



# MODERN SLAVERY STATEMENT

FINANCIAL YEAR 2021

**Best&Less** **Postie**

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## Acknowledgement

Best & Less Group acknowledges the Traditional Custodians of Country throughout Australia and New Zealand and recognises their continuing connection to land, waters, and community. We pay our respects to them and their cultures, and to Elders past, present, and emerging.

## Registered Office

657-673 Parramatta Road  
Leichhardt NSW 2040

# INTRODUCTION

Best & Less Group Pty Ltd published its first Modern Slavery statement in March 2021 for the financial year ending 30 September 2020. Best & Less Group Holdings Ltd listed on the Australian Stock Exchange (ASX:BST - ABN 76 642 843 221) in July 2021. As part of this process Best & Less Group Holdings Ltd (hereafter “**Best & Less Group**”, “**BLGH**” or “the **Group**”) changed its reporting year to conclude on 30 June. Accordingly, our FY21 reporting year was nine months in duration.

In this time, we have continued to put in place and improve the systems, processes, and interventions to mitigate the risks of modern slavery, deepen our understanding of that risk, and put in place what is required to ensure the most effective response.

We maintain a zero tolerance for slavery and vigorously support an individual's right to live and work freely. Where actual or potential situations of modern slavery are identified, we will continue to act in the best interests of the potentially affected worker.

Our philosophy of investing in quality and safety whilst undertaking a genuine effort to lift social, environmental and community outcomes is ever more important as we see the continued impact of the COVID-19 pandemic. We have continued to work closely with our manufacturers to ensure their businesses remain viable, they continue to pay their workers appropriately and the health and safety of their workforce remains paramount as they produce our orders.

Our organisational values underpin who we recruit, how we make decisions and how we operate as a business.

We have continued to conduct our rigorous manufacturing audit program, implemented our grievance hotline, invested in our suppliers and teams through training and education, undertaken a review of our contract clauses and prepared for the implementation of the Product Lifecycle Management system<sup>1</sup> which will provide for open costings that will support our Living Wage commitments.

This statement has been published in accordance with the *Modern Slavery Act 2018* (Cth). It identifies the steps taken by Best & Less Group to prevent modern slavery in its business and supply chains during the period 1 October 2020 to 30 June 2021.

The following Best & Less Group subsidiaries are considered reporting entities:

- Best & Less Pty Ltd ABN 29 003 724 696 (Australia)
- Postie Plus Group Ltd NZBN 9429041282472 (New Zealand)

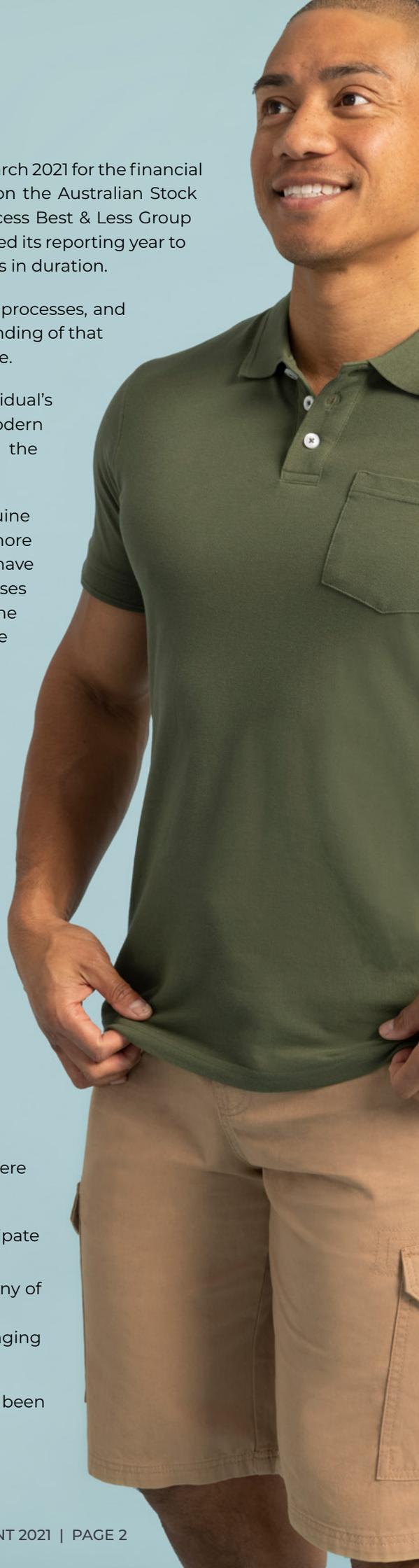
The management, buying and logistics teams of both reporting entities were consulted in the preparation of this report.

Best & Less Group has two other subsidiaries however they do not participate in trade:

- Best & Less Group Pty Ltd (ACN 081 408 791) is the holding company of the various Group subsidiaries; and
- B & L IP Pty Ltd (ACN 642 843 089) is the owner of various IP belonging to Best & Less Group.

This statement has been made on behalf of the above entities and has been reviewed and approved by the BLGH Board.

<sup>1</sup> For more detail on our PLM refer to page 18.



# CHIEF EXECUTIVE OFFICER'S MESSAGE

The Best & Less Group was admitted to the ASX as a publicly listed company in July 2021. One of a number of changes within our business this year has been the adjustment of our financial reporting to a June year end, previously ending in September, our Modern slavery report has been submitted to align with this new reporting period and as such our report this year reflects a shorter period for measurement and progression of outcomes in this important area.

This year has been another year of disruption due to the COVID pandemic and not only its impact on our business locally but also the impact that it is having with our suppliers overseas. It is critical that we understand the pressures that can be created with constraints in workforce and production time frames and work hand in hand with our suppliers to mitigate the challenges then faced by their workforce in the production of our garments. I am very pleased to say that we have and continue to be proactive in managing order volumes, trading terms and shipment timeframes to ensure that the production of our products is not a driver of risk for our supply partners. We have long standing relationships with many of our suppliers and we recognise the value that they and their teams contribute to our success as a significant retail clothing brand for the family in Australia & New Zealand.

The Best & Less Group is committed to the ongoing work we have undertaken to identify and mitigate the risks associated with modern slavery within our supply chain. We are a business that focusses on actions and not words and this year we have continued to progress and deliver systems and processes to support the advancement of our ethical sourcing code and program. To this end one of our key projects will be delivered in FY22 with the commissioning of our new Product Lifecycle Management system that will bring together many streams of work process to one centralised point, so we have a high level of accessibility and transparency to the data that support the advancement of key initiatives we are committed to, such as our living wage commitment and to preventing unauthorised subcontracting.

