



Modern Slavery Statement

FY 2021

APG & CO
THE BRAND ASSEMBLY



From the Chief Executive Officer of APG & Co

This report is the second Modern Slavery Report published for APG & Co under the Australian Modern Slavery Act 2018 (Cth).

At APG & Co we exist to bring brands to life. This drive encompasses our responsibility and accountability to guarantee social compliance within our business and the way we manage our supply chain. We are committed to identifying and mitigating our modern slavery risks and authentically reporting our progress. This statement reflects the actions we have undertaken through the financial year ending 31 July 2021 to recognise and alleviate our modern slavery risks.

During FY21, we saw strengthening of our social compliance focus through the hiring of the Social and Environmental Manager into a renewed role, who undertook a human rights and modern slavery risk assessment and released a strengthened 2025 Social and Environmental strategy. With goals set, we implemented plans to mitigate risk involved with sourcing from high-risk countries and improve our supply chain tracing. We continued to roll out our first round of internal modern slavery training to staff involved in procurement and developed the responsible buying

policy to educate our internal teams on modern slavery and encourage them to reflect on their buying behaviour.

However, we have seen the ongoing repercussions of the COVID-19 pandemic and the beginnings of the global impacts of new strains in Australia and Vietnam. We have continued to monitor and respond to social compliance within our supply chain through the utilisation of our internal audit system and 3rd party ethical audits. Our internal auditor has undertaken social audits and worked directly with our factories to enable them to improve their audit ratings and reduce non-conformances.

We have increased the transparency of our internal business practices through higher visibility and accountability online and partnerships with external parties. We have published several policies and reports online including our Commitment to a Living Wage. We have engaged with supply chain tracing software platforms and have taken control of, and updated, our supplier lists published on the Open Apparel Registry.

Over the coming year we will continue to embed strategies into our business and develop our practices to ensure that our risks are identified and mitigated. We will be launching our updated internal ethical audit to collect further data about our supply chain, whilst also improving internal and supplier-based training. We will be increasing the traceability of our supply chain to provide greater visibility of our modern slavery risks, and we will continue to improve the transparency of our business, and actions. We aim to increase our collaborative efforts with suppliers, non-governmental organisations, and industry to foster relationships to tackle modern slavery issues.

A blue ink signature of Martin Matthews, consisting of stylized initials and a surname.

Martin Matthews
CEO APG & Co

(This Modern Slavery Statement has been approved by the Board of APG & Co – 27/01/2022)

Modern Slavery Statement Overview

We have addressed the mandatory criteria detailed in the Modern Slavery Act 2018 as follows:

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Identification of the reporting entity

This is addressed on pages 3

Description of the process of consultation with any entities the reporting entity owns or controls

This is addressed on page 3

Description of our structure, operations, and supply chain

This is addressed on page 4 | 5 | 6 | 7

Description of the risks of modern slavery practices in our operations and supply chains and any entities we own or control

This is addressed on page 8 | 9 | 10

Description of the actions we have taken to assess and address these risks (including due diligence and remediation processes)

This is addressed on pages 11 | 12 | 13 | 14 | 15 | 16 | 17

How we assess the effectiveness of our actions

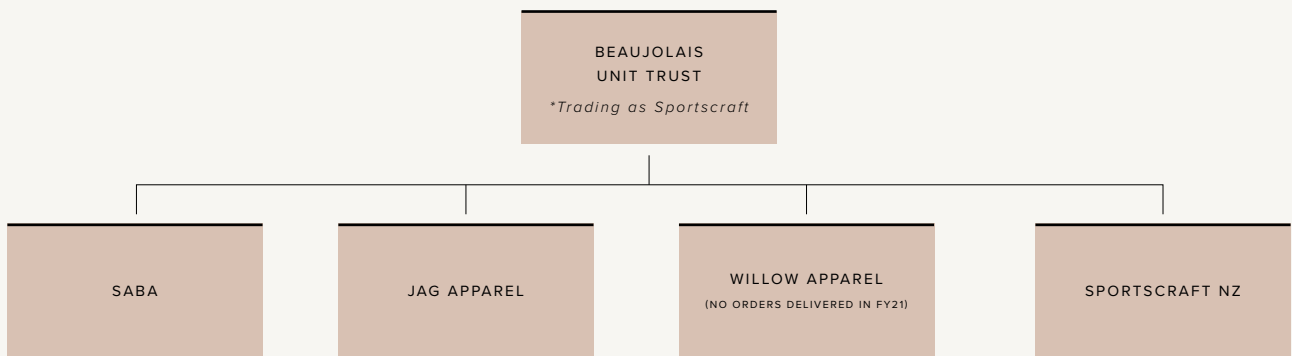
This is addressed on page 18 | 19 | 20

References to 'our' and 'we' in this Statement are references to APG & Co.

1. Identification of the Reporting Entity and Consultation Process

This modern slavery statement, published in accordance with the Modern Slavery Act 2018 (Cth), sets out steps taken by APG & Co to identify and address its modern slavery risk over the period 1 August 2020 - 31 July 2021 (FY21). This Modern

Slavery report was produced for APG & Co and its four brands, Sportscraft, Saba, Jag, and Willow (no orders delivered in FY21), on behalf of the Beaujolais Unit Trust who privately owns and controls the retailing group.



Our team consulted relevant management, procurement, buying, and offshore teams along with suppliers to collect data for this report. Once the report was drafted, it was reviewed by an external legal team, our Audit Committee, and the Board.

There are no affiliated parties which are not under the scope of data collected in this report.

1.1 GOVERNANCE

Audit Committee

At APG we have Board Level commitment to implementing the human rights requirements set out in our sourcing Code of Conduct and Global Sourcing Principles. We have an audit committee made up of our CEO, CFO, Group Financial Controller, and a member of our Board. The audit committee reviews and makes recommendations to the Board in relation to APG's risk management, internal control, financial reporting, compliance (including tax, legal and regulatory),

corporate governance and external audit responsibilities. The audit committee meets quarterly to encourage continuous improvement of, and foster adherence to, company policies, procedures, and practices at all levels.

Modern Slavery Specialist

In FY21, APG welcomed the Social and Environmental (S&E) Manager into a renewed role. They are a specialist in Modern Slavery within the fashion and textiles industry. This function sits in the sourcing team and reports to the audit committee quarterly on the actions taken to reduce risk. The role aims to decrease human rights risks, improve visibility and factory working conditions. The S&E Manager will lead projects and programs in Modern Slavery due diligence, ethical compliance, improving factory data collection, traceability, living wage, and worker empowerment.

