

ZIMMERMANN

MODERN SLAVERY STATEMENT 2020



INTRODUCTION

Zimmermann is a luxury Australian fashion brand which designs and sells women's ready-to-wear clothing, swimwear, resortwear, accessories and childrenswear.

Sisters Nicky and Simone Zimmermann founded the brand in 1991 and are the Creative Director and Chief Operating Officer, respectively. The brand's success in Australia has led it to expand globally, and Zimmermann now sells in the USA, Europe, Asia and South America.

Zimmermann is committed to ethical business practices and opposes slavery in all its forms.

This is Zimmermann's first statement under Australia's Modern Slavery Act 2018 (Cth) (the **Act**) and the headings below reflect the criteria required under the Act. Unless otherwise stated, all information below is for the reporting period of 1 July 2019 to 30 June 2020.

OUR COMPANY AND PRODUCT

Zimmermann International Pty Ltd (165 012 199) is the holding company of Zimmermann Holdings Pty Ltd (128 874 000). Both are private Australian companies which conduct no business and have registered headquarters in Sydney, New South Wales. Zimmermann Holdings Pty Ltd is the holding company of:

- + Zimmermann Wear Pty Ltd (062 643 609), which is responsible for design, sourcing, procurement, manufacture, production, Australian retail and wholesale operations, international wholesale operations and the Australian head office;
- + Zimmermann (USA), Inc. (83-0501744), which is responsible for American retail, online sales and the American office, located in New York City;
- + Zimmermann U.K. Limited (10189074), which is responsible for British retail and online sales;
- + Zimmermann France (834780892), which is responsible for French retail, European online sales and the European office, located in Paris;
- + Zimmermann Italy S.R.L. (10521850965), which is responsible for Italian retail; and
- + Zimmermann (Shanghai) Clothing Accessories Co. (913100000MA), which is responsible for Chinese retail and digital sales,

(together, the ‘**Subsidiaries**’).

Zimmermann International Pty Ltd, Zimmermann Holdings Pty Ltd and Zimmermann Wear Pty Ltd are required to report under the Act. This statement is made on behalf of Zimmermann International Pty Ltd, Zimmermann Holdings Pty Ltd and each of the Subsidiaries. In this statement, unless otherwise apparent from context, references to ‘**Zimmermann**’, ‘**we**’ or ‘**us**’ are to the corporate group collectively.

Zimmermann is engaged in the design, manufacture, wholesale, marketing and retail sale of luxury womenswear, as well as childrenswear and accessories. Womenswear constitutes the vast majority of the business. The balance is childrenswear and accessories, such as bags, shoes, hats, jewellery and sunglasses.

OPERATIONS AND SUPPLY CHAIN

Zimmermann has 21 retail stores in Australia, 14 in the USA and 5 in the UK and Europe. Zimmermann also operates a digital business with sites in Australia, the USA, the UK, Europe, Hong Kong and via a third party platform in China. In addition it has international wholesale clients.

Zimmermann's head office is in Sydney. It has operations and sales offices in Paris and New York City. Approximately 650 people are employed by Zimmermann in Australia, the USA, the UK, France and Italy.

In relation to Zimmermann's supply chains, we define our Tier 1-5 suppliers as follows.

Tier 1	Final product manufacturing and assembly
Tier 2	Material manufacturing, such as suppliers of our fabrics
Tier 3	Raw material processing, such as mills that create the yarn for fabrics
Tier 4	Raw material production, such as farms for cotton
Tier 5	Manufacturing of associated materials such as business and customer packaging

During the reporting period, the majority of our finished garments came from only four Tier 1 suppliers, comprising of 8 factories (our '**Primary Suppliers**'). We have longstanding relationships with our Primary Suppliers. Our Primary Suppliers accounted for 64% of our garment production by spend, and their factories are in China.

We used 31 Tier 1 suppliers for garments, comprising of 39 factories, during the reporting period. Other than our Primary Suppliers, the quantity of garments which derived from these suppliers was very low. Our suppliers range from medium-sized facilities employing approximately 100 people to small artisan workshops and local cooperatives that specialise in traditional methods of craftsmanship. Most of the factories for our garments were in China, with the remainder being one factory in each of the following countries: Turkey, Portugal, India, Romania and Poland.