The Best & Less Group has committed to paying workers that produce the products we sell a living wage across our tier 1 supply chain by 2025. Over the past 12 months we have continued to audit our factories using our independent audit partner QIMA to monitor working conditions and payroll information to enable us to identify potential wage exploitation through the production process. In addition to this we also this year implemented a workers grievance hotline using both phone and email to ensure that workers have a direct line via QIMA to our sourcing team in Australia should they have any concerns with their working conditions, enabling our team to be accessible to the workforce of our suppliers. In FY22 we will continue our focus on improving transparency around work conditions in the factories we use and will conduct our first workers voice survey to hear directly from the workers that make our products, providing an additional anonymous opportunity to hear directly from our suppliers' team members about their working conditions. We have continued to train our sourcing and merchandise teams on our ethical sourcing code and practices to ensure that they have the knowledge to identify and report any risks in their dealings with our suppliers and never turn a blind eye or accept outcomes not aligned with our culture and values.

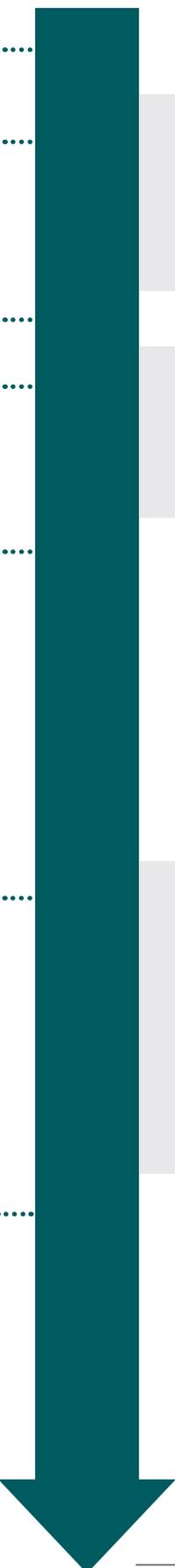
Despite the lack of ability of our team to travel currently we have continued a rigorous approach to our auditing program through our independent third-party quality control and audit partner QIMA. Their feet on the ground and coverage of our suppliers and reporting has ensured we have maintained a high level of oversight and continued to work with our supplier partners on continued improvement of their facilities and capability.

We are committed to doing more and we recognise the need to be delving deeper into our tier two merchandise suppliers in FY22, this project timeline has been impacted by the COVID outbreaks in the regions we source from in FY21, and we are confident we can make good progress on this opportunity in this current financial year. In addition, we will be building a more thorough approach to our non-trade suppliers to gain a better level of the risk profile associated with this cohort in FY22.



Rodney Orrock  
Group CEO

# A MULTI-YEAR FOCUS ON ETHICAL SOURCING

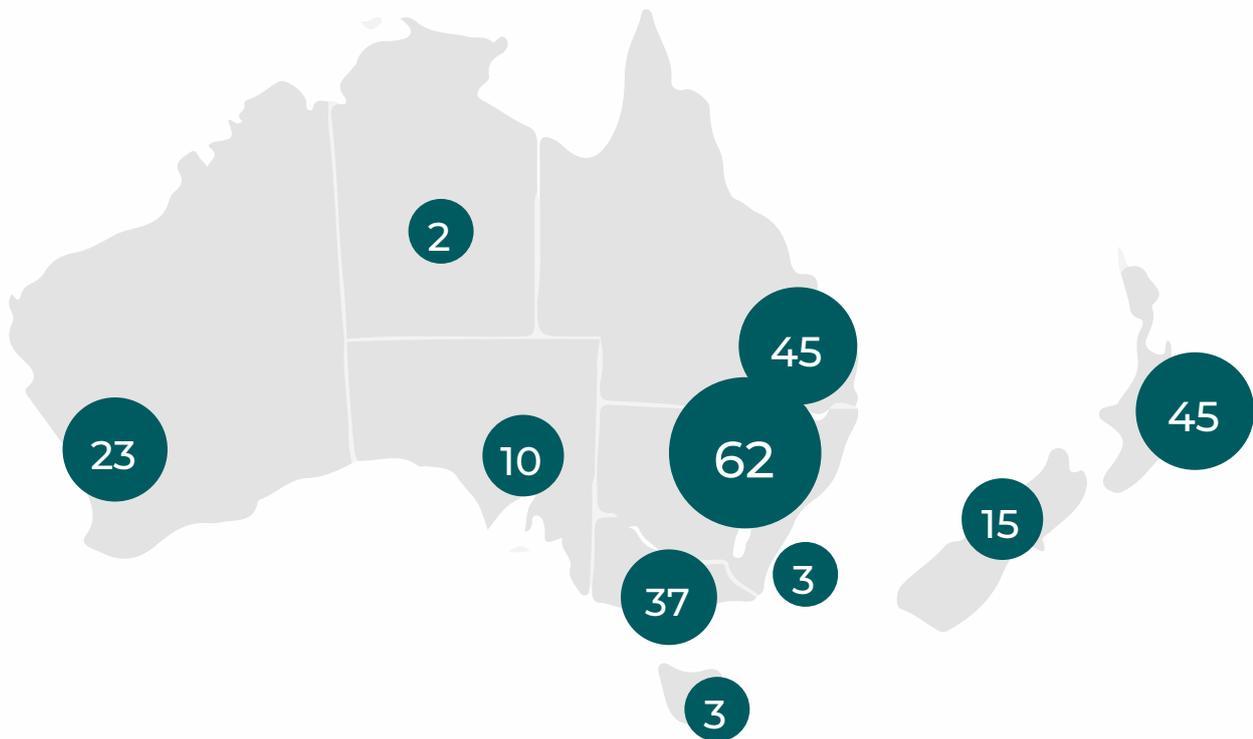


2014	SEP	Launched the <a href="#">Ethical Sourcing Code</a> , Ethical Sourcing Policy and a comprehensive supplier manual.
2015	FEB	Zero tolerance introduced for breaches of the Ethical Sourcing Code <sup>2</sup> .
	JUN	Ethical Sourcing Code published on Best&Less website.
	AUG	Commenced program to develop specific ethical, technical, social and environment audits protocols for manufacturers.
2016	JUL	Sustainability Committee meets for the first time.
2018	AUG	Compulsory audits of all factories introduced with Group Global Sourcing offices to assist with training and conducting audits.
	NOV	Supplier workshops established to drive awareness and understanding of the Ethical Sourcing Code.
2019	MAR	China Audits Management Office opened in Shanghai with a dedicated compliance team member.
	JUN	Ethical Sourcing Code translated into Mandarin and Bengali, with all factories displaying the code on the factory floor.
	OCT	Merchandise manufacturers transparency list published on Best&Less & Postie websites.
	NOV	Commitment made to ensure all Own Brand merchandise manufacturers pay their employees a living wage by 2025.
2020	JAN	Merchandise manufacturers attended supplier workshops which included introducing 'Living Wages'.
	JUL	New Merchandise Supplier Agreement implemented that includes clauses addressing modern slavery.
	SEP	217 direct suppliers completed compulsory third-party audits.
	DEC	Dedicated Workers Grievance Hotline launched and promoted to audited merchandise manufacturers.
2021	FEB	Product Lifecycle Management system implementation commenced.
	APR	Best&Less management and staff training completed: Modern Slavery and how it could present in our business.
	MAY	Non-Merchandise supply chain mapping commenced and consultation with high-risk suppliers launched.
	MAY	Wage gap analysis conducted for tier one Own Brand merchandise suppliers.