2. APG & Co structure, Operations and Supply Chains

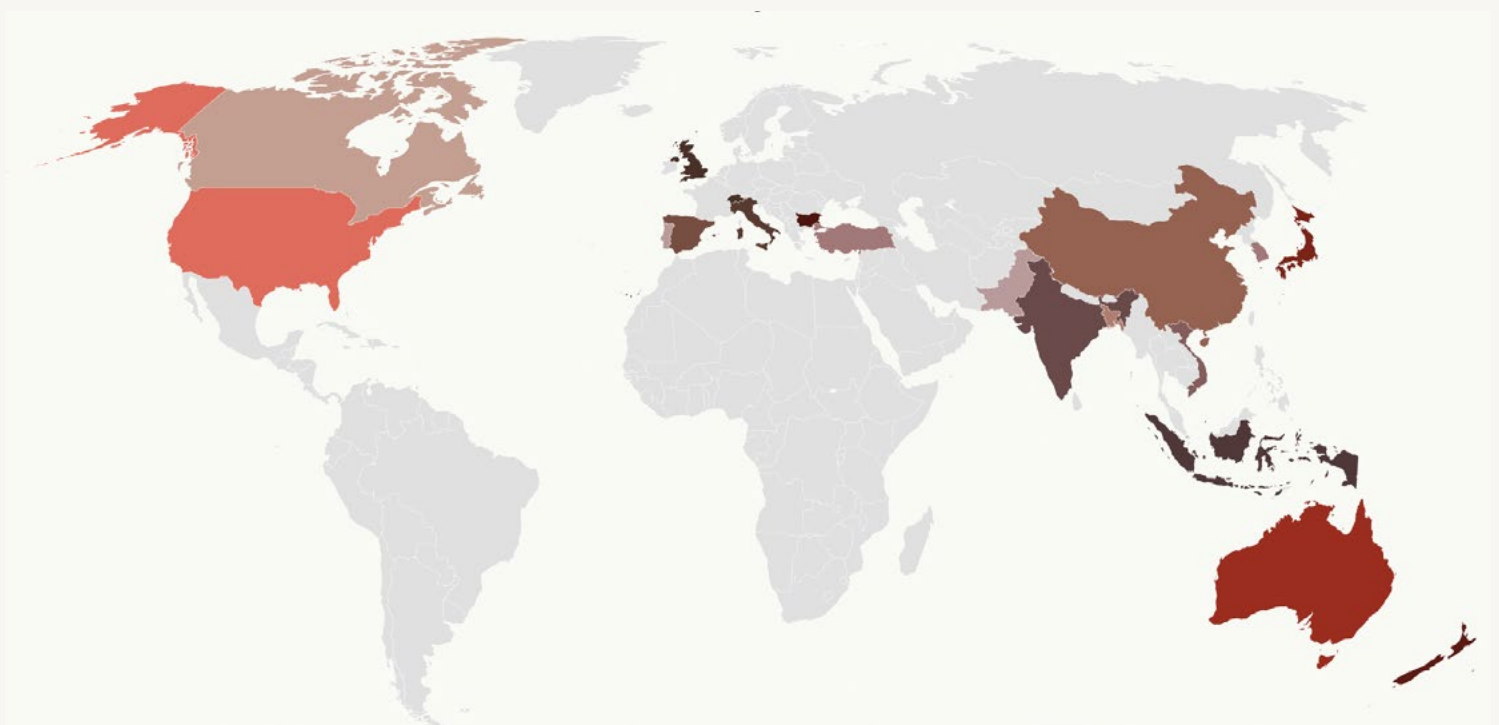
2.1 STRUCTURE & OPERATIONS

APG & Co is a privately held Australian company, which was established in the early 1950's. Our business is built upon designing, coordinating manufacture, importing, and selling of women's and men's clothing and accessories within the Australian and New Zealand markets. APG & Co owns and manages four retail brands, Sportscraft, SABA, JAG, and Willow (no orders delivered in FY21).

Head office	<u>STAFF</u>	
<i>APG& Co employs 964 staff across our head office and stores in Australia and New Zealand.</i>	128	SUPPORT OFFICE - ALEXANDRIA SYDNEY
	722	AUSTRALIAN RETAIL TEAM
	60	NEW ZEALAND RETAIL TEAM
Offshore offices in Shanghai, China and Ho Chi Mihn City, Vietnam.	<u>STAFF</u>	
	10	HO CHI MINH CITY
	5	SHANGHAI
3 Brands, stores & concessions	<u>STORES & CONCESSIONS</u>	
	63	SPORTSCRAFT STORES
	20	SABA STORES
	3	JAG STORES
	90	SPORTSCRAFT DAVID JONES CONCESSIONS
	88	SABA DAVID JONES CONCESSIONS
	75	JAG DAVID JONES CONCESSIONS
	3	SPORTSCRAFT BALLANTYNES CONCESSION NEW ZEALAND
	1	SABA BALLANTYNES CONCESSION NEW ZEALAND
		SPORTSCRAFT, SABA, AND JAG LICENSED PRODUCT IN COSTCO
Produce the formal apparel uniform for the Australian Olympic team		

2.2 SUPPLY CHAIN

To support APG & Co's business of designing women's and men's clothing and accessories within the Australian and New Zealand markets, we utilise a range of goods and services providers globally. These goods and service providers facilitate all day-to-day functions of our business. The data below highlights the country of origin spend across all goods and services categories for our business, including all goods for resale, goods not for resale, and services.



