



LOVISA HOLDINGS LIMITED

# MODERN SLAVERY STATEMENT FY2021





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This statement was prepared by the reporting entity Lovisa Holdings Limited ('Lovisa', 'the Company') (ACN:602 304 503). Lovisa is an Australian public company listed on the Australian Securities Exchange (ASX code: LOV). The Company's registered office and principal place of business is Level 1, 818 Glenferrie Road, Hawthorn, Victoria, Australia.

This statement has been prepared in accordance with the Modern Slavery Act (Cth) 2018 ('the Act') and outlines the actions taken by Lovisa to identify, assess, and address modern slavery risks across our operations and supply chain for the financial year ended June 2021.

Lovisa Holdings Limited makes this single joint Statement on behalf of all reporting entities in the Lovisa Group and all other owned and controlled entities. All entities in the Lovisa Group operate under a central governance framework and common management system. Consultation was therefore not required as the same individuals represent each of these entities. A list of all subsidiaries is included in Appendix A. In addition to Lovisa Holdings Limited, Lovisa Australia Pty Ltd and Lovisa Pty Ltd are also considered reporting entities under the Act.

# INTRODUCTION



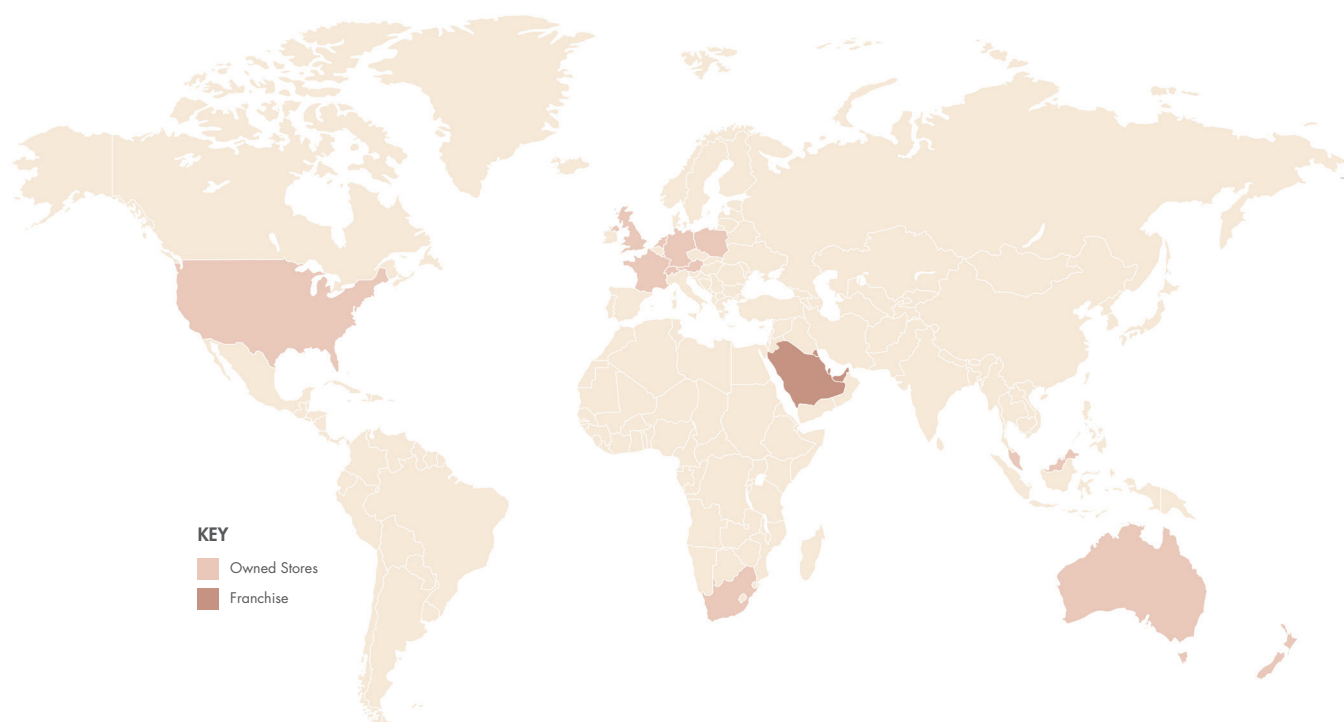
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This statement, pursuant to the Modern Slavery Act 2018, details the risks of modern slavery in the operations and supply chains of Lovisa Holdings Limited. This statement includes information about our actions & progress to address these risks for the financial year ended June 2021.