<sup>2</sup> If following remediation attempts a supplier is not willing or able to comply with our Ethical Sourcing Code then we cease using them.

# SECTION 1: BUSINESS STRUCTURE, OPERATIONS AND SUPPLY CHAIN

## — OUR NETWORK AND OPERATIONS —



**245** physical stores



**2** e-commerce stores

**1**

Distribution centre in Sydney (Postie uses 3rd party logistics in Auckland)

**2**

online fulfilment centres in Sydney and in Auckland

**3**

Office locations in Sydney, Auckland, and Shanghai

**16,482**

factory orders with over 8,863 styles and approx. 92 million individual items

**1,102,910** online orders shipped

Over **5,000 TEU** shipping containers from Asia per year

## OUR TEAM

**4,132**  
total team members



**2**  
Enterprise Bargaining  
Agreements covering 66.3% of  
staff

**3,963**  
directly employed

**63**  
contractors

**7.4%**  
team members are members of  
a trade union

## OUR CUSTOMERS



**462,100**  
customers on average per  
week

**750,000**  
online visits per week

**2,194,152**  
Reward Program  
Members

## OUR SUPPLY PARTNERS

**1,651**  
total suppliers



**1,477**  
suppliers of non-  
merchandise goods and  
services

**174**  
Own Brand merchandise manufacturers  
from 249 audited factories across 6  
countries

**28**  
Third Party brands

## - OUR ETHICAL SOURCING PROGRAM -

**100%**  
of non-concession  
merchandise  
manufacturers signed  
Supplier Code of Conduct



**2**  
merchandise  
manufacturers workshops  
with a total of 120  
participants

**100**  
merchandise manufacturers audits  
conducted in FY21

**Ongoing**  
buying practices review through  
fortnightly meetings

\*These numbers are for the full year July 2020- June 2021



## OUR BUSINESS

Best & Less Group is a leading retailer of value apparel, footwear, homewares and accessories for the family and includes the brands Best&Less in Australia and Postie in New Zealand. We employ 4,132 team members serving around 24 million customers in 247 stores and online each year.

Key functions of our operations include:

- Retail operations
- E-commerce operations
- Product design, planning and sourcing
- Supply chain logistics
- Marketing and Media
- Property and Procurement
- People & Culture and Safety
- Finance
- IT, Data and Administration

## OUR SUPPLY CHAIN

Our supply chain is global, working with more than 1,600 direct suppliers across both merchandising and non-merchandising goods and services.

### Our merchandise suppliers

Merchandise suppliers produce the diverse range of products that we sell in our stores and online including apparel, footwear, swimwear, homeware and accessories. Merchandise is classified into two categories:

- Own Brands and directly licensed products which are designed and sourced by Best & Less Group which include apparel, footwear, homewares and accessories.
- Third Party Brands which are well known brands, such as Bonds, Tradie and Underworks that are stocked in our stores. Third Party Brands also provide accessories and impulse purchase products sold in our stores, including from lesser known suppliers. These products are not designed or manufactured by Best & Less Group.

All of our Own Brands are developed by the Group and sourced in China, Bangladesh, India, Pakistan, Vietnam, and Cambodia, produced by 174 manufacturing partners in 249 audited factories. These manufacturers source fabrics mostly local to their region including cotton, cotton-blend, viscose, and synthetic polyester.

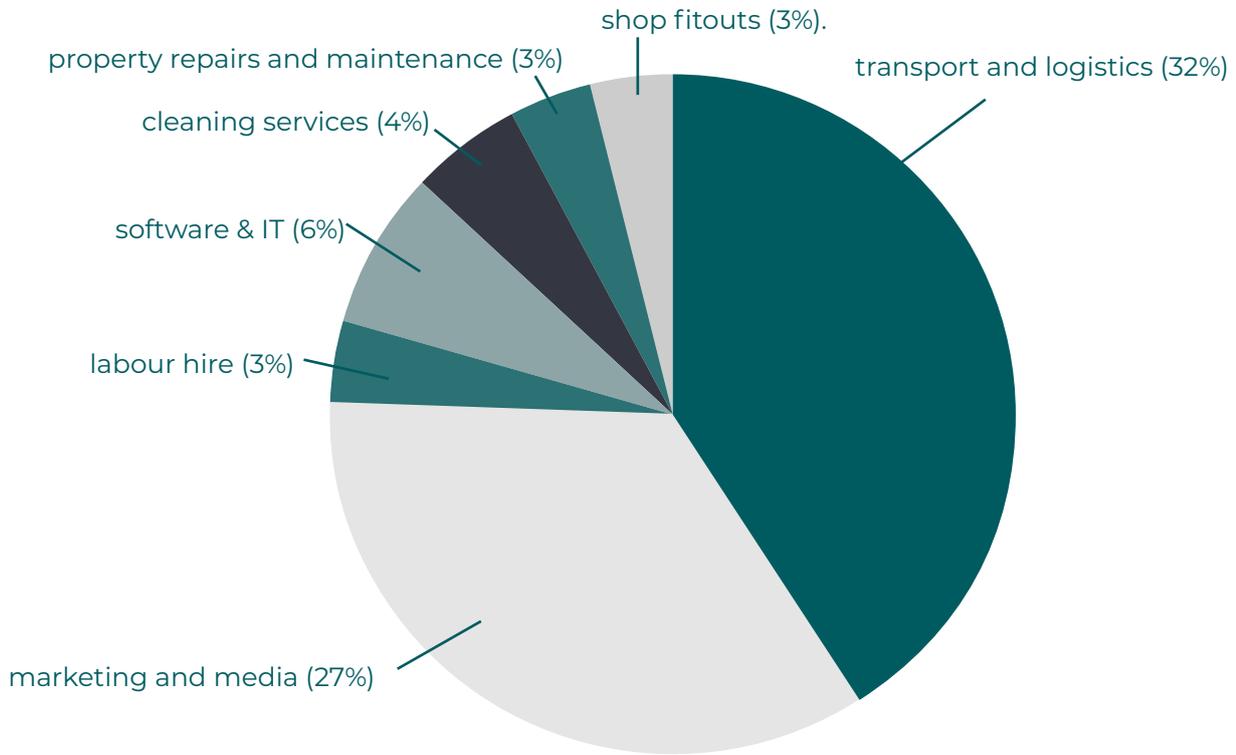
A list of our merchandise manufacturers and factory locations is published on our websites and is updated regularly.