Country	Percentage spend	Country	Percentage spend
AUSTRALIA	57.72%	JAPAN	0.27%
CHINA	24.86%	SPAIN	0.17%
VIETNAM	9.66%	INDIA	0.12%
NEW ZEALAND	2.38%	USA	0.08%
ITALY	1.43%	CANADA	0.07%
INDONESIA	1.39%	PAKISTAN	0.05%
HONG KONG	0.64%	PORTUGAL	0.05%
BANGLADESH	0.51%	BULGARIA	0.03%
TURKEY	0.29%	UK	<0.01%
SOUTH KOREA	0.29%	SWITZERLAND	<0.01%

2.2.1 PRODUCT SUPPLY CHAIN

Tier 1 Garment Manufacturing & Tier 2 Fabric Manufacturing

As a retailing business for four apparel and accessories brands, our supply chain is central to the way in which we operate. Below provides a snapshot of our partnered suppliers where we purchase garments or fabric from:

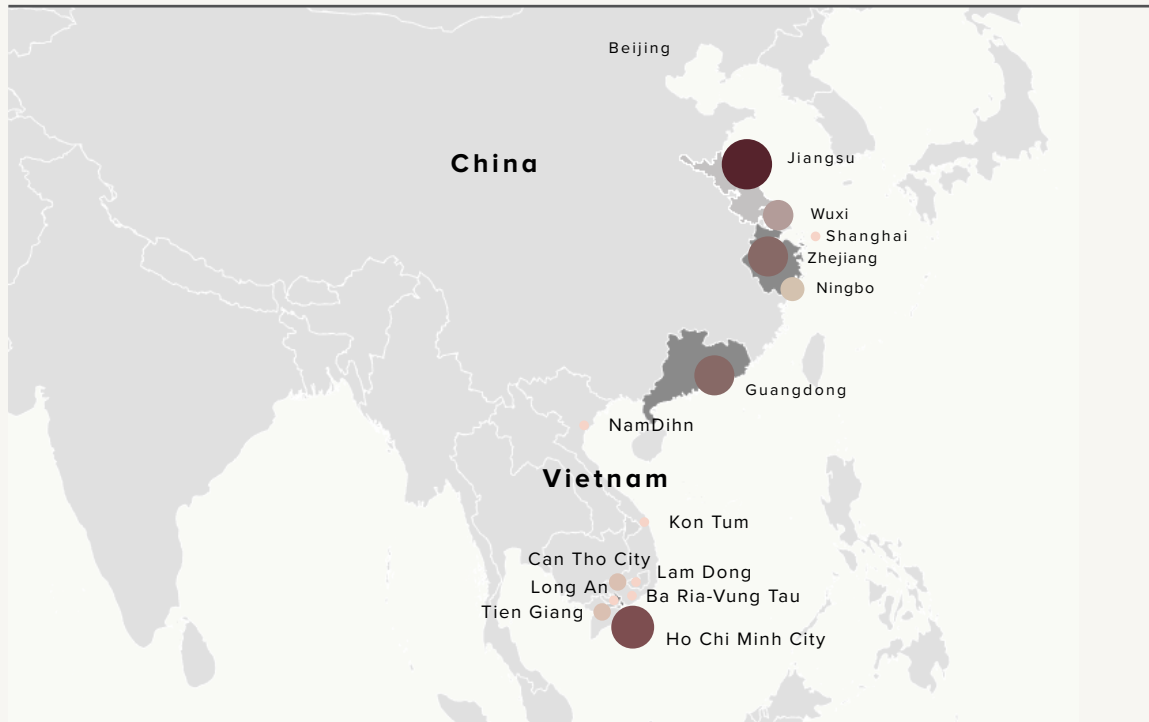
TIER 1			
Country	Factories	% of spend	% of units
China	31	64.5%	54.8%
Vietnam	16	29.5%	36.4%
India	2	0.2%	0.1%
Australia	2	0.02%	0.1%
Bangladesh	1	1.5%	3.5%
Indonesia	1	4.3%	5.1%

TIER 2		
Country	Suppliers	% of spend
China	52	60.3%
Italy	4	22.8%
Turkey	6	4.6%
Japan	4	4.4%
Spain	4	2.7%
Korea	5	2.7%
Pakistan	1	0.8%
Portugal	1	0.7%
Bulgaria	1	0.5%
Vietnam	1	0.5%
Switzerland	1	0.1%

Some of our product is produced by Apparel Group for our Costco ranges. APG & Co and Apparel Group were previously one entity, but in 2013 they were separated into two. Apparel Group produces products on our behalf, however we co-sourced and and audit all factories used to make our product.

2.2.1 PRODUCT SUPPLY CHAIN

Our Tier 1 factories in China and Vietnam are located in the provinces below:



Vietnam	No. of suppliers	China	No. of suppliers
■ Ho Chi Minh City	7	■ Jiangsu	11
■ Can Tho City	2	■ Guangdong	6
■ Tien Giang	2	■ Zhejiang	6
■ Ba Ria-Vung Tau	1	■ Wuxi	4
■ Kon Tum	1	■ Ningbo	3
■ Lam Dong	1	■ Shanghai	1
■ Long An	1		
■ NamDihn	1		

3. Risks of modern slavery in our operations and supply chain

At APG & Co we recognise that due to the nature of our business and prevalence of modern slavery within all fashion brand supply chains, sourcing products comes with a modern slavery risk. The Walk Free Foundation identified the Fashion and Textile industry to have the second highest Modern Slavery risk rating.

Shortly after our S&E Manager started with APG & Co, they conducted a Human Rights and Modern Slavery risk assessment, by undertaking extensive investigation of APG's processes, practices, and supply chains. Each country we

source either garments or materials from had a risk profile developed, which highlighted industry specific cases of modern slavery from that region. These utilised data from global organisations such as the International Labour Organisation, Human Rights Watch, Verisk Maplecroft, Walk Free Foundation, and others to gather and assess the possibility of modern slavery within our supply chain. More generalised profiling occurred for services and goods not for resale utilised in our head office and store network.

GOODS FOR RESALE

- | | |
|---------------------------|--|
| CURRENT SOURCING POSITION | • Breakdown of sourcing countries, and tiers (% and number of suppliers) |
| AUDITING | • Identification of the auditing process. |
| SUPPLIER TRACING | • How we have traced previously. |

TIER 1 | SOURCING COUNTRY RISK PROFILES

<u>China</u>	<u>Vietnam</u>	<u>Indonesia</u>	<u>Bangladesh</u>	<u>India</u>
Country profile Xinjiang	Country profile No specific schemes, general modern slavery risks	Country profile No direct labour contracts	Country profile Informal economy	Country profile Sumangali Scheme

TIER 2 | SOURCING COUNTRY RISK PROFILES

<u>China</u>	<u>Italy</u>	<u>Turkey</u>	<u>Japan</u>	<u>Spain</u>
Country profile Xinjiang	Country profile Chinese workers in Prato	Country profile Syrian Refugee Crisis	Country profile Forced Labour	Country profile African refugee crisis

- | | |
|---------------------------------|---|
| INDUSTRY SPECIFIC RISK PROFILES | <ul style="list-style-type: none"> • Deep dive on Xinjiang • Indicators: Temporary and agency workers, informal contracts, excessive overtime, Abuse. • COVID-19 |
|---------------------------------|---|

GOODS NOT FOR RESALE

- | | |
|-------------------------|--|
| SERVICES FOR OPERATIONS | • Slavery in Australian Cleaning companies |
| SUPPLY CHAINS OF GNFR | <ul style="list-style-type: none"> • How we are indirectly exposed to supply chain risks. • Other high risk industry specific issues – technology, tea and coffee for staff. |

3.1 COUNTRY RISKS IN APG & CO'S SUPPLY CHAIN

As a result of the risk assessment, we were able to prioritise the key areas of modern slavery risk which will be discussed in this section. We directly purchase over 60% of our fabrics from China, and 80% of our garments are manufactured in China and Vietnam.

