software development and data management/analysis and suppliers in the financial services industry) to be low to moderate risk for modern slavery.

## Actions taken by Zip to address its Modern Slavery Risks

Our approach to addressing modern slavery reflects the purpose and values that are integral to our business operations. These values are:

- Treat each other with respect and dignity.
- Respect the law and act accordingly.
- Be fair and honest in your dealings.
- Be responsible for your actions and accountable for their consequence.
- Be responsible to the community and to the individual.

Our commitment to human rights is supported by an internal governance framework that enables us to effectively identify, assess and address the risks of modern slavery in our operations and supply chains. These include but are not limited to:

- Code of Conduct.
- Whistleblower Policy.
- Supplier Code of Conduct.
- Human Rights Statement.
- Environmental and Social Policy.

Our **Code of Conduct** sets out the standards of behaviour expected of our directors, senior executives and employees. It supports our commitment to identify and mitigate the risk of modern slavery by outlining our expectations on fair dealings with customers and suppliers and acting with high standards of ethics and integrity. All employees are responsible for complying with our Code of Conduct and receive appropriate training on their obligations.

Our **Whistleblower Policy** empowers our people to feel confident about reporting wrongdoing by fostering a safe, supportive and confidential environment. The policy is underpinned by our values including the need to be responsible to the community and to the individual. This Policy applies to personnel including suppliers, contractors and relatives and sets out an expansive list of reportable matters under the policy, which includes conduct that is unethical, corrupt or a serious risk to public safety. We updated our Whistleblower Policy in November 2021. No issues relating to modern slavery or human rights were reported in this reporting period.

Our **Supplier Code of Conduct** sets out our expectations for the conduct of our suppliers including in respect of modern slavery, labour and human rights. The Code is consistent with International Labour Organisation standards and requires our suppliers to uphold the human rights of its workers in their operations and supply chains. This includes expectations with respect to child labour, working hours, wages and benefits, anti-discrimination and humane treatment.

Since the reporting period, the Supplier Code of Conduct has been reviewed by the Senior Manager, Risk, who was not involved in the initial drafting of the Code. Following the review, the Senior Manager made a number of key recommendations in respect of the content and form of the Code, and its implementation and monitoring. We are looking to implement these recommendations before the end of the next reporting period.

Our **Human Rights Statement** recognises the importance of respecting and supporting human rights while operating our business. It applies to our employees and contractors and covers all areas of our operation. The Human Rights Statement sets out the need to prevent or mitigate adverse human rights impacts and to implement appropriate due diligence processes to identify, prevent and mitigate these impacts.

The **Environmental and Social Policy** outlines our commitments to being an environmentally and socially responsible business and how we intend to manage economic, environmental and social sustainability risks. Under this policy, we set out our strategy to proactively manage the impact of our operations on the environment, as well as our people, customers and community. This includes promoting awareness and good conduct in areas of environmental sustainability, ethical labour practices and working conditions.

During the reporting period, we also engaged independent legal counsel to review our employment contracts to ensure compliance with applicable labour, industrial relations and workplace health and safety standards across various jurisdictions. We also conducted a yearly review of National Employment Standards (NES) and modern awards.

### 1. Modern Slavery Working Group and Modern Slavery roadmap

During this reporting period, our cross-functional and jurisdictional Modern Slavery Working Group (“**Working Group**”) continued to meet to assess the risks of modern slavery, and to develop our modern slavery response as an organisation. The Working Group meets monthly and is composed of members based globally from a wide range of business functions including finance, legal, compliance, financial crime, new markets and representatives of subsidiaries, including ZipMoney Payments Pty Ltd, Zip UK Holdings and Zip Co NZ Limited.

During the reporting period, the Working Group focused on a range of modern slavery initiatives, including but not limited to:

- **Consultation:** undertaking more extensive consultation with subsidiaries in the global Zip group in relation to the Zip modern slavery plan and statement, and the modern slavery risks in each of their jurisdictions.
- **Assessing effectiveness:** defining what ‘effectiveness’ means in the context of Zip’s modern slavery KPIs and assessing Zip’s performance against the KPIs as set out in 2021 statement.
- **Grievance mechanism:** better publicising the anonymous whistleblower hotline in Zip’s offices and implementing appropriate measures to respond to and investigate any reported incidents of modern slavery through the hotline.