At Lovisa, we remain committed to pursuing an effective approach to ethical and responsible risk management, with a framework to support us in achieving high standards of corporate governance and safeguarding our business operations and our global supply chain against the risks of Modern Slavery. As the world continued to grapple with the disruptions caused by Covid 19, our suppliers in India and Thailand were particularly affected by severe lockdowns. To mitigate these challenges, we worked directly with our suppliers discussing production timelines and supporting them with crucial health and safety initiatives they have implemented across their businesses.

We have an opportunity to further enhance our commitment by formalising our guidelines and requirements to suppliers in the form of a new Supplier Code of Conduct. The code will detail Safe Working Conditions, Building & Safety Compliance, Environmental Resilience and Business Transparency & Ethics and provide a focus on modern slavery indicators including forced labour, excessive working hours, child labour, delayed payment of wages and/or benefits, hazardous forms of work, and deceptive recruitment for labour or services. We will initiate this code within the 2022 financial year.

# OUR BUSINESS



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Established in 2010, listed on the stock exchange in 2014 and trading from 544 stores in 20 countries as of June 2021.

*“Lovisa was born from a desire to fill the void for fashion forward and directional jewellery that is brilliantly affordable.”*

In 2021, we continued to expand the business globally with 109 new stores opened for the financial year, including 96 in Europe and 15 in the USA. In line with this expansion, we opened an office in Cologne, Germany and aligned openings of new warehouses in Poland and third-party logistics (3PL) in the UK, US and South Africa to service efficient distribution across the retail network.

## STORE NUMBERS

Owned		FY21	FY20
Aus/NZ	Australia	153	152
	New Zealand	24	23
Asia	Singapore	18	19
	Malaysia	28	27
Africa	South Africa	64	62
Europe/UK	UK	41	42
	France	52	21
	Germany	38	-
	Belgium	8	-
	Switzerland	8	-
	Netherlands	6	-
	Austria	3	-
	Luxembourg	2	-
USA		63	48
<b>Total Owned</b>		<b>508</b>	<b>394</b>

Franchise	FY21	FY20
Asia	-	7
Middle East	36	34
<b>Total Franchise</b>	<b>36</b>	<b>41</b>
<b>TOTAL STORES</b>	<b>544</b>	<b>435</b>