Accessories are currently a small part of Zimmermann's business. In the reporting period we had 18 Tier 1 accessory suppliers, using 21 manufacturing facilities. By spend, the accessories were predominantly manufactured in Italy, China and Brazil with a smaller percentage from Taiwan, Australia, Portugal, Madagascar, India and the Philippines.

In relation to our Tier 2 suppliers of fabrics and components (our '**Major Tier 2 Suppliers**'), we had 31 suppliers during the reporting period, using 57 mills. The majority of the suppliers were in China. The remainder were based in Italy (3), India (1), Turkey (1) and Korea (1).

IDENTIFIED RISKS OF MODERN SLAVERY IN OUR OPERATIONS AND SUPPLY CHAINS

In our assessment of modern slavery risks in our supply chains, Zimmermann has considered the industry within which it operates, its own product range and the geographical locations in which its goods are produced. We are focused on the areas of higher risk, where we can have the greatest impact.

In our operations and supply chains, our assessment is that the risks to people are greatest in the supply chains for our garments in China from Tiers 1 to 4 (the ‘**Key Risk Areas**’) because:

- + the majority of our Tier 1 and Tier 2 suppliers are based in China;
- + China has lower regulation and transparency of labour conditions than Australia;
- + the production of cotton is an area of high risk;
- + garments constitute the vast majority of Zimmermann’s business;
- + in 2020 there were risks associated with COVID-19, such as the risk that suppliers might seek to increase manufacturing capacity immediately after the mandatory shut downs;
- + some suppliers use home workers, primarily in relation to accessories, trims and hand crocheted garments. Home workers are people who work outside the physical location of the factory and often on a short-term

contract basis, doing handcrafted, traditional, artisanal work. Typically these workers are women with childrearing responsibilities who benefit from this type of employment. Zimmermann recognises that since these people work outside the factory premises, there is the risk of weaker labour conditions, which is why we have embarked on identifying suppliers utilising this type of employment and including home workers in future auditing processes.

Zimmermann has prioritised these Key Risk Areas, consistent with UN Guiding Principle 24 which states that where it is necessary to prioritise actions, businesses should first seek to prevent and mitigate those that are most severe.

DUE DILIGENCE AND APPROACH TO THESE RISKS

Zimmermann understands that the fashion industry is a higher risk industry. For that reason, Zimmermann has made a significant investment in assessing and addressing modern slavery risks in its supply chain and is continuing to build on this work.

We list below the steps that Zimmermann has taken during the reporting period to identify, prevent, mitigate and remediate modern slavery risks in the Key Risk Areas.

GOVERNANCE

Ultimate responsibility for Zimmermann's adherence to ethical business practices resides with the Board and COO. Our COO is personally involved in the day to day work on modern slavery prevention, which reflects the importance of the issue within the business.

In light of the increased complexity of our growing business, in 2019 Zimmermann employed a full-time Global Sourcing Manager and in late 2020 Zimmermann employed a full-time Sustainability and Social Compliance Manager, each to work on sustainability and ethical sourcing of our products. These Managers have day to day responsibility for assessing and managing modern slavery risks and work closely on this issue with a cross-functional team from the following Zimmermann departments: Sourcing, Production, Human Resources, Legal, Logistics and Procurement.

In late 2020 Zimmermann became a member of the United Nations Global Compact. As part of this membership we became signatories to the International Labour Organization and the International Organisation of Employers in relation to international labour standards. We also joined the Nest Coalition for Craft and Culture, a coalition of design-led brands with a shared commitment to responsible and creative engagement with the global handcraft community.

SUPPLY CHAIN MAPPING

Zimmermann has prepared detailed maps of our Tier 1 suppliers and our Major Tier 2 Suppliers. Preparing these maps was an extensive undertaking, which provides a useful picture of these tiers of our supply chain.

RELATIONSHIPS WITH OUR PRIMARY SUPPLIERS

During the reporting period, approximately 64% of Zimmermann's garment production by spend was produced by our four Primary Suppliers.

