



Modern Slavery Statement 2021



Disclosure Note

This Statement addresses the risk of modern slavery in Modern Star Pty Ltd (**Modern Star** or **the Company**) supply chains and business operations, pursuant to the Australian Modern Slavery Act 2018 (Cth) ('the Act'). This statement has been made on behalf of Modern Star Pty Ltd. This Statement covers all trading entities owned or controlled by Modern Star Pty Ltd at year-end FY21, namely

- Modern Teaching Aids Pty Ltd (MTA)
- Modern Teaching Aids (NZ) Limited
- Modern Brands Pty Ltd
- Modern Brands (NZ) Limited
- Kesco Educational Pty Ltd
- Kesco Educational (NZ) Limited
- Zart Art Pty Ltd
- Educating Kids Pty Ltd
- Cleverpatch Pty Ltd
- Educational Vantage Pty Ltd
- Kangaroo Educational Pty Ltd
- Tutor Warehouse (NZ) Limited

Acknowledgement of Country

Modern Star acknowledges the traditional owners of Country throughout Australia and their continuing connection to land and community. We pay our respects to them and their cultures, and to the Elders both past and present.





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About Us

From humble beginnings, Modern Star has evolved into Australia's number one partner and supplier of educational resources to early childhood centres, primary and high schools with a range of over 30,000 physical products as well as a suite of online learning programs for students and professional development courses for teachers.

Over the last 60 years, Modern Teaching Aids, Modern Brands, Zart, Kesco, Kangaroo, Educating

Kids, Educational Vantage and CleverPatch have become entrenched in the fabric of the teaching community in both Australia and New Zealand. Each brand is renowned for its innovative product range, exceptional product quality, strong customer service and fast, reliable delivery.

In the wake of COVID-19, Modern Star has put focus on building a stable of digital resources to complement its world class product range of physical resources, including its Wushka reading program.

Our Values & Vision

We inspire children's learning and creativity with our passion for people, quality and service.

We respect, listen, communicate, act and continue to learn.



Be passionate
about what you do



Inspire learning
for customers and ourselves



Enable creativity
to flourish



Listen
to customers and each other



Be respectful
to people



Take action
to make things happen



Collaboration
through communication

Brief Statement from our CEO Mal McHutchison



Modern Star is proud to present our second Modern Slavery Statement which demonstrates our ongoing commitment to tackling modern slavery in all its forms across our supply chains.

We are Australia's number one partner and supplier of educational resources to early childhood centres and primary schools, and we recognise the leading role we play in our sector and how important it is to lead by example.

As recently appointed CEO, I am pleased to be building on the solid foundations in place at Modern Star to address modern slavery risks in our supply chains.

With a business growing over 60 plus years we have strong long-term relationships with most of our suppliers - 65 percent of which are in Australia. For new suppliers we require that they commit to our Ethical Sourcing Policy (ESP) and identified potential high-risk suppliers must also sign-up to arrangements which permit us to audit their compliance.

We have a dedicated compliance team whose work includes reviewing audit reports and other supplier data and our brand and category managers have received training on modern slavery indicators and red-flag risks.

While the global COVID 19 pandemic continued to present challenges in FY 2021 (including limiting our capacity for on-site auditing) we haven't been idle. In 2021, our modern slavery program included increased resourcing in education and up-skilling key team members across Australia, strengthening our commitment to supplier due diligence and targeting identified high-risk suppliers for sign-up to our ESP and audit program.

We again engaged external consultants to assist us with data analysis to identify potential high-risk suppliers and we translated our ESP into Chinese to ensure better understanding of our requirements at the supplier level.

Confronting modern slavery is a complex and challenging task, but Modern Star is fully engaged and our performance in this area is very good. We are committed for the long-term.

This Modern Slavery Statement 2021 was approved by Modern Star's Board at a Director's meeting held on 21 December 2021.

Building on our strong foundations: our achievements in FY21

Over the past 5 years we have reviewed and updated several key policies and procedures to enhance our approach to modern slavery risk management. This has included:

- ✔ Updating our Ethical Sourcing Policy (ESP) and contractual terms for potentially high-risk suppliers to include the right to audit and strengthen provisions on compliance.
- ✔ Undertaking significant work on supplier risk prioritisation, including for 2020 and 2021 engaging external consultants to map our suppliers against modern slavery risk indicators such as geography, industry sector and commodities.
- ✔ Developing a supplier risk profile and dashboard to allow us to better understand the risks in our supply chains and identify potential high-risk suppliers to target for further analysis and action.
- ✔ Continuing development and implementation of pre-screening due diligence and modern slavery risk assessments for new suppliers.

We have a comprehensive suite of policies and processes which set out our ways of working and spell out the high expectations of conduct which our team members and suppliers must meet (see the “About Modern Star” section below for further details).

We have a specialist and highly experienced compliance team (including our Australian-based Head of Compliance and China-based consultant for China Sourcing and Project Manager) whose work includes implementation of our modern slavery programme. Our Category Managers, Brand Managers and members of our Senior Management Team have received specialist training on modern slavery risks and mitigation.