174 MANUFACTURERS WITH 249 AUDITED FACTORIES					
UNITS	72%	22%	5%	.09%	.01%
FACTORIES	CHINA	BANGLADESH	INDIA	PAKISTAN	VIET/CAMB
FABRICS 	<ul style="list-style-type: none"> <li>• SYNTHETIC POLYESTER</li> <li>• TECHNICAL</li> <li>• MAN MADE</li> <li>• VISCOSE</li> <li>• COTTON</li> <li>• WOOL</li> </ul>	<ul style="list-style-type: none"> <li>• COTTON</li> <li>• COTTON BLEND</li> <li>• VISCOSE</li> </ul>	<ul style="list-style-type: none"> <li>• COTTON</li> <li>• COTTON BLEND</li> <li>• VISCOSE</li> </ul>	<ul style="list-style-type: none"> <li>• COTTON</li> </ul>	<ul style="list-style-type: none"> <li>• COTTON</li> <li>• MOSTLY IMPORTED</li> </ul>
SPECIALITY	<ul style="list-style-type: none"> <li>• WOVEN / KNIT</li> <li>• OUTERWEAR</li> <li>• SLEEPWEAR</li> <li>• UNDERWEAR</li> <li>• SWIM</li> <li>• FOOTWEAR</li> <li>• ACCESSORIES</li> </ul>	<ul style="list-style-type: none"> <li>• WOVEN / KNIT</li> <li>• OUTERWEAR</li> <li>• SLEEPWEAR</li> </ul>	<ul style="list-style-type: none"> <li>• WOVEN / KNIT</li> <li>• OUTERWEAR</li> <li>• SLEEPWEAR</li> <li>• HOME</li> </ul>	<ul style="list-style-type: none"> <li>• TOWELLING</li> <li>• HOME</li> </ul>	<ul style="list-style-type: none"> <li>• OUTERWEAR</li> <li>• SWIM</li> </ul>

**LOCAL SUPPLIERS**  
 ~27%  
**IMPORT SUPPLIERS**  
 ~73%

## Our non-merchandise suppliers

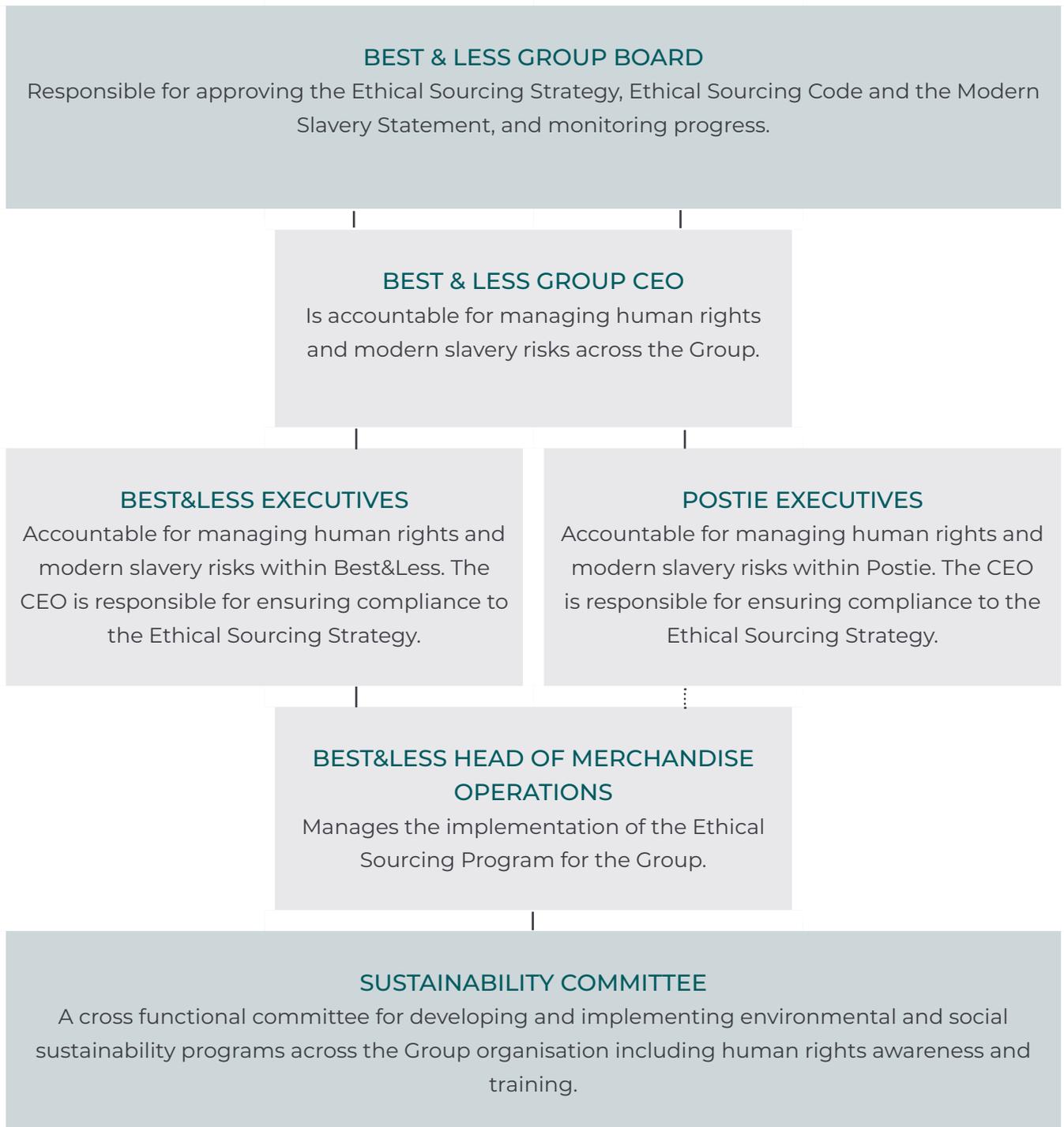
Non-merchandise suppliers (excluding landlords and utilities) provide goods and services to support our business. The biggest categories by spend are:



## COMMITMENT TO A LIVING WAGE

Best & Less Group is committed to paying living wages to workers that produce our Own Brand products. We define a living wage as remuneration earned in a standard work week (no more than 48 hours) by a worker being sufficient to afford a decent standard of living for the worker and her or his family. We have adopted the benchmarks set by the Anker Living Wage Methodology to establish the living wage in regions where our suppliers are located. Whilst our manufacturers pay legal minimum wages or higher, we recognise that in some countries there is a gap between minimum wages and living wages and we are committed to working towards closing this gap.

