

Modern Slavery Statement FY21



SGH
SPOTLIGHT GROUP HOLDINGS

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Reporting and Consultation

01.

Spotlight Group Holdings Pty Ltd (**SGH**) has prepared this statement to meet reporting requirements under the Australian *Modern Slavery Act 2018 (Cth)*. The statement outlines the actions that have been taken by SGH to identify, assess, and address modern slavery risks across our operations and supply chains during the financial year ending 30 June 2021 (FY21).

SGH makes this joint modern slavery statement on behalf of all reporting entities within the group including the following:

- Spotlight Pty Ltd (ABN 39 564 861 886)
- Spotlight Limited (NZ Company no. 553661)
- Spotlight Pte Ltd (Singapore Registration no. 199504453C)
- Spotlight Stores Sdn Bhd (Malaysia COID 1063748-V)
- Anaconda Group Pty Ltd (ABN 53 955 173 782)
- Mountain Designs Holdings Pty Ltd (ABN 45 944 511 754)
- Harris Scarfe Pty Ltd (ABN 83 095 018 803)

and any other entities SGH owns or controls. Whilst some of the entities within SGH may not be reporting entities for the purposes of the Act, we have adopted a 'group-wide approach', and this statement applies to all of SGH's operations.

SGH has policies, systems and procedures that apply broadly across all our brands and operations. During the preparation of this statement, the SGH modern slavery working group consulted with relevant management, procurement and buying teams from the entities we own or control.

We gathered supplier lists, policies, detail of processes and other relevant information about SGH's supply chains and operations from each of those teams. This modern slavery statement was also circulated to relevant members of our leadership team for comment prior to being put to the Board of Spotlight Group Holdings for review and approval.

This modern slavery statement was approved by the Board of Spotlight Group Holdings on 17th December 2021.

From our Group Managing Director

02.

I am pleased to present SGH's second modern slavery statement, which outlines the actions that have been taken during FY21 to identify, assess, and address modern slavery risks across our operations and supply chains.

SGH has continued its focus on our stated goal of working to identify and address any instances of modern slavery that may be present in our supply chains and operations - including any incidences of trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.

Some important anti-modern slavery work was done by SGH during FY21, including the finalisation, approval and distribution of our SGH Supplier Code of Conduct and SGH Global Sourcing Principles. We also developed our tailored online modern slavery training module to raise awareness of modern slavery risks, and to inform staff about our full product supplier review (which is being conducted during FY22).

Due to the large number of first tier suppliers to our retail business Spotlight Retail Group, it will take some time for us to fully scope out all our modern slavery risks, but we are dedicated to this process.

The significant work carried out in FY21 was done against the backdrop of the ongoing disruption to our store network, support group and supply chains caused by the COVID-19 pandemic. SGH has been working to understand and address the impact that the pandemic has had on our supply chains and the workers that make our products across the world, and like all businesses, is doing what we can to identify and address those challenges.

SGH will continue to strive towards addressing modern slavery in a transparent way, and we will be reporting the results of our full product supplier review in our FY22 statement. We are committed to improving transparency over our supply chain and operations, so that we can use our position of influence to address any modern slavery issues that we may uncover. SGH will remain focussed on doing its part to address the global challenge of modern slavery, and to diligently work towards our goals in FY22.



Avi Gilboa
Group Managing Director

17th December 2021

03.

Modern Slavery Act 2018 section 16 mandatory criteria and reporting requirements

We have addressed these in our statement as follows:

01. Identification of the reporting entity

This is addressed on page 04.

02. Description of our structure, operations, and supply chain

This is addressed on pages 08 – 14.

03. 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 pages 16 – 27.

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

This is addressed on pages 28 – 35.

05. How we assess the effectiveness of our actions

This is addressed on page 36 - 37.

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

This is addressed on page 04.

07. Any other relevant information

This is included on page 38 - 39 where we discuss the development of supplier relationships, monitoring and awareness, partnerships and an ongoing commitment to transparency.



About us

SGH is best known for its retail division – **Spotlight Retail Group (SRG)** which manages the following retail brands:



Harris Scarfe



SGH is a family owned and operated business, headquartered in South Melbourne, Victoria, Australia and its interests also include:

- a group property portfolio – managed under the **Spotlight Property Group (SPG)**;
- investment interests;
- other shareholdings, a family office and a charitable foundation – the **Spotlight Foundation**.

SGH operates over 260 retail premises, across four countries, and employs over 11,000 staff.

03.
Mandatory Criteria and Reporting Requirements

SRG Brands

Spotlight is one of Australasia’s largest retailers for fabric, craft, party and home interiors. Spotlight’s key product ranges are home décor, manchester, window furnishings, sewing, craft and party supplies, as well as kitchen and dining products, bath accessories and curtains and blinds.

Spotlight started in the 1970s and has grown to have over 140 stores throughout Australia, New Zealand and Asia. Spotlight employs more than 7000 team members.

