



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

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**Factory X Pty. Ltd.**  
ABN 51 078 151 667

**REPORTING PERIOD**  
**1 JULY 2022 – 30 JUNE 2023**

# **THIS REPORT COVERS:**

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# INTRODUCTION

## STRUCTURE AND OPERATIONS

This Modern Slavery Statement (**Statement**) is made by Factory X Pty. Ltd. (ACN 078 151 667) (**Factory X, we or us**) in accordance with the requirements under the *Modern Slavery Act 2018* (Cth) (**Act**).

## BRANDS

Factory X operates under the following brands (**Brands**) and websites (**Websites**):

Our Brands	Our Websites
Dangerfield	dangerfield.com.au
Princess Highway	princesshighway.com.au
Gorman	gormanshop.com.au
L'urv	lurv.com.au
Jack London	jacklondon.com.au

Factory X has ceased production of clothing for its brands L'urv, Alannah Hill and Jack London. Once all remaining inventory has been sold, these brands will be discontinued.

## REPORTING PERIOD

This Statement is for the reporting period of 1 July 2022 to 30 June 2023, which is our financial year most recently completed. In this Statement, **FY23** means the financial year ended 30 June 2023 and other financial years are referred to in a corresponding manner.










## ABOUT US

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

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

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

### We have achieved the following in FY23 as part of our ongoing modern slavery risk management:

-  Expanded our Corporate Social Responsibility (CSR) Audit Reports.
-  Updated the Social & Ethical page on each of our Websites to increase the clarity and visibility of our ongoing commitments to compliance and CSR.
-  Modern Slavery Professional Consultation.
-  Nominated for an Australian Packaging Covenant Award for our use of 100% renewable recycled content in our paper mailers in all our online shopping order fulfilments.
-  Outlined our Steps taken to assess and manage that risk.
-  Established an internal Sustainability Committee with 30 members. The purpose of the Sustainability Committee is to engage managers and staff across the business to address any social and environmental issues faced by Factory X.
-  Provided modern slavery training to staff in our head office and managers across the country.
-  Expanded CSR audits to one of our suppliers located in India.
-  Conducted living wage audits of 12 of our Tier 1 suppliers that were not previously audited in FY22.

# STRUCTURE, OPERATIONS AND SUPPLY CHAINS

## REPORTING AND CONTROLLED ENTITIES

**Factory X Pty. Ltd. (ACN 078 151 667)** is the reporting entity under the Act. Factory X is also reporting on behalf of its controlled entities, which are outlined in the table below:

Reporting Entity	Controlled entities* (Australia)	Controlled entities (New Zealand)
<b>Factory X Pty. Ltd. (ACN 078 151 667)</b>	Alannah Hill Pty. Ltd. (ACN 078 301 096)	<b>Factory X Limited (NZBN 94 29 034 004 173)</b>
	Coo Ca Choo Pty Ltd (ACN 121 553 115)	
	Factory X Properties Pty Ltd (ACN 094 418 845)	
	Dangerfield Pty. Ltd. (ACN 050 022 672)	
	Princess Highway Pty Ltd (ACN 122 216 004)	

\* These controlled Australian entities do not trade.

## DESCRIBE THE REPORTING ENTITY'S STRUCTURE, OPERATIONS AND SUPPLY CHAINS

We are a privately owned Australian company with a number of different shareholders including our founders David Heeney and John Cain.

At the end of FY23, we had 1,109 employees across our headquarters and retail stores, including 993 employees in Australia and 116 in New Zealand. In total, we operate 121 independent retail outlets in the following jurisdictions:

Australia							New Zealand
VIC	NSW	QLD	WA	SA	TAS	ACT	
37	23	20	11	8	5	2	15

## OUR BUSINESS

The business of Factory X includes being a:

- direct-to-consumer retailer (through our physical stores and Websites); and
- wholesaler.

Our corporate staff and personnel support our primary business operations, from our headquarters in Victoria. Our Brands' products are largely final-end apparel and accessories catering to young consumers.

## OUR SUPPLY CHAINS

In FY23, our supply chain consisted of:

- 38 Tier 1 suppliers;
- 18 Tier 2 suppliers; and
- 4 Tier 3 suppliers (which we have been able to identify as at the date of this Statement),

who are manufacturers of goods and services and are located within Australia or internationally.