# SECTION 2: GOVERNANCE AND POLICIES





Core to our approach to modern slavery is a robust governance structure which is led by the Best & Less Group Board. The Board are responsible for approving the Ethical Sourcing Strategy and holding management to account for its implementation. The Ethical Sourcing Strategy includes the Group's response to the challenges of modern slavery in its supply chain.

Each financial year, the Group's Board approves each of the relevant Group policies outlined below and conducts a detailed review of the progress of the Group's actions to assess and mitigate risks of modern slavery throughout the operation and supply chain.

The Group CEO and Executives from Best&Less and Postie are accountable and responsible for implementing the strategy with assistance from the Head of Merchandise Operations and the Sustainability Committee. This year we continued to build management capability on modern slavery risk assessment across the Group, through regular engagement and consultation.

The policies and processes that support the Group's day-to-day operations require that universally recognised human rights are respected and safeguarded. Policies which support our modern slavery program include:

- Employee Code of Conduct
- Ethical Sourcing Code
- Whistle-blower Policy
- Grievance Policy
- Equal Employment Opportunity Statement
- Employee Assistance Program
- Anti-bribery and Corruption Policy

Best & Less Group is committed to complying with the laws and regulations of the countries in which our business operates. Our policies prohibit any activities involving modern slavery and we are committed to the safe and healthy working conditions for workers, including the right to freedom of association and collective bargaining. A comprehensive policy review was initiated in FY21 as part of the listing of BLGH on the ASX and regular reviews will continue so that necessary changes are made to achieve best practice.

# SECTION 3: RISKS OF MODERN SLAVERY

## OUR OPERATIONS

Best&Less Group has identified the residual risk of modern slavery in our operations as low. The Group employs most of our team members directly on full time, permanent or casual contracts. Labour Hire contractors are employed in our Australian distribution centre and online fulfilment centres. These contractors are directly managed by Best & Less on our premises and paid by the relevant labour hire firm supplying the contractors. Contractual obligations with labour hire firms stipulate compliance with Australian laws including payment of award wages and the rights of workers to collectively negotiate.

Best & Less Group's Employee Code of Conduct outlines the expectations of employees and contractors including zero tolerance for workplace harassment, bullying, bribery, corruption discrimination and serious misconduct including worker exploitation. All team members are required to undertake induction training which includes the organisation's expectations outlined within the Employee Code of Conduct.

Around 68% of the Best & Less Group's workforce is covered by Enterprise Bargaining Agreements with the remaining 34% employed via individual agreements. All agreements confer minimum pay, hours of work, break entitlements, deductions and leave entitlements, health and safety, termination of employment and grievances. Best & Less Group recognises the rights of team members to negotiate collectively, with or without the involvement of third parties including unions.

Our brands undertake regular internal reviews of our systems, process and manuals to ensure compliance with Australian and New Zealand regulations, including wage awards and product standards. Any findings from these reviews are promptly rectified and improvements to the systems, process and manuals are made to ensure any risks are mitigated in the future.



## CASE STUDY: INTERNAL AUDIT PROGRAM PROVIDES CONFIDENCE THAT OUR SYSTEMS ARE WORKING

As part of ongoing compliance, a recent internal audit identified potential incorrect payments (both under and over) certain retail management salaries in Best&Less affecting approximately 10% of employees. This was self-reported to the regulator and independent audits were commissioned to confirm and quantify the extent of the underpayment. Where underpayments were identified, the relevant amounts have been repaid to all current employees and, to the extent contact information allowed, to all former employees. To prevent any recurrence of similar underpayments the Group has implemented a new time and attendance policy and systems, adjusted the manner in which holiday pay is calculated, increased management oversight and introduced quarterly reconciliations. This is an example of how our systems are working to identify and rectify unintentional breaches in labour rights and provides our employees with the confidence that issues will be remediated promptly and fairly.

## OUR SUPPLY CHAIN: MERCHANDISE MANUFACTURERS

Best & Less Group has zero-tolerance for any form of modern slavery including the use of child labour, forced labour or prison labour in the manufacturing or sale of our garments. We strive for full transparency and do not allow outsourcing or subcontracting unless sub-contractors are also audited and approved.

However, we recognise that all products and services carry some risk of modern slavery in the supply chain. Best & Less Group has identified its merchandise manufacturers and their supply chain as carrying the highest risk of modern slavery, as they predominately operate in high-risk countries including:

COUNTRY	TYPE OF RISK
CHINA	Forced labour, forced child labour, bonded labour, harsh or inhumane treatment, limited or no freedom of association, excessive overtime.
BANGLADESH	Forced labour, migrant labour exploitation, bonded labour, harsh or inhumane treatment, excessive overtime, poor working conditions.
INDIA	Forced labour, migrant labour exploitation, bonded labour, harsh or inhumane treatment, excessive overtime, poor working conditions.
PAKISTAN	Forced labour, forced child labour, migrant labour exploitation, bonded labour, harsh or inhumane treatment, excessive overtime.
VIETNAM AND CAMBODIA	Forced labour, migrant labour exploitation, bonded labour, human trafficking, harsh or inhumane treatment, excessive overtime.

The risk profile of our merchandise manufacturers in India, whilst already high risk, was heightened due to the severity of the COVID-19 pandemic impacting this region. Best & Less Group has been working particularly closely in FY21 with these manufacturers to ensure the risks of modern slavery or labour rights abuses are mitigated.

## CASE STUDY: SUPPORTING OUR INDIAN COLLEAGUES BATTLING THE DELTA STRAIN OF COVID-19

*'During the pandemic our business with Best & Less Group has grown even faster, at a time when Europe and America were closed Australia was operational. This helped us manage the crises better. Best & Less values ethical laws and has a strong and ethical culture which makes the relationship even sweeter.'* Faizal Jaliwala, Managing Director MAF Clothing Ltd

MAF Clothing in India is one of Best & Less Group's key merchandise suppliers. They employ 4,000 people across four factories in India and have been greatly affected by the Delta strain of COVID-19. Their management team instigated precautionary measures for the health and safety of their team as well as pivoted their business to produce PPE suits and masks. Best & Less Group encouraged and supported these initiatives by maintaining the existing and new orders that the MAF Clothing team indicated they could deliver, placing orders of masks to sell in store and ensuring cash flow by assisting with shorter payment terms where requested.

