



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

Factory X Pty Limited
ABN 51 078 151 667

REPORTING PERIOD
1 JULY 2020 – 30 JUNE 2021

THIS REPORT COVERS:

PART 1: INTRODUCTION

**PART 2: MANDATORY REPORTING REQUIREMENTS
UNDER THE ACT**

PART 3: RISKS OF MODERN SLAVERY PRACTICES

**PART 4: ACTIONS TO ASSESS & ADDRESS MODERN
SLAVERY RISKS**

**PART 5: ASSESSING THE EFFECTIVENESS OF OUR
APPROACH**

PART 6: THE PROCESS OF CONSULTATION

PART 7: OTHER RELEVANT INFORMATION

INTRODUCTION

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

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

Factory X operates under the following brands:

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

This Statement is for the reporting period of 1 July 2020 to 30 June 2021, which is our fiscal year most recently completed. In this Statement, "FY21" means the fiscal year ended 30 June 2021 and other fiscal 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 retailer in young fashion, streetwear, sportswear, children's wear and ethical fashion ranges.

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

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

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

We have achieved the following in FY21 as part of our ongoing modern slavery risk management:

✓ Expanded our Social Compliance & Audit Reports.

✓ Modern Slavery Professional Consultation.

✓ Outlined our Steps taken to assess and manage that risk.

✓ Expanded our due diligences measures for modern slavery risks.

✓ Conducted comparative analysis with last reporting period of key performance metrics to assess ongoing effectiveness of our modern slavery remediation actions.

✓ Continued training of employees regarding modern slavery.

STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Identify the reporting entity

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

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

We are a privately owned Australian company.

At the end of FY21, we had 929 employees across our headquarters and Retail Stores, including 859 employees in Australia and 70 in New Zealand. In total, we operate 100 independent retail outlets.

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

OUR SUPPLY CHAINS

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

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

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

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

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

RISKS OF MODERN SLAVERY PRACTICES

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

Over FY21, we did not identify the occurrence of any actual or suspected instances of modern slavery within our operations and supply chains.

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

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

With the assistance of professional consultants, we have established what we believe to be a robust system of supply chain screening that enables us to check, identify and mitigate the modern slavery risks.

SUPPLY CHAIN RISKS



Overseas Suppliers - Sourcing and Manufacturing Apparel in China

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

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

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

Xinjiang region 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.²

Whilst we are aware of the risk of forced labour in the Xinjiang region at the broad levels of industry category and general geographical factors, insofar as our own operations and supply chains are concerned, we strongly believe that our robust due diligence processes and longstanding supplier relationships, explained further below, have operated, and will continue to operate, to effectively mitigate the risk of modern slavery. We are committed to ongoing relationships with our suppliers and fostering a distinct level of transparency and trust. Over the last reporting year, we have increased the scope of our collaboration with our suppliers to ensure ongoing compliance with our commitment to mitigate modern slavery as explained below.

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



Domestic Supply Chain Risks

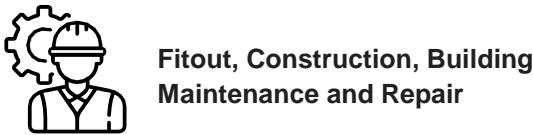
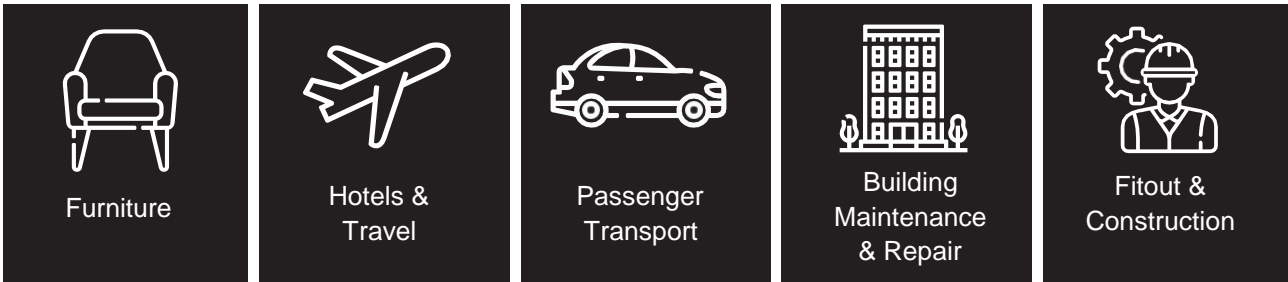
Based on our initial risk assessment, categories at Tier 1 that we have identified as having potentially elevated modern slavery risk by total spend amount included:

 <p>Business Services</p>	 <p>Apparel & Accessory Stock procured locally</p>	 <p>Distribution</p>	 <p>Fitout & Construction</p>	 <p>Marketing & Promotion</p>
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² U.S Department of Labor, 2020 *List of Goods Produced by Child Labor or Forced Labor* (U.S Department of Labor, 2020) 104.

PART 3: RISKS OF MODERN SLAVERY PRACTICES

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



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

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

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

Employees (as of 30 June 2021)		
	FACTORY X PTY LTD (AUS)	FACTORY X LIMITED (NZ)
Full Time	277	25
Part Time	8	42
Casual	574	3
Total	859	70

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

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

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

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

ADDRESSING MODERN SLAVERY RISKS

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

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

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

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

PROCEDURES AND POLICIES TO MITIGATE OUR RISK

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



Onboarding Suppliers

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

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



Modern Slavery Questionnaires

In FY20, Factory X conducted professionally created Supplier Questionnaires, a survey questionnaire querying our suppliers of any potential modern slavery risks. Since we started sending out the MS Questionnaires to all our local and overseas suppliers, the responses we receive help us identify risk of potential modern slavery occurring.

We received 100% complete responses from our overseas suppliers to whom our modern slavery questionnaire was issued. We are still chasing responses from some of our local suppliers. As part of the review process in FY21, we also included the modern slavery questionnaire in the documents to be completed by prospective suppliers as part of our onboarding process.



Incorporating internationally recognised human rights principles in our Policy

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

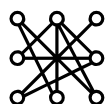
Our Ethical Sourcing Policy requires remediation in the case of non-compliance and has been embedded in our agreements with our suppliers and manufacturers. The policy requires our suppliers to provide details of their outsourcing arrangements and provide the policy to any suppliers within their respective 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. Over FY21, Factory X regularly engaged with suppliers in the Hunan Province, China, which was subject to natural disasters, to ensure their welfare 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.



Phasing out Agencies

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.

Factory X previously advised that we would phase out agencies in a shift to an operational model that incorporates more direct supplier relationships. In FY21, we phased out agencies in our supply chain. Factory X now directly engages with suppliers to ensure visibility over our supply chain.



Responsible Purchasing Practices

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

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



Our Commitment to Living Wages

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

Our Standard Supply Terms are an integral part of our purchase orders with overseas and local suppliers to ensure adherence with our modern slavery and living wage commitments.

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

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



Uzbek Cotton Pledge

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

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



Modern Slavery Training

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

As part of our social compliance training and audit, Factory X has successfully conducted training with 100% of our suppliers and intend to revise the training package in the next reporting period.



Improving Audits and Transparency

In FY21, Factory X conducted audits amounting to 86% of our first tier suppliers as well as 18 suppliers in the second tier of our supply chain as part of an ongoing commitment to understand our supply chain.

We have also conducted living wage audits as part of our broader ESG audits to comprehensively understand our supplier risk profile.

The results of the audits demonstrated that the majority of our first tier suppliers (>75%) 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.

Overall, Factory X has increased our number of third party audits by 28% this reporting period allowing for increased transparency with our suppliers.

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



Remediation

No actual instances of modern slavery were indicated from our audits. We did discover some instances of certain risk factors with suppliers as a result of our audits. All of these issues were formally communicated with our suppliers and Factory X has opted to engage with these suppliers in order to collaboratively formulate a structured remediation plan to improve outcomes.

meetings between management were arranged to cooperatively form improvements to fully rectify any potentially risky behavior.

Factory X intends to continue this collaborative approach with our suppliers to mitigate any potential modern slavery risk factors and improve outcomes for our suppliers.

