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# Modern Slavery Statement 2020



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## Disclosure Note

This Statement addresses the risk of modern slavery in Modern Star Pty Ltd (“Modern Star” or “the Company”) supply chains and business operations, pursuant to the Australian Modern Slavery Act 2018 (Cth) (“the Act”). This statement has been made on behalf of Modern Star Pty Ltd. This Statement covers all trading entities owned or controlled by Modern Star Pty Ltd, namely

- Modern Teaching Aids Pty Ltd
- Modern Teaching Aids (NZ) Limited
- Modern Brands Pty Ltd
- Modern Brands (NZ) Limited
- Kesco Educational Pty Ltd
- Kesco Educational (NZ) Limited
- Zart Art Pty Ltd
- Educating Kids Pty Ltd
- Cleverpatch Pty Ltd
- Educational Vantage Pty Ltd
- Kangaroo Educational Pty Ltd
- Tutor Warehouse (NZ) Limited

### Exclusions

Supplier risk analysis was not undertaken for following trading entities included under the Modern Star Group: Educating Kids Pty Ltd, Cleverpatch Pty Ltd and Educational Vantage Pty Ltd. These excluded businesses represented 13% of group sales in FY20.

ABN 31 101 306 950

# Contents

<a href="#">Contents</a>	3	Risk Assessment Findings	20
<a href="#">About us</a>	4	Country Risk	22
Brief Statement from our CEO Peter Boyd	5	<a href="#">Reporting Criteria 4: Actions Taken to Assess and Address Risk</a>	23
Our Achievements Up To 2019/2020	6	Ethical Sourcing Policy	24
Our Plans for 2020/21	6	Factory Audit Framework	25
Our Plans Beyond 2021	6	Training in Ethical Compliance	27
<a href="#">Reporting Criteria 1 &amp; 2: About Modern Star</a>	7	Modern Slavery Roadmap	27
Our Company Structure and Operations	8	<a href="#">Reporting Criteria 5: Effectiveness Assessment</a>	29
Our Governance Framework	11	Effectiveness Indicators 2019/2020	30
Our People	11	Continuous Improvement	31
Our Policies	12	<a href="#">Reporting Criteria 6: Process of Consultation with Entities Owned or Controlled</a>	32
Our Supply Chain	14	<a href="#">Reporting Criteria 7: Other</a>	33
<a href="#">Reporting Criteria 3: Modern Slavery Risks in Operations and Supply Chain</a>	15	Indigenous Resource Partnerships	34
Our COVID-19 Response	17		
Supply Chain Risks	18		



# About Us

From humble beginnings, Modern Star has evolved into Australia's number one partner and supplier of educational resources to early childhood centres, primary and high schools with a range of over 30,000 physical products as well as a suite of online learning programs for students and professional development courses for teachers.

Over the last 60 years, Modern Teaching Aids, Modern Brands, Zart, Kesco, Kangaroo, Educating

Kids, Educational Vantage and CleverPatch have become entrenched in the fabric of the teaching community in both Australia and New Zealand. Each brand is renowned for its innovative product range, exceptional product quality, strong customer service and fast, reliable delivery.

In the wake of COVID-19, Modern Star has put focus on building a stable of digital resources to complement its world class product range of physical resources, including its Wushka reading program.



## Our Values & Vision

We inspire children's learning and creativity with our passion for people, quality and service.

We respect, listen, communicate, act and continue to learn.



**Be passionate**  
about what you do



**Inspire learning**  
for customers and ourselves



**Enable creativity**  
to flourish



**Listen**  
to customers and each other



**Be respectful**  
to people



**Take action**  
to make things happen



**Collaboration**  
through communication

## Brief Statement from our CEO Peter Boyd



**Modern slavery is unacceptable and Modern Star recognises the importance of addressing modern slavery within the Company's sphere of influence**

"Here at Modern Star we focus on developing products that help teachers to teach and help students to learn. It is part of our core values that we conduct our business in a responsible, sustainable and safe manner. This includes managing the risk of modern slavery in our supply chain. Whilst we are a relatively small business in the context of Australian modern slavery legislation, we have taken big steps in the last four years to understand our supply chain risks, upskill our supplier-facing team and engage with suppliers through our ethical sourcing policy and audit programs. It is a journey and there is much more work to do, but we are unwavering in our commitment to a supply chain free of modern slavery."

This statement was approved by Modern Star's Board at a Director's meeting held on 16 March 2021.



## Our Achievements Up To 2019/2020

In the 4 years running up to 2019/2020 we reviewed and updated several key policies and procedures to better reflect our approach to modern slavery risk management.

1. We updated our Ethical Sourcing Policy (ESP) for high-risk suppliers to include the right to audit. Close to 300 of our larger suppliers signed new supplier contracts, which contractually commit them to our ESP and audit program.
2. We undertook further supplier risk prioritisation, mapping our suppliers against known modern slavery risk indicators – geography, industry sector and commodity and developed a supplier risk profile and dashboard.
3. We formalised our Modern Slavery Working Group, engaged and educated our Board and Senior Leadership Team, undertook introductory modern slavery eLearning and rolled out more focused Ethical Compliance Training to key staff.

By the end of 2019/2020, 91% of our potentially high risk suppliers in the top 80% of spend had signed an ESP (59% with right of audit) and 35% had completed onsite factory audits (current within the last 2 years). Our onsite audit program was limited in 2019/2020 due to the impact of COVID-19 in many of our sourcing jurisdictions.

### Our Plans for 2020/21

In 2021, we would like to:

- Focus on the 57 potentially high risk suppliers in the top 80% of spend which are identified in Section 3: Risk assessment findings
  - Increase the % of these 57 suppliers who have signed the new ESP with right of audit from ~ 60% to > 75%
  - Increase the % of these 57 suppliers who have undertaken a factory audit or product team site inspection from 35% to > 50%.
- Circulate the 2020 Modern Slavery Statement to our suppliers to show them what we are wanting to achieve on this journey over the next few years.
- Expand the requirement to sign an ESP and undertake facility audits to high risk non-stock suppliers.
- Translate our high-risk ESP into Chinese to further assist with supplier engagement.
- Undertake an internal training course for category team members to show them what red flags to look for when conducting in person factory visits.
- Improve our monthly reporting and monitoring of ESP and audit status at senior management team level.

### Our Plans Beyond 2021

Beyond 2021, we would like to:

- Focus on the 57 potentially high risk suppliers in the top 80% of spend which are identified in Section 3: Risk assessment findings
  - Increase the % of these 57 suppliers who have signed the new ESP with right of audit from > 75% to > 90%.
  - Increase the % of these 57 suppliers who have undertaken a factory audit or product team site inspection from > 50% to > 90%.
- Develop a remedy pathway in the event we find evidence of modern slavery at a supplier factory location.
- Embed staff training on modern slavery into staff induction and learning and development programs by function.
- Document a governance framework so that modern slavery can be included in staff position descriptions and KPI's.
- Commence mapping of Tier 2 suppliers for potential modern slavery risk.