A list of all Own Brand merchandise manufacturers is published on our websites<sup>3</sup> and updated regularly.

There is a heightened risk of modern slavery among tier two and tier three merchandise suppliers, where visibility is not as clear given the lack of direct relationships. These may include in the provision of raw materials such as cotton and wool, textiles production including yarn, fabric and synthetic fibre production; in subcontracting arrangements in the manufacturing process; and in logistics and shipping.

In FY21, Best & Less Group investigated software solutions to begin to map and track tier 2 suppliers. We hope to implement the approved solution in FY22.

Cotton is the predominant fibre used in the production of Own Brand products. In FY21, the Group undertook negotiations to procure Australian cotton which would pose a significantly reduced risk of modern slavery and increased traceability and auditing for this critical raw material. We hope to begin transitioning to Australian cotton in FY22.

There is also a heightened parallel risk of modern slavery within the supply chain of our Third Party Brands who also manufacture in the locations in which Best & Less Group manufacture. Best & Less Group engages with its major Third Party Brands to ensure they have similar processes in place to manage modern slavery risk in their supply chains, including obtaining audit reports for their tier 1 factories.



## CASE STUDY: TECHNOLOGY HELPS IDENTIFY UN-AUTHORISED SUBCONTRACTING

Since 2019, through our auditing and inspection partner QIMA, Best&Less has deployed GPS technology to provide the exact location in which our manufacturing factories are located. This GPS location is recorded as part of our auditing processes and used to match with the pre-shipment inspection documentation. If these don't match, there may be an incident of unauthorised subcontracting and the shipment is escalated for review.

This specific problem occurred with one of our merchandise suppliers in China. Once identified, the subcontractor was audited by QIMA to ensure compliance to Best & Less Group standards and approval was provided for this subcontractor to continue to manufacture goods for the Group. The tier one supplier was reminded of its obligations to disclose any subcontracting arrangements and will continue to be monitored to ensure compliance.

## OUR SUPPLY CHAIN: NON-MERCHANDISE SUPPLIERS

We also recognise that there is a risk of modern slavery within our tier one non-merchandise suppliers and have begun investigating and mapping these risks. While some are relatively low risk, such as our media partners, there is higher risk with suppliers providing cleaning services, international freight or fabrication of materials such as the fixtures for our stores. Where these suppliers are domestic tier one suppliers, the risk is reduced.

Tier two and three suppliers of non-merchandise goods and services, such as subcontracting in cleaning or fabrication occurring in overseas jurisdictions, carries greater risks. Domestically the property sector also carries risk where tier two and tier three suppliers include construction, cleaning and security services, although our influence in this sector is limited due to the control and information imbalance between landlords and ourselves as tenants. A similar imbalance exists with international freight providers, although discussions to better understand the steps taken by our freight partners have begun and are a key focus for FY22.

In FY21, a more detailed internal risk assessment of 25 tier one non-merchandise suppliers was undertaken and processes were initiated to better understand the steps taken by those suppliers deemed as high risk.

Work to assess the risk of modern slavery in our tier two merchandise suppliers and our non-merchandise suppliers will continue in FY22.



# SECTION 4: ACTIONS TAKEN TO ADDRESS MODERN SLAVERY RISKS

Further to the activities undertaken as part of our ongoing Ethical Sourcing Strategy and as reported in our [previous statement](#), this financial year focussed on five key areas:

- Review of contractual controls
- Training and engagement
- Implementation of company-wide grievance hotline
- Assessment and preparedness for software and systems improvements
- Progress on our living wage commitments

## Review of contractual controls

Currently all new and renewed Own Brand merchandise supplier contracts include specific clauses on modern slavery and compliance with Best & Less Group policies. These policies are reviewed every six months and updates are notified to our suppliers who can download them through the QIMA portal. A similar annual review takes place for Postie policies in relation to its Own Brand suppliers. Any changes are also discussed in regular workshops with suppliers and contractual compliance forms part of our biennial global auditing program.

In FY21, the legal department commenced a review of non-merchandise supplier contracts, looking to strengthen the contractual controls regarding modern slavery, particularly for high-risk suppliers. Currently, tier one suppliers are contractually obligated to meet all the applicable local laws regarding workers' rights, however, as contracts are renewed, we are negotiating a stronger position regarding modern slavery obligations and transparency.



## HIGHLIGHT: IMPROVEMENT TO ETHICAL SOURCING CODE (ESC)

Our ESC outlines the code of conduct and policies in relation to social, environmental and standards of compliance that we require from our business partners. The ESC covers thirteen points and each one represents the values of our business.

In FY21, we changed the expectations regarding overtime, stipulating that overtime should not be in excess of 10 hours per week. This will be confirmed for all Own Brand suppliers in FY22. This is in-line with what Baptist World Aid regards as the best practice for workers.

The 13 key principles of our code are translated into Chinese and Bengali and are displayed in our factories for all workers to read. The ESC can be viewed on our [websites](#).

## Training and engagement

In FY21, training and engagement for both employees and the supply chain was a significant focus.

### 1. Senior Leadership Team, Management and Cross-Functional project team capability building:

Best & Less Group undertook to build the capability of its Senior Leadership Team and management teams, with regards to understanding, identifying, and mitigating risks of modern slavery within the operations and with the suppliers in which we rely on. Topics covered included:

- The legal obligations as stipulated under the *Modern Slavery Act 2018* (Cth).
- Identifying and assessing risks.
- Focus areas and actions for improvements.

The Group also created a cross-functional team to steer its modern slavery response and provided training facilitated by an external consultant to build the capability of this team.

### 2. Modern Slavery Induction:

Further to the management capability building program, a modern slavery induction was developed for all staff as part of their ongoing learning and development. This induction explained what modern slavery is, the extent of the problem, where it can be found in the fashion supply chain and steps employees can take to support Best & Less Group to combat modern slavery.

### 3. COVID-19 specific training:

Buyers were provided with ongoing training on managing and working with merchandise manufacturers during a time of COVID-19 to ensure labour standards were protected and that manufacturers remained viable.

### 4. CEO Leadership:

Our CEO released our FY20 Modern Slavery Statement at an all-staff townhall as an opportunity to raise awareness amongst our employees of what Best & Less Group was doing and where more could be done. As part of the new starter morning teas, our CEO also talks specifically about the importance of our Ethical Sourcing Code and empowers new starters to provide new ideas and fresh eyes on our program.

