



MODERN SLAVERY STATEMENT
UNDER THE MODERN SLAVERY ACT 2018 (CTH)

Factory X Pty Limited
ABN 51 078 151 667

REPORTING PERIOD
1 JULY 2019 – 30 JUNE 2020

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INTRODUCTION

This Modern Slavery Statement is made in accordance with the requirements under the Modern Slavery Act 2018 (Cth) ('the Act').

The reporting entity under this Statement is Factory X Pty Limited - ABN 51 078 151 667 ('Factory X', 'we', 'our') and is on behalf of our controlled entity Factory X Limited - NZBN 94 29 034 004 173.

Factory X operates under the following brands:

- Dangerfield
- Princess Highway
- Gorman
- L'urv
- Alannah Hill
- Jack London
- Autonomy
- Autonomy Online

ABOUT US

The principles of fair trade and loyalty are of foundational importance to us. We place a high value on mutually beneficial, trust-based relationships with our employees, suppliers and customers.


Our Head Office and Warehouse was established in Melbourne on 9 April 1997. We are a design, distribution and retailer in young fashion, streetwear, sportswear, children's wear and ethical fashion ranges.

We recognise the inherent modern slavery risks that can potentially arise within the retail, apparel and textiles manufacturing sectors.


Given our manufacturing supply chains and the longstanding recognition of these risks, such concerns have been important business considerations for us since well before the commencement of the Act.


We have collaborated with external subject matter experts to expand our capacity and effectiveness in modern slavery risk identification in our operations and supply chains.


We have engaged in the following activities as part of our modern slavery risk management:


 Established a Modern Slavery Management Team.


 Modern Slavery Professional Consultation.

 In-depth Supply Chain analysis, including structural examination and the identification of areas of elevated risk.

 Outlined our Steps taken to assess and manage that risk.

 Due diligences measures for modern slavery risks.

 Assessed the effectiveness of anti-slavery measures to date, and developed a framework for ongoing assessment of our modern slavery response.

 Engaged in training of employees regarding modern slavery.

STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Identify the reporting entity

Factory X Pty Limited – ABN 51 078 151 667 is a reporting entity under the Act and is reporting on behalf of its controlled entity **Factory X Limited – NZBN 94 29 034 004 173.**

Describe the reporting entity's structure, operations and supply chains

We are a privately owned Australian company.

We have 823 employees across our headquarters and Retail Stores, including 755 employees in Australia and 68 in New Zealand. In total, we operate 100 independent retail outlets.

Our products are largely final-end apparel and accessories catering to a wide variety of consumers. Our corporate functions that support our primary business operations and activities are undertaken from our headquarters in Victoria.

OUR SUPPLY CHAINS

We have over 500 suppliers (including manufacturers) of goods and services located within Australia and internationally.

90% of our international apparel suppliers that are responsible for manufacturing our products are located in China. We do not manufacture directly but utilise a network of factories and suppliers that span three continents. A full list of our suppliers in relation to the factories that we engage are publicly available on our website.

We have longstanding relationships with our suppliers having worked with the majority of our suppliers for a period of between (or exceeding) 5 to 10 years.

The more remote tiers of our primary supply chains rely on inputs from the following products:

- Cotton & Cotton Textiles
- Knitted Mills
- Hemp textiles
- Wool
- Crop Cultivation
- Chemical Fibres

RISKS OF MODERN SLAVERY PRACTICES

Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns and controls

Over the current reporting period, we did not identify the occurrence of any actual or suspected instances of modern slavery within our operations and supply chains.

It is acknowledged that the clothing and apparel industry, as a whole, has a potentially elevated modern slavery risk profile. This may be due to inherent industry risks in apparel production and manufacturing, including relatively high-proportions of low-skilled labour, and the characteristic concentration of suppliers in relatively higher risk geographies.

We also recognise that the nature of modern slavery risks is such that risks may be hidden, at lower tiers of the supply chain.

With the assistance of professional consultants, we have established what we believe to be a robust system of supply chain screening that enables us to minimise the modern slavery risks for each of our procurement categories and suppliers.¹

¹ In terms of methodology, the spend date for FY2018 - 19 was split into two groups, namely, operational procurement and overseas procurement.

Due to their materially different considerations and constraints, these were separately analysed. Each procurement category was screened for social risks relevant to modern slavery: Labour Rights, & Decent Work, Human Rights and Governance.