**Employees Worldwide** Over 3000

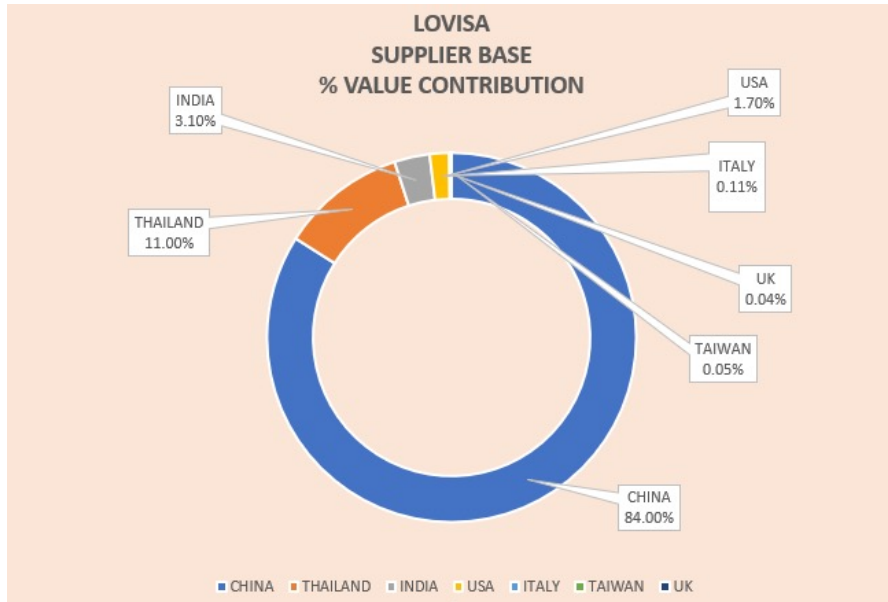
**Total Stores** 544

**Warehouses & 3PL's** 3 DC's + 3 3PL's



# OUR SUPPLY CHAIN

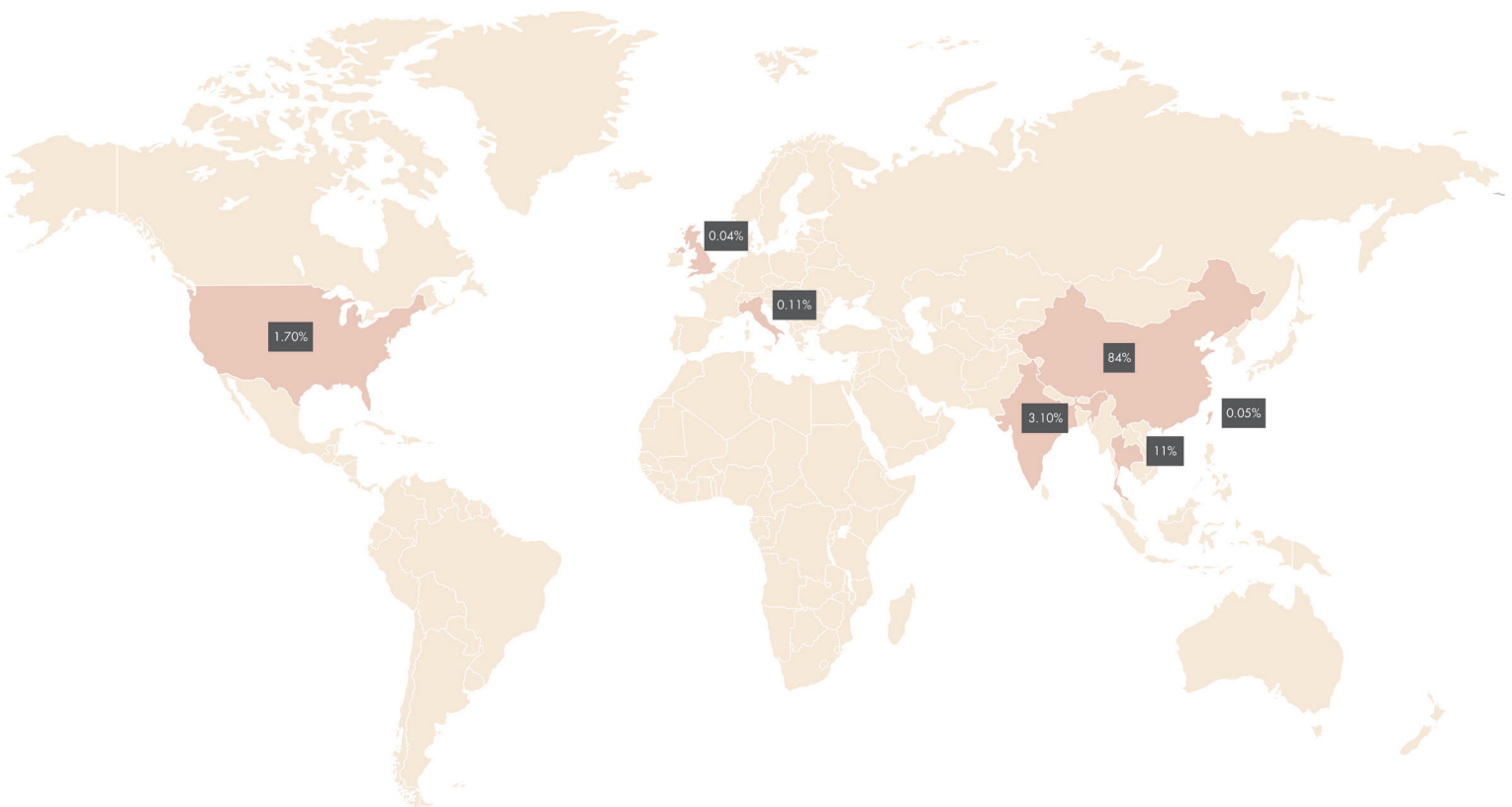
We design, source, and deliver a diverse range of jewellery products to our 544 stores in 20 countries. In 2021, our supplier base comprised of 67 factories in 7 production countries with 20 factories contributing 84% of the value of goods delivered to our stores. These 20 factories represent 30% of our total active factories.