For the purposes of this Statement:

- Tier 1 suppliers are businesses that provide goods and services directly to Factory X;
- Tier 2 suppliers are businesses that provide goods and services directly to our Tier 1 suppliers that contribute directly to the goods and services our Tier 1 suppliers provide to Factory X; and
- Tier 3 suppliers are businesses that provide goods and services directly to our Tier 2 suppliers that contribute directly to the goods and services our Tier 2 suppliers provide to our Tier 1 suppliers, which are then provided to Factory X.

Around 95% of our international apparel suppliers that are responsible for manufacturing our products are located in China. We do not manufacture any of our apparel directly but utilise a network of factories and suppliers that span three continents. A full list of our suppliers in relation to the factories that we engage is publicly available on each of our Websites (page 3).

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

**The more remote tiers of our primary supply chains provide inputs on the following products:**

- Cotton & cotton textiles
- Knitted mills
- Hemp textiles
- Wool
- Crop cultivation
- Chemical fibres

# RISKS OF MODERN SLAVERY PRACTICES

**DESCRIBE THE RISKS OF MODERN SLAVERY PRACTICES IN THE OPERATIONS AND SUPPLY CHAINS OF THE REPORTING ENTITY AND ANY ENTITIES IT OWNS AND CONTROLS**

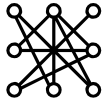
We acknowledge that the clothing and apparel industry, as a whole, has an elevated modern slavery risk profile. This is due to inherent industry risks in apparel production and manufacturing, including:

- high proportions of low-skilled labour and low barriers to entry;
- complex and non-transparent supply chains;
- lack of independent oversight of our suppliers who are concentrated in relatively higher risk jurisdictions;
- low wages and exploitative working conditions;
- common practices which suppress labourers' fundamental right to freedom of association; and
- costs pressures which arise from purchasing practices.

We collaborated with FairSupply in FY23, who are experts on Modern Slavery compliance and reporting. In FY23, FairSupply provided us with statistical analysis on the key modern slavery risks which are present in our industry.

While we have a number of suppliers in other jurisdictions such as India and Taiwan, we have predominantly focused our modern slavery risks analysis and due diligence efforts on China, where the majority of our suppliers are located.

**SUPPLY CHAIN RISKS**



**Complex and non-transparent supply chains**

We rely on inputs from a large number of suppliers, many of which are located in different countries. It can be difficult to fully map our supply chains particularly where our suppliers rely on their own, often confidential, supply chains.

Where we are a reseller of apparel and products, we often have limited visibility of those business' supply chains and any investigatory measures we take may affect the commercial relationship.



**Lack of independent oversight**

A lack of independent oversight of a suppliers' operations and reliance on self-assessments elevates the risk that modern slavery practices are not uncovered or addressed.



**Overseas Suppliers - Sourcing and Manufacturing Apparel in China**

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

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

Up to 95% of our products are sourced and manufactured in China. We recognise that supply chains in this jurisdiction, common to the overwhelming majority of Australian apparel retailers, carry an elevated risk of modern slavery within this category based on a broad, high-level assessment at the country level.



**Suppression of freedom of association**

Given the prevalence of unskilled labour in the fashion industry and low barriers to entry, there is an elevated risk that some of our suppliers may engage in activities which suppress workers' rights to form associations or unionise.



**Cost pressures through purchasing practices**

There are a number of purchasing practices which may increase the risk of a supplier participating or being complicit in modern slavery practices such as:

- the use of agencies within supply chains may lead to a loss of transparency and visibility over our suppliers and the activities they are undertaking; and
- not placing orders with sufficient lead or production times, which may require a supplier to use forced labour over extended periods to fulfil orders.

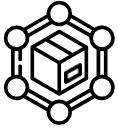
The elevated modern slavery risk in China is well known and documented, with an estimated 5.771 million people living in modern slavery in 2021.<sup>1</sup> Of particular note is the Xinjiang region which is a major cotton producer accounting for approximately 20% of global production and at least 84% of China's cotton that is used in manufacturing is sourced from Xinjiang.<sup>2</sup> According to the Australian Strategic Policy Institute, an estimated 80,000 Uyghur and Turkic Muslim minorities were transferred out of Xinjiang to work in factories across China from 2017 - 2019.<sup>3</sup>

We recognise that there is a significantly elevated modern slavery risk because of the source and concentration of our suppliers.