We have worked closely with each Primary Supplier for over 10 years and have established strong commercial relationships with them. Each Primary Supplier works either exclusively or near-exclusively for Zimmermann. We have a regular dialogue with them regarding forward planning and workflow, which assists the Primary Suppliers with ensuring adequate staffing for busier periods. In our interactions with suppliers, our focus is on building strong, long-term partnerships which are mutually beneficial. In selecting suppliers, we prioritise the quality of the workmanship and our ability to work together. We pay suppliers on time.

DUE DILIGENCE AND APPROACH TO THESE RISKS CONT.

SITE VISITS

In relation to our Tier 1 suppliers, we regularly visit and spend time in their factories. The duration of visits ranges between 2 hours to a full day. During the reporting period, our COO, Global Sourcing Manager, Head of Production, Production Managers and Production Coordinators conducted extensive visits to our Tier 1 suppliers. In addition, members of the design team visited the Tier 1 factories.

Our Global Sourcing Manager visited Tier 1 factories every 6-8 weeks to provide oversight of activities, other than when international travel was not possible due to COVID-19 restrictions from February 2020 onwards.

Every visit to our Tier 1 suppliers includes at least one senior staff member who is knowledgeable about modern slavery and who is actively looking for, and reporting on, signs of modern slavery risk. Zimmermann views the site visits as an opportunity to provide increased education about modern slavery for accompanying staff members who are less experienced on these issues.

In relation to our Major Tier 2 Suppliers, in the reporting period the majority of the factories were visited by our Global Sourcing Manager or Head of Production.

Tier 1	76%* of factories visited, which factories account for 97% of our garment spend
Tier 2	64%* of fabric mills visited, which mills account for over 70% of our fabric spend 15%* of our trim mills visited

*More visits would have occurred if not for COVID-19 travel restrictions.

We consider our site visits essential to a proper assessment of what is happening in our suppliers' facilities. For example, during the reporting period we noticed that one of our Primary Suppliers had begun using an unauthorised subcontractor in breach of Zimmermann's Code of Conduct. After discussions with both the Primary Supplier and the subcontractor, we initially sought to work with the subcontractor to improve their practices and render their facility compliant. When this was not forthcoming, we instead worked directly with our Primary Supplier to find a mutually beneficial solution, which involved Zimmermann helping the supplier to expand their own facility to accommodate the work they had outsourced.

DUE DILIGENCE AND APPROACH TO THESE RISKS CONT.

AUDITS

Zimmermann arranges to have independent audits conducted of our Primary Suppliers every 12 months by a leading, qualified auditing firm, which specialises in the textile industry. The audits assess suppliers on a range of criteria including compliance with our Code of Conduct, labour laws, health and safety requirements, as well as other issues such as environmental impact.

These audits are semi-announced in that the supplier will be given a window of 4-6 weeks during which the audit will take place, however the precise day is unknown to the supplier. Due to COVID-19 restrictions this year, we had to defer some audits to the second half of 2020.

For all non-primary Tier 1 suppliers, we require that our suppliers have an active audit from an internationally recognized audit firm based on a methodology such as SMETA, BSCI or WRAP audit, the results of which are shared with Zimmermann. SMETA, BSCI and WRAP are internationally recognised industry methodologies for auditing of suppliers. We review these audits and follow up with suppliers on any form of non-compliance over the same working period.

In late 2020, Zimmermann partnered with Elevate, an internationally recognised and respected audit firm. This has allowed us to expand the scope of our Tier 1 audits with the inclusion of anonymous Worker Sentiment Surveys, as well as to include Tier 2 suppliers and homeworkers

	Audit during reporting period	Audit by 20 September 2020*
Tier 1 Primary Suppliers	100%	100%
Tier 1 Garment Suppliers	88%**	99%

*Audits were delayed due to COVID-19.

** The 88% represent 98% of our dollar spend.

REMEDIATION PROCESS

Where our site visits or independent audits identify issues that require remediation, we discuss the issues with the supplier, agree on a plan and timeframe for rectification, and then check in with the supplier for progress reports.

For example, during the reporting period we conducted COVID-19 Interim Audits during March and April of 2020. We wished to assess whether pressures related to COVID-19 had led to instances of non-compliance with our Code of Conduct.