Spotlight procures products from 25 countries



Australia | Cambodia | Canada | China | Denmark | Egypt | Germany | Hong Kong | India | Italy | Japan | Malaysia | Netherlands |
New Zealand | Pakistan | Phillipines | Singapore | South Korea | Spain | Taiwan | Thailand | Turkey | United Kingdom | USA | Vietnam

03.
Mandatory Criteria and Reporting Requirements

Anaconda is one of Australia’s largest camping and adventure superstore retailers. It was founded in 2004 with the aim of providing customers with a one-stop shop for outdoor, adventure and sporting equipment providing the largest range of outdoor products in Australia. Anaconda has over 70 stores across Australia.

Mountain Designs brand was acquired by SGH in early 2018, with a vision to restore the brand to its peak position in the Australian outdoors market. The Mountain Designs range of men and women’s apparel, hiking, camp and everyday outdoor gear is available online and in Anaconda stores Australia-wide.

Anaconda & Mountain Designs procure products from 12 countries



Australia | China | Hong Kong | India | Italy | New Zealand | South Africa |
Spain | Taiwan | Thailand | United Kingdom | USA

03.
Mandatory Criteria and Reporting Requirements

In 2020, SGH acquired Harris Scarfe, one of Australia's longest trading retailers, with over 160 years of experience.

Harris Scarfe is a department store with a product range that includes sheets, quilts, pillows, pots, cutlery, glasses, kitchen accessories, women's and men's fashion, underwear, business wear, shoes and sports clothing. There are 48 retail stores across the metro and regional areas of South Australia, Victoria, Tasmania, New South Wales, ACT and Queensland. Harris Scarfe employs over 1500 staff across Australia.

Harris Scarfe procures products from 5 countries



Australia | China | Hong Kong | India | Poland

Founded in 1973, by brothers Morry Fraid and Ruben Fried, SRG has grown to become a major player in the Australasian marketplace.

Operations

SRG currently operates 262 retail stores across Australia and overseas. Founded in 1973, by brothers Morry Fraid and Reuben Fried, SRG has grown to become a major player in the Australian Marketplace. SRG directly employs more than 11,000 people across our operations.

The SRG brands have a shared set of values: People, Success & Excellence. These values are underpinned by our best-in-class team and product training programs, ‘Talk Back to the Boss’ open communication policies, and a long history of putting community values and engagement first, supported by the Spotlight Foundation.

In parallel with (and facilitating) the growth of the SRG retail store network, SGH has acquired and developed a substantial retail and commercial property portfolio, across Australia and New Zealand. SGH is a landlord to approximately 520 tenants, as well as housing a significant number of SRG stores themselves.

In more recent years, SGH has continued to diversify its interests, through the Group’s ownership stakes in a variety of other operating businesses, the development of a diversified investment portfolio including an active and fast growing property finance business, and the Spotlight Foundation, which seeks to make grants and donations to a range of worthy causes each year.



03. **Mandatory Criteria and Reporting Requirements**

Divisions

SRG operates a shared services model with the Melbourne-headquartered group supporting the retail brands in finance, IT, supply chain, marketing, digital and omnichannel, property and store development, human resources and payroll. There are smaller support group offices in New Zealand and Singapore to support the international Spotlight stores.

Across Brand Divisions

Marketing	Information Technology	Finance
Digital & Omni Channel	Supply Chain Distribution Centre	Property & Store Development
	Human Resources	

New Zealand Divisions

NZ Retail Operations	SRG Human Resources & Finance	NZ Support Group – Product
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Asia Divisions

Asia Retail Operations	SRG Human Resources & Finance	Asia Support Group – Product
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Product Sourcing

SGH is working towards establishing a full picture of our supply chain for goods for resale sourced by SRG including:

- the total number of suppliers to our retail businesses (both direct and indirect suppliers);
- our total spend in dollars per supplier and category of goods; and
- the total number of suppliers we have, segmented by country/ region; by way of our full goods for resale supplier review during FY22 (FY22 Review).

We do not have this full picture as yet, but we are working on gathering it, and will be able to report in more detail on our supply chain and operations in future statements.

SRG procurement is undertaken via our procurement and buying teams from our head office in South Melbourne, Australia. Products that SRG sources from overseas are sourced through multiple avenues including our external sourcing agent - **Glowstar Global Sourcing Organisation (Glowstar)**.

Glowstar has approximately 239 registered third-party factories located in China, India, Japan, South Korea and Pakistan, some of which produce and supply directly to SRG. Products sourced through Glowstar include those relating to bedding, bedding accessories, towels, bath accessories, window furnishings, fabrics, arts and crafts, outerwear, sleepwear, underwear and socks, footwear, bags and luggage, stationary, rainwear and fashion accessories.

Glowstar is a subsidiary of **Caprice Australia Pty Ltd (Caprice)**. Caprice's head office is located in South Melbourne, Australia and its sourcing office is located in Wuxi Jiangsu, China. Caprice has developed a comprehensive **Ethical Sourcing (ES) Program**, the elements of which are outlined in this report. The goods that Glowstar supplies SRG are produced in factories, which are not owned or operated by Glowstar or Caprice, but are contracted to produce goods for SRG.



Risks of Modern Slavery Practices

04.

The supply chains and operations of SGH's retail brands (SRG) are complex and extensive, and we are still in the early stages of our modern slavery due diligence and supplier review process.