As part of our remediation plans, formal

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
 New Supplier Operations Assessment & Onboarding	<ul style="list-style-type: none"> Received 100% completion of our Modern Slavery Questionnaire by new and overseas suppliers in the continued rollout Achieved 100% of our suppliers signing our ESP
 New Supplier Overseas Assessment & Onboarding	<ul style="list-style-type: none"> Provided training on our ESP and operational purchases Provided subcontractors with a copy of our ESP Social compliance training completed for all overseas suppliers
 Existing Supplier Monitoring and Engagement	<ul style="list-style-type: none"> Achieved greater transparency of our supply chain with expanded audits Engaged with suppliers to conduct collaborative remediation efforts. Phased out agencies for an operational model with direct supplier engagement
 Audits & Investigations	<ul style="list-style-type: none"> Expanded number of suppliers audited and increased the scope of our audits Discovered that 75% of our suppliers had no issues or high risks identified from our audits and investigations
 Grievance Mechanisms and Remediation	<ul style="list-style-type: none"> Engaged with suppliers who were identified as having indicators of risk as a result of the audits Created a review system of audit and supplier engagement Publicised grievance mechanisms in workplaces and received zero reports of any complaints.
 Partnerships & Collaborations	<ul style="list-style-type: none"> Increased leverage with peer partnerships and collaborative opportunities
 Education and Training	<ul style="list-style-type: none"> Communicated our ESP and Environmental Procurement Policy (EPP) Identified skill gaps and train staff and suppliers
 Assessing the Effectiveness & Reporting	<ul style="list-style-type: none"> Reviewed effectiveness, reported and shared results

PROCESS OF CONSULTATION

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

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

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

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

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

RELEVANT INFORMATION

IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has had a considerable impact on our operations since FY20. The Job Keeper subsidy provided by the Australian government to workers and businesses to ensure their continuity concluded on the 28 March 2021. However, the management of the pandemic within Australia and navigating a new way of working helped a return to normality in FY21 as retail stores re-opened for business.

This reduced the risk of modern slavery from occurring in our operations as a result of the COVID-19 pandemic as operations resumed, stores re-opened and staff were reinstated

over the course of the reporting period.

Despite this, the pandemic continued to limit certain facets of our action plan regarding modern slavery risk given restrictions on travel and lockdowns in certain states of Australia.

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



Ensuring our Suppliers are Supported

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

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

Following floods in the Hunan Province, China, Factory X committed to supporting the local community and our trusted suppliers in the area with a \$100,000 donation.

In 2021, we made six 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 honouring 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.
- ✔ Protecting the labour costing component. Not cancelling or discounting any existing orders.
- ✔ Not cutting back and placing orders that we cannot commit to financially and within agreed terms.
- ✔ Creating additional orders, where possible, to provide employment.
- ✔ Extending and rebalancing delivery dates to alleviate undue financial pressure.
- ✔ Continuing to utilise all suppliers at a ratio equal, insofar as practicable, to pre-COVID-19 conditions.
- ✔ Extending the window for delivery periods without penalty to suppliers considering uncertainty in shipping times.
- ✔ Continuing to monitor living wages with audits into key manufacturers to identify areas of potential financial hardship.
- ✔ Providing a bilingual point of contact for grievances.
- ✔ Operating clear channels of communication between HO, stores, staff, suppliers and workers.
- ✔ Signing the ILO 'Call to Action' to work together to establish sustainable systems of social protection for a more just and resilient garment industry.
- ✔ Issuing COVID-19 related Health & Safety infographics to stores and factories.
- ✔ Offering free shipping and advice on importing essential items of PPE to the Victorian Government, during the crisis.
- ✔ Converting a suit-making factory (whose demand had slumped) to manufacture masks.
- ✔ Providing 90,000 free PPE (N95) masks to factory staff and manufactured 20,000 sets of scrubs to be donated to Australian Hospital Workers



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.

Despite these issues, Factory X has successfully expanded the scope with additional suppliers in our first and second tier of our supply chain that have been successfully audited.

FUTURE PLANNED ACTIONS

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

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

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



David Heeney
CEO

22/12/2021

Date



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