DUE DILIGENCE AND APPROACH TO THESE RISKS CONT.

After asking our Chinese suppliers to complete a self-assessment, we organised for 15 of our main factories to be audited. The audit was compiled in collaboration with an independent auditing firm and was designed specifically to assess health and safety of workers, use of forced labour, disciplinary practices, working hours, compensation and unauthorised subcontracting.

As with most audits, there were some instances of non-compliance which required Corrective Action Plans and remediation. For instance, it emerged that one factory had not paid a worker in full on the day he resigned. We worked with the factory owner to rectify this situation and ensured further education for factory management on Chinese labour laws and Zimmermann's Code of Conduct. When this factory was reaudited again in October 2020, this area of non-compliance was no longer flagged.

SUPPLIER CONTRACTS AND OUR CODE OF CONDUCT

Our Code of Conduct is provided to suppliers in English, as well as in Mandarin for our Chinese suppliers. It is based on the Ethical Trading Initiative Code, which is founded on the conventions of the International Labour Organisation and is an internationally recognised code of good labour practice.

The Code of Conduct includes provisions regarding labour practices and wages; sourcing of cotton from regions known for routine human rights violations; working conditions and hours, and unauthorised subcontracting.

Our suppliers are required to cascade the Code of Conduct throughout their supply chains. Our Supplier Code of Conduct can be viewed at <https://www.zimmermannwear.com/supplier-code-of-conduct>.

During the reporting period we amended our supplier contracts to update and emphasise the importance of modern slavery obligations. We now include our Code of Conduct in the body of our supplier agreements rather than having it as a separate agreement, reflecting the fact that it is a key term of the commercial relationship. Our new supplier contracts have been executed by:

- + 100% of our Tier 1 garment suppliers
- + 85% of our Tier 1 accessories suppliers
- + 100% of our Major Tier 2 suppliers.

The process of having our supplier contracts re-executed provided an opportunity for discussions between Zimmermann and our suppliers regarding the terms of the Code of Conduct. During this process we had extensive discussions and negotiations with those suppliers, and many of them had questions and comments about aspects of the Code. This indicated to us that our suppliers were reading the Code of Conduct and understood the importance to Zimmermann of substantive compliance with it.

DUE DILIGENCE AND APPROACH TO THESE RISKS CONT.

NEW SUPPLIER ENGAGEMENT

As indicated above, the majority of Zimmermann's garments are manufactured by our long-standing Primary Suppliers. However, Zimmermann does engage with new Tier 1 suppliers, often in relation to the production of a small number of seasonal items such as belts.

Where Zimmermann engages new suppliers, we have a 3-part onboarding process:

- + **EXPLORATORY PHASE:** In addition to assessing a potential supplier for overall quality and workmanship skills, we assess whether the supplier has existing certifications from a reputable independent auditor regarding social, ethical and environmental matters. We also typically conduct site visits to assess for ourselves the current level of compliance regarding the standards set out in our Code of Conduct.
- + **PRE-ENGAGEMENT:** We have a discussion with the potential supplier about our Code of Conduct and the potential supplier is asked to sign it.
- + **ENGAGEMENT:** We negotiate commercial terms, finalise legal documentation and work with the supplier to set up the business arrangement.

After the onboarding process, the supplier will be the subject of site visits and

annual independent audits in the usual way for all Zimmermann's Tier 1 suppliers. If the supplier did not already have a positive qualification assessment, the independent audit will take place within 6 months of commencing the business relationship.

During the reporting period, Zimmermann onboarded 8 new Tier 1 suppliers. We were familiar with 7 of these suppliers already, and each of them had an existing positive qualification assessment. The final new supplier produced only a very small number of items for Zimmermann and was the subject of 3 site visits by senior Zimmermann staff over the 6 months during which the garments were produced.

DUE DILIGENCE AND APPROACH TO THESE RISKS CONT.

ADDITIONAL COVID-19 MEASURES

The COVID-19 pandemic increased the risk of modern slavery practices in supply chains. For example, suppliers who were shut down for a period of time may have wanted to increase production beyond normal levels once they could reopen.