<sup>1</sup> Walk Free, 'Global Slavery Index 2018'2021', China, <https://www.walkfree.org/global-slavery-index/map/#mode=data:dimension=p:prevalence-unit=absolutewww.globalslaveryindex.org/2018/data/maps/#prevalence>.






<sup>2</sup> U.S Department of Labor, 2020 *List of Goods Produced by Child Labor or Forced Labor*(U.S Department of Labor, 2020) 104.

<sup>3</sup> Vicky Xu et al, 'Uyghurs for sale: 'Re-education', forced labour and surveillance beyond Xinjiang', (Australian Strategic Policy Institute, Report No. 26/2020) 3.



**Domestic Supply Chain Risks**

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

 <b>Business Services</b>	 <b>Apparel &amp; Accessory Stock procured locally</b>	 <b>Distribution</b>	 <b>Fitout &amp; Construction</b>	 <b>Marketing &amp; Promotion</b>
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At supplier Tiers 2 and 3, the general industry categories that we identified with potentially elevated risks for modern slavery included:

 <b>Furniture</b>	 <b>Hotels &amp; Travel</b>	 <b>Passenger Transport</b>	 <b>Building Maintenance &amp; Repair</b>	 <b>Fitout &amp; Construction</b>
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**Fitout, Construction, Building Maintenance and Repair**

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

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

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

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

<b>Employees (as at 30 June 2023)</b>		
	<b>Factory X (Australia)</b>	<b>Factory X (NZ)</b>
<b>Full Time</b>	312	30
<b>Part Time</b>	11	15
<b>Casual</b>	670	71
<b>Total</b>	<b>993</b>	<b>116</b>

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

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

Specifically, our retail workforce in Australia is subject to the General Retail Industry Award and employment protections under the *Fair Work Act 2009* (Cth) and our retail workforce in New Zealand is subject to the *Employment Relations Act 2000* (NZ).

# ADDRESSING MODERN SLAVERY RISKS

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

This Part contains a summary of our due diligence actions during the FY23 reporting period.

As the majority of our suppliers are based in China, we have concentrated our modern slavery due diligence efforts on those suppliers.

Having identified the risks of our supply chains, we have implemented the following practices, policies and procedures in FY23 to assess, address and mitigate our modern slavery risks as part of our internal governance processes.

Generally speaking, our modern slavery risk reduction strategy focuses on working with suppliers to remediate and address any problems that are identified during audits, rather than withdrawing from them as customers.



### Independent CSR audits

Factory X regularly engages Qualspec, a provider of independent and accredited auditors, to conduct on-site and desk-based CSR assessments of our Tier 1 and Tier 2 suppliers. Our CSR audits have been important to help us determine and/or verify whether our suppliers have complied with their modern slavery obligations and to identify areas or suppliers which represent an elevated risk. The CSR audits include assessing whether:

- workers are paid at least the minimum wage and whether their recorded working hours comply with local labour laws;
- there is an anonymous or appropriate way to report labour law violations and if all workers know about this procedure; and
- whether there is any evidence of modern slavery risk indicators, such as:
  - the use of forced labour;
  - whether workers are able to voluntarily work or leave; and
  - the presence and prevalence of security guards which restrict workers' movements.

During FY23, Factory X arranged for independent CSR audits for the following numbers of our suppliers:

- 38 of our Tier 1 suppliers; and
- 6 of our Tier 2 suppliers.

In FY23, Factory X did not discover any instances of modern slavery in its supply chain.

Qualspec auditors rank suppliers based on the number and severity of issues it identifies during CSR audits. Based on the supplier's risk rating, it recommends a corrective action plan (if required) and the frequency of audits. Generally speaking the risk tiers and recommendations are as follows:

Ranking	Criteria	Recommendation
<b>Black</b>	When any critical issue is identified in zero tolerance area.	Use of the factory should either be ceased or an unannounced follow-up audit should be conducted within 2 weeks.
<b>Red</b>	When any critical issue or 11+ major issues are identified but not in zero tolerance area.	A follow-up audit should be conducted within one month and the factory should be audited every 6 months.
<b>Amber</b>	No critical issue identified but there are major issues which require corrective action.	A follow-up audit should be conducted within three months and the factory should be audited annually.
<b>Green</b>	No evidence of critical or major non-compliance and any minor issue can be reviewed over desktop within 3 months.	The factory should be audited every two years.

In FY23, most of our factories were ranked **Green**. None of our Suppliers were placed on a performance improvement plan and the CSR Audits did not uncover any instances of critical or major non-compliance.