During FY21 we took steps to identify and contact as many of our direct suppliers as possible, and to gather as much information as we can about them.

We have continued to focus our modern slavery risk assessment on the factories and suppliers that we engage overseas to produce products sold in SRG retail stores. This assessment has been done using resources including the Walk Free Foundation's Global Slavery Index, and information available through suppliers, licensors, industry associations and government organisations.

We recognise that as we do not have direct visibility and control over the hiring, terms or working conditions of all of the workers in our supply chains and operations, this limits our ability to monitor our modern slavery risk. For example, if one or more of our suppliers, source factories or third-party labour recruiters engages in modern slavery practices, this could occur without our knowledge. We have therefore focussed on improving the transparency in our retail operations and will further plan and develop our approach towards the balance of SGH's dealings moving forward.

We also understand that modern slavery exists across all large businesses, and that some of the products and services that we source have been identified as having an inherent risk of modern slavery due to the locations from which they are sourced, the type of product or service they are, or because of the raw materials that are used in their production. These inherent risks are discussed in more detail below, along with the increased risks of modern slavery in our supply chains due to the COVID-19 pandemic.

Following the completion of our FY22 review, we are hopeful that we will be in a better position to report on the specific modern slavery risks that may be related to SGH, and any opportunities that we have to use our possible influence to address these.

Geographic Risk

We are aware that some of the finished goods that we sell are of a type that have been linked by the US Department of Labor to modern slavery practices, although we are not aware currently of any specific modern slavery issues that are linked to the specific products that we sell. When we finalise our FY22 Review, we will be checking on any finished goods we may source that have been noted as higher risk (or that contain raw materials) from regions that are considered high risk, including China, India, Vietnam, Pakistan and United Kingdom.

The SGH Supplier Code of Conduct (Code) and SGH Global Sourcing Principles (Principles), require our suppliers (and their subcontractors) to commit to not using forced, bonded or prison labour and ensure that workers' freedom of movement is not unreasonably restricted. The Code and Principles also include other modern slavery and social responsibility requirements that are relevant to the issues that have been identified in high risk regions. SGH will continue to monitor the situation in these regions.

Our modern slavery training for staff has detailed information available on the issues that have been highlighted in these regions and provides staff with access to resources prepared by the US Department of Labor and the Australian Strategic Policy Institute.







SRG Overseas Suppliers

China

SGH is aware that there are widely reported modern slavery risks in China, which include the possible use of forced or bonded labour, deceptive recruitment, child labour, exploitation of migrant workers and the underpayment of workers in the Xinjiang Uyghur Autonomous Region (XUAR).^[1] Further, SGH understands that the goods it imports from China may be at higher risk of involving forced labour.^[2]

SGH is aware that the Bureau of International Labor Affairs (ILAB) maintains a list of goods and their source countries which it has reason to believe are produced by child labour or forced labour in violation of international standards^[3].

The higher risk products that SGH obtains from China to sell in its retail businesses include:

	 	
<ul style="list-style-type: none"> Textiles Housewares & Decor Curtains & Blinds Wood Products & Handicrafts Craft Supplies Haberdashery Jewellery Goods sourced by Importers & Agents 	<ul style="list-style-type: none"> Textile & Garment Production Bags & Luggage Sporting Goods Footwear Goods sourced by Importers & Agents (ie. Sporting Goods, Apparel & Footwear) 	<ul style="list-style-type: none"> Textile & Garment Production Bed, Bath & Home Decor Sporting Goods Apparel & Footwear Bags & Luggage Electrical Goods sourced by Importers & Agents

04. Risks of Modern Slavery

Following on from our FY22 Review, we will begin the process of further tracing and reviewing our China based suppliers, with the goal of ensuring that we are not knowingly using raw materials sourced from high risk areas or working with any suppliers who may be suspected of using forced labour. If we become aware that any factories or other raw material suppliers that form part of our retail business supply chains are linked to forced labour or exploitation of workers in China, we will address this and ensure appropriate remediation processes are in place.

India

The *Global Slavery Index 2018* (GSI) reports that India, China, and Pakistan had the highest absolute number of people living in modern slavery (which accounted for 60 percent of the victims in the region)^[4]. SGH is also aware, that during the COVID crisis, the Uttar Pradesh government made an ordinance exempting businesses and industries from labour laws (except for a few) for the next three years, as a measure to get the State's industrial activities back on track in wake of the COVID-19 crisis.

^[1] The United States Department of State reported in 2021 that the People's Republic of China has carried out a mass detention and political indoctrination campaign against more than one million Muslims, including Uyghurs, ethnic Hui, ethnic Kazakhs, ethnic Kyrgyz, ethnic Tajiks, and ethnic Uzbeks, in as many as 1,200 state-run internment camps throughout Xinjiang. See <https://www.state.gov/reports/2021-trafficking-in-persons-report/>

^[2] The *Global Slavery Index 2018* (GSI) reported that forced labour mainly occurs in the production of labour-intensive goods for export, including in the manufacturing and construction sectors.

^[3] <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>.