We maintain long-term relationships with our suppliers, with 70% of them continuing to work with us for more than 10 years. We believe that long-term relationships with suppliers can enhance performance along the supply chain.

We obtain Ethical, Social and Health & Safety Audit SMETA / BSCI reports annually from 90% of our current supplier base, with the remaining 10% committed to submit their reports in FY 2022. 100% of the reports passed Lovisa compliance standards. We proactively discuss remediation measures with factories where required, as we continuously aim to improve their performance and provide high standards of safe and fair workplaces for all workers in the supply chain.

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# IDENTIFIED RISKS IN SUPPLY CHAIN & OPERATIONS

## RISK RATING

Table 1 below provides a summary of the inherent risk rating identified in our supply chain, based on the audit reports that we have obtained in relation to 90% of our supplier base.

## MERCHANDISE SUPPLIERS

COUNTRY	INHERENT RISK	MODERN SLAVERY RISKS IDENTIFIED	PRIORITY
<b>CHINA</b>	MEDIUM	Inherent risks of modern slavery are present in the jewellery manufacturing sector. Most of the suppliers in China generally have a mature understanding of requirements and standards of ethical supply chains and have established transparency with their occupational health & safety and ethical audit reports and certifications.	MEDIUM: perform further due diligence in the next 12-24 months
<b>THAILAND</b>	MEDIUM	Inherent risks of modern slavery are present in the jewellery manufacturing sector. Thailand is more vulnerable to risk factors within their operations.	MEDIUM: perform further due diligence in the next 12-24 months
<b>INDIA</b>	HIGH	Inherent risks of modern slavery are present in the jewellery manufacturing sector. India is more vulnerable to risk factors and lacks transparency with their operations.	HIGH: perform immediate further due diligence
<b>ITALY</b>	LOW	Inherent risks of modern slavery are present in the jewellery manufacturing sector. Our single supplier in Italy generally has a mature understanding of requirements and standards of ethical supply chains.	LOW: continue with current approach to supplier monitoring

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**OTHER SUPPLIERS**

Outside our supply chain, our operations comprise mostly of our office employees in Australia. Our employment framework complies with the Australian jurisdiction laws. Many of our employees are employed under employment Awards. Our employees are governed by a sound policy framework that governs our corporate behaviour.

For these reasons, we consider the risk of modern slavery in our operations to be low.

OPERATION BASE	INHERENT RISK	MODERN SLAVERY RISKS IDENTIFIED	PRIORITY
<b>SUPPORT OFFICE</b>	LOW	Limited risk factors identified. We have developed a comprehensive recruitment and employee onboarding processes in line and compliant with Australian workers’ rights and safe	LOW: perform further assessment of risks before planning further due diligence
<b>GLOBAL OFFICES</b>	LOW	Limited risk factors identified. We have developed comprehensive recruitment and employee onboarding processes in line with workers’ rights and safe workplace regulations compliant with the countries where we operate.	LOW: perform further assessment of risks before planning further due diligence
<b>LOGISTICS &amp; WAREHOUSES</b>	MEDIUM	Inherent risks of modern slavery are identified with logistics functions as transport, warehousing, and distribution activities across the world. These originate from use of labour hire services, including migrant and low-skilled workers.	MEDIUM: perform further due diligence in the next 12-24 months
<b>STORE OPERATIONS</b>	MEDIUM	Inherent risk of modern slavery is associated with migrant and vulnerable workers linked with hire services.	MEDIUM: perform further due diligence in the next 12-24 months

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# OUR APPROACH TO MANAGING RISKS

Since the submission of our first Modern Slavery Statement in March 2021, we have undertaken additional steps towards addressing modern slavery risks in our operations and our supply chain.

Further to the 3 Key Approaches outlined in our March 2021 Statement, the actions that we have taken are as follows:

## KEY APPROACH 1: RISK ASSESSMENT

Acknowledging the modern slavery risks that exist in our industry and in the markets where we operate, we collaborated with our employees, suppliers, and stakeholders at various levels (country, region, facility, worker) to enhance our risk mitigation framework.