In FY22, one of our factories received an **Amber** ranking after a Qualspec auditor identified 8 major issues in its operations. As at the start of FY23, that supplier has successfully remediated all deficiencies the subject of the performance improvement plan.



## Our Commitment to Living Wages

A living wage is a wage which sufficiently provides for a decent standard of living and allows an individual to afford good housing, healthcare, clothing, education, transportation and water. Living wages should be distinguished from a minimum wage, which is the minimum legal wage an individual can be paid. Workers who struggle living on their wage (i.e. are only paid a minimum wage) are generally more likely to have experienced forced labour.<sup>4</sup> Our commitment to ensuring that every person in our supply chain receives a living wage is a key part of our strategy to reduce the risk of modern slavery in our supply chains.

In FY23, we engaged independent auditors to conduct living wage audits of 12 of our Tier 1 suppliers who have not previously been audited. Factory X's independent auditors encountered issues with physically accessing those supplier's operations due to border closures, so a number of audits were conducted as desktop reviews of the data presented to them. The results were positive with all of our suppliers passing their living wage audits.

The living wage audits are party of our 4 year plan, for which we have audited, or intend to audit, our Tier 1 suppliers in the following tranches:

- 10 Tier 1 suppliers in FY21;
- 12 Tier 1 suppliers in FY22;
- 12 Tier 1 suppliers in FY23; and
- the balance of our Tier 1 suppliers in FY24.

After 100% of our Tier 1 suppliers have undergone living wage audits, we will produce a wage gap analysis. The wage gap analysis will assess the wages that our Tier 1 suppliers' workers are paid compared to a suitable living wage benchmark. We previously intended to produce and finalise this report by October 2023, however due to unforeseen complexities and delays, we are now committed to compiling and finalising the living wage gap analysis in 2024.



## Anker Living Wage Methodology

Our suppliers are required to comply with our standard Supplier Terms and Conditions (Terms) which are integrated in our purchase orders. The Terms require all of our overseas and local suppliers to comply with our modern slavery and living wage commitments.

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

The Anker Living Wage Methodology for measuring living wages has two main components:

- estimates cost of a basic but decent lifestyle for a worker and their family in a particular place; and
- determines if the estimated living wage is being paid to that worker.

The methodology emphasizes participation of local people and organisations to increase its credibility and acceptance by stakeholders. Also, the estimation of living wage is explicitly separated from the determination of whether workers receive a living wage or employers pay a living wage.



## Modern Slavery Training

Further to the CSR audits noted on page 9, we have engaged Qualspec to provide ongoing CSR training of key personnel. A key component of this training is with respect to the obligations and requirements under the Modern Slavery Act and is specific to the geographical regions that we operate.

In FY23 we engaged FairSupply, an independent third party expert in modern slavery due diligence to provide training to, and prepare training materials for, the following groups:

- key corporate personnel in our head office across each of Factory X's major corporate functions; and
- our suppliers that are based in China.

The training materials were translated and successfully presented by our Shanghai office to our suppliers that are based in China.

<sup>4</sup> Pablo Diego-Rosell and Jacqueline Larson, 'Modelling the Risk of Modern Slavery', (Gallup and Walk Free Foundation, 17 July 2018).



### Onboarding Suppliers

We require all suppliers to return a signed copy of our Terms, which includes our Code of Conduct. Our Terms were developed using the Ethical Trading Initiative Base Code as a guide protocol. Local laws, the International Labour Organisation (ILO) Conventions, and the principles of the United Nations Universal Declaration of Human Rights are also referenced.

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



### Phased out Recruitment Agencies

Factory X has ceased to use any recruitment agencies in our supply chains. Direct engagement with suppliers ensures greater visibility over our entire supply chain.



### Xinjiang Uyghur Autonomous Region

Factory X is committed to eliminating the use of forced labour of Uyghur and Turkic Muslim minorities in its supply chain. We generally rely on our independent auditors to identify instances where there is an elevated risk of the use of forced labour and we work closely with our suppliers to reduce this risk as much as possible. However, all of our Tier 1 suppliers have signed statements in which they have committed to not knowingly using any cotton fibres or raw materials which have originated in the Xinjiang Uyghur Autonomous Region.