During the reporting period, we have also undertaken a review of our Modern Slavery roadmap and focused on the internal standards and framework governing modern slavery risks.

To date, we have regularly reviewed the initiatives that we have identified through our roadmap to support our modern slavery efforts. The roadmap was developed by the Working Group alongside external subject matter experts and sets out our goals and actions for addressing modern slavery risks for the next year. During this reporting period, we undertook a number of roadmap actions:

- We engaged with a cross-section of relevant Zip representatives (based in the United Kingdom, Australia and New Zealand) to communicate the Board’s expectations in relation to addressing modern slavery. This included mandating awareness raising training to be undertaken by appropriate representatives from these Zip entities.
- We implemented a more detailed and mandatory training program related to modern slavery risks for relevant personnel and rolled out business-wide education for all employees in Australia and New Zealand. The training covered a comprehensive overview of modern slavery, reporting requirements for modern slavery, actions taken for mitigating modern slavery, and information about our modern slavery statement.



- We enhanced ongoing disclosure processes through our whistleblower platform to protect workers in our supply chains.

Our Working Group collaborated to develop our modern slavery response and this joint modern slavery statement. We consulted with subject matter experts (including lawyers specialising in this area) to develop the statement and to reflect our practices and processes.

## **2. Due diligence and remediation**

We are in the process of rolling out a global Vendor Management Policy (“**Vendor Policy**”) to apply to all current and future third party vendors providing services to Zip. The Vendor Policy establishes a vendor due diligence process (including in respect of modern slavery due diligence). Under the Vendor Policy, we are also rolling out a Vendor Due Diligence checklist (“**Checklist**”) which contains specific modern slavery related questions to allow us to better identify and rate risks of modern slavery in vendors' businesses prior to commencing a business relationship with them.

We expect both the Vendor Policy and the Checklist to be in operation before the end of the next reporting period.

In parallel, we are also developing a self-assessment questionnaire (expected to be finalised in the next reporting period) which will be circulated to certain suppliers. The questionnaire includes questions on whether the supplier has policies in place to address modern slavery risks in their operations and supply chains, how they respond to allegations of modern slavery and the nature of due diligence activities they undertake of their supply chains.

## **3. Governance and Policy review**

We regularly review our internal governance frameworks, as well as our core policies and procedures.

In addition, the Board maintains its focus on risk management and governance, continues to increase investment in compliance resources and reporting. Further, the Board is focused on developing a stronger second line of defence, through internal audit, to further strengthen the three lines of defence framework and ensure clear lines of accountability. Further detail on our corporate governance can be found in the FY22 Corporate Governance statement on our website.

## **4. Modern Slavery related clauses**

Where appropriate and possible, we have included key modern slavery related clauses in contracts with our suppliers. The modern slavery clauses impose minimum expectations on suppliers to conduct their businesses in a way that mitigates modern slavery risks in their supply chains.

In circumstances where we become aware that a supplier has breached a modern slavery related term, Zip will seek to enforce contractual mechanisms to compel compliance or to terminate the contractual arrangement.

During the reporting period, we conducted a preliminary review of standard modern slavery related clauses in our supplier contracts. Since the reporting period, we made the following updates to our clauses:

- imposing obligations on suppliers (and their subcontractors or representatives) to comply with the Supplier Code of Conduct and relevant Zip policies;
- requiring suppliers to promptly notify Zip of any actual or suspected incidents of modern slavery or human trafficking in their supply chains; and
- imposing a requirement on suppliers to refrain from restricting workers' movements and discriminating against workers when grievances are raised.

We note that clauses within supplier contracts are subject to negotiation with individual suppliers.

## **5. Whistleblower Reports**

At the time of lodging this Statement, no incidents of modern slavery were identified through Zip's whistleblower regime. As noted in our last statement, we implemented an independent whistleblower service, Convercent, which allows officers and employees (including full-time, part-time and temporary), suppliers and associates, as well as relatives, dependents or spouses in all jurisdictions, to anonymously lodge a whistleblower report.