After reopening, factories needed to do more than they had previously to ensure the health and safety of workers. The financial impact of the pandemic may have incentivised some businesses to underpay staff or otherwise behave inconsistently with their obligations. There was also decreased visibility during this time due to the inability of our staff to travel overseas.

In response to these risks, Zimmermann took additional steps early on to monitor and protect people in our supply chain. These included:

- + Our COO emailed all tier 1 and 2 suppliers emphasising the priority of worker safety and wellbeing, and reiterating Zimmermann's continued commercial support;
- + We undertook capacity planning with our suppliers, providing certainty of future business for them;
- + We communicated with suppliers' management regarding the health and safety components of our Code of Conduct, which had been amended to address specific COVID-19 safe protocol;
- + We undertook a vendor self-assessment (referred to above);
- + We implemented a third party Interim Audit between March and April 2020 (referred to above) which specifically addressed:
 - + working conditions, hygiene and PPE requirements in line with government regulations;
 - + working hours and salary payment during lock-down, ensuring workers were paid as per the government guidelines;
 - + subcontracting;
 - + wages and benefits; and
 - + dormitory cleanliness and hygiene; and
- + We worked with our suppliers to ensure cash-flow and continuation of their businesses through financial stability.

PRIORITY AREAS AND PLANNED PROGRESS

It is important to Zimmermann and our customers that we operate as a highly ethical business. We will continue to use our influence and make decisions that contribute to improving the working lives of people in our supply chains.

To assess the effectiveness of our work, we focus on what we see during site visits, how transparent suppliers appear to be (for example, how they respond to our questions during site visits), what we are told from independent audits, whether remediation goals are met by suppliers, and the strength of our relationship with suppliers (for example, will they work easily with us to undertake remediation work and will they engage with us regarding our Code of Conduct and embed that in their business).

In addition, Zimmermann has set itself the following KPIs for the next reporting period of 1 July 2020 to 30 June 2021.

SUPPLIER MAPPING

- + Maintain accuracy of Tier 1 supplier mapping
- + Increase Tier 2 supplier mapping

CODE OF CONDUCT

- + Maintain execution rate of 100% for Tier 1 garment suppliers
- + Maintain execution rate of 100% for our Major Tier 2 Suppliers
- + Increase execution rate to <90% of our Tier 1 accessories suppliers

SITE VISITS

- + Maintain visits to 100% of all Tier 1 suppliers
- + Increase visits to each Tier 1 factory to 85%
- + Increase visits to Tier 2 fabric mills to 70%

AUDITS

- + Maintain annual third party audits for all Tier 1 suppliers
- + Progress implementation of a grievance mechanism for workers in China
- + Conduct audits of home worker arrangements
- + Wage reviews undertaken by a qualified NGO for all Zimmermann cooperative suppliers. A cooperative supplier is one in which the workers come from the same community, is typically a small workshop-based production and produces goods using traditional artisanal techniques.
- + Roll out a Modern Slavery self-assessment questionnaire to all Tier 1 and 2 suppliers

EDUCATION AND TRAINING

- + Participate in the work of the International Labour Organization and the International Organisation of Employers, in relation to labour standards
- + Roll out internal training on modern slavery
- + Vendor training on modern slavery completed by 100% of Primary Suppliers

REMEDATION WORK

- + Apply resources to educate and train the facility to improve performance during Corrective Action Plans and in advance of re-audit.

PROCESS OF CONSULTATION WITH OTHER ENTITIES

This statement was approved by the Board of Zimmermann International Pty Ltd on 8 February 2021, the Board of Zimmermann Holdings Pty Ltd on 8 February 2021 and the Board of Zimmermann Wear Pty Ltd on 8 February 2021. It is signed by Simone Zimmermann, who is a Director of each company, on behalf of each Board. This statement was also the subject of considerable cross-functional input across the business, prior to Board approval.

Signed



Simone Zimmermann
Director

Zimmermann Wear Pty Ltd
Zimmermann Holdings Pty Ltd
Zimmermann International Pty Ltd
Dated: 8 February 2021





ZIMMERMANN

www.zimmermann.com