^[4] <https://www.globalslaveryindex.org/2018/findings/regional-analysis/asia-and-the-pacific/>

04.
Risks of Modern Slavery

ILAB has listed some products made in India that are believed to be linked to child labour or forced labour in violation of international standards. The higher risk products that SRG procures from India may include:

SPOTLIGHT	ANACONDA 	Harris Scarfe
Textiles ----- Handicrafts ----- Craft Supplies ----- Haberdashery ----- Decor & Rugs	Textile & Garment Production ----- Sporting Goods ----- Goods sourced by Importers & Agents (ie. Sporting Goods, Apparel & Footwear)	Textiles ----- Bedlinen ----- Napery ----- Towels

If we become aware during our FY22 Review that any factories or other raw material suppliers that form part of our retail business supply chains are linked to child or forced labour or exploitation of Indian workers, we will address this and ensure appropriate remediation processes are in place.

United Kingdom (UK)

SRG is aware that there have been reports of modern slavery occurring in the UK relating to the use of forced or bonded labour, deceptive recruitment, exploitation of migrant workers and the underpayment of workers. The higher risk products that SRG procures from the UK include:

SPOTLIGHT	ANACONDA 	Harris Scarfe
Textiles ----- Wigs ----- Craft & Hobby Supplies ----- Shape Cutting & Die Cutting Machines	Sporting Goods ----- Goods sourced by Importers & Agents (ie. Sporting Goods, Apparel & Footwear)	No current suppliers in the United Kingdom

Other Overseas Suppliers

As part of the FY22 Review, SGH will also be working to monitor risk in products produced in the following countries:

- Vietnam – including footwear, furniture, leather, textiles and timber.
- Pakistan – including carpets and cotton
- Malaysia – including electronics, garments and rubber gloves.

The Verisk Maplecroft Human Rights Outlook 2021 Report made some key points around the increased risks that have occurred for businesses as they move from suppliers in China to suppliers in countries such as Vietnam, as a result of the widely reported human rights abuses in China. They have reported that over the last five years Myanmar, Bangladesh, Vietnam and Cambodia have all plunged from ‘high’ to ‘extreme’ risk in the ranking of 198 countries to join the likes of China, Pakistan and DR Congo^[5]. SGH is aware that the approach that it takes to address modern slavery needs to take all of these considerations into account and that we will need a well-developed and supported process for buyers and procurement teams to follow when they onboard new suppliers.

^[5] <https://www.maplecroft.com/insights/analysis/human-rights-outlook-2021/>

SGH's head office is located in Melbourne, with warehouses and retail operations across Australia, New Zealand and Asia.

SGH Local Suppliers

SGH's head office is located in Melbourne, with warehouses and retail operations across Australia, New Zealand and Asia. As most of our staff are employed by SGH in Australia, this lowers the risk of modern slavery occurring in regard to our directly employed workers.

Whilst opportunities to exploit or traffic workers within Australia are limited - because of its strong migration controls, geographic isolation, high degree of regulation, and strong compliance and enforcement, SGH acknowledges that there are still vulnerable persons in Australia, particularly in certain sectors and industries. The GSI has reported that there are 0.65 people per thousand equating to 15,000 people that are victims of modern slavery in Australia. The Government Response Rating for Australia is 7/10 (This rating is a number from 1 to 10, where 10 is the highest).

In particular, we understand that there are modern slavery risks for us in Australia when we contract for cleaning services, security arrangements, freight, distribution, construction, store fit-outs and logistics. We are also aware that these service providers often rely on a workforce that includes migrants, low-skilled workers of people from cultural or linguistically diverse backgrounds. The US Trafficking in Persons Report 2020 commented as follows:

“The Government of Australia fully meets the minimum standards for the elimination of trafficking... Although the government meets the minimum standards, it did not adequately screen several vulnerable groups traffickers may target, including domestic workers and migrant workers, which at times possibly resulted in the penalisation of unidentified victims. The government also did not publish its annual assessment of progress implementing the National Action Plan for a second consecutive year”^[6]

SGH is aware that its use of recruiters and third-party labour hire services, increases our modern slavery risks, especially if the workers we rely on come from vulnerable backgrounds.

Our focus during FY22 will be on overseas goods for resale suppliers, as we need to devote significant effort to that process, due to the large number of suppliers to our retail businesses. However, in FY23 and beyond, we will be focussing on goods not for resale and services that we procure locally.

^[6] <https://www.state.gov/wp-content/uploads/2020/06/2020-TIP-Report-Complete-062420-FINAL.pdf>

04. Risks of Modern Slavery

We are aware that cleaning and waste management are high modern slavery risk sectors, and that our modern slavery-related issues of concern in these industries include:

- withholding of wages;
- lack of legally mandated entitlements (e.g., superannuation and leave);
- income insecurity;
- immigration-related coercion and threats (vulnerable workers on temporary work visas);
- high proportion of temporary migrant workers whose immigration status is precarious;
- deceptive recruitment;
- excessive overtime;
- debt bondage - where a person works to pay off a debt or loan, and is not paid for their services;
- confiscation of personal travel documents (e.g. passports);
- dangerous and sub-standard working conditions;
- workers with low English language competency, lack of social networks, lack of knowledge about workplace rights, and very little power to obtain redress when they experience exploitation at work; and
- sham contracting - where companies are avoiding their lawful obligations to their workers by asking them to register as independent contractors instead of paying them as employees and providing them leave and other entitlements under the relevant Award.