3.1.1 CHINA

China's manufacturing workforce has been powered by internal migration of workers from poorer rural areas into the manufacturing hubs. This migration has occurred over the past 40 years and has improved the earning potential for millions of Chinese citizens. However, this migration increases the vulnerability of workers as they are separated from their families and this can make them more susceptible to modern slavery practices. The Walk Free Foundation has identified forced labour, restricted movement, and excessive overtime as prolific issues.

3.1.1.1 CHINA - FORCED LABOUR IN XINJIANG

A prominent modern slavery issue in clothing supply chains is raw cotton and yarn production in Xinjiang China. Verisk Maplecroft has listed Xinjiang a region of 'extreme' risk of forced labour, due to the allegations that at least 100,000 Uyghurs and other Muslim minorities being subjected to forced labour in re-education camps. According to the United States Department of Agriculture, approximately 20% of the global cotton supply is cultivated in Xinjiang and many of the yarn producers located in the region are assumed to be utilising forced labour.







3.1.2 VIETNAM

Due to the vulnerability of Vietnam's population to poverty, workers are more susceptible to all forms of modern slavery. In Vietnam, vulnerable workers can face child labour, forced labour, informal contracts, abuse, and excessive overtime. Vietnam did not have

any specific modern slavery schemes, however the International Labour Organisation estimated that in 2020 that over half a million 5–17-year-olds were engaged in hazardous work, primarily in the industry and construction sectors.

3.2. DEEPER IN OUR SUPPLY CHAIN

As part of the risk assessment, we categorised our supply chain into six tiers, and assigned each processing step into this category. We have split our supply chain into the tiers below:

TIER 1	TIER 2	TIER 3
Cutting, Sewing, Finishing	Knitting, Weaving, Printing, Dyeing	Yarn production, Dyeing
		
TIER 4	TIER 5	TRIMS
Baling, Grading, Trading	Farming, Extraction	Trims, Packaging
		

Many modern slavery risks occur in deeper tiers, where long complex supply chains and suppliers refusing to disclose their relationships, making visibility over lower tiers especially difficult. This lack of visibility helps perpetrators to hide cases of modern slavery and keep it out of reach of identification, as seen in Cotton Sourcing from Xinjiang in tier 2, 3, 4 and 5.

3.3 RISKS IN APG & CO'S OPERATIONS - AUSTRALIA

For the daily operations of our head office, stores, and warehouse we utilise a range of services and procure goods to use within these locations. The categories below have been listed in order of spend for our internal operations in the services and goods not for resale categories.

SERVICES	
• Professional services	• Communications
• Occupancy	• Insurance
• Freight / Logistics	• Recruitment
• Marketing and Promotion	• Cleaning
• Building maintenance	• Utilities
	• Security

GOODS NOT FOR RESALE	
• Visual merchandising	
• Retail	
• IT	
• Stationery	

3.1.1 SERVICES

At APG & Co we utilise a range of services for our daily operations such as cleaning, building maintenance, freight, and recruitment. Most of these services are undertaken in Australia, which lowers but does not eradicate our risk of modern slavery. Cleaning has been identified as higher risk as there are recorded cases of human trafficking or use of immigrants with precarious visa status to undertake deregulated cleaning work which can amount to slavery type conditions.

3.1.2 GOODS NOT FOR RESALE

At APG & Co we procure goods to use in our everyday operations, such as offices furnishings, store fit outs, stationery, and IT. We recognise that like the production of our goods, much of the modern slavery risk occurs in the supply chains and raw material sourcing of products. Key slavery concerns connected to materials are child and slave labour in metals used in technology hardware, slavery in logging for wood used in stationery, and slave labour in tea and coffee farming.

3.4 INCREASED RISKS DUE TO COVID-19

Due to the COVID-19 pandemic there has been an increase in the number of people who are deemed to be vulnerable, and therefore more susceptible to modern slavery. It has been reported by Verisk Maplecroft that many of the key manufacturing hubs in Asia have seen a significant increase in modern slavery as an outcome of the pandemic; with both Bangladesh and Vietnam being regraded to 'extreme' risk of modern slavery due to the impacts of the COVID-19 pandemic. We recognise that the pandemic will have lasting impacts on workers and that the true scope of increased modern slavery risk has not yet been identified.

4. Actions taken to assess and address modern slavery risks

For over a decade APG has embedded a range of compliance processes in our overseas supply chain to safeguard worker conditions. Over the course of FY21, we have undertaken a range of actions to strengthen our current program.

4.1 DEVELOPMENT AND IMPLEMENTATION OF 2025 SOCIAL AND ENVIRONMENTAL STRATEGY

The 2025 Social and Environmental strategy was developed and launched to enhance current policies and processes by utilising the recommendations from the risk assessment (as outlined in section 3 of this statement). The strategy was formulated to strengthen our focus on the pillars of worker's rights, materials, impacts, circularity, traceability, and transparency. The goals for each pillar have been developed using global frameworks such as The Pulse of The Fashion Industry, the United Nations Sustainable Development Goals, the OECD Due Diligence on the Garment and Footwear Sector. Each pillar has key focuses which are achieved by the completion of goals and KPI's to be achieved by 2025.

4.1.1 MODERN SLAVERY

We have set goals to improve internal systems, processes, and training throughout our business and supply chain to enable us to detect and act on possible identifiers of modern slavery. Continuous research and risk tracking will be undertaken to ensure that any issues identified have adequate controls embedded.