## Reporting Criteria 1 & 2: About Modern Star

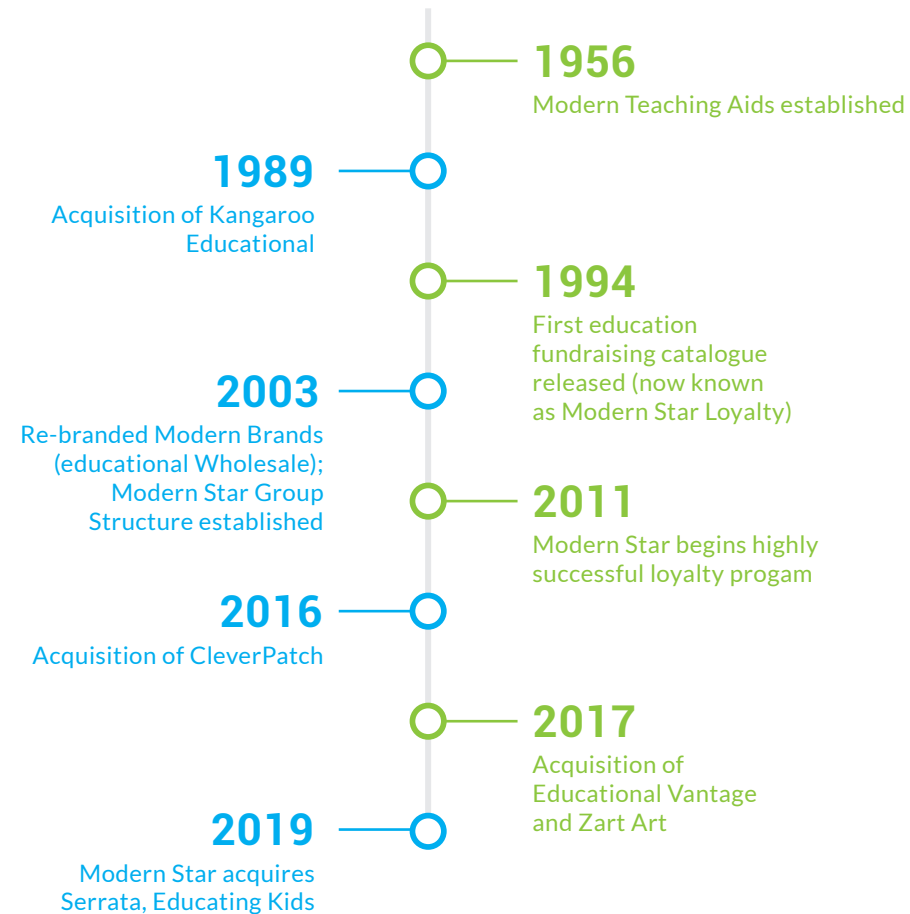




## Our Company Structure and Operations

Modern Star has evolved since 1956 from “the man in the van” selling educational resources into early childhood services to its position today as a trusted long-term partner in education with unrivalled direct access to the teaching community. Today the Modern Star Group is Australia’s number one partner and supplier of educational resources to early childhood centres, primary schools, high schools and before and after school care programs. We sell products that encourage motivated, thoughtful and active children and are dedicated to the ethos of building knowledge.

### Company History



Modern Star Pty Ltd operates in two distinct market channels across Australia and New Zealand:

1. Education Resources; and
2. Educational Toys

### Education Resources

Modern Star’s core Education Resources business operates under the Modern Teaching Aids (MTA) brand. MTA is the largest supplier of educational ‘hands on’ resources to educational institutions across Australia and New Zealand. The Educational Resources channel comprises the following entities which are all 100% subsidiaries of Modern Star Pty Ltd:



**Modern Teaching Aids (MTA) Pty Ltd** – [www.teaching.com.au](http://www.teaching.com.au) & [www.teaching.co.nz](http://www.teaching.co.nz)

A leading supplier of quality educational resources to schools, early learning centres and school programs across Australia and New Zealand.



**Zart Art Pty Ltd** – [www.zartart.com.au](http://www.zartart.com.au)

Independently run out of its Victorian base, Zart Art is an Australia-wide provider of online and in person professional development workshops in Visual Art. It is also a supplier of art and craft materials to teachers, schools, universities, libraries, hospital educators, after school programs and holiday programs.



**Educating Kids Pty Ltd** – [www.educatingkids.com.au](http://www.educatingkids.com.au)

An Australian Early Years educational resource provider, independently operated from Sunshine West, Victoria. Educating Kids works closely with Early Childhood professionals to develop unique resources for the Early Years and offer an affordable product range including furniture, toys and educational resources, outdoor equipment and consumable supplies (nappies, wipes, gloves, cleaning and art and craft).



**Educational Vantage Pty Ltd** – [www.educationalvantage.com](http://www.educationalvantage.com)

A manufacturer of paint and glue based in Melbourne. Educational Vantage wholesales the paint and glue, together with other products that it imports into large retailers such as Officeworks, Office Max, Aldi, and Big W.



**CleverPatch Pty Ltd** – [www.cleverpatch.com.au](http://www.cleverpatch.com.au)

An Australian educational provider independently operated from its Newcastle base, CleverPatch specialises in art and craft solutions to Schools, Event Organisers, Holiday Programs and Libraries across Australia with an emphasis on quality and everyday value.



**Kangaroo Educational Pty Ltd** – [www.hop.com.au](http://www.hop.com.au) & [www.tutorwarehouse.com.au](http://www.tutorwarehouse.com.au)

An online only business that sells educational resources to early childcare and schools.



**KESCO Educational Pty Ltd** – [www.kesco.com.au](http://www.kesco.com.au) & [www.kesco.co.nz](http://www.kesco.co.nz)

An Australian educational resource provider to schools and early learning with an emphasis on quality and everyday value.

### Educational Toys

Modern Brands, having exclusive distribution rights to the World’s Best Toy Brands, is the largest toy supplier to Specialty Toy Retailers in Australia and New Zealand.



**Modern Brands Pty Ltd** – [www.modernbrands.com.au](http://www.modernbrands.com.au) & [www.modernbrands.co.nz](http://www.modernbrands.co.nz)

The exclusive distributor for Australia and New Zealand of over 5,000 products from 30+ world leading retail toy and entertainment brands.



The Modern Star Head Office is in Sydney, with our main distribution centre in Brisbane. Coming into our 60th year, we are continuing to seek new challenges, growth opportunities and better ways to 'delight' our customers.

Our operations include:



Our core operations are supplemented by a range of typical support functions such as sales, marketing, finance etc.

For a consolidated view of our organisation or for a list of our contact numbers, please visit [www.modernstar.com](http://www.modernstar.com)



## Our Governance Framework

Responsibility for modern slavery risk management ultimately sits with the Senior Management Team, comprised of the CEO, CFO, CCO, COO, Head of HR, Head of sales, Head of Modern Brands and Major Projects Manager. The Senior Management Team delegates operational responsibility to the Head of Compliance who achieves compliance through documented supplier onboarding processes. This includes ensuring suppliers understand and sign the ESP, requiring suppliers to provide copies of factory audits undertaken and ensuring suppliers undertake factory audits where there are none.