These risks were obtained from the Social Hotspot Database (SHD), which indicates the likelihood of an issue relating to modern slavery occurring across different industries in various countries worldwide. We looked at risk likelihood and spend based risk, inherent risk or risk likelihood and the most common modern slavery issues and examined the highest risk categories, across both organisational and overseas suppliers and by category of goods and services in order to identify the high risk areas, so we are better able to address our risks.

SUPPLY CHAIN RISKS



Overseas Suppliers - Sourcing and Manufacturing Apparel in China

For our overseas apparel suppliers, areas of potentially elevated risks for modern slavery were identified in relation to the following products:

- Leather products
- Woven garments
- Knitwear
- Textiles made of cotton and bedding

Up to 90% of our products are sourced and manufactured in China. We recognise that supply chains in this jurisdiction, common to the overwhelming majority of Australian apparel retailers, carry an elevated risk of modern slavery within this category based on a broad, high-level assessment at the country level.

We strongly believe that our robust due diligence processes and longstanding supplier relationships, explained further below, have operated, and will continue to operate, to effectively mitigate the risk of modern slavery.

We have taken what we believe to be appropriate measures detailed in Part Four below (eg, internal and third-party audits, consultations, etc.) to ensure that our brands and products are not causing or contributing to any actual instances of modern slavery.



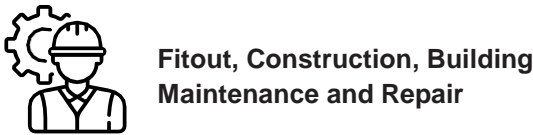
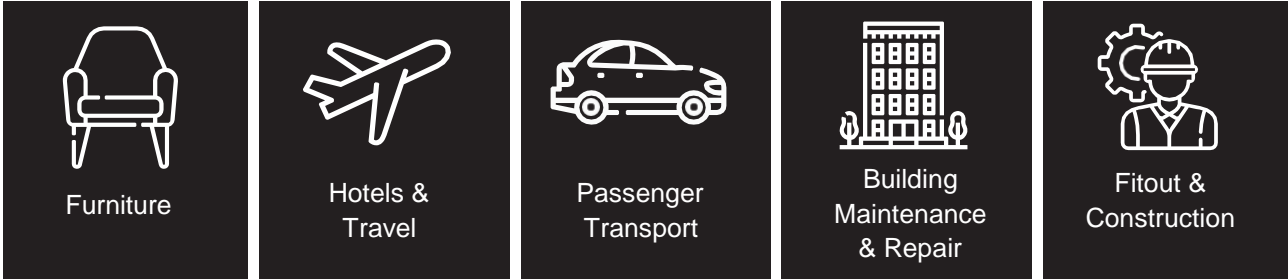
Domestic Supply Chain Risks

Based on our initial risk assessment, categories at Tier 1 that we have identified as having potentially elevated modern slavery risk by total spend amount included:

 Business Services	 Apparel & Accessory Stock procured locally	 Distribution	 Fitout & Construction	 Marketing & Promotion
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PART 3: RISKS OF MODERN SLAVERY PRACTICES

At Tiers 2 and 3, the general industry categories that we identified with potentially elevated risks for modern slavery included:



We have consolidated these categories, which were represented in Tiers 1-3, and are industries that generally present relatively higher modern slavery risks. The following risk factors are present within construction industry and may elevate the risk of modern slavery:

- Low barriers of entry to employment
- Low wage work
- Disproportionate representation of migrant workers
- Hazardous working conditions

Whilst the above categories have been identified as part of our risk assessment processes, we consider the modern slavery risks in our direct operations to be low.

Employees (as of 31 March 2021)		
	FACTORY X PTY LTD (AUS)	FACTORY X LIMITED (NZ)
Full Time	274	24
Part Time	8	41
Casual	523	0
Total	805	65

Our employees in Australia and New Zealand are subject to appropriate employment contracts, including standard employment protections and safety nets. As noted in the chart below, our retail workforce in Australia includes a number of casual employees.

Casual workers at a broad level, carry an elevated risk for modern slavery in comparison to direct employees. However, our casual employees remain subject to our robust protocols of onboarding and training handled by our human resources department.

Additionally, the regulatory oversight and legislative frameworks provided for workers in Australia and New Zealand provides our workforce with protections against exploitative practices and thus the risk of modern slavery occurring in our direct operations is low.

Specifically, our retail workforce is subject to the General Retail Industry Award and employment protections under the Fair Work Act 2009 (Cth).