4.1.2 WORKER'S RIGHTS

We will expand and enhance our internal audit and worker's empowerment programs to educate workers in our supply chain on their rights and to reduce the risk of unfair working conditions. Our internal audit will collect a broader range of data, including temporary workers, the use of labour hire

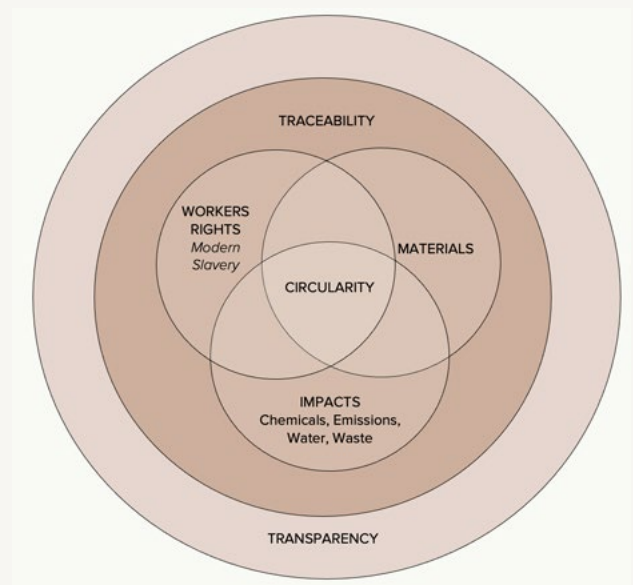
firms and other areas which could be an indicator of modern slavery. In addition, our internal audit will be expanded to cover more of our supply chain.

4.1.3 TRACEABILITY

We will increase the traceability of our supply chain into deeper tiers. We will focus on expanding data collection from current factories, fostering supply chain tracing partnerships, and improving supply chain tracing projects to trace back to tiers 2, 3, and 4.

4.1.3 TRANSPARENCY

We will increase our transparency by sharing more information internally, and externally to our suppliers and industry. We will share the factories identified from our tracing program and provide further information about working conditions in our supply chain.



Our sustainability strategy is based on the key pillars of Worker's Rights - Materials - Impacts. These must be underpinned by a fully traceable supply chain, and we must be transparent within our business, supply chain, and to the industry as a whole to achieve these goals.

4.2 SUPPLIER APPROVAL PROCESSES

Over the course of FY21, we formalised the supplier approval process to all our tier 1 and 2 Suppliers. The process below was developed to facilitate an increased number of collaborations we anticipate we will undertake. These collaborations were a slight deviation from the standard supplier process, but enabled us to undertake our required due diligence, whilst permitting our collaborators to maintain control over their supply chain. This process was implemented to ensure that all suppliers across APG's supply chain follow the same process for on boarding and approval onto APG's approved supplier list.

We completed the roll out of the Updated Code of Conduct and Global Sourcing Principles. All our partnered tier 1 and 2 signed and returned a copy of these updated documents. This is a simple yet vital step to ensure that suppliers are aligned with our expectations in the ethical sourcing space.

CASE STUDY – COLLABORATIONS

Through FY21 APG began collaborating with external brands to create and source different types of products. One of the collaborations was with a small brand which was well known for product categories APG had not made before.

Once a range and cost had been agreed, but before we began production, we asked the brand to sign our Code of Conduct, Global Sourcing Principles, and provide a copy of a 3rd party ethical audit of the factories in which they would be producing APG branded product in.

At this stage the collaborator decided that they were unable to disclose this documentation to us for Intellectual Property purposes. We offered to have agreements created to protect their Intellectual Property while still allowing us to view an ethical audit to ensure that the factories were compliant with our standards. However, we were not able to come to an agreement, and the collaboration had to end.

This case led to the formalisation of the Supplier Onboarding Process and the creation of a Collaboration Supplier on-boarding process.



4.3 SUPPLIER AUDITS

4.3.1 INTERNAL AUDITOR

We have an internal ethical Auditor based in our Shanghai team who has worked with APG since 2015. This auditor has over 15 years of experience as a senior factory auditor, working in roles with 3rd party audit providers and global sourcing agencies. Across these roles they have regularly conducted factory audits, provided feedback on how to amend non-conformances and provided training to factories. Our auditor can cross check factory paperwork such as wage records against production records to provide insight into the reliability of the paperwork provided. Our auditor can also verify information with factory workers when they conduct worker interviews.

4.3.2 INTERNAL ETHICAL AUDITS

Our Auditor will conduct an unannounced audit at all China based tier 1 and selected tier 2 factories at least every 12 months. The auditor will arrive at the factory with no warning to conduct an audit, to allow us to inspect factories on a regular workday, so it is less likely that they will prepare for the audit. Internal audits are completed by our Auditor following the process below:

4.3.3 3RD PARTY ETHICAL AUDITS

We also collect 3rd party ethical audits from globally accepted frameworks – BSCI, SEDEX SMETA, WRAP, and SA8000.

These audits are collected across tier 1 in all countries. The audit results are compared to our audit criteria to be given a Green, Yellow, Orange, or Red rating. Any audits collected in China are compared to the internal audit for reference, and any discrepancies found are noted and examined in the next internal audit to understand why this occurred.

- 1 *Collect 3rd party ethical audit report from factory*
- 2 *Review audit report and assign ratings based on report findings against our internal audit criteria and ratings.*
- 3 *3rd party ethical audit reports are collected every 12 months.*

- 1 *The Auditor arrives unannounced to the facility*
- 2 *The Auditor holds an opening meeting with factory management where they discuss the audit rules and process, and management can inform the Auditor of any changes since last audit.*
- 3 *The Auditor undertakes audit of the facility:*
 - *Checks paperwork*
 - *Tours the factory floor*
 - *Randomly selects workers for interviews, to ask any of the 35 recommend questions about pay and benefits, working hours, OH&S, grievances, and working conditions.*
- 4 *The Auditor sits down with factory management to explain non-conformances to our ethical audit.*
- 5 *The Auditor completes Corrective action plan, explaining each point, leaving a copy with the factory.*
- 6 *The Auditor enters the non-conformances into a tracking list of audits and applies a colour rating to audit result.*
- 7 *The Auditor reaudits facility based on rating timelines*