Following the completion of our full goods not for resale and services review in 2023-24, we are hopeful that we will be in a better position to report on the specific modern slavery risks that may be related to SGH, and any opportunities that we have to address these. In the meantime, our internal training will be making procurement staff aware of these risks and we will be working on internal processes to mitigate these occurring during the onboarding of new suppliers.

Sector Risk

SGH is aware that there are modern slavery risks relating to the sourcing of raw materials such as cotton, and the production of many of our products in the Asia Pacific. Within SGH's supply chains, some key products were identified for further investigation during FY21, and this process will continue during FY22:

Cotton and Textiles – SGH is committed to identifying the raw and source materials that are used to make the cotton products sold by SRG. SGH is aware of the modern slavery risks associated with key growing areas where agricultural labourers are reported to be at risk of exploitation which include the XUAR in China, Uzbekistan and Turkmenistan. We are also aware of reports that China and Bangladesh are still accepting cotton from these regions, and that there is a risk that this could feed back into the supply chain.

China is the third largest cotton producing country in the world, and Xinjiang Province provides 84% of that cotton (20% of world's cotton)^[7]. During FY21, we began the process of investigating our supply chains and operations with the goal of not knowingly sourcing cotton (or cotton-based products) from the Xinjiang and Dandong regions in China, due to allegations of forced labour being prevalent in these regions. ILAB has claimed that more than 2,000 adult Uyghur and ethnic Kazakh workers have been involuntarily transferred out of Xinjiang to yarn factories in the east and forced to produce thread and yarn products. They also suggest that it is likely that many others are subjected to forced labour at yarn factories within Xinjiang, particularly for cotton yarns. ILAB also notes that Xinjiang is undergoing an expansion of the textile industry, and it is possible that hundreds of thousands of workers are being subjected to forced labour as part of this effort^[8]. SGH is also aware there has been work done on this issue by the Australian Strategic Policy Institute, which published its report 'Uyghurs for Sale' in March 2020^[9].

^[7] <https://www.worldatlas.com/articles/top-cotton-producing-countries-in-the-world.html>

^[8] <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

^[9] <https://www.aspi.org.au/report/uyghurs-sale>

04. Risks of Modern Slavery

SGH is also aware of our risks of sourcing cotton out of Uzbekistan and Turkmenistan, as there have been reports that these countries are reportedly using state-sanctioned slave labour each year during cotton harvest season and that citizens have been forced from their regular jobs and made to take jobs picking cotton.

One of our main suppliers of cotton and textile products, Caprice, has advised that they undertake robust modern slavery due diligence checks (via mandatory ethical sourcing audits) on all of our third party factories as part of their Ethical Sourcing Program. Details of this program are outlined in section 5 of this statement.

We will be further reviewing the information provided by all our suppliers of cotton products and will continue the process of trying to trace the location of the raw materials for those products. This process will include asking suppliers for information on the source country and province of raw cotton used in our cotton and textile products. Hopefully, this will enable us to build and strengthen future sourcing strategies to reduce our risk. We are aware however, that this will be a difficult process because many of our cotton and textile products are the end result of long and complex supply chains, and some suppliers may refuse to disclose their raw materials suppliers. We will however persist with this process and consider options to enhance our supply chain tracing process. We will report further on the work we have done to trace the source of our cotton and textile products in our FY22 statement.

We are also continuing our review of the following products procured and sold by SRG:

Garments – to identify any risks that may exist especially in relation to any of the garment products we sell that may be made in, or sourced in part from Argentina, Brazil, China, India, Malaysia, Thailand or Vietnam;

Carpets – especially those made in India and Pakistan;

Electronics and Electrical Items – especially those made or sourced from China or Malaysia;

Timber – especially any timber based products that have been sourced from Brazil, North Korea or Peru.

COVID-19 Increased Risks

During FY21 we have closely monitored the impact of the COVID-19 pandemic on our operations and supply chains. SGH is aware that during the COVID-19 pandemic, the risks of modern slavery in our operations and supply chain may have increased, due to the potential for human rights abusers to take advantage of the crisis, the increased number of workers at risk and the diversion of resources to manage the effects of the pandemic.

Product Suppliers

SGH faced global supply chain challenges during FY21 due to reduced container availability, increased global demand and rolling pandemic impacts to the globe. We acknowledge that the factory and port closures and COVID-19 related restrictions that caused some of these issues were likely to have disrupted employment of workers in our supply chain, leading to increased vulnerabilities.

While there have been less opportunities for our modern slavery risks to be monitored or addressed by our teams or our direct suppliers as a result of border closures and travel restrictions, we have continued to support our suppliers by honouring orders (wherever possible).

We are aware that as a business we should be doing what we can to mitigate any harmful business practices and policies. However, as with the other transparency challenges caused by the pandemic, we have struggled with recording actions taken to support suppliers. Moving forward, we are committed to gathering more information about what our buying and procurement teams are doing to support our suppliers day-to-day, so that we can work on how we can further support them and the workers they use.