### INTERNAL ASSESSMENTS

With the Covid-19 travel restriction, we implemented regular video conference meetings among our global offices, set up weekly calls and video catch ups with our suppliers to discuss requirements, issues, and offer support. We used the knowledge and insights gained during these regular calls and video meetings with our stakeholders and suppliers to actively stay on top of developments, as modern slavery risks continue to evolve and emerge during changing social, economic, and political trends.

We engaged our Quality Control offices in Qingdao and Shenzhen, China, which comprise 85% of our production, to be our eyes and ears on the ground, in particular by conducting surprise visits to provide insight into any potential risks of the specific supplier operations.

### EXTERNAL ASSESSMENTS

Lovisa continued to utilise reputable and independent audit agencies to evaluate inherent risks per supplier. Suppliers are required to conduct on-site third-party risk assessment and audits:

- For new suppliers, audits have been conducted or certified in the last 12 months.
- For existing suppliers, follow a 2 year audit cycle and submit reports prior to expiry date of previous audit.

The audit formats that are approved and preferred by Lovisa are:

1. SEDEX (SMETA)
2. BSCI (Business Social Compliance Initiative)

Following both external and internal risk assessments, suppliers are assigned a risk rating of High, Medium, or Low. Suppliers with High rating may be required to undergo further investigations and/or audits to support ongoing review of risk. If a supplier refuses to remediate compliance issues, we reserve the right to cease engagement with that supplier.

## KEY APPROACH 2: RISK MITIGATION STRATEGIES & PROCEDURES

The core of our responsible and ethical sourcing policies is premised on upholding human and labour rights throughout our supply chain and operations.

### 1. SUPPLIER CODE OF CONDUCT

We have initiated a Supplier Code of Conduct to address the modern slavery risks in our supply chain and operations. This will promote learning and awareness within the business, and build stronger relationships with our suppliers enabling them to engage with our risk mitigation procedures. The 4 main compliance guidelines will be:

1. Ethical Sourcing & Social Compliance
2. Building & Safety Compliance
3. Environmental & Sustainability Resilience
4. Business Transparency & Ethics

We will be onboarding all suppliers with our Supplier Code of Conduct in the financial year 2022. This will be made available to all suppliers in multiple languages (English, Mandarin, Cantonese, Hindi, Thai).

Suppliers must sign this code committing to adhere to each of the 4 compliance guidelines above as a condition of trade with Lovisa.

### 2. DIALOGUE & TRAINING

The Buying & Production teams, coordinating directly with our suppliers, oversee our supplier compliance operations in partnership with third-party audit firms. Dialogue, training and learning with suppliers to better understand how to implement effective practices will be developed.

Internal training across the company is crucial to drive effective corporate practices to mitigate modern slavery.

### 3. ETHICAL, SOCIAL, SAFETY & COMPLIANCE AUDITS

The scale and complexity of the challenge of ending modern slavery requires proactive action and collaboration among stakeholders including governments, international



# OUR APPROACH TO MANAGING RISKS

organizations, civil society, and the private sector. We have recently engaged Intertek (ITS), a reputable and trusted professional certification body with global presence, as our preferred agency to undertake appropriate ethical, social, safety and compliance third party audits.

Suppliers receive a rating on several set criteria that include metrics as governed by our Supplier Code of Conduct around ethical, social, safety, environment, and sustainability practices. Based on the assigned supplier risk rating, they undergo the below audit frequency and format:

**LOW** – 24 month validity; SMETA 2 Pillar

**MEDIUM** – 24 month validity + spot checks at Lovisa’s discretion; SMETA 2 Pillar

**HIGH** – 12 month validity + spot checks at Lovisa’s discretion; SMETA 4 Pillar

We monitor submission of supplier audits and have thus far received reports from 90% of our supplier base, with 100% pass rate on those received. We continue to work with the 10% who are currently undergoing audits and/or undertaking remediation actions based on audit findings.

We regularly review these audit findings and speak with Suppliers to drive continuous improvement.

## KEY APPROACH 3: DUE DILIGENCE & REMEDIATION PROCESSES

We regularly review our monitoring processes to build a more efficient and effective set of due diligence processes in our supply chain.