4.3.4 AUDIT RATING AND TIMELINE

Our Auditor will conduct an unannounced audit at all China based tier 1 and selected tier 2 factories at least every 12 months. The auditor will arrive at the factory with no warning to conduct an

audit, to allow us to inspect factories on a regular workday, so it is less likely that they will prepare for the audit. Internal audits are completed by our Auditor following the process below:

RATING	AUDIT FINDINGS	REAUDIT TIMELINE	SUPPLY CHAIN SPREAD
GREEN	1-5 MINOR ISSUES	12 MONTHS	58 % OF TIER 1 79% OF TIER 2
YELLOW	5-10 MINOR ISSUES	6 MONTHS	5% OF TIER 1 13% OF TIER 2
ORANGE	1 OR MORE MAJOR ISSUES 10+ MINOR ISSUES	3 MONTHS	36% OF TIER 1 8% OF TIER 2
RED	ANY CRITICAL ISSUE	1 MONTH	0% OF TIER 1 OR 2

**This timeline is for internal audits only*

4.4 REMEDIATION - CORRECTIVE ACTION PLANS AND AUDIT TRACKING

After completing an internal audit, our Auditor will list any non-conformances in the Corrective Action Plan (CAP). The Auditor will sit down and talk through the issues, expected improvements, and timeframes with the factory management at the end of the audit. The Auditor and factory management will allocate each task to be improved to the relevant responsible staff member.

After each audit the non-conformances are listed in an audit tracker, which provides an overview of all non-conformances across our factory base and history of previous audits ratings. The audit tracker has continuously recorded audit data since 2015 and provides a holistic overview of the audit outcomes.

On a weekly basis the Internal Auditor will report audit results to the General Manager of Global Production, Head of Factory and Fabric Allocation, the Social and Environmental Manager, and the Global Production Managers. These results are then shared out to the rest of our supply chain as required. The internal Auditor meets weekly with the S&E Manager to discuss audit results and any compliance issues.

Tier 1 – Garment Factory Audit Case Study

In May 2021, we were asked to on-board a new factory by one of our long-standing suppliers, because the factory could undertake a process that no others could. Before agreeing to on-board the factory, we sent our internal auditor to conduct an audit.

It was found that there were 7 Major and 8 Minor issues in the factory. Including issues such as the supplier was only able to provide payroll records for one month, did not provide attendance records, there were 9 health and safety issues, and all the workers in the factory were contracted by an external labour agency so couldn't provide any worker contracts.

These issues had been identified by our auditor and S&E manager as potential indicators of modern slavery, especially that they utilised external labour agencies and held no direct worker contracts showing worker's working rights or could even prove how workers were employed.

At the end of the audit our internal auditor sat with factory management and discussed their concerns and how they needed to be fixed for the next audit. The factory management stated they would not stop working with the labour hire firms, or show worker contracts with the labour hire firm in future.

As an outcome, we could not on-board this factory as we wouldn't be able to adequately conduct our due diligence at the factory.

**Tier 2 – Fabric Mill Audit Case Study -
Jiangsu Decent Textile Co Ltd**

In FY21, we audited a fabric mill we have worked with for 5 years, when first on-boarded it received an orange rating, and in time improved to a green, then slipped back to a yellow rating. We were working with this mill to improve their factory ratings, and achieve a green rating again and maintain it. During an audit at the end of FY20, our auditor sat with factory management after they conducted the audit and worked through the non-conformances that had been discovered in the factory. The auditor encouraged the factory to focus on correcting all the non-conformances and explaining how they could do so.

By the time that the auditor arrived at the factory for the next audit in Mid FY21, the factory had improved the conditions in the factory by conducting fire drills and ensuring that all evacuation routes were unblocked. These corrections improved the safety of workers in the facility and made it less potentially dangerous to work.

This factory received a Green rating after this audit and they don't need to be reaudited for 12 months, on the current system.

4.5 DEVELOPING SOURCING STRATEGIES TO MITIGATE SOURCING FROM HIGH-RISK COUNTRIES

As a response to identifying cotton sourcing from Xinjiang in the risk assessment, we developed a range of sourcing strategies to reduce our risk of sourcing cotton – our most utilised fibre. We have begun work to source more organic cotton which isn't grown in Xinjiang and swap some of our cotton-based products to other material types. In addition, we added a new section into our fabric sourcing forms asking for information on the country and province of raw cotton used in our fabric and added similar questions into

our updated ethical audit for all China T1 and T2 factories. These updates provide oversight into factory knowledge of where the raw materials are being sourced from, and at which level information is being flowed through to. This enables us to build and strengthen future sourcing strategies to reduce risk.

4.6 IMPROVING SUPPLY CHAIN TRACING

Supply chain tracing projects have been further developed and improved due to the targeted issues identified in risk assessment. We have developed a tool which enables us to trace deeper into the supply chain of our essentials ranges and programs. This tool will collect the names and addresses of each supplier and mill in tiers 2, 3, and 4 for our largest volume styles. Two variations of the tool have been developed to collect data for styles we purchase the fabric for, and those we only purchase full garments for. Tracing projects using this tool will be undertaken in FY22 and reported on next year.

4.7 CONTINUOUS DEVELOPMENT OF STRONG SUPPLIER RELATIONSHIPS

APG has undertaken significant work in previous years to consolidate our supply chain and to increase the leverage we have with our suppliers, so we can build strong relationships and drive initiatives to reduce modern slavery risks. During this process, we have decided to continue sourcing from China, as we have strong, long running relationships with these suppliers. These relationships offer transparency and enable us to reduce modern slavery risks. We have used over 20% of our factories for more than 10 years, and nearly 70% have been our factories for over 5 years.

4.8 RESPONSIBLE BUYING POLICY

The internal Responsible Buying Policy was developed to encourage our internal teams to reflect on their own behaviour and how this may impact modern slavery. The policy has been designed for use by staff who procure goods for resale products, to consider how shortening timelines may increase overtime, or reducing cost price may impact worker's pay. It was developed to work along with internal training.

4.9 ROLL OUT OF MODERN SLAVERY TRAINING

During FY21, APG continued to roll out the first round of Modern Slavery training. This interactive online training was sent to all senior staff who directly purchased goods for resale our business, and staff who routinely procure services or goods not for resale such as logistics, property, international teams, and finance. Through this training, staff members were educated on general types of modern slavery and how their behaviour could increase risks. The training included explainer videos, supporting documents, and quizzes and was developed and hosted by an external legal firm.