Service Providers

SGH acknowledges that the increased global demand for goods and extended lead times for manufacturing and importing goods are likely to have increased pressure on our logistics and freight providers and their workers. We are also aware that this has most likely increased the risks of modern slavery issues in this sector and that there are likely cases of excessive overtime and other issues occurring. We are aware that the Fair Work Ombudsman in Australia has identified issues relating to poor working conditions for workers in this sector and our business will continue to monitor our risks that are related to local suppliers, and we will report further on any specific issues that we uncover in our future statements.

Team Members

In order to ensure the safety of our team members and customers, during FY21 SGH continued to maintain strict adherence with health authority advice and government requirements at our stores in Australia, New Zealand, Malaysia and Singapore and support group in South Melbourne. In addition, all team members were offered support via our employee assistance program which includes free counselling sessions for SGH team members and their families.

Actions Taken during FY21 to Address Risks

05.

We have taken the following actions in FY21 to address our identified modern slavery risks. We will continue to review and address the modern slavery risks in our operations and supply chains moving forward.

Board Level Commitment

The SGH Board is aware of its social and corporate responsibility to work to identify and address any modern slavery or serious exploitation that may be present in its operations and supply chains. SGH has established a modern slavery working group and committed resources to continuous improvement in this space. SGH has made a public commitment to address any instances of modern slavery in its supply chains and policies on these are supported at the top level of management.

Modern Slavery Working Group

SGH has a modern slavery working group, overseen by our Senior Legal Counsel. SGH has committed significant time and other resources to addressing our modern slavery risks and is focussed on continuous improvement in regard to modern slavery compliance.

We are also supported by external compliance consultants who provide expertise on modern slavery matters and have assisted the business to map out its approach to addressing modern slavery.

Product Supplier Review

During FY21 we prepared for our product supplier review, aimed at gathering more detailed information about our suppliers and identifying the source of the goods we sell in our retail businesses.

Our external compliance consultants developed audit check forms to send our suppliers for their completion during FY22.

These ask our suppliers to provide us with information including:

- whether their business/ staff has done any modern slavery training;
- if they have any current independent audit reports or certification documents that may demonstrate their compliance with the relevant requirements set out in the SGH Supplier Code of Conduct and SGH Global Sourcing Principles (which they will be sent and asked to adhere to);
- if they are able to provide any recent independent audit reports, certification documents or other evidence of modern slavery compliance in relation to the products that they supply to SGH; and
- if they have written policies on matters such as wages, compensation, discrimination, harassment in the workplace, health and safety, freedom of association, no child labour, no forced labour, checks to be done on suppliers of raw materials and a grievance system for workers.

Goods not for Resale and Services Review

Work has progressed on the development of a process that will allow us to complete a full review of our goods not for resale suppliers and service providers. As previously noted, given the ongoing work on our product review in FY22, we anticipate that we will start this review across FY23 - 24. Our work in this area will build on the risk identification processes we have started to implement, and will initially focus on our freight, logistics, waste management and cleaning services suppliers, being the higher risk sectors that we engage with. We will report on our progress in our next statement.

SGH is aware that the current pressures on the global freight sector - as a result of the growth of online shopping during COVID-19, border restrictions and related issues - may have led to deteriorating worker conditions in the freight and logistics businesses that we utilise. We will therefore be doing what we can to ensure our suppliers are meeting our required standards and not engaging in any modern slavery practices.

As previously highlighted in this report, SGH is also aware that cleaning and waste management services are higher risk industries and we have been working on the supplier review process that we will need to undertake in relation to suppliers who provide these services to SRG. During FY21, our external consultants assisted us with developing audit forms that we will be asking our services providers to complete so that we can gather more information about their modern slavery related processes. For example, the audit form for our cleaning services will include questions such as:

- Do you provide any training or awareness to your cleaners about their worker rights and entitlements?
- Are your cleaners permanent workers or short term contracts?
- What percentage of your workforce are migrant/student workers?
- Are any of the cleaners that you contract sourced directly from overseas countries (using labour recruiters) or promised jobs with your business before they came to Australia?
- Are any of your cleaners working to pay off a loan or debt to your business?
- Does your business have a genuine worker grievance mechanism - where cleaners can make complaints about their working conditions or wages? If so, where can complaints be made?

Current Supplier Audit Process

In addition to procuring a substantial range and volume of products for resale directly from Caprice Australia Pty Ltd (Caprice), SRG procures a significant number of its products 'for re-sale' and 'not for re-sale' through **Glowstar Global Sourcing**, which is a subsidiary of **Caprice**. Caprice issued modern slavery statements for FY19, 20 and 21 which state that it is opposed to slavery in all its forms, including human trafficking, slavery and slavery like practices, such as forced labour and child labour.

05.

Actions Taken during FY21 to Address Risks



Caprice has an **Ethical Sourcing Program** that covers both Caprice and Glowstar factories which supply product to SRG. In addition to its modern slavery statements, Caprice has published the following documents which outline their program:

- Caprice Ethical Sourcing Program
- Caprice Ethical Sourcing Supplier Manual
- Caprice Ethical Sourcing Code

Caprice is also a member of BSCI and Sedex (Supplier Member B category). Under the Caprice Ethical Sourcing Program, Caprice will accept the following ethical sourcing audits as part of its mandatory audit requirements: BSCI, SMETA, SA8000, WRAP, ICTI, FLA, Kmart/Target Aust, Disney ILS, Walmart RS.