Our Head of Compliance works closely with the company's product teams and with our China-based Sourcing and Project Manager who follows up directly with suppliers to ensure corrective action plans are documented and implemented.



## Our People

Modern Star Group recognises the importance of fostering a strong team of committed, enthusiastic and talented people who work hard together to deliver quality products, outstanding service and dynamic business results.

Our culture supports and rewards those who excel in their field, take responsibility for their own actions, cultivate a can-do attitude, communicate openly, act with integrity in everything they do and celebrate the success of the team as a whole.

On 30 June 2020, we had 400 FTE employees. Of these, four are in New Zealand and the remainder in Australia.





## Our Policies

We have a comprehensive set of policies and procedures that articulate our values, ways of working and expectations of our team and suppliers that are reviewed regularly. This policy framework ensures that our team members and suppliers clearly understand our expectations, can recognise when they are being treated in a way that is inconsistent with these expectations and understand how to raise a grievance or complaint.

The following policies are those that are most relevant to preventing modern slavery among our team members and workers in our supply chains:

### Policy/Procedure - Operations

Policy/Procedure	Purpose
 <p><b>Ethical Sourcing Policy (High Risk Countries)</b></p>	<p>This policy applies to high risk countries in Asia, Africa and South America. It is based primarily on Ethical Trading Initiative (ETI) and International Labour Organisation (ILO) Conventions. It requires suppliers to comply with all local laws and regulations regarding labour, health, safety and the environment must be observed by suppliers.</p> <p>Suppliers must comply with the legal requirements of the countries in which they operate and ensure that they meet their contractual obligations to Modern Star.</p> <p>The policy includes specific requirements about forced/bonded labour, child labour, illegal labour, wages and benefits, working hours, freedom of association, working conditions, discrimination, regular employment, harsh or inhumane treatment, business integrity, sub-contracting, responsible sourcing of raw materials and environmental management.</p> <p>Suppliers are required to demonstrate commitment to compliance with this policy and undergo regular audits conducted by recognised compliance bodies.</p>
 <p><b>Ethical Sourcing Policy (Low Risk Countries)</b></p>	<p>The requirement placed on low risk suppliers from countries in Europe, North America and Australasia are similar to those documented in the high risk ESP (for forced, child, illegal labour etc), but lower risk suppliers are not required to undergo audits. They must, however, sign and deliver to Modern Star an annual declaration of compliance and maintain a Factory Compliance Schedule.</p>
 <p><b>Timber, Pulp and Paper Sourcing and Due Diligence Policy</b></p>	<p>This policy aims to ensure that Modern Star eliminates timber, which is illegally harvested or traded, from its supply chain. The Policy aligns to the ESP and requires that suppliers understand the origin of the timber used in Timber Products and retain sufficient documentation to verify that the wood was not illegally logged. For products specifically covered by the Anti-Logging Laws 2012, suppliers are required to conduct additional due diligence.</p>



Policy/Procedure	Purpose
 <p><b>Code of Conduct</b></p>	<p>The Code of Conduct sets out the types of behaviours and conduct which are required to support the company's legal, moral and ethical standards and those behaviours and conduct which are not tolerated and establishes procedures for addressing unacceptable behaviour or conduct. It is a contractual requirement that suppliers read and adhere to our Code of Conduct, in addition to our ESP.</p> <p>It ensures compliance with Australian and New Zealand's workplace legislative framework including employment, human rights and anti-discrimination legislation. The Australian and New Zealand workplace legislative framework incorporates elements of global best practice that can be applied to Modern Star's locations internationally, such as Singapore in conjunction with local and relevant legislation.</p>
 <p><b>Whistleblower Policy</b></p>	<p>Modern Star encourages the reporting of any instances of suspected wrongdoing; unethical, illegal, fraudulent or undesirable conduct involving Modern Stars' businesses (including reporting of modern slavery in the supply chain), and will ensure that those persons who make a report shall do so without fear of intimidation, disadvantage or reprisal.</p> <p>This policy ensures compliance with Australian and New Zealand's workplace legislative framework including corporate governance, whistleblower, work, health &amp; safety and employment legislation. It sets out the types of behaviours and conduct which will be taken to constitute wrongdoing and 'Reportable Conduct,' how to make a disclosure, to whom disclosures may be made and how Modern Star will address and manage disclosure reports.</p> <p>This policy is not intended to replace other reporting procedures, such as those for personal grievances, equal opportunity, discrimination, harassment or bullying; except where the issue is of a serious nature and where existing reporting systems have failed to process the issue or have processed it in an inappropriate, unfair or biased manner.</p>

## Our Supply Chain

Modern Star Group's supply chain extends to over 30 major categories of educational products, teaching materials and teacher and classroom resources.