4.10 IMPROVING OUR TRANSPARENCY

To increase our accountability on modern slavery and other goals within our business, we have enhanced the transparency of our internal process online. We have published many of our internal processes and other documents on our corporate website to offer insight into our practices. These include detail around our sourcing practices and policies, and our factory list. We intend on increasing our transparency by continuously sharing and updating our practices online. [Read more](#)

4.11 COOPERATION WITH EXTERNAL AGENCIES AND INITIATIVES

We collaborate with a range of garment industry specific groups which work to reduce modern slavery footprint across the entire industry. Our affiliations with external agencies and initiatives enables us to engage with industry and specialists to act together in reducing possible modern slavery risks and improving worker's rights.

COVID-19: Action in the Global Garment Industry:

In 2020 we joined the International Labour Organisation's Call to Action to assist manufacturers across the globe and provide support to workers who were impacted by the COVID-19 pandemic. We continued this partnership through FY21 by attending regional cluster meetings and webinars to provide support to achieve global goals.

Open Apparel Registry:

Open Apparel Registry is an open-source map and database of global garment factories, and their affiliated brands. This map allows brands, factories, civil society, and the public to view the names and locations of nearly 70,000 garment and footwear tier 1 factories globally. These transparency systems enable us to connect with other brands or civil society which may operate in the same factories or regions. In FY21 we took control of the data, which was published on OAR, and updated our affiliated factory list.

Commitment to a living wage:

In FY21 we solidified our support of a living wage by publicly publishing our Commitment to Living Wage policy. In this policy we define our accepted definition of a living wage aligning with Anker Methodology and publish the first steps of our action plan to drive change in worker's wages. Our key focuses are on developing wage ladders, integrating the living wage policy into the responsible buying strategy, collaborating with brands and civil society, and promoting collective bargaining agreements within factories. Living wages is a system which can reduce the probability of modern slavery through reducing worker's vulnerability to poverty. [Read more](#)

Researching and liaising with Supply Chain Tracing

Technology Providers:

We have met with several supply chain tracing technology providers to understand how their systems work and how technology can enable the supply chain tracing process. These meetings have provided insight into what technology was available which has improved the internal tracing systems we are developing to capture data to be hosted on these data platforms.

4.12 CONTINUOUS RESEARCH AND ASSESSMENT

At APG, we recognise that risks to our business are not fixed and continuously fluctuate. Since the completion of the risk assessment, we regularly undertake research and assess possible modern slavery risks to the business. This process of continuous identification and improvement, allows for our risk profile to be reduced in the long term. With the rise of cases of COVID-19 Delta strain in Vietnam we were regularly communicating with our suppliers and team based in Vietnam to identify and mitigate any increased risks.

COVID-19 IN VIETNAM

In late FY21, there was a COVID-19 Delta outbreak in Vietnam. As our second largest manufacturing country, we invested significant time and effort liaising with suppliers to understand the risk and impacts faced during this outbreak.

As an immediate reaction to the start of the COVID-19 outbreak, we removed all penalties for late delivery for suppliers, and accepted any delay which could have been caused by the outbreak. We then set our sourcing team and our Vietnam team to liaise with each of our suppliers to understand what we could do to help the suppliers in their situation. In the liaising process we worked with every supplier to help prioritise styles for production and book the production space which was appropriate for them.

We continued to work closely with our Vietnam suppliers throughout the COVID-19 outbreak and will discuss further actions and case studies in next year's report based on outcomes.

4.13 GOODS NOT FOR RESALE AND SERVICES

Through the FY21 year there was no significant work undertaken in reducing risk in the Goods Not for Resale and Services space. The only improvement made was by providing training to staff who procure these goods and services, however we did not take further action past this focus. The key focus was to further develop and strengthen our risk mitigation in the Goods for Resale as modern slavery is more probable.

5. Assessment of Actions Taken to Address Risks

At APG we have undertaken a range of actions to understand and potentially reduce our modern slavery risks over the course of FY21. These actions have helped to identify potential gaps within our strategy and embed stronger processes to improve our systems.

5.1 CONTINUOUS IMPROVEMENT OF ASSESSMENTS.

The initial Human Rights and Modern Slavery Risk Assessment enabled a holistic view of the business, its operations, our supply chains, and the risks associated with our business. However, it is imperative that this document is updated and improved regularly to ensure that there is a current assessment of the modern slavery risks to the business, and to allow adequate controls to be embedded in our business.

5.2 EMBEDDING CLEAR GOALS AND KEY PERFORMANCE INDICATORS INTO COMPANY STRATEGY

Prior to the strategy there was not a strong, clear direction for reducing modern slavery risks, it was primarily individual plans or key focus areas. However, with the creation of the Human Rights and Modern Slavery Risk Assessment and the subsequent APG Social and Environmental 2025 strategy; we have a clear direction and a roadmap on how we can work to reduce the possibility of modern slavery within our business and supply chain. Because the roadmap encompasses multiple departments and teams and provides goals for increased transparency, factory workers rights, traceability, and goods not for resale and services it has strengthened our focus in this area.

5.3 SUPPLIER APPROVAL PROCESS

The update of the supplier approval process provides us with a greater visibility over factories for collaborations, than

previous systems had provided. This update clearly sets out a simple process to follow to ensure that due diligence can still be maintained whilst engaging with new suppliers. It also streamlines the on-boarding process for all parties involved.

5.4 UPDATE OF THE INTERNAL ETHICAL AUDIT

The Risk Assessment identified that the set of internal audit questions could be updated in line with all global industry standards. Over the course of the second half of FY21, all major ethical auditing programs which are commonly utilised in the fashion industry were analysed and any gaps between the external and internal programs were identified. Once detected, any gaps were closed to ensure that our internal audit fully aligned with global standards.

There were an additional 47 questions added to our internal audit report in the categories including modern slavery, OH&S, Collective Bargaining, and grievance. These questions will allow a deeper assessment of a facility and its workers to be taken when our auditor completes an internal audit or rates a 3rd party audit. This update was launched at the beginning of FY22, to gather a full year of auditing results.

The new modern slavery category, enables us to gather and evaluate additional information in relation to key potential indicators. These indicators can provide us with further insights on our risks than previously and can lead us to take further action on possible cases of modern slavery if they arise. Adding these indicators reduces the likelihood that we will engage directly with modern slavery, but will not combat the risk alone, and must be used in conjunction with a range of strategies.