ADDRESSING MODERN SLAVERY RISKS

Actions to Assess and Address Modern Slavery Risks; Including Due Diligence and Remediation Processes

This Part contains a summary of our due diligence actions during the subject reporting period.

We have concentrated our modern slavery due diligence efforts on our overseas apparel suppliers in order to effectively address the most pressing modern slavery risks in our supply chains and operations.

Over the reporting period, we have engaged in robust risk management practices that incorporate the following due diligence activities and are specifically focused on modern slavery risks.

PROCEDURES AND POLICIES TO MITIGATE OUR RISK

Having identified the risks of our supply chains, especially in relation to the manufacture of overseas apparel, we have implemented the following practices, policies and procedures to assess, address and mitigate our modern slavery risks as part of our internal governance processes.



Onboarding Suppliers

We require all suppliers to return a signed copy of our Supplier Terms and Conditions, which includes our Code of Conduct.

Where a supplier fails to comply with any aspects of the provisions, the supplier is prevented from onboarding until they certify that they are able to meet all requirements and satisfy the production department.



Modern Slavery Questionnaires

Factory X conducted a survey questionnaire querying our suppliers of any potential modern slavery risks. The uptake of the questionnaire was positive as we received 600 responses which helped us identify any potential modern slavery occurring within our supply chain.

We received 100% complete responses for our modern slavery questionnaire issued to our overseas suppliers. 50% of our local suppliers have also responded to the questionnaire.

Factory X will be issuing these questionnaires on an ongoing basis and plan to shortly recirculate the questionnaire for our upcoming reporting period.



Incorporating internationally recognised human rights principles in our Policy

We have a publicly available Ethical Sourcing Policy, which outlines our commitment to manufacturing products under safe and fair working conditions that are wholly compliant with applicable human rights standards. This policy is available both internally and for the general public.

The Ethical Sourcing policy applies to all final stage manufacturers and draws on internationally recognised principles from the International Labour Organisation (ILO) and the Universal Declaration of Human Rights. All suppliers that produce Factory X garments must show continuous improvement in the implementation of these requirements.



Enhancing Supply Chain Relationships

Enhancing our relationships with our direct suppliers remains a priority in helping us to mitigate modern slavery risks that may exist deeper within our supply chains and outside the direct leverage of our contractual relationships. We are presently focused on the following aspects of our supplier relationships.



Phasing out Agencies

We are shifting to an operational model that incorporates more direct supplier relationships. We are phasing out the use of agencies, as we recognise this may potentially reduce transparency and visibility over supply chains



Responsible Purchasing Practices

We work towards a minimum 6-month lead-time on production orders. This gives our manufacturers the opportunity to plan ahead, stabilise their workforce, and manage workflows. We do not shop for the lowest price or put work orders out to tender.

We also seek to build deep and long-standing relationships with our trusted suppliers. New suppliers are only sought when existing manufacturers are unable to produce something in our product range.



Our Commitment to Living Wages

We are committed to cooperating with our suppliers and multi-stakeholders to develop fairer working practices in the industry from the grassroots up.

Our Standard Supply Terms are an integral part of the buying agreement. The Terms were developed using the Ethical Trading Initiative Base Code as a guide protocol. Local laws, the International Labour Organisation (ILO) Conventions, and the principles of the United Nations Universal Declaration of Human Rights are also referenced.

We have adopted the benchmarks set by the Anker Living Wage Methodology in order to establish the living wage in the specific regions where our suppliers are located, actively working towards closing the gap between living and minimum wages.

We are in direct contact with our suppliers and manufacturers. We offer guidance on labour costing and reflect increases in negotiated wages in the labour components of our costing calculations.



Uzbek Cotton Pledge

As part of our strategy for mitigating modern slavery risks, we have signed the Uzbek Cotton Pledge.

This is a commitment to not using cotton from Uzbekistan due to unacceptable risks of child and forced labour in the cultivation and harvesting of cotton in this region.



Modern Slavery Training

We have engaged an Australian quality assurance specialist in the textiles industry, to undertake Corporate Social Responsibility ('CSR') Training of key personnel. A key component of this training is the Modern Slavery Act and human trafficking and is specific to the geographical regions that we operate.



Improving Audits and Transparency

We currently use professional auditors and trained certified audit staff who are responsible for overseeing and completing reports on all supplier onsite audits. Two qualified auditors in Shanghai are responsible for maintaining internal and onboarding audits.