### 5. Sustainability Committee:

The Sustainability Committee meets every 2 months, with modern slavery mitigation a standing item in all meetings. They have commenced regular awareness raising activities including articles on the employee intranet and Sustainable Development Goal employee engagement activities among other initiatives.

### 6. Supplier training and communications:

Suppliers are also provided with regular training either in-person through our office in China or via video conferencing. This year, the focus of our communications was the roll out of a worker voice grievance hotline to ensure all manufacturing workers can access this service.

Despite the initiatives progressed in this area, ongoing business interruption, particularly due to COVID-19, has limited the extent of these activities in FY21. It is our hope that these areas can be further developed as restrictions begin to ease and the Group's employees, suppliers and other stakeholders can return to business as usual.



## Implementation of a company-wide grievance hotline

The company-wide grievance hotline enables employees to report issues as outlined in our Whistle-blower policy and Grievance policy. Team members are encouraged to voice their concerns without fear of reprisal and with full confidentiality.

In December 2020 Best & Less Group launched a Worker Voice Grievance Hotline which enables workers within our Own Brand manufacturers' factories to access similar grievance mechanisms and delivered an awareness campaign in all locations in which we operate, including translated factories posters to ensure workers are aware of and can access this program.



## Assessment and preparedness for software and systems improvements

Several new IT software and systems have been explored in FY21 for implementation in FY22. These have included:

### 1. Product Lifecycle Management system (PLM)

PLM is a software program for product development to manage design, quality approvals, compliance, costings, sourcing and supplier information. PLM will enhance the transparency and visibility of our buying processes throughout our Own Brand merchandise manufacturers, enabling open costings that include separated labour rates and material costs. This will enable our Buyers and Sourcing teams to negotiate pricing with our manufacturers with a better understanding of wage costs, so we can work with suppliers to identify any unfair wage practices. It forms a significant part of meeting our commitment to deliver a living wage by 2025.

### 2. Purchase Order system enhancements

Given that many of our merchandise suppliers have multiple factories and to mitigate the risk of subcontracting, Best&Less has made enhancements to its purchase order system. When issuing a Purchase Order for work to be undertaken, both the merchandise supplier's name and the specific factory where the work will be undertaken is now listed on the purchase order. When pre-shipment inspections are completed, both the merchandise supplier and the factory must match. Should anomalies occur, the inspector can investigate further to see if there are any breaches which need to be addressed.



## HIGHLIGHT: GLOBAL AUDITING PROGRAM

Our audits are undertaken by an independent third party to review the ethical, social, and environmental factory conditions and mandates alliance to the ESC. Best & Less Group audits all tier one Own Branded merchandise manufacturers biennially and reports to the Head of Merchandise Operations on key measures including the number of manufacturers who are non-compliant, the number of manufacturers with critical breaches, the nature of any critical breaches, what remediation is required, the speed of improvement and what ongoing monitoring is in place.

Our biennial audits continued in FY21 however we had to allow flexibility where COVID-19 restrictions delayed re-audits or factory corrective action plans. We have undertaken 100 audits at a factory level in FY21, including as merchandise suppliers have either moved or expanded their factory locations. This is part of a standard practice for Best & Less Group and provides the confidence that all factories run by our merchandise manufacturers meet our high standards.

## Progress on living wage commitment

Best & Less Group is focused on closing the gap between a minimum wage and a living wage and have made a commitment that workers manufacturing our Own Brand product will be paid a living wage by 2025. In FY21, a living wage gap analysis was undertaken across our Own Brand merchandise suppliers using the ANKER living wage methodology. This has provided a clear and transparent view on where we need to get to and in FY22 we will finalise our strategy to close that gap. Pleasingly all of our merchandise suppliers are paying above minimum wage however there are still gaps before achieving a living wage.

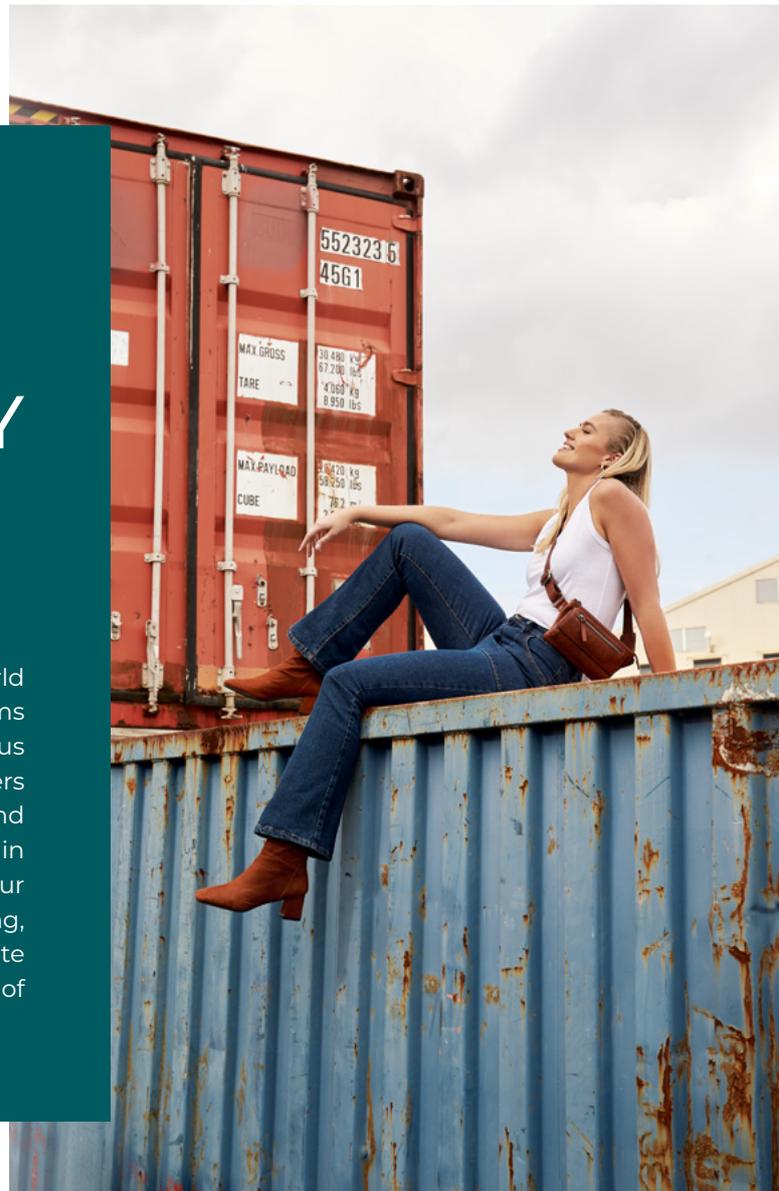
## WORKING AND SUPPORTING INTERNATIONAL ORGANISATIONS TO ACHIEVE BEST PRACTICE

Best & Less Group supports the following globally recognised declarations, principles, and goals:

- Universal Declaration on Human Rights
- United Nations Guiding Principles on Business and Human Rights
- International Labour Organisation Declaration on Fundamental Principles and Rights at Work
- United Nations Sustainable Development Goals
- OECD Guidelines for Multinational Enterprises.