Caprice conduct audits on all their third party factories and these audit reports are made available to SRG for our review. These reports and set out any major or minor issues that are to be addressed by use of a Corrective Action Plan which is put in place, if required, following the audit.

During FY21, we asked for more information from Glowstar about the factories that supply product to SRG and were audited by Glowstar on our behalf. We are still in the process of reviewing these reports and other information and will report in detail on any relevant findings in our FY22 statement.

As part of our process of review of our geographic risks, we also gathered information from Caprice about its sourcing of cotton products out of China. Caprice has advised that neither Caprice nor Glowstar directly engage any supplier factories located in the Xinjiang region. Furthermore, Caprice advised that they had not been made aware by any suppliers manufacturing product for SRG that they are sourcing cotton from the Xinjiang region.

SRG departments also use other overseas sourcing agents to source product on our behalf or deal directly with our suppliers. If the product is sourced from a non-Glowstar overseas vendor then SRG buyers follow this basic process:

- SRG meets the new factory via international fairs / via introduction email (or as circumstances permit during the COVID-19 pandemic).
- SRG requests information about which companies they currently supply to in Australia and/or the United States of America (to gain an understanding of the level of the factory and its standards) and obtains a copy of any available factory certifications e.g., BSCI, WRAP, SEDEX, SMETA, ISO, ICS, RWS, PGS Audit; and
- SRG provides the suppliers with its Trading Terms, Vendor Compliance requirements, together with a copy of the Code and Principles.

Whilst an SRG representative does not visit every factory that SRG purchases from, or inspect all goods prior to shipping, SRG team members have made visits to most of our large suppliers.

Update and Development of Internal Policies and Processes

During FY21, SGH devoted considerable time and resources to updating and developing its range of corporate and social responsibility policies. These policies communicate our standards and requirements to the business partners in our supply chain.

The **SGH Code of Conduct** (Code) sets out fundamental requirements for all of our suppliers and business partners (including all authorised sub-contractors or raw materials suppliers). The requirements of this Code will need to be satisfied by all suppliers to SGH, and we are continuing to work with our suppliers to have them all agree and commit to the Code during FY22. These policies will sit alongside and complement the **Caprice Ethical Sourcing Code** (in relation to goods sourced from Caprice and Glowstar) and will cover the goods and services that SGH procures independently of Caprice and Glowstar. This Code applies to all trade partners, vendors and factories supplying goods to SGH (including all authorised sub-contractors or raw material suppliers) and all other goods and service providers.

We have also developed a set of **SGH Global Sourcing Principles (Principles)** which set out the fundamental requirements and minimum standards that must be followed by our suppliers. The Principles will also be rolled out to all our suppliers during FY22.

By signing the **SRG Trading Terms** (for merchandise suppliers) or **SGH Supply Agreement** (for all other service and goods suppliers) or accepting a purchase order and/or providing goods and services to SGH, Suppliers confirm their commitment to continued compliance with the Code and the Principles.

International merchandise suppliers to SRG are currently required to agree to its International Vendor Trading Terms which includes social responsibility requirements. During FY21 SGH also updated its SGH Supply Agreement to include express warranties from suppliers that the supplier has not and will not engage in modern slavery, corruption or bribery and will notify SGH immediately if it becomes aware of any potential, suspected or actual issues in its supply chain or operations.

SGH has a **Whistleblower Policy** (for Australia and New Zealand) to support the disclosure by individuals of wrongdoing occurring within SGH. We support and will foster an environment in which staff and suppliers can report and raise any modern slavery-related concerns, and in which SGH can respond and rectify any compliance concern in a timely and appropriate way.

SGH is also working on a set of **Supplier Remediation Guidelines** to provide general guidance to SGH staff and its auditors if there is a need to remediate or address issues that are identified as non-compliance with the fundamental requirements of the Code of Conduct or Principles. We are also in the process of finalising our **Anti-Bribery and Corruption Policy**.

Development of Modern Slavery Training

During FY21, SGH's external modern slavery compliance team worked to develop a new tailored online modern slavery training program for our relevant staff to complete. This training has been designed to assist our buying and procurement teams to understand SGH's modern slavery risks, and to allow the identification of modern slavery related issues in our supply chains and operations.

This module is an update to the version of the training that we developed in FY20, and the training gives important information to our buyers and procurement teams about what they can do in their roles to assist with the mitigation of modern slavery risk within our business.

SGH's new Modern Slavery Training module covers topics including:

- What is modern slavery?
- Why does SGH need to address modern slavery?
- COVID-19 and associated modern slavery risks;
- SGH's Supplier Code of Conduct;
- SGH's Global Sourcing Principles;
- Practical things that staff can do to identify and address modern slavery risks;

Actions Taken during FY21 to Address Risks

- The importance of knowing your suppliers;
- The importance of knowing your risky products and services; and
- Product sourcing and how to gather information from providers of products and services.