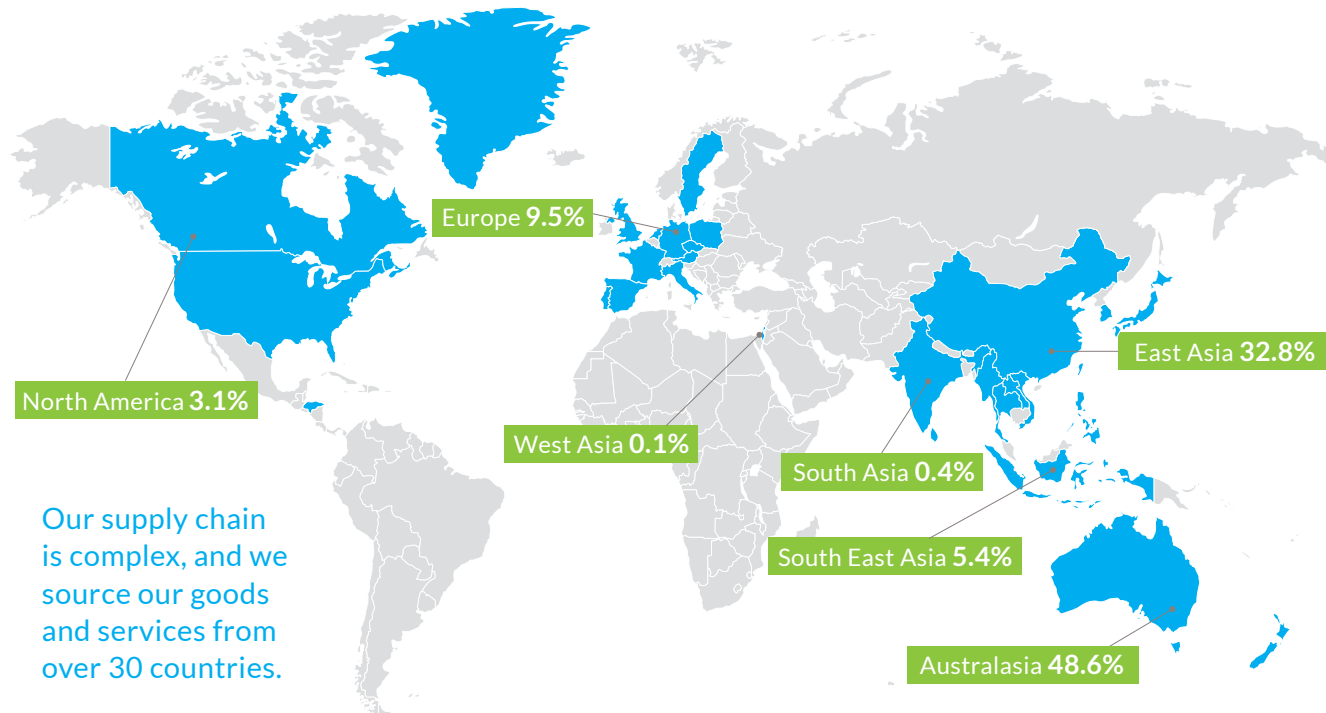
### What we buy

Major categories of stock items we procure include:

- Puzzles and games
- Toys and gifts
- Construction sets
- Health, hygiene and safety goods such as cleaning chemicals and PPE
- Learning environments and classroom furniture such as tables, chairs, soft furniture and storage
- ICT based learning materials including interactive audio-visual products and robotics
- Books and audio resources
- Art and craft materials including paint, paper, brushes, drawing and wood craft.

Modern Star also procures a range of non-stock items to support our growing operations in Australia and New Zealand, including ICT equipment, software, utilities, transport, office equipment, advertising etc.

In 2019/2020 we had over 700 active contracts and \$128million in procurement spend with Tier 1 (direct) suppliers. We have established long term relationships with most of our suppliers, two thirds of who are in Australia and comprise 48% of our total procurement expenditure.



Modern Star is committed to managing modern slavery risks in our supply chain.

Our focus on modern slavery aligns with our core value of being respectful to people. People are the core of our business - our customers, team members, suppliers and the workers in our global supply chains.

As we strive to develop quality resources that will be used educate future generations, we are taking steps to ensure that these resources have been manufactured in a responsible, safe and sustainable manner.



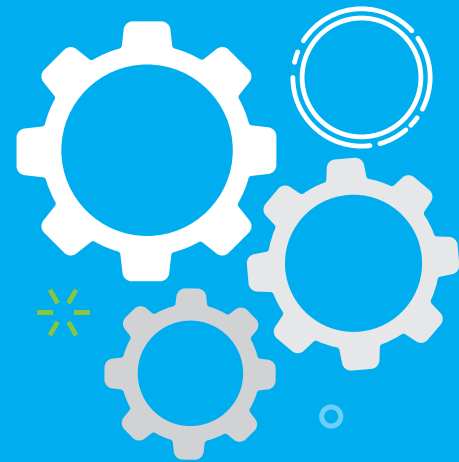
## Reporting Criteria 3:

### Modern slavery risks in operations and supply chain



## Overview

Our focus in 2019/2020 was on enhancing our understanding of modern slavery risks in our operations and supply chain.



### Operational risks

While we consider the risk of modern slavery to be low within our direct business operations, we recognise that our employees and contractors will benefit from increased education around modern slavery risks, particularly in relation to supply chain and procurement practices. Importantly, our Board and Leadership Team is committed to identifying and addressing modern slavery risks in our operations and supply chain and have committed resources to this process

We manage operational risk in our business through ISO9001 compliance and have a comprehensive business risk register, Integrated Management Plan and supporting Business Unit Management Plans. We review and manage operating KPI's such as health and safety statistics and customer delivery times monthly.

### Supply Chain risks

In 2019/2020 we focused on obtaining a deeper understanding of our Tier 1 supplier risks and the operational processes in place to manage those risks. We engaged external expertise to help us document, assess and prioritise our Tier 1 (direct) suppliers against modern slavery risk indicators and identified our highest risk procurement categories and suppliers (see details below).

We recognise that this is an ongoing process, and we will undertake further due diligence of priority suppliers in 2020/2021.



## Our COVID-19 Response

A COVID-19 response team was established to discuss the evolving COVID-19 situation and make appropriate decisions regarding our supply chain, customers, employees and revenue initiatives. We contacted our suppliers directly to ascertain the impact of COVID-19 on their production. We increased our purchases during this period to ensure we maintained sufficient safety stock to service school and early childcare customers during periods of recovery post shut down. We continued to pay our suppliers on time, we did not ask for additional discounts or shortened production timelines and we did not cancel any orders on short notice.

We instigated a Working from Home Policy and Work from Home Agreement for our employees in March 2020 and provided appropriate technological support where required. We kept all employees informed of travel restrictions and self-isolation requirements throughout the pandemic. In our warehouse we implemented several initiatives to improve employee segregation, including splitting shifts, implementing distinct operating zones, closing the retail shop to prevent third party access the warehouse site, commencing temperature checks of employees and requiring warehouse employees to wear protective facemasks from the end of March 2020.

We emphasised hygienic practices at all sites by displaying WHO posters, providing hand sanitiser in all offices, checking our contract cleaning to ensure the use of hospital grade disinfectant and disinfecting high frequency touch points.



COVID-19 slowed our progress in managing modern slavery risk in two ways:

- Management focus was directed towards ensuring that our staff remained safe and our business remained strong through the development of new revenue streams such as online learning platforms and professional development webinars; and
- Many suppliers stopped allowing external auditors to visit their factories during 2020 for health and safety reasons. As a result of this, our on-site supplier audit program was paused during much of 2020 and will be resumed according to specific government safety requirements.





# Supply Chain Risks

In 2019/20 reporting period we engaged external experts to help us better understand risks in our supply chain. We undertook a Tier 1 supplier and category risk prioritisation to identify major supply categories and suppliers that are potentially at-risk of modern slavery. This important initial step provides a baseline for our risk management program and informs ongoing risk assessments and supplier due diligence initiatives planned for the 2020/2021 reporting period.