Our main strategy is to work with suppliers to remedy any shortcomings with respect to modern slavery risks or indicators of such risks. We generally do this by implementing performance improvement plans, whereby we continue to use the supplier's services, but require remedial action to be undertaken within a specified period. Despite this, Factory X retains the ability to cease using any of its suppliers or withdraw from a region if implementation of the remediation plan is unsatisfactory.



### Remediation

Factory X has no codified remediation plan that it requires suppliers to undertake in the event that modern slavery or modern slavery risk factors are identified. The benefit of this approach is that it allows us to work flexibly with suppliers to create favourable and practically achievable outcomes.

Our response to the identification of modern slavery risks or deficiencies in relation to a supplier is generally two-fold:

- on receipt of the CSR audit report, we identify the areas for remediation and, depending on the severity, identify required minimum timeframes for remediation to occur; and
- we arrange for formal meetings to occur between management to develop a performance improvement plan with key milestones and targets to be achieved within specified timeframes.

We then monitor suppliers' improvement and arrange for follow-up audits to verify whether the remedial actions were undertaken to our satisfaction.

In FY23, no actual or suspected instances of modern slavery were found or reported in Factory X's supply chain.



### Responsible Purchasing Practices

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

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



### Modern Slavery Questionnaires

During FY20, FY21 and FY22, Factory X conducted survey questionnaires querying our suppliers of any potential modern slavery risks (MS Questionnaires).

The uptake of the questionnaire was positive as we have now received over 600 responses from suppliers and 100% responses from our Tier 1 and Tier 2 overseas suppliers, which helped us identify any potential modern slavery occurring within our supply chain.

In FY23, we have focused on new suppliers and included the MS Questionnaires in the documents to be completed by prospective suppliers as part of our onboarding process.



### Incorporating internationally recognised human rights principles in our policies

Our Ethical Sourcing Policy (ESP) outlines our commitment to manufacturing products under safe and fair working conditions that are wholly compliant with applicable human rights standards. Our ESP has been made publicly available and published on each of our Websites. In accordance with our Terms, all of our suppliers are required to comply with our ESP and other policies.

Our ESP requires remediation in the case of non-compliance and has been embedded in our agreements with our suppliers and manufacturers. Our ESP requires our suppliers to provide details of their outsourcing arrangements and to provide our ESP to any suppliers within their respective supply chains.



### Enhancing Supply Chain Relationships

Enhancing our relationships with our direct suppliers remains a priority in helping us to mitigate modern slavery risks that may exist deeper within our supply chains and outside the direct leverage of our contractual relationships. During FY23, Factory X regularly engaged with suppliers located in affected regions in China (including Shanghai) during the pandemic-related lockdowns to ensure the welfare of suppliers' employees and contractors during that time.

Regular engagement with our suppliers and the undertaking of a broader scope of collaboration over the last reporting period allowed us to broadly disseminate our commitment to the upholding of human rights and modern slavery mitigation.



### Uzbek Cotton Pledge

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

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



### Improving Prevalence of CSR Audits

We recognise the importance of Modern Slavery audits and their role in ensuring our suppliers' ongoing compliance with our Modern Slavery mitigation standards and its importance to broader social and ethical concerns.

In FY23, Factory X's ability to engage third party independent auditors to conduct audits of its suppliers was limited due to lockdowns and local restrictions. The reasons for the delayed progress to our CSR audit program are outlined in part 7 below. Overall, we maintained the number of suppliers who underwent CSR audits in FY23 as compared to FY22. However, these results fell below our goal of auditing 100% of both our Tier 1 and Tier 2 suppliers. Factory X secured independent third party audits in FY23 of:





- 100% of our Tier 1 suppliers; and
- 33.3% of our Tier 2 suppliers.

The results of the audits demonstrated that the majority of our suppliers found no issues or risks to be rectified. Of the suppliers that indicated potential risks, Factory X has engaged with them on a more in-depth basis to conduct collaborative remediation actions.

Of the potential risks identified, they ranged from risks involving working conditions which are typically easily rectified in a short time period to living wages, excessive working hours and environmental concerns which require a more in-depth collaborative effort to rectify.

# MEASURING EFFECTIVENESS

To assess effectiveness of our actions taken to address and prevent modern slavery risks, we evaluated the compliance of suppliers with our protocols, noted indicators of our growing internal capacity to execute our action plan and measured the percentage of our suppliers with potential risks identified in our audits or reported through grievance mechanisms.