These auditors report directly to the Production Director at our Head Office. We also use the services of other professional auditors.

Our direct suppliers are required to keep Factory X informed of all places producing goods intended for ultimate supply to us as part of our product lines (including their sub-contractors).

We reserve the right to make unannounced visits at any time to all places of production (including our supplier sub-contractors).

We also reserve the right to assign, at its sole discretion, an independent third party to conduct inspections in order to ensure compliance with our ethical sourcing policy.

In 2020, Factory X conducted audits on our suppliers, several of which were conducted by our third-party auditors. Whilst we are still awaiting receipt of a report in respect of one audit, the results of the audits undertaken were positive with each supplier passing our audits with recommendations from Factory X to further improve their practices in line with our constant pursuit of improved results.

Factory X intends to continue to conduct such audits to ensure our suppliers' ongoing compliance with our standards with regards to modern slavery risk as well as broader social and ethical concerns.



International Labour Organization (ILO) - International Organisation of Employers (IOE)

We are endorsers of the call to action made jointly by the ILO and the IOE in response to the impact of COVID-19 on the global garment industry to protect garment workers' income, health and employment.

As part of our endorsement, we are part of a collaborative business group coordinated by the IOE to establish a common position with regards to protecting workers and reducing the risk of exploitation and modern slavery.



Remediation

It is a supplier requirement that we be notified of any situation where any material terms of our policies are not being upheld. We are committed to investigating all complaints that we receive.

If an issue is confirmed, we will work with the parties involved to develop a corrective action plan. The complaint will remain strictly confidential, unless the reporting party advises otherwise.

MEASURING EFFECTIVENESS

To assess effectiveness of our actions taken to address and prevent modern slavery risks, we are establishing a reporting framework listing the criteria to be evaluated and the opportunities for development of better practice for the future.

FRAMEWORK	MEASURING EFFECTIVENESS
 New Supplier Operations Assessment & Onboarding	<ul style="list-style-type: none"> • Strengthen our Ethical Sourcing Policy (ESP) • Track the number of suppliers that sign up to our ESP
 New Supplier Overseas Assessment & Onboarding	<ul style="list-style-type: none"> • Provide training on our ESP and operational purchases • Implement supply chain mapping • Provide subcontractors with a copy of our ESP • Track the number of employees and suppliers that have been trained on our ESP
 Existing Supplier Monitoring and Engagement	<ul style="list-style-type: none"> • Implement a risk-based due diligence and supply chain mapping • Increase the number of suppliers and particularly higher risk suppliers that are the subject of a risk assessment
 Audits & Investigations	<ul style="list-style-type: none"> • Create annual review for high risk suppliers • Monitor our internal review processes for higher risk suppliers and effectiveness of our audit mechanisms in identifying higher risk suppliers
 Grievance Mechanism and Remediation	<ul style="list-style-type: none"> • Create a review system of audit and supplier engagement • Track and review any grievances identified or made, including any remediation activity undertaken as a result
 Education & Training	<ul style="list-style-type: none"> • Communicate our ESP and our Environmental Procurement Policy (EPP) • Identify skill gaps and train staff
 Partnerships & Collaborations	<ul style="list-style-type: none"> • Increase leverage with peer partnerships and collaborative opportunities
 Assessing the Effectiveness and Reporting	<ul style="list-style-type: none"> • Review effectiveness, report and share

PROCESS OF CONSULTATION

Describe the process of consultation with any entity it owns or controls

Factory X recognises that a unified effort with our controlled entity is required for a holistic approach to the risk of modern slavery. We have engaged with our controlled entity in New Zealand, Factory X Limited, to create a fulsome approach to identifying and mitigating our modern slavery risks in our operations and supply chain.

As part of our consultation process with our controlled entity, we undertook a number of actions in order to create a fulsome and holistic approach to identifying and then mitigating modern slavery risk in both our operations and supply chain.

We have engaged in discourse with our controlled entity and have made requests for information, consulted on potential risk factors and agreed upon an action plan to form a comprehensive approach with regards to modern slavery risk, culminating in the publication of this Statement.

This extensive consultation process helped us identify key risks of modern slavery occurring in our operations and supply chains and target specific staff in areas such as procurement and human resources in order to effectively mitigate our modern slavery risk.

RELEVANT INFORMATION

IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has had a considerable impact on our operations as two-thirds of our staff were stood down last year. Due to the initiatives of the Australian government, JobKeeper has allowed for continued payment of employees, whether or not they were able to work, through a wage subsidy.