Risk assessments of spend categories and suppliers are based on four globally recognised risk factors for modern slavery:

<h2 style="font-size: 2em; margin: 0;">1</h2> <h3 style="margin: 0;">Geographic location</h3> <p style="font-size: 0.9em; margin: 0;">Based on estimated prevalence of modern slavery and the government responses as outlined in the 2018 GSI and our external advisor's detailed country risk matrix. While many of our suppliers are based in Australia or have head offices here, our supply chain extends to many overseas countries, several of them considered higher risk of modern slavery by the GSI and other human right indices.</p>	<h2 style="font-size: 2em; margin: 0;">2</h2> <h3 style="margin: 0;">Industry sector</h3> <p style="font-size: 0.9em; margin: 0;">Specific industry sectors deemed as high risk in international and national guidance documentation, academic studies and reports.</p>	<h2 style="font-size: 2em; margin: 0;">3</h2> <h3 style="margin: 0;">Commodity product</h3> <p style="font-size: 0.9em; margin: 0;">Specific products and commodities deemed as high risk by the US Department of Labor's 2018 List of Goods Produced by Child and Forced Labor, the Global Slavery Index (GSI) and other international guidance materials.</p>	<h2 style="font-size: 2em; margin: 0;">4</h2> <h3 style="margin: 0;">Workforce profile</h3> <p style="font-size: 0.9em; margin: 0;">In undertaking our supplier analysis we considered the type of labour involved in the production of our goods and services, particularly where low skilled, vulnerable or migrant labour is used, or where the work is deemed as '4D' work (dirty, dull, degrading or dangerous).</p>
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**Modern Star acknowledges the potential modern slavery risk associated with our goods and services and the responsibility we have to ensure risks to workers in our extended supply chain are prevented, managed and mitigated**

We recognise that there is a risk of modern slavery potentially existing in our supply chain given the diversity of regions we procure from. A review of the Global Slavery Index and other publicly available information indicates a risk that the following forms of modern slavery and worker exploitation may be present in our supply chain:

 <p style="font-size: 0.8em; margin: 0;">Forced, Bonded and Indentured Labour</p>	 <p style="font-size: 0.8em; margin: 0;">Deceptive Recruitment</p>	 <p style="font-size: 0.8em; margin: 0;">Child Labour</p>
 <p style="font-size: 0.8em; margin: 0;">Exploitation of Migrant Workers</p>	 <p style="font-size: 0.8em; margin: 0;">Underpayment of Wages</p>	 <p style="font-size: 0.8em; margin: 0;">Excessive Working Hours</p>

By way of example, we procure <1% of our total spend on consumer products from Honduras, ranked 99th out of 167 on the Global Slavery index (GSI). While the GSI indicates that less than 1% of the population of Honduras is living in modern slavery, the vulnerability of people to modern slavery is 55.55 out of 100. Child labour remains a risk in Honduras as the government lacks resources and social programs to eliminate child labour in agriculture, mining, fishing and domestic work. The government's response rating to managing modern slavery is a CCC (low). We also source <1% of our total spend on consumer products from Indonesia (ranked 74th out of 167 on the GSI), with an estimated 1.2 million people living in slavery and a vulnerability rating of 50.45/100. While the government has made some progress in managing modern slavery in Indonesia, child labour and forced labour remains prevalent across a range of industry sectors and in commodities harvested in Indonesia. Some of these may form part of our supply chain, including within the forestry, paper and board production, textiles, manufacturing, assembly and packaging sectors.





## Risk Assessment Findings

In 2019/2020 we engaged external consultants to undertake a high-level modern slavery risk assessment of more than 700 Tier 1 suppliers across ~30 countries. The assessment provided a clear snapshot of potential modern slavery risk posed by our Tier 1 suppliers.

	Potential high risk	Potential medium risk	Potential low risk	Total
Suppliers (no.) represented in top 80% of spend	57	80	15	152
Categories (no.)	11	10	4	25

Table 1. High level findings (based on potential risk)

Based on the four modern slavery risk indicators outlined previously (geography, industry, commodity, workforce profile), we acknowledge there is **potential** risk of modern slavery in our supply chain.

High level findings:

- Of the suppliers who are represented in the top 80% of spend, 57 suppliers (8% of all suppliers) are considered potentially high risk
- 11 of the 25 spend categories analysed are potentially high risk



The five highest potential risk categories by spend are:



### Consumer goods for sale

98% of Modern Star's products are manufactured overseas in countries with a potentially high or medium risk of modern slavery.



### Packaging materials

packaging and associated raw commodities (paper, fibre, plastic, timber and steel) have a higher risk of modern slavery, particularly if sourced from at-risk countries.



### ICT equipment, components and consumables

exploitation of workers and modern slavery in the ICT manufacturing sector has been widely documented, particularly in SE Asia and China. Workers on assembly lines (particularly women, young workers and children) in low skilled, low paid, repetitious jobs are particularly vulnerable.



### Property and facility maintenance

exploitation of cleaners, security staff and maintenance workers, particularly through sub-contracting arrangements, has been widely documented in Australia and subject to action by the Commonwealth Fair Work Ombudsman, state-based regulators and unions. Migrants workers are particularly vulnerable.



### Building, construction and fabrication services

similar to property and facility sector, workers in this sector are subject to exploitation and modern slavery in Australia often through opaque sub-contracting arrangements. The demand for low skilled workers doing manual labour often in dangerous work locations is common in this sector.



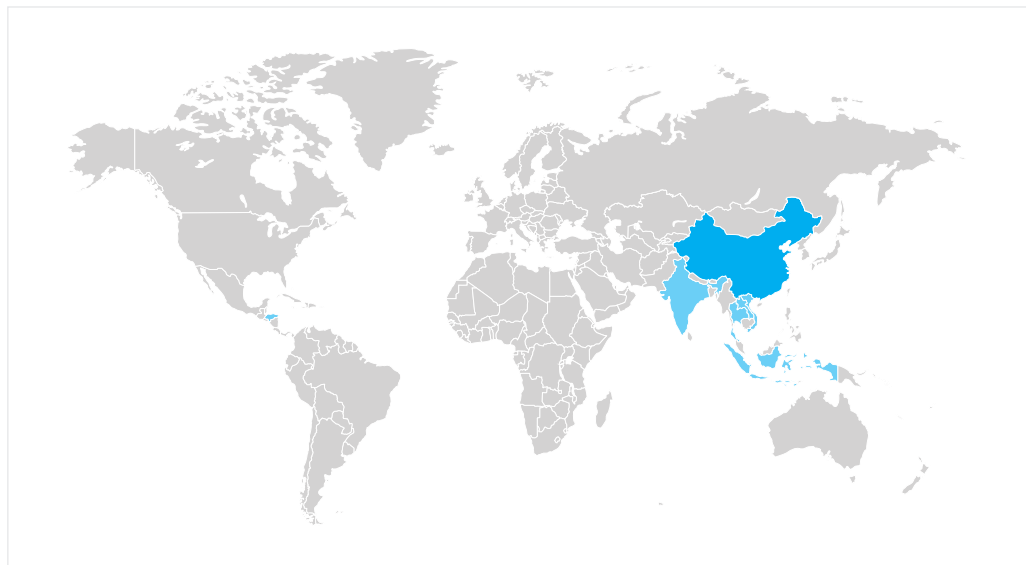
## Country Risk

Our consumer goods for sale make up close to 95% of total high risk spend due to the geographic location of our suppliers (Map 1).