FRAMEWORK	MEASURING EFFECTIVENESS
 <b>Annual review by our board</b>	<p>Factory X's board of directors and senior management review its response and mitigation measures regarding its modern slavery risks:</p> <ul style="list-style-type: none"> <li>• annually when a formal review of our modern slavery risks and responses is undertaken in preparing this Statement; and</li> <li>• ad hoc as new risks or issues arise.</li> </ul>
 <b>Partnering with an industry group and checking risk assessment processes</b>	<p>In FY23, we engaged FairSupply to:</p> <ul style="list-style-type: none"> <li>• provide training to, and preparing training materials for:                             <ul style="list-style-type: none"> <li>○ key corporate personnel in our head office across each of Factory X's major corporate functions; and</li> <li>○ Factory X's Chinese-based suppliers on modern slavery risks and procedures;</li> </ul> </li> <li>• undertake a statistical analysis of the modern slavery risks which exist within Factory X's supply chain; and</li> <li>• review our Statement with the objective to critically evaluate both our report and examine our response to addressing modern slavery risks.</li> </ul> <p>We expect that training, education and regular review of our response to modern slavery risks will become a cornerstone of our strategy.</p>
 <b>New Supplier Operations Assessment &amp; Onboarding</b>	<ul style="list-style-type: none"> <li>• While we had a successful uptake of 100% from suppliers when we sent our MS Questionnaires in FY20, we had difficulties obtaining updated the responses from those suppliers on subsequent attempts.</li> <li>• Annual MS Questionnaires have not been a very successful modern slavery due diligence tool because:                             <ul style="list-style-type: none"> <li>○ we did not receive good engagement after the initial survey;</li> <li>○ there are inherent risks to underreporting elements of the modern slavery when self-reporting; and</li> <li>○ most of our suppliers do not have a legal obligation to self report instances of actual or suspected modern slavery.</li> </ul> </li> <li>• While the MS Questionnaires are useful tools when onboarding new suppliers, they are no longer pivotal to our modern slavery due diligence strategy.</li> </ul>
 <b>Internal and external audits</b>	<p><b>External audits</b></p> <ul style="list-style-type: none"> <li>• Given Factory X's limited presence in China, we rely on independent CSR audits of our suppliers to identify and mitigate modern slavery risks.</li> </ul>

- The audits have been deployed with a degree of success given the deficiencies identified in our suppliers' operations as outlined in this Statement.
- Where deficiencies are identified in any of our suppliers' operations, we generally respond by:
  - implementing a performance improvement plan; and
  - arranging for a follow-up audit to identify whether the issue has been addressed.

**Internal audits**

Our human resources department regularly monitors and reviews internal compliance with applicable labour laws and the payment of wages. Factory X stores do not operate on a franchise model, so Factory X has strict control over our internal operations. We believe that our standard procedures and policies are sufficient to identify and address any increased risk of modern slavery in our internal supply chain.



**Grievance Mechanisms**

In FY23 we:

- engaged with suppliers who were identified as having indicators of risk as a result of the audits
- improved on our review system of audit and supplier engagement; and
- publicised grievance mechanisms in workplaces.

We did not receive any complaints or reports of complaints in respect of modern slavery. However, this strategy does not account for the inherent shortcomings of having to self-report instances of modern slavery (whether by the supplier or the victim).

In FY24, we will seek to identify ways in which the grievance mechanisms in our supply chain can be improved. Our approach includes personal meetings between our CEO, Production Manager and Tier 1 suppliers to discuss and consider more appropriate grievance mechanisms in the context of modern slavery.

# PROCESS OF CONSULTATION

**DESCRIBE THE PROCESS OF CONSULTATION WITH ANY ENTITY IT OWNS OR CONTROLS**

Factory X prioritises a unified approach with our controlled entities for our due diligence and activities to reduce and address modern slavery risks.

As stated in part 2 above, Factory X's Australian controlled entities do not trade and are generally passive holding entities. Therefore, they have no distinct or separate supply chains from that of our reporting entity.

Our New Zealand-based controlled entity does not have its own head office, and is controlled and managed from our head office in Victoria. However, we regularly engage with that entity to identify specific geographical risks and appropriate actions to reduce and mitigate our modern slavery risks in New Zealand.

Our consultation process with our controlled entities on modern slavery risks occurs by requesting information, consulting on potential risk factors and agreeing on a group-wide comprehensive action plan to address such risk factors. These processes have culminated in the publication of the Statement.