In addition to engaging the expertise of a reputable and professional certification body, we have QC offices in Qingdao and Shenzhen, China where 84% of our suppliers are based.

Our QC teams in China enable us to verify the findings of third-party audit firms. They also help us to communicate in the local language the corrective actions that suppliers need to implement.

When border closures are lifted and international travel is reopened, we will resume factory visits from our Melbourne global support centre office. These visits aid Lovisa in building stronger relationships and enhancing our monitoring systems. These will be conducted both by our Buying and Production teams.

## REMEDIATION PROGRAM

At the core of our remediation program is our commitment to provide support to our supply chain to undertake corrective measures where modern slavery risks are identified. When non-compliances are identified through audits, we will discuss with the identified factory the measures required to be developed for a corrective action plan that is focused on prevention. The factory will then undertake a further audit to ensure that formal remediation actions are taken, and compliance is reported by the third-party audit firm.

# ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

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ACTIONS	ACTIONS	2021 KPIs ACHIEVED	2022 KPIs	TIMELINE
<b>FORMAL POLICY SETTING</b>	Updated Supplier Compliance Manual issues	Updated Supplier Compliance Manual issues May 2021	Further enhance Compliance Manual in line with new markets entered	Jun-22
<b>FORMAL POLICY SETTING</b>	We will provide a Supplier Code of Conduct, supported by a Supplier Agreement, with provisions on our expectations of ethical, social, safety, environmental and sustainability practices designed to eradicate Modern Slavery Risks in our supply chain.			Signed agreements returned by 31/03/2022
<b>DIALOGUE &amp; TRAINING</b>	<p>The production team, coordinating directly with our suppliers, oversee overall supplier compliance operations in partnership with third-party audit firms. Dialogue, training and learning initiated with the Buying and Production teams to understand how to/ implement effective supplier onboarding and risk assessment best practices.</p> <p>Internal training in Australia Support Centre is initiated through departmental orientations and dialogues designed to raise employee awareness on modern slavery.</p>	<p>50% Departmental Training in the Support Centre</p> <p>Initiated proactive discussion of remediation measures with suppliers</p>	<p>100% Training across all teams in the Support Centre</p> <p>100% Training across global offices</p>	<p>Introduced in 2021</p> <p>Ongoing</p>
<b>TARGETED DUE DILIGENCE IN HIGHER RISK SUPPLY CHAINS</b>	Based on our internal and external risk assessments, suppliers classified with higher risk rating undergo a 12 month validity and SMETA 4 Pillar audit and spot checks at Lovisa's discretion.	90% confirmed compliance based on SMETA reports from third-party audit firms	<p>Improve risk assessment measures through effective data</p> <p>100% Compliance SMETA reports</p> <p>Disengage consistent non-compliant suppliers</p>	<p>Introduced in 2021</p> <p>Ongoing</p>
<b>GOOD GOVERNANCE THROUGH MONITORING SYSTEMS &amp; REMEDIATION PLANS</b>	As required detailed remediation plans and best practice expectations are discussed with suppliers, customised to audit findings of third-party firms	<p>Initiated timelines and formats for audits customised to supplier risk rating</p> <p>Engaged China office teams to corroborate audit report results</p>	<p>Increased spot checks on Suppliers classified with higher risk rating</p> <p>Increase dialogue with suppliers on effective remediation of non-compliance issues</p>	<p>Introduced in 2021</p> <p>Ongoing</p>