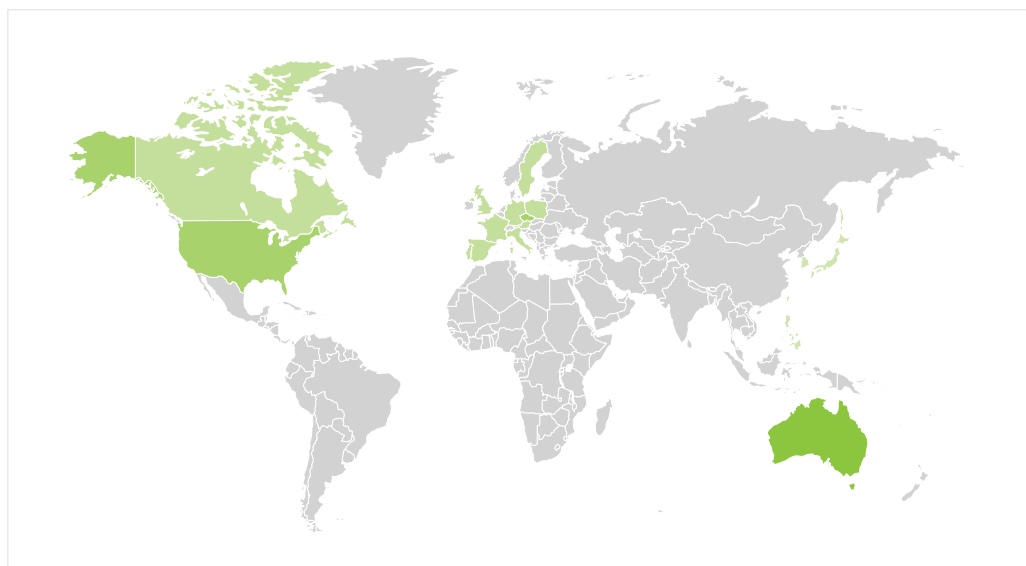
Supplier countries considered higher risk for modern slavery include:

- China
- Honduras
- Hong Kong
- India
- Indonesia
- Laos
- Sri Lanka
- Thailand
- Vietnam

Several of our major suppliers have co-manufacturing arrangements in countries with varying levels of modern slavery risk. For example, two suppliers source goods from manufacturers in Australia, China, Denmark, Indonesia and Poland. Understanding the potential risk in our extended supply chain (Tier 2 and beyond) will be a key focus of the next stage of our modern slavery risk management program.



Map 1: Risk by Country Spend - High



Map 2: Risk by Country Spend - Medium

Mapping Tier 2 suppliers for potential modern slavery risk will be a key focus of the next stage of our modern slavery risk management program.



## Reporting Criteria 4: Actions taken to assess and address risk



Over the past few years, we have been actively working towards eliminating modern slavery and human rights abuses from our supply chain. Driven by our value of being respectful to all people, we have established ethical sourcing policies for potentially high and low risk suppliers, implemented a factory audit framework for all potentially high risk suppliers, delivered ethical sourcing training to our procurement staff and established positive working relationships with many of our suppliers.

## Ethical Sourcing Policy

Modern Star has developed an Ethical Sourcing Policy (ESP) which clearly states the levels of ethical behaviour we require in our supply chain and specifically, that we will not tolerate slavery, child or forced labour in the factories that we work with. We are currently using two versions of the ESP, one of which is sent to suppliers with factories in high risk countries (Asia, India, Bangladesh etc) and the other of which is sent to suppliers with factories that are in lower risk countries (Europe, America, Australia, New Zealand).

In the most recent iteration of the ESP, we have added a right of audit condition to the high-risk country policy, and for both high and low-risk countries we have mandated that suppliers give us factory names and addresses and copies of any recent audit reports that have been undertaken at each of these locations.

The Modern Star ESP and Code of Conduct have been embedded as a requirement in all MTA supplier contracts. Since April 2019, we have

rolled out the new MTA supplier contract to over 300 larger suppliers which contractually commits suppliers to our ESP and audit program. These signed contracts and ESP's are loaded into Salesforce (our CRM system) as files on the supplier account. Every supplier has a check box in Salesforce to say whether the signed ESP has been received and the date of receipt.

For all new suppliers and new items, our new product development workflow requires a signed contract and ESP to be received from a supplier before an order can be placed.

Our plan is to send ESP's to any remaining smaller suppliers once contracts and signed ESP's have been received from the 300 suppliers representing 80% of revenue. Where suppliers are multinational toy companies we have been unable to get companies to sign up to our ESP. Instead, we have requested a copy of their ESP's and compared with our policy to ensure that the requirements are at least as stringent as ours.

companies we have been unable to get companies to sign up to our ESP. Instead, we have requested a copy of their ESP's and compared these with our policy to ensure that the requirements are at least as stringent as ours.

Of the 57 potentially high risk suppliers in the top 80% of spend which were identified in Section 3: Risk assessment findings, 91% have signed an ESP, 59% of which contain right of audit.

## Factory Audit Framework

For both high and low-risk ESP's, suppliers are asked to provide factory names and locations and supply any SEDEX, BSCI, SA8000, ICTI or WRAP compliance audits that they have undertaken in the past 2 years. Audit documentation is reviewed by our Major Projects Manager and/ or our Chinese-based Sourcing and Project Manager to ensure that the factory conditions are adequate.

Audit reports and documentation is saved onto our Salesforce CRM tool which auto generates requests for updated audit reports for the relevant category manager 2 months out from the audit expiry date.

Suppliers with factories in high risk countries who are not able to provide a recent audit report are required to undertake a factory compliance audit at their cost. These suppliers are provided contact details of our preferred auditing company, along with the relative costs of BSCI, SEDEX and SA8000 audits.

Our China-based compliance resource liaises with our suppliers and works with them to confirm the audit timeline and to develop corrective action plans and monitoring programs as required. Whilst

our internal person is qualified to audit factories, our preference is to use third party organisations for the audits, with our in-house resource supporting factories post-audit by undertaking site visits and assisting with 90-day corrective action plans.

Given the breadth of our product range, we have several small, unsophisticated suppliers who are not familiar with compliance audits. Many of these suppliers are not able to produce sufficient documentation to meet our strict due diligence requirements. Where suppliers get a low audit score due to inadequate documentation, our China-based Sourcing and Project Manager will work closely with the factories to develop a 90-day action plan to ensure they meet our requirements.

Where suppliers receive a low score because they are non-compliant or due to lack of documentation and are reluctant to take corrective action, we cease all future purchase orders to that supplier and find an alternative source of supply for those products.

### Working with our suppliers

Modern Star has exceptionally long tenure (> 10 years) with many of its suppliers which leads to high supplier engagement. Category Managers/Buyers have for many years visited our supplier factories across Asia to meet suppliers directly, review quality processes and ensure product development ideals are met. In addition to this, our internal compliance team also visit our factories from time to time as part of a broader business development and factory evaluation process.