Information about this platform was provided to staff and employees via email and also in compulsory training to ensure all personnel were aware of its existence. Finally, to ensure the availability and accessibility of the whistleblower hotline, senior management has communicated to the Zip team about how to lodge whistleblower complaints and we have displayed posters around global offices with QR codes to the Convercent website.

## **6. Internal Education & Training**

During the reporting period, we introduced compulsory modern slavery training for Australian and New Zealand employees.

The modern slavery training, which was rolled out in June 2022, builds upon knowledge from the previous two years, and includes business specific flags and indicators for identifying risks of modern slavery when onboarding suppliers. This modern slavery training forms part of the induction training program for all new employees, and was introduced to increase awareness of relevant policies and procedures that prohibit modern slavery and the implications of the Act for our supply chains.

## **7. Risk management**

During FY22, we made significant investments to improve our Risk Management, with particular focus on our core markets in Australia, New Zealand, and the United States. Key activities included:

- Completion of an external independent review of our risk practices, which included interviews with senior leadership to identify the top 20 current and emerging risks facing our business and areas of opportunity for ongoing improvement;
- Appointment of a Risk and Compliance Director and added resources to our Risk Management teams in Australia and New Zealand and the United States;
- Development of a detailed risk appetite statement with risk appetite reporting measures outlining our tolerances across strategic, financial, product,

- innovation, marketing, operational, cyber security, legal, regulatory, compliance and credit risk types;
- Review of our global risk register and further development of our risk matrix identifying key risks, mitigations and accountability; and
- Review and enhancement of our Business Continuity Plan and Crisis Management Plan, increasing our response and recovery preparedness.

## 8. Remediation

In line with our values and commitments, we confirm that where we become aware of any incidents of modern slavery in our direct supply chain we will take appropriate steps to rectify such incidents in our operations or supply chains. To date, we have not been required to take any such action.

### Assessing the effectiveness of our response

We acknowledge that we must be cognisant of modern slavery risks and implement proportionate controls that identify, assess and address modern slavery risks in our operations and supply chains. We are committed to proactively mitigating modern slavery risks in our operations.

During the reporting period, we assessed the effectiveness of our controls through the following actions:

- **Zip Modern Slavery Roadmap:** we continued to review our progress on modern slavery initiatives in our modern slavery roadmap;
- **Contractual controls:** we reviewed our standard modern slavery related clauses and enhanced contractual provisions within supplier contracts dealing with modern slavery risk;
- **Training completion rates:** we measured completion rates of modern slavery training by employees; and
- **Modern Slavery Working Group:** our Working Group monitored and oversaw the initiatives set out above, and continued to guide our continuous improvement approach.

Since the reporting period, we also developed internal KPIs relating to disclosure of modern slavery risks by reviewing the number of suppliers who complete the self-assessment questionnaire.

With the support of industry experts, we will continue to refine relevant KPIs. This will ensure that our continuous improvement approach to modern slavery is multi-dimensional and includes both top-down and bottom-up approaches that address our governance, practices and procedures, and extend to our employees and suppliers.

We are committed to engaging and educating our employees and suppliers about the risks of modern slavery, and will continue to do so.

### Consultation

Through the Working Group, Zip has consulted relevant Zip representatives in the development of this statement.

## Next steps

Our modern slavery statement is an iterative document which we review and update annually.

We are committed to proactively mitigating and addressing the risks of modern slavery in our supply chain. Over the coming years, we intend to further strengthen our modern slavery controls by:

- conducting a review of different Zip divisions to determine modern slavery risk ratings by jurisdiction;
- reviewing and monitoring any high risk suppliers that are onboarded during the FY23 reporting period;
- refining and rolling out supplier questionnaires for identified high risk suppliers;
- further increasing accessibility and awareness of our anonymous whistleblower hotline; and
- assessing the need for further policy documents focused on responsible and ethical raw material sourcing and responsible purchasing practices.