# RELEVANT INFORMATION

## IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has had a considerable and ongoing impact on our operations, and particularly on the operations of our Tier 1 suppliers who are based in China. As mentioned in Part 4, border closures in China affected the ability of our independent CSR auditors to access our suppliers' factories and workspaces.

However, during the first half of FY23 the ongoing lockdowns and government restrictions in other countries limited certain facets of our action plan in regards to modern slavery risk, including onsite visits. Despite this, we have collaborated with our suppliers over the reporting period to mitigate, to the fullest extent practicable, the adverse impacts of the COVID-19 pandemic on the modern slavery risks in our operations and supply chains, and our ability to assess and respond to those risks.

## Interest Rate Rises

During FY23, Australia experienced 10 interest rate rises and many other countries experienced similar rate hikes. In general, this has the potential to increase modern slavery risk factors by affecting the profitability and viability of many businesses. However, Factory X has continued to provide work to its suppliers to mitigate such risks.



### Ensuring our Suppliers are Supported

We have sought to clearly and promptly communicate with our suppliers during the pandemic. We recognise the various challenges our suppliers have faced, and will continue to face, as a result of the pandemic.

Since 2021, we have made six ongoing COVID - 19 Fashion Commitments to our suppliers which we have published on our website, including the below:

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

### These commitments have also practically involved the following actions:

- ✓ Committing to timely full payments on all completed orders.
- ✓ Not cancelling or discounting any existing orders.
- ✓ Not cutting back and placing orders that we cannot commit to financially and within agreed terms.
- ✓ Creating additional orders, where possible, to provide employment.
- ✓ Extending and rebalancing delivery dates to alleviate undue financial pressure.
- ✓ Continuing to utilise all suppliers at a ratio equal, insofar as practicable, to pre-COVID-19 conditions.
- ✓ Extending the window for delivery periods without penalty to suppliers considering uncertainty in shipping times.
- ✓ Continuing to monitor living wages with audits into key manufacturers to identify areas of potential financial hardship.
- ✓ Providing a bilingual point of contact for grievances.
- ✓ Operating clear channels of communication between HO, stores, staff, suppliers and workers.
- ✓ Signing the ILO 'Call to Action' to work together to establish sustainable systems of social protection for a more just and resilient garment industry.

**These Commitments are ongoing.**



### Impacts on Modern Slavery Risk Identification

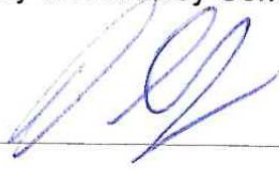
Due to the travel restrictions as well as mandatory lockdowns in the various cities in which our suppliers are located due to the COVID-19 pandemic, our ordinary auditing activities were disrupted, as we were unable to undertake onsite audits of suppliers' factories and working conditions. Factory X instead conducted a number of remote desktop audits based on documents collected by our external auditors.

**FUTURE PLANNED ACTIONS**

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

- ✔ We will continue implementation of our AP21 buying system. This system which integrates our procurement policy in each purchase order, which embodies our supplier code of conduct, to place more stringent responsibilities on suppliers in respect of CSR and modern slavery compliance.
- ✔ We will continue to investigate and develop independent overseas workers grievance channel(s) that include the use of bilingual helplines.
- ✔ We will roll out training modules to all Australian and New Zealand based retail employees and contractors of Factory X regarding the risks of Modern Slavery in FY24.
- ✔ We will work with our suppliers and auditors to produce a Wage Gap Analysis in FY24 based on the results of our Living Wage audits.
- ✔ We will continue to monitor whether all staff of our suppliers are provided with living wages (as opposed to minimum wages) by performing wage gap analysis studies and expand on those studies.
- ✔ We will continue to expand our modern slavery due diligence efforts to our Tier 1 suppliers who are located in Taiwan and India.
- ✔ We will continue to improve on our CSR audit rates of all suppliers.

This Modern Slavery Statement has been approved by the Board of Directors of Factory X Pty. Ltd. for signature by our CEO and for lodgement onto the public register administered by the Attorney General's Department, on

  
\_\_\_\_\_  
David Patrick Heeney

27/12/23  
\_\_\_\_\_  
Date



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

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**Factory X Pty. Ltd.**  
ABN 51 078 151 667

**REPORTING PERIOD**  
1 JULY 2022 – 30 JUNE 2023