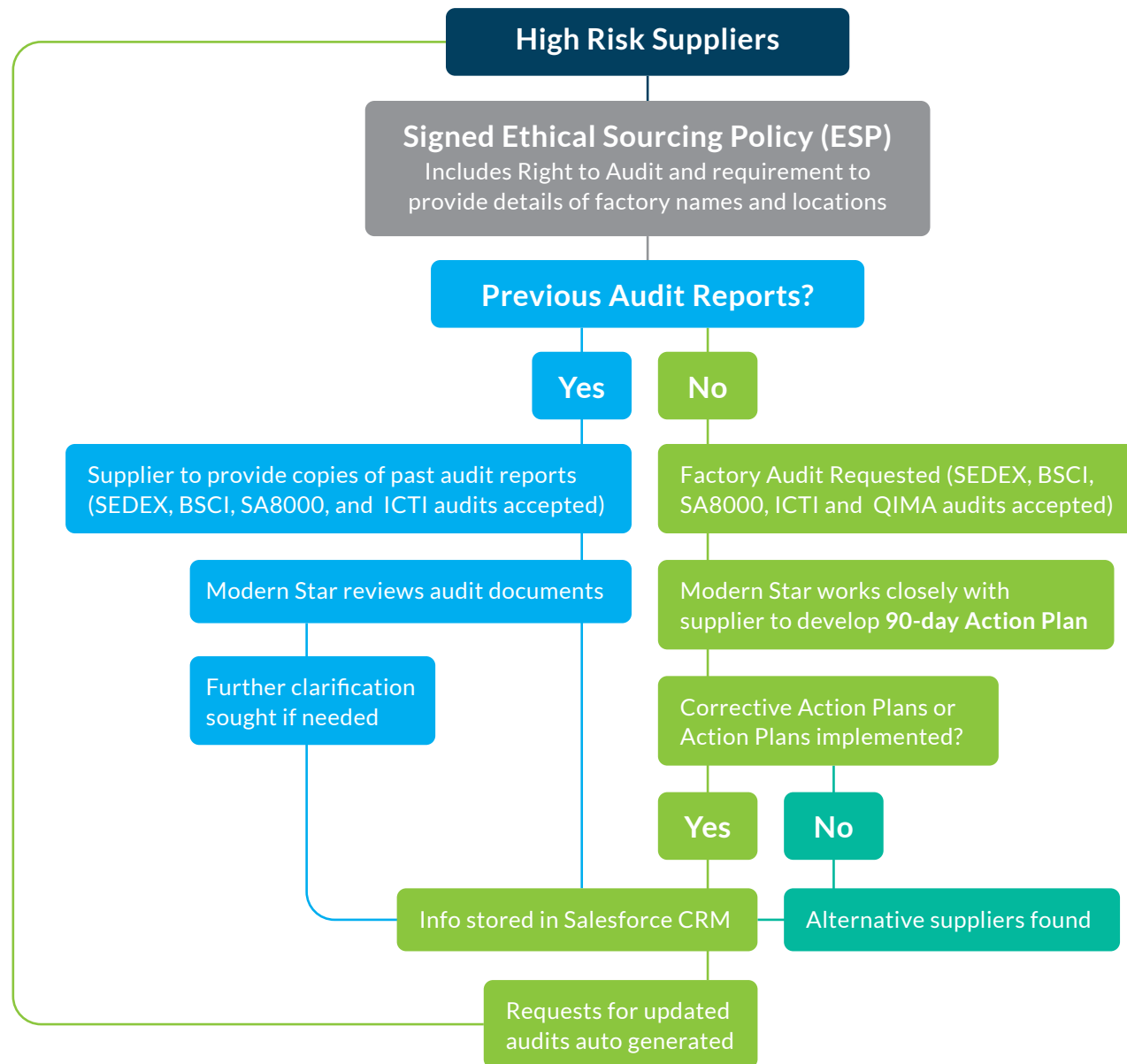
Our Product Management Team, along with our China-based Sourcing and Project Manager (a qualified quality and social compliance auditor) undertake supplier engagement activities to further educate and support our suppliers with social compliance activities. We discuss issues, answer questions, advise on best practice approaches and support our suppliers with Corrective Action Plans where required.





Of the 57 potentially high risk suppliers in the top 80% of spend which were identified in Section 3: Risk assessment findings, 20 (35%) have had a factory audit within the last 2 years.

## Audit Process



## Training in Ethical Compliance

Our Major Projects Manager has extensive experience in implementing ethical sourcing frameworks and audit programs and has worked closely with QIMA/ Asia Inspection. Our China Sourcing and Project Manager has spent two decades undertaking quality assurance audits in factories across China and Asia. She has recently completed the Intertek CPI Social Responsibility Audit Course to enhance her skills in and assessing social compliance audit reports. Together, these personnel have delivered a number of training sessions with the product category team of MTA and Modern Brands to explain:

- Recent Modern Slavery legislative changes and what it means for Modern Star;
- The ethical sourcing policy and audit framework;
- The road map for Modern Slavery – what actions we want to achieve by what date.
- What their role is in terms of getting suppliers to sign the ESP, getting suppliers to send audit reports/ book-in factory audits; and
- How they put the information they collect onto Salesforce and tick the correct check boxes to ensure that reports can be run on the numbers of suppliers with signed ESP's and audits.

In December 2019, a total of 52 staff undertook a modern slavery training module on the Norton Rose Fullbright e-learning platform. This training comprised an understanding of what modern slavery is, how to recognise it in the supply chain and how to mitigate it. The staff selected for this training were from senior management, inventory and product teams i.e. anyone in the business who was supplier-facing.

We have recently subscribed to an online training subscription with Go1, an aggregator of training content. All of our employees will be able to access all training courses on Go1. Training programs will be mapped out by function. As such, we will be undertaking a full training needs analysis and plan to integrate modern slavery training into employee induction programs in future.

## Modern Slavery Roadmap

Our modern slavery road-map continues to be informed by our supplier risk analysis conducted of ~700 suppliers (or 97% of total spend). 153 suppliers comprise 80% of our spend and 57 suppliers representing 8% of spend are potentially high risk. Of these 57 potentially high risk suppliers, 91% have signed our ESP (59% with right of audit and 32% without right of audit) and 35% have had a factory audit within the last 2 years. Over the next three years we will continue to work closely with these 57 potentially high risk suppliers to ensure compliance with modern slavery laws as well as our supplier policies, codes of conduct and contract clauses. We will ensure all audits are up to date, that we regularly visit the factories, or, where factory access is not granted, that we have an annual declaration that their ethical sourcing processes meet our requirements.

We will continue to require all suppliers to sign and comply with our ESP and provide copies of audit reports where these are undertaken.