This training provides our teams with information about the business' reporting obligations under the *Modern Slavery Act 2018* and also other modern slavery legislation and initiatives around the world. Our staff will also be given the opportunity to ask questions and request more information about specific industry or product related modern slavery risks from our external compliance team when they complete the training module.

The roll out of this new training will continue in FY22. We will keep a record of all training offered and completed during the training roll-out.

Cooperation with External Agencies and Community Initiatives

We have implemented requirements for doing business with SGH that are based on the United Nations Guiding Principles on Business and Human Rights, the Universal Declaration on Human Rights, the International Labour Organisation's (ILO) Core Conventions, the Ethical Trading Initiative (ETI) Base Code (which is founded on the conventions of the ILO), national legislative requirements and accepted best ethical and sustainable business practice.

We continue to support the community via the Spotlight Foundation and our partnerships with the Starlight Children's Foundation, Good360 and World Vision. More information is available here:

www.spotlightstores.com/community-support

Assessment of Actions Taken

06.

We are focused on measuring and evaluating the effectiveness of the actions we have taken to address modern slavery risks in our supply chains and operations. This will continue to be our focus moving forward.

Modern Slavery KPIs

Moving forward, SGH will measure its performance against a set of modern slavery KPIs to allow us to report on our progress.

Our modern slavery KPIs for FY22 are:

- Continue to roll out our new modern slavery training module to all relevant staff;
- Finalise the roll-out to all suppliers of the SGH Supplier Code of Conduct and the SGH Global Sourcing Principles;
- Conduct a full review SRG's suppliers of products by end FY22;
- Prepare for the full review of services and goods not for re-sale (to be conducted during FY23-24);
- Develop a set of remediation guidelines to provide guidance to our staff, suppliers and auditors if there is a need to remediate or address issues that are identified as non-compliance with the fundamental requirements of the modern slavery and social responsibility requirements that are included in the SGH Supplier Code of Conduct and the SGH Global Sourcing Principles (to include a Corrective Action Plan and supporting documentation for staff and suppliers); and
- Identify opportunities to collaborate with relevant groups and organisations that are focused on the management and eradication of modern slavery.

We will report on our performance against these KPIs in our FY22 statement.

Review of Supplier Audits

Currently we are tracking the effectiveness of our anti-modern slavery work by reviewing the audits and checks on compliance that are done by Caprice and Glowstar to determine if there are improvements in compliance or further systemic issues that need addressing. During FY21 Glowstar conducted audits on factories they engage for our benefit and we will continue to review these reports and take any further actions that are deemed necessary. As part of the audit process, Glowstar and Caprice's auditors gather information relevant to modern slavery, human trafficking and other risks and conduct checks on general compliance matters such as factory licences, building layouts, fire drill records, health and first aid certificates, working hours, wage records, pay slips, injury records and environmental impact assessment reports and approvals. As noted earlier in this report, the ability to conduct some of these checks has been impacted by the COVID-19 pandemic.

Audit Follow-Ups

Where the internal or Caprice due diligence or audit process finds supplier non-compliance issues we will require the supplier to identify corrective actions and timeframes for completing these actions.

SGH will continue to work with Glowstar and all its other suppliers in FY22, to improve standards where it can, and to ensure the requirements of the Code and Principles are adhered to.

Monitoring of Whistleblower Reports

We are also committed to addressing any issues that may come to our attention through our Whistleblower process, and to providing and promoting an avenue for workers to bring any issues of non-compliance with our Code and Principles to our attention. We did not receive any such reports during FY21.

Moving Forward

07.

As noted throughout this statement, during FY22 we will continue our process of mapping out our supply chain to identify who our suppliers are, and we will try to gather as many audit reports, certifications and other information as we can, to provide us with usable and up to date lists of where the products sold by SGH come from.

The information that we gather and collate will be reviewed to identify any systemic issues of concern or specific modern slavery risks. We will also use this process as a way to identify where our 'problem areas' are, so that we can focus our internal training and staff awareness on these issues. We consider that it is very important that key staff members who are involved in buying and procurement (including new starters) are across the issues and are supported to take steps to mitigate our modern slavery risks. This will be a focus for us moving forward.

Supplier Relationships

We will continue to work in partnership with our suppliers to facilitate ongoing improvement in order to benefit both their workers and to improve our business practices. Throughout FY22 we will endeavour to have our first tier and all known second tier suppliers commit in writing to adherence with our new Code and Principles.

Monitoring and Awareness

Our modern slavery working group will continue to monitor emerging human rights risks in the geographic locations from which we source our products. Once the FY22 product supplier review is complete, we will use the information gathered to pin point the regions and areas that are of concern and that pose a specific risk to our business.

Partnerships

In future we will seek further opportunities to work with our overseas suppliers and community organisations that can assist us to mitigate our modern slavery risks. This will include seeking the advice and guidance from Caprice and Glowstar as to how we can best assist suppliers that we rely on for our products.

Ongoing Commitment to Transparency

During FY22 we will be further updating our websites to include our modern slavery initiatives. We feel that this publication is a valuable way for SG to communicate the elements of its modern slavery and human rights program, and to also demonstrate our commitment to this process.