This reduced the risk of modern slavery from occurring in our operations as a result of the COVID-19 pandemic as the continuity of income for our workers was ensured and they were not exposed to potential exploitative practices that may occur with unemployment.

Despite this, the impact of the pandemic resulted in Factory X having reduced operational capacity as a "skeleton staff" was implemented. As such, our ability to fulfil our action plan in regards to modern slavery risk was diminished as well as a delay in the preparation of this Statement.

We have collaborated with our suppliers over the reporting period to mitigate, to the fullest extent practicable, the adverse impacts of the COVID-19 pandemic on the modern slavery risks in our operations and supply chains, and our ability to assess and respond to those risks.



Ensuring our Suppliers are Supported

We have sought to clearly and promptly communicate with our suppliers during the pandemic. Direct communication from our CEO was provided to our suppliers in February 2020.

We recognise the various challenges our suppliers have faced, and will continue to face, as a result of the pandemic.

We have sought to minimise the downward pressures that may have the potential to directly or indirectly impact the working conditions at our suppliers' (or their suppliers') factories.

In 2020 we made six COVID-19 Fashion Commitments to our suppliers which we have published on our website, including the below:

 <p>Supporting workers' wages by honouring supplier commitments</p>	 <p>Identifying and support the workers at greatest risk</p>	 <p>Listening to the voices and experience of workers</p>
 <p>Ensuring workers' rights and safety are respected</p>	 <p>Collaborating with others to protect vulnerable workers</p>	 <p>Building better conditions for workers and the world</p>

These commitments have also practically involved the following actions:

- ✔ Committing to timely full payments on all completed orders.
- ✔ Not cancelling or discounting any existing orders.
- ✔ Not cutting back and placing orders that we cannot commit to financially and within agreed terms.
- ✔ Creating additional orders, where possible, to provide employment.
- ✔ Extending and rebalancing delivery dates to alleviate undue financial pressure.
- ✔ Continuing to utilise all suppliers at a ratio equal, insofar as practicable, to pre-COVID-19 conditions.
- ✔ Extending the window for delivery periods without penalty to suppliers considering uncertainty in shipping times.
- ✔ Continuing to monitor living wages with audits into key manufacturers to identify areas of potential financial hardship.
- ✔ Providing a bilingual point of contact for grievances.
- ✔ Operating clear channels of communication between HO, stores, staff, suppliers and workers.
- ✔ Signing the ILO 'Call to Action' to work together to establish sustainable systems of social protection for a more just and resilient garment industry.
- ✔ Issuing COVID-19 related Health & Safety infographics to stores and factories.
- ✔ Offering free shipping and advice on importing essential items of PPE to the Victorian Government, during the crisis.
- ✔ Converting a suit-making factory (whose demand had slumped) to manufacture masks.
- ✔ Providing 9,000 free PPE (N95) masks to factory staff and manufactured 100,000 non-branded masks, which are provided on a non-profit basis.



Impacts on Modern Slavery Risk Identification

Due to the travel restrictions as well as mandatory lockdowns in the various cities in which our suppliers are located due to the COVID-19 pandemic, our ordinary auditing activities were disrupted, as we were unable to undertake onsite audits of suppliers' factories and working conditions.

Nevertheless, we sought to closely monitor worker situations through frequent and open communication with our suppliers and have recommenced our auditing activities as lockdowns have been lifted.

FUTURE PLANNED ACTIONS

For upcoming reporting periods, we plan to focus on the following specific issues as part of our commitment to continually improving our capacity for effective modern slavery risk identification and mitigation:

- ✓ We will prioritise those categories of suppliers that present relatively elevated risk results over the next two reporting periods.
- ✓ We also seek to continue to monitor Tier 1 and endeavour to increase effective transparency in Tier 2 and 3.
- ✓ We will draw on additional information gained from our risk identification and assessment to build a continuous improvement approach. This will involve not only meeting minimum reporting obligations, but also developing our ongoing commitment to responsible corporate citizenship.
- ✓ We will maintain and increase the auditing of our suppliers.
- ✓ We will continue to investigate and develop independent overseas workers grievance channel(s).

This Modern Slavery Statement has been prepared in consultation with the Board of Directors of Factory X Pty Limited and our New Zealand entity, Factory X Limited. The Board has approved it for signature by our CEO, and for lodgement onto the public register administered by the Australian Border Force.



David Heeney
CEO

31/3/21

Date



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