

MODERN SLAVERY STATEMENT – FY2023

28 August 2023

This Modern Slavery Statement (“**Statement**”) is made pursuant to the Modern Slavery Act 2018 (Cth) (“**Act**”) by Cover Syndicate Pty Ltd ACN 614 038 765 and relates to the financial year 1 July 2022 to 30 June 2023 (“**Financial Year**”).

ABOUT OUR BUSINESS

Operations and brand

Cover Syndicate Pty Ltd, trading as QBD Books (“**QBD**” or “**the Company**”) is a leading retailer and wholesaler of books and associated educational products and ancillary book products. The Company is an Australian owned and operated private entity.

There are currently 84 bricks and mortar stores located in major shopping centres in every Australian state and territory as well as an online store. The Company employed 959 team members on 30 June 2023 (30 June 2022: 922 team members).

The Company does not own, operate or control any other entities. It is a single, standalone entity. The registered office address of Cover Syndicate Pty Ltd is 30 Enterprise Street, Richlands, QLD 4077 which is also the administrative support office.

Policy and principles

QBD is strongly opposed to any form of modern slavery and is dedicated to eliminating all forms of modern slavery from within its business and supply chain. QBD recognises that it plays a role in the global effort to eradicate modern slavery.

About

Founded in the late 1800's, QBD is Australia's largest Australian owned and operated book retailer.

At QBD we believe reading is a timeless form of entertainment, and that the importance of a book to help us learn and understand cannot be underestimated. Every day, we give people an opportunity to explore over 2 million books at affordable prices. With millions of titles available across all genres, including the latest Australian Geographic products, we have a book for every interest.

Our passionate team members’ vast knowledge and continued commitment to customer service has ensured an extremely strong following, allowing us to offer what we believe is the best loyalty program in the industry, increasing the discount opportunities for our customers.

THE RISK OF MODERN SLAVERY

QBD recognises that modern slavery has serious and life-threatening impacts on individuals and that no entity is immune to potential risks within its supply chain.

The Company utilises the Guidance to Reporting Entities on the Modern Slavery Act (Australian Government) on an ongoing basis, which identifies three risk categories:

1	Cause	The risk that our actions or omissions may directly result in modern slavery occurring	e.g. if forced labour or the worst forms of child labour were to be used directly in the Company’s direct workforce
2	Contribute	The risk that our actions or omissions may contribute to modern slavery occurring	e.g. if negotiations with suppliers on fulfilment or cost price resulted in suppliers utilising forced labour or the worst forms of child labour within their operations or supply chain in order to meet these requirements

3	Directly linked	The risk that the products and services that we sell (and/or use), may be directly linked to modern slavery through the activities of another entity in the supply chain	e.g. if a component part of a consumer electronics product that we sell is manufactured by a supplier in the extended supply chain that has been found to have used forced labour, debt bondage or the worst forms of child labour
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Sourcing

The majority of products sold are sourced from Australian publishers. This is primarily due to the Parallel Importation Restrictions legislated in the Copyright Act (1968) (Commonwealth of Australia) which requires publishers and retailers in Australia to stock the Australian edition of a title and release the title in Australia within a short period of the international release date (generally considered as 14 days). This legislation reduces the exposure of Australian retailers to modern slavery in overseas supply chains.

QBD sources almost all of its product through distributors, which in turn provide a platform for various publishers. These distributors are Australia based with a negligible amount sourced directly from the United Kingdom and the United States. Overall, the eight largest publishers account for more than 70% of annual purchases and four of these eight publishers comply with the Australian Border Force (“ABF”) Modern Slavery Statement requirements as their turnover is in excess of \$100m per year. The other four publishers comply with their parent company’s international Modern Slavery policy as they are based in the United Kingdom and United States of America.

Supply chain

QBD recognises that all supply chains carry the risk of modern slavery, which includes manufacturing to material sourcing and harvesting of raw materials. The Company recognises that there is potential for it to be directly linked to modern slavery within the various tiers of its own supply chain as well as through its suppliers’ supply chain, including:

- Deceptive recruitment practices and trafficking of migrant workers;
- The use of debt-bondage and/or the withholding of identification and travel documents to restrict the ability for workers to move freely in and out of employment;
- The use of forced labour or the worst forms of child labour by direct or indirect suppliers in the assembly of products, component parts or the sourcing of raw materials; and
- The exploitation of vulnerable workers, e.g. ethnic minorities, low-skilled workers and migrant workers

According to the Global Modern Slavery Index, goods sourced directly or indirectly from China by QBD’s suppliers present a higher risk of modern slavery. This supply includes books printed in China and products that QBD suppliers have sourced from other suppliers within Australia, which may consist of materials sourced from China and other higher risk jurisdictions.

QBD has long-term supply relationships (i.e. more than 6 years) with the vast majority of its suppliers.

Assessing and addressing the risk of modern slavery

Managing the risk of modern slavery in QBD’s supply chain is a key operational consideration and QBD is committed to conducting its business in a moral and ethical manner which recognises the need to establish and maintain corporate governance practices which comply with legal and regulatory frameworks. QBD has a zero tolerance to modern slavery in all forms and will end the supply relationship with any supplier that participates in modern slavery in any form. One supplier was delisted during FY2023 as they refused to engage in any form of assessment.

QBD suppliers, who are in turn serviced by printing suppliers, remain committed to the Book Chain Project. The Book Chain Project is a collaboration of 27 leading publishers working together to drive social and environmental responsibility in their product supply chains. The publishers expect all product suppliers to commit to working towards the Book Chain Standards (“BCS”) set out in the attached Book Chain Supplier Code of Conduct (“BCSCC”).