Our three-year modern slavery roadmap is included below:

**Year 1 (2019/2020)**  
Establish Framework and Implement Actions

- Updated policies and procedures to incorporate modern slavery risk management requirements
- Included the right to audit in high-risk Ethical Sourcing Policy
- Rolled out updated ESP to high-risk suppliers for signature
- Undertook supplier risk prioritisation (Tier 1 suppliers)
- Formalised Modern Slavery Working Group
- Engaged and educated Leadership Team and Board
- Undertook broad introductory training (eLearning) on modern slavery
- Conducted further in-house Ethical Compliance training
- Conducted due diligence on 100+ suppliers and conducted 20 factory audits

**Year 2 (2020/2021)**  
Undertake Further Supplier Due Diligence

- Focus on the 57 potentially high risk suppliers in the top 80% of spend which are identified in Section 3: Risk assessment findings
  - Increase the % of these 57 suppliers who have signed the new ESP with right of audit from ~ 60% to > 75%
  - Increase the % of these 57 suppliers who have undertaken a factory audit or product team site inspection from 35% to > 50%.
- Circulate our Modern Slavery Statement to our suppliers
- Expand requirement to sign an ESP and undertake audits to high-risk non-stock suppliers
- Translate our high-risk Ethical Sourcing Policy into Chinese to further assist with supplier engagement
- Deliver an internal modern slavery risks training course to category team members
- Improve our monthly reporting and monitoring of ESP and audit status at senior management level

**Year 3 (2021/2022)**  
Review, Extend, Evaluate & Improve

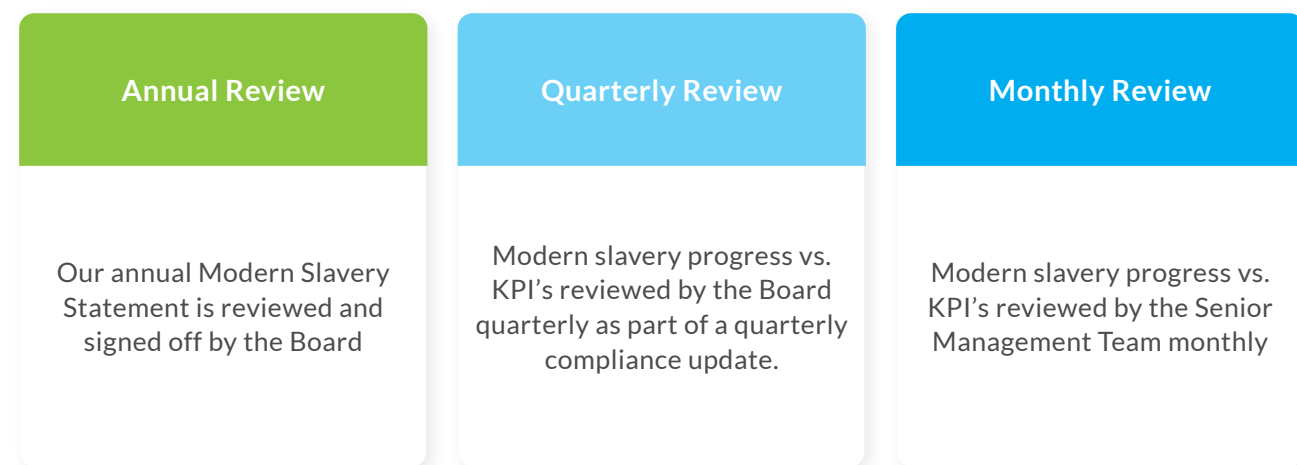
- Focus on the 57 potentially high risk suppliers in the top 80% of spend which are identified in Section 3: Risk assessment findings
  - Increase the % of these 57 suppliers who have signed the new ESP with right of audit from > 75% to > 90%.
  - Increase the % of these 57 suppliers who have undertaken a factory audit or product team site inspection from > 50% to > 65%.
- Develop a remedy pathway in the event we find evidence of modern slavery at a supplier factory location
- Embed staff training on modern slavery into staff induction and learning and development programs
- Document a governance framework and include modern slavery in staff PD's and KPI's
- Map Tier 2 suppliers for potential modern slavery risk



# Reporting Criteria 5: Effectiveness Assessment



By improving transparency about modern slavery there will be increased business awareness of modern slavery risks, providing us with the ability to improve overall workplace practices. We have implemented a comprehensive modern slavery program review framework comprised of monthly, quarterly and annual review processes and ongoing development of KPIs.



## Effectiveness indicators 2019/2020

For 2020, we developed a set of process indicators to track the implementation of our modern slavery risk management program. These are included below:

Indicator or target	In progress	Completed
Compliance Manager appointed with responsibility for managing modern slavery risks in supply chain		✓
Board and Leadership Team engaged on issue and updated regularly		✓
Tier 1 suppliers in high-risk categories identified		✓
Development of modern slavery dashboard in Salesforce for monthly tracking of KPI's	✓	
100% of supplier-facing staff trained on modern slavery (eLearning module completed)		✓

## Continuous improvement

Addressing modern slavery risk is complex and challenging. This Statement, which is our first statement under the Modern Slavery Act 2018, reports on the work that we have completed up to and including the first year of our modern slavery program. The work undertaken prior to and during 2019/2020 has been aimed at establishing a sound modern slavery risk management and reporting framework, assessing and engaging our Tier 1 suppliers and raising awareness about modern slavery among our staff.

We are taking a 'continuous improvement' approach to our modern slavery risk management program which we expect to evolve over time as we and the business community learn more about the risks of modern slavery in operations and global supply chains.

### Embedding into culture: Category Manager achievement

At the end of every calendar year, the Product team makes four awards to staff who have demonstrated high levels of achievement in their respective fields. One of the awards given each year is for Commercial Excellence. A key component of this award is that the product person must ensure that all their suppliers have submitted signed ESP's and that all factory audits have been completed and uploaded into the Salesforce CRM system.

For CY20, the Commercial Excellence award went to the head of our Learning Environments/ Furniture Category. This staff member achieved 100% ESP sign off from her sizeable supplier base and 100% factory audit coverage.

By rewarding staff against modern slavery KPI's we hope to reinforce the importance of these activities within the product team and ensure that every product team member strives for better year-on-year results in this area.



# Reporting Criteria 6:

## Process of consultation with entities owned or controlled

We have shared the ESP with all entities we own and control and had several teleconferences to explain the system that we have implemented. Whilst we know that they are using the ESP, we acknowledge that we don't have full visibility on their factory auditing processes. This is an area we will continue to work on during the next reporting cycle.



# Reporting Criteria 7:

## Other

### Memberships and Certifications



Modern Star is ISO 9001 and ISO 14001 certified and a member of the Australian Toy Association (ATA) Sustainability Committee which meets regularly to discuss ideas and projects around recyclability and sustainability for toys at end of life.



Modern Star has been a member of the Australian Packaging Covenant Organisation (APCO) since its inception in 1999.



Modern Teaching Aids (MTA) and Modern Brands (MB) are both signatories to the International Child Protection Agency (ICTI).

Modern Star is continually sourcing the best quality, sustainably produced products and meets the requirements of the Australian Illegal Logging prohibition Act 2012 for all our timber and paper pulp products. This ensures the regulated use of plantation and sustainable forestry and bans the use of illegally logged materials.



A large number of Modern Star's products are Forest Stewardship Council (FSC) certified which sets best practice standards for responsible forest management ensuring social, environmental and financial indicators are met. We are continually working towards sourcing more FSC products and have developed our own range of exclusive FSC certified educational equipment and resources.



Close to 2000 of our resources have been identified as Green Choice, meaning sustainable and environmentally conscious materials are being used in the manufacturing process. These are items that we know are using recycled materials, using materials like timber from plantations that are sustainably replanting.





Modern Slavery  
Statement  
2020