## HIGHLIGHT: WORKING COLLABORATIVELY TO IDENTIFY BEST PRACTICE

Best & Less Group works collaboratively with Baptist World Aid to identify best practice ethical sourcing systems and implementation, enabling ongoing and continuous improvement to ensure supply chains and their workers are supported and protected. For example, as India and Bangladesh went into a more severe lockdown in FY21 in response to COVID-19, we continued to work closely with our merchandise manufacturers to keep the factories working, albeit more slowly, and we worked with our Buyers to facilitate earlier payments where possible, minimise cancellation of orders and allow flexibility with freight solutions.



# SECTION 5: ASSESSING THE EFFECTIVENESS OF ACTIONS

Best & Less Group currently tracks performance through several internal and external mechanisms. We are continually working to understand the effectiveness and impact of our Ethical Sourcing Strategy. These insights are used to inform our immediate and longer-term risk management approach.

ACTIVITY	MEASURE
<b>GOVERNANCE</b> <ul style="list-style-type: none"> <li>• BLGH Board oversight</li> <li>• Policy reviews</li> <li>• Team Member training</li> </ul>	Quarterly presentation Ongoing policy review Number of training sessions held and number of participants
<b>RISK MANAGEMENT</b> <ul style="list-style-type: none"> <li>• Regular Risk Assessments</li> <li>• Supplier onboarding</li> <li>• Regular review of risk matrix</li> </ul>	Annually All new stock suppliers Quarterly
<b>MONITORING</b> <ul style="list-style-type: none"> <li>• Third party audits</li> <li>• Supplier Corrective Action plans</li> <li>• Worker engagement</li> <li>• Site visits</li> </ul>	Audits conducted per tier; quantum of non-compliance No. of plans in place and time to implement Number of worker engagements Number of Site visits
<b>GRIEVANCE MECHANISMS</b> <ul style="list-style-type: none"> <li>• Mechanism for grievances to be raised</li> <li>• Cases remediated</li> <li>• Trend analysis</li> </ul>	Total number of issues raised and resolved Number of cases remediated Annual assessment to identify trends



# SECTION 6: THE WAY FORWARD

Best & Less Group has developed a roadmap to further advance its approach to modern slavery in its operations and supply chain. This roadmap includes the following activities in addition to the existing program of work.

- Continue to implement learnings from COVID-19 into our future strategy.
- Map our tier 2 suppliers for Group sourced Own Brand products by 2025.
- Commence audit program for major tier two merchandise suppliers, with the considerations of the impact of COVID-19.
- Implement the new Product Lifecycle Management system in FY22.
- Continue to build capability of buying team to identify and mitigate any risks of modern slavery as well as ethical purchasing practices to ensure fair compensation for suppliers.
- Undertake a deep dive assessment of higher-risk non-merchandise suppliers to understand risk and begin dialogue to develop appropriate steps in mitigation of those risks.
- Continue to roll out changes to supplier contracts to improve obligations and transparency around modern slavery.
- Continue to close the living wage gap and meet our 2025 commitment.
- Continue to promote awareness of our Ethical Sourcing Code amongst our merchandise workers including by commencing workers' voice survey.
- Build on our relationships with non-merchandise suppliers to increase transparency and accountability for their supply chains.

For more information about our Corporate Social Responsibility program, Ethical Sourcing Code, Worker Grievance Hotline, and current suppliers list visit our websites.



# GLOSSARY

This Statement explains actions we have undertaken to date to identify, assess and mitigate Modern Slavery risks in our operations, supply chains and investments.

Our Statement uses the Act's definition of Modern Slavery – conduct which would constitute a criminal offence under Australian law<sup>1</sup> or international law including trafficking in persons<sup>2</sup> and the worst forms of child labour<sup>3</sup>. The worst forms of child labour means extreme forms of child labour that involve the serious exploitation of children, including through enslavement or exposure to dangerous work.

Best & Less Group, BLGH, the Group	The reporting entities covered by this Statement being Best & Less Group Holdings Ltd and/or controlled subsidiaries and managed joint venture operations that meet the definition of reporting entity under the Act. References to 'our' and 'we' in this Statement are references to the reporting entities above.
Ethical Sourcing Code (ESC)	Our ESC outlines the code of conduct and policies in relation to social, environmental and standards of compliance that we require from our business partners (suppliers) and is available on our websites: Best&Less: <a href="http://www.bestandless.com.au/ethical/sourcing">www.bestandless.com.au/ethical/sourcing</a> Postie: <a href="http://www.postie.co.nz/ethical-sourcing">www.postie.co.nz/ethical-sourcing</a>
Ethical Sourcing Strategy (ESS)	Our ES Strategy is how we measure and ensure compliance with the ESC. For example making sure all suppliers sign up to it, and running biennial audits.
Group Global Sourcing	Pepkor Global Sourcing, a division of our former parent company.
Own Brands and Third Party Brands	See page 7 of this MSS.
Product Lifecycle Management system (PLM)	PLM is a software program for product development to manage design, quality approvals, compliance, costings, sourcing and supplier information. See page 18 of this MSS.
QIMA	The provider of our independent audit services to audit our supplier partners.
Living wage	See page 8 of this MSS.
Merchandise manufacturers transparency list	See Best&Less website: <a href="http://www.bestandless.com.au/factories">www.bestandless.com.au/factories</a> See Postie website: <a href="http://www.postie.co.nz/ethical-sourcing">www.postie.co.nz/ethical-sourcing</a>
Merchandise Suppliers	Suppliers of goods and services we sell to our customers. See page 7 of this MSS.
Non-merchandise suppliers	Suppliers of goods and services to the Group, other than merchandise suppliers. See page 8 of this MSS.
Tier 1 merchandise Suppliers	Those suppliers we contract directly with to supply goods we sell
Tier 2 merchandise suppliers	Those suppliers that our Tier 1 Suppliers contract with to supply goods we sell

1 An offence under Division 270 or 271 of the Criminal Code.

2 Trafficking in persons as defined in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, done at New York on 15 November 2000 ([2005] ATS 27).

3 Child Labour as defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999 ([2007] ATS 38).



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