# GOVERNANCE

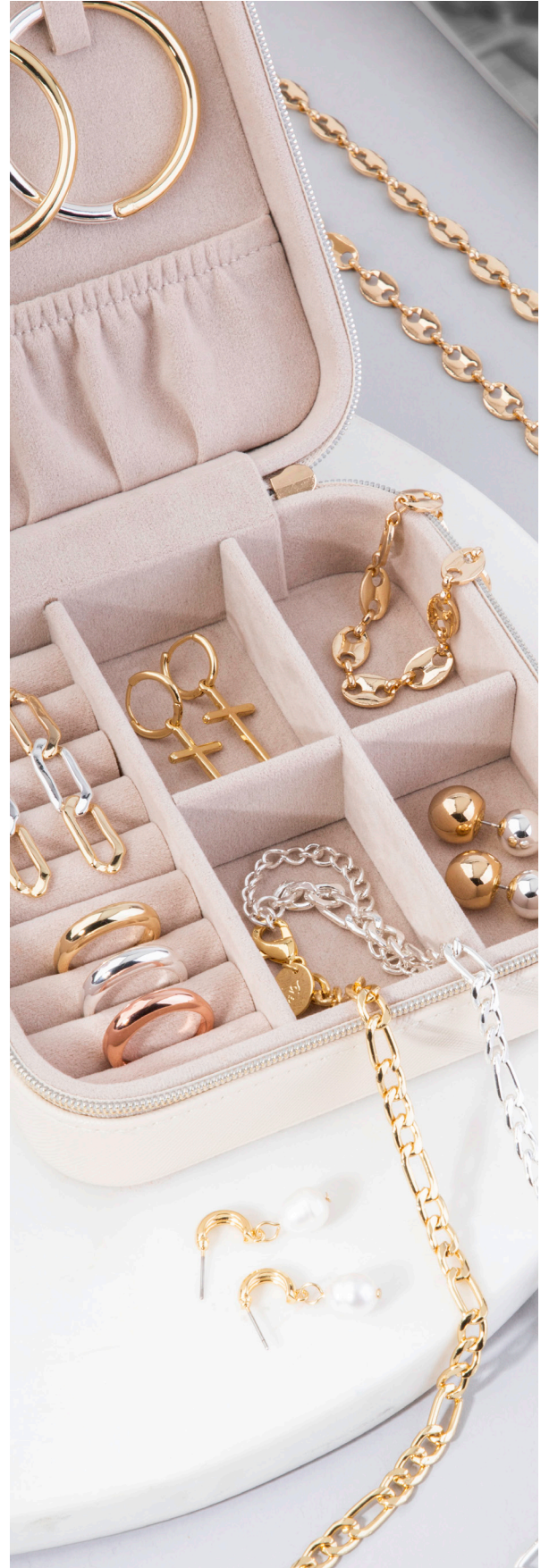
This disclosure statement is published pursuant to the Australian Commonwealth Modern Slavery Act 2018.

The statement is fully supported and approved by our Board of Directors and signed by our Global Chief Executive Officer, Victor Herrero.

This statement was approved by the Lovisa Board of Directors on 24/12/2021.



**Victor Herrero**  
Global Chief Executive Officer



# APPENDIX A: LIST OF LOVISA GROUP SUBSIDIARIES

## LIST OF SUBSIDIARIES

Set out below is a list of subsidiaries of the Group. All subsidiaries are wholly owned, unless otherwise stated.

<i>Name</i>	<b>Principal place of business</b>
Lovisa Australia Pty Ltd	Australia
Lovisa Pty Ltd	Australia
Lovisa Employee Share Plan Pty Ltd	Australia
Lovisa International Pte Ltd	Singapore
Lovisa Singapore Pte Ltd	Singapore
Lovisa Accessories Pty Ltd	South Africa
DCK Jewellery South Africa (Pty) Ltd	South Africa
Lovisa New Zealand Pty Ltd	New Zealand
Lovisa Malaysia Sdn Bhd	Malaysia
Lovisa UK Ltd	United Kingdom
Lovisa Global Pte Ltd	Singapore
Lovisa Complementos España SL	Spain
Lovisa America, LLC	United States of America
Lovisa France SARL	France
Lovisa Hong Kong Ltd	Hong Kong
Lovisa Germany GmbH (i)	Germany
Lovisa Retail Germany GmbH (ii)	Germany
Lovisa Austria GmbH (ii)	Austria
Lovisa Belgium BV (ii)	Belgium
Lovisa Netherlands BV (ii)	Netherlands
Lovisa Switzerland AG (ii)	Switzerland
Lovisa Retail France SARL (ii)	France
Lovisa Luxembourg SARL (ii)	Luxembourg



# LOVISA



## LOVISA

Lovisa Holdings Limited  
Level 1, 818-820 Glenferrie Road  
Hawthorn VIC 3122  
+61 3 9831 1800

[www.lovisa.com](http://www.lovisa.com)

Lovisa Holdings Limited Modern Slavery Statement - FY2021