The BCSCC is a comprehensive document which includes:

- Responsibilities of the publisher
- Responsibilities of direct suppliers to the publishers

- Responsibilities of agents
- Sharing of information between all parties
- Labour standards
- Health and safety standards
- Environmental standards
- Subcontracting standards
- Recognition of land and the rights of Indigenous people

Printing suppliers are required to undertake annual approved and independent audits against the BCSCC. These audits include unfettered access to:

- the site for inspection;
- full, transparent records; and
- randomly selected employees for confidential interviews.

The audit reports also confirm whether suppliers have written policies prohibiting modern slavery and have provided training to relevant employees. Where an audit reveals minor non-compliance not directly related to modern slavery, it is expected that these issues are addressed and reported. Through the Book Chain Project, all founder member publishers (including other key publishers) have access to the audit results.

Book Chain Project member publishers and other publishers which have adopted the BCSCC form the vast majority of product supplied to QBD. Non-publisher suppliers are also required to comply with the Act. The list of suppliers is reasonably consistent year on year, as is their spend. An annual check is conducted by QBD to ensure that suppliers are compliant based on QBD's internal risk matrix, depicted below:

Impact
(how severe would the outcome be if non-compliance occurred?)

	Insignificant (1)	Minor (2)	Significant (3)	Major (4)	Severe (5)
Almost Certain (5)	Medium (5)	High (10)	Very High (15)	Extreme (20)	Extreme (25)
Likely (4)	Medium (4)	Medium (8)	High (12)	Very High (16)	Extreme (20)
Moderate (3)	Low (3)	Medium (6)	Medium (9)	High (12)	Very High (15)
Unlikely (2)	Very Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare (1)	Very Low (1)	Very Low (2)	Low (3)	Medium (4)	Medium (5)

Probability

Also called likelihood, the Probability (x-axis) pertains to the extent of how likely it is for the risk to occur. The risk rating levels under this component are as follows:

- Rare - unlikely to happen and/or have minor or negligible consequences
- Unlikely - possible to happen and/or to have moderate consequences
- Moderate - likely to happen and/or to have serious consequences
- Likely - almost sure to happen and/or to have major consequences
- Almost certain - sure to happen and/or have major consequences

Impact

Also called severity or consequences, the Impact (y-axis) aims to determine the level of effects that non-compliance can cause to an entity. The following represent the general terms used to describe the impact of a risk:

- Insignificant - will not have any serious impact on the business
- Minor - will have a mild impact on the business
- Significant - will have a limited impact on the business
- Major - will have a serious impact on the business that will require ongoing attention
- Severe - will have a catastrophic impact on the business

Each risk box represents the rating of a risk that is calculated based on its particular levels of probability and impact.

Calculating risks using the risk matrix (*Probability x Impact = Risk Level*)

A guide on the numeric values and their representation as a result of the analysis:

- 1 - 4: Acceptable - no further action may be needed and will be reviewed triannually
- 5 - 9: Adequate - may be considered for further analysis and will be reviewed annually
- 10 - 16: Inadequate - must be investigated further to provide clarity within 3 months
- 17 - 25: Unacceptable- immediately cease purchasing and provide improvement strategies within 4 weeks

Factors which influence probability and impact

Each supplier of product greater than 0.1% of purchases (99.8% in total) is evaluated each year to assess their individual risk profile.

There are a number of factors which are taken into account when assessing the probability and impact that non-compliance to the Act may occur, which in turn may lead to further due diligence actions being taken by the Company. There are differences in the application of the risk matrix for book suppliers compared to non-book suppliers, including:

Question	Book product	Non-book product
• Is there an ongoing supply relationship?	✓	✓
• What is the annual spend?	✓	✓
• Does the supplier or the ultimate parent company of the supplier report on the Australian Government's online register for Modern Slavery Statements?	✓	✓
• Does the supplier or the ultimate parent company of the supplier report on the United Kingdom's register for Modern Slavery Statements?	✓	✓
• Does the supplier or the ultimate parent company of the supplier report on the United States of America's register for Modern Slavery Statements?	✓	✓
• Does the supplier or the ultimate parent company of the supplier report on any other country's register for Modern Slavery Statements?	✓	✓
• Does the supplier or the ultimate parent company of the supplier report a Modern slavery Statement on their website?	✓	✓
• Is the supplier a founding member of Book Chain Project?	✓	✗
• If the supplier is not a founding member of Book Chain Project, does the supplier adhere to the guidelines and code of conduct of Book Chain Project?	✓	✓
• Has the supplier or the ultimate parent company of the supplier provided a signed document stating that they comply with the Act as well as a Modern Slavery Statement?	✓	✓
• Has the supplier provided audit evidence that their manufacturing sites comply with the Act?	✓	✓

CONCLUSION

As the book industry as a whole has proactively developed the BCSCC, the Company does not believe there to be a substantive risk of modern slavery in its business operations, which includes its support office in Queensland and its retail stores across Australia.

QBD has comprehensive HR policies to ensure it complies with industrial relations laws, employment entitlements in the National Employment Standard ("NES") and General Retail Industry Award ("GRIA").

This "Modern Slavery Statement - FY2023" has been approved by the Cover Syndicate Pty Ltd (ACN 614 038 765) board on 28 August 2023.

Signed,

A handwritten signature in black ink, appearing to be 'N. Croydon', written over a horizontal line.

Nicholas Croydon

Director and Chief Executive Officer