5.4.1 AUDITOR REFRESHER TRAINING

It was also recognised that our internal Ethical Auditor should undertake refresher social auditing training, as they had not undertaken formal training since 2016. This was booked in for FY21 however an earthquake delayed the training, which was held after FY21 finished.

5.5 SUPPLIER REMEDIATION PROCESS

As a part of the update to our ethical audit, the Corrective Action Plan (CAP) was also updated. In previous CAP's there was very little data collected and stored for review on worker numbers, gender breakdown, wage, migrant workers, and contract workers. This made it difficult to gauge risk on some of the basic indicators, as we only held non-conformance detail. The CAP was aligned the new audit questions, whilst also expanded to capture additional information which around modern slavery indicators, and improved working conditions. Some of these data points are local and international migrant workers, temporary or contract workers, home workers, worker turnover, average and highest weekly overtime, lowest paid, and how workers are paid. These indicators are one way we can gain insight into working conditions and build a greater idea of possible risks that are within that facility.

5.6 SOURCING STRATEGIES TO REDUCE RISK

The sourcing strategies which have been developed or improved are providing us with some increased visibility over our risks and supply chains. Utilising these enhanced systems has already provided us with greater oversight and opportunity to re-source materials. This enables us to reduce the likelihood that we are contributing to modern slavery, by starting from the beginning of our procurement process to reduce or remove the specific risk entirely. It is imperative that we continuously assess these systems in line with information collected, and from enhancements in our tracing systems.

5.7 SUPPLY CHAIN TRACING

Currently, portions of the most opaque and highest risk tiers are still untraced. Once the new tracing program is implemented, it will improve the visibility of our supply chain. At this stage we are primarily focusing on collecting the names and locations of suppliers, as reducing the scope of data collection will increase the number of suppliers we can identify. In time we will build off this system to collect facility data and eventually audit data of our supply chain.

5.8 CONTINUOUS DEVELOPMENT OF STRONG SUPPLIER RELATIONSHIPS

Consolidating suppliers allows us to increase our impact with a smaller number of suppliers. With increased leverage we are better positioned to drive modern slavery reduction programs. This enhances trust and buying power with our suppliers and we find that we are provided a higher level of transparency with suppliers who have worked with us for longer periods of time.

5.9 RESPONSIBLE BUYING POLICY

The internal policy strengthens our position by ensuring staff understand how their behaviour impacts our supply chain and can affect the working conditions within our partnered factories. For full effectiveness the policy must be paired with training for our staff to understand the implications of their actions. The policy must be regularly updated as we continue to assess our risks and as our internal processes develop.

5.10 MODERN SLAVERY TRAINING

Through FY21 some of our procurement staff were provided online modern slavery training provided by an external team. However, the training was generalised, and was not fully reflective of the processes which our business operates upon or the business function they undertook (goods for resale, services, and goods not for resale). There is an opportunity to provide specific training to teams which is specialised to each department's area, and open potential to workshop opportunities to develop changes to current processes organically. In addition, there is opportunity for us to provide modern slavery training and identification support to our suppliers, to empower them to identify issues in their own supply chain which ultimately improves our supply chain.

5.11 TRANSPARENCY

Increased visibility over our internal practices and processes has been a strong step towards being more transparent. However, there is still opportunity for us to share more information online and to develop a greater profile of the way in which we work with the market and our customers.

5.12 GOODS NOT FOR RESALE AND SERVICES

During the FY21 year, no strong action was taken to reduce our risks in the Goods Not for Resale or Services categories. Further action must be taken in future to reduce the modern slavery risks in these categories.

6. Moving forward

Over the next financial year, APG & Co will undertake a range of actions to continuously reduce our supply chain risks and any other modern slavery risks within our business.

6.1 IMPROVED FACTORY AUDIT DATA

With the completion of the updated ethical audit at the end of FY21, the revised audit will be implemented across our supply chain and utilised for all suppliers. This increased level of data collection will improve the visibility over our current supply chains and enable us to act on possible modern slavery indicators if discovered.

6.2 INCREASED INTERNAL TRAINING

All staff involved with procuring products and services for the business will undertake modern slavery training to progress their understanding of modern slavery and how it impacts our business and operations. Specific training will cover goods for resale sourcing, and goods and services not for resale, to ensure that all our staff understand modern slavery and how their practices could impact it. We will also include Modern Slavery training in the new starter orientation process.

6.3 TRAINING INTERNATIONAL TEAMS AND SUPPLIERS ON MODERN SLAVERY.

Over the next financial year, we will train our international factory-based teams and suppliers on modern slavery and possible indicators. This will be on-going training to familiarise our teams and suppliers with possible modern slavery indicators and their remediation actions. This can empower our own employees and partnered suppliers to take identify and reduce modern slavery risks.

6.4 ONGOING COMMITMENT TO TRANSPARENCY

We intend to update any changes to policies or publish any new policies and update our factory list biannually on both

our corporate site and on Open Apparel Registry. We wish to engage with non-governmental organisations and the public our journey as we make improvements in this space.

6.5 INCREASED SUPPLY CHAIN TRACEABILITY

Launch a tracing project which will assist to start to identify the names and locations of previously unknown suppliers in deeper tiers of our supply chain. This project will focus on tracing to tier 3 and tier 4 for standard styles which we purchase the fabrics for; or tier 2 and tier 3 for standard styles we purchase complete garments for. This project will be undertaken by the S&E Manager and the Auditor and is estimated to take 18 months for fabrics an up to three years for complete garments.

6.6 EXPANSION OF FACILITIES INTERNALLY AUDITED

We aim to expand our internal audit system to encompass more Tier 2 and Tier 3 facilities. Increasing our audit footprint will increase visibility over practices and working conditions of a greater number of workers in our supply chain.

6.7 INTERNAL AUDITING INTRODUCED IN VIETNAM

We intend to hire an ethical auditor based in Vietnam who can audit and train our factory base located there. This auditor will implement our internal auditing system in Vietnam, and will focus on mitigating any increased modern slavery risks as an outcome of the COVID-19 pandemic.

6.8 FURTHER DEVELOPMENT OF STRATEGIES AROUND SERVICES AND GOODS NOT FOR RESALE

Over the next financial year, we will develop a broad strategy on how to identify, understand, and mitigate risk within our Services and Goods not for resale categories. We will develop a process and allocate team members to oversee improvements in this space and develop policies and processes.