Our reporting cadence includes quarterly reporting to our Modern Star Board and a quarterly review of progress on modern slavery goals by our Senior Management team.

Consistent with the goals we set in our statement last year, our focus over the past 12 months has been on engaging our MTA suppliers who comprise close to 60% of our 57 identified highest potential risk suppliers within the top 80% of spend identified in our FY20 Statement. 94% of these

Modern Star core suppliers have now signed our ESP which includes the right to audit. Overall, 60% of our potentially high-risk suppliers in the top 80% of spend (identified in our FY20 Statement) have signed our ESP with the right to audit.

While we had planned to increase the number of factory audits undertaken from 35% to 50% during this reporting period, ongoing restrictions due to the global COVID-19 pandemic including border closures, lockdowns and quarantine measures made this challenging. However, we have adapted and seven of our largest suppliers joined the Sedex platform and of these 3 completed Self-Assessment Questioner (SAQ), and one submitted an on-site audit.

With the help of external consultants, we expanded our supplier risk prioritisation to include acquired trading entities Educating Kids, Educational Vantage and CleverPatch which were not part of the analysis in our last report. As a result of this analysis we identified an additional 33 potentially high-risk suppliers in the top 80% of spend. Close to 40% of these suppliers have already signed our ESP (24% with the right to audit) and we plan to increase this in FY22.

Our Plans for FY22 and Beyond

In FY22, we would like to:

- Continue to focus on our potentially high-risk suppliers in the top 80% of spend which are identified in Section 3: Risk assessment findings
 - Increase the % of these high-risk suppliers who have signed the new ESP with right to audit
 - Increase the % of these high-risk suppliers who have undertaken a factory audit or category team site inspection
 - Undertake further risk assessment of identified potentially high-risk suppliers to better understand the risk profile and mitigation
- Embed staff training on modern slavery into staff induction and learning and development programs by function.
- Develop and implement further targeted training for our brand & category managers and for our compliance and safety teams.



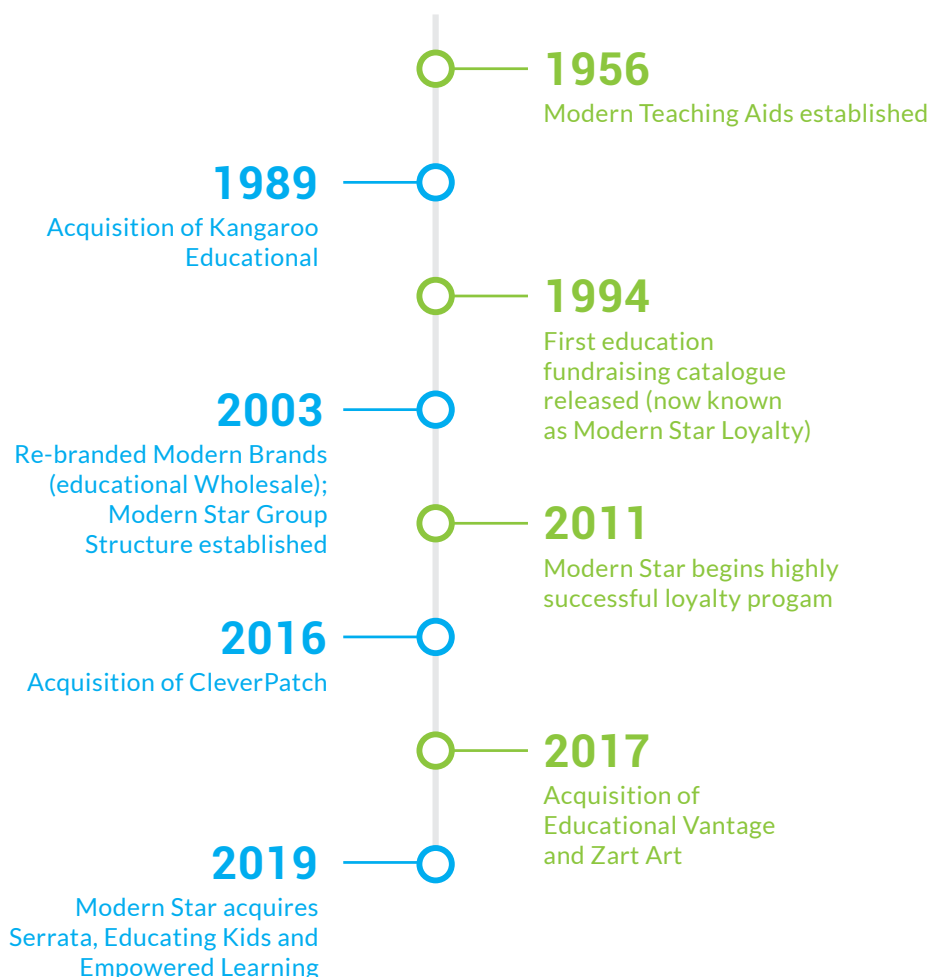
Reporting Criteria 1 & 2: About Modern Star

Our Company Structure and Operations

Modern Star has evolved since 1956 from “the man in the van” selling educational resources into early childhood services to its position today as a trusted long-term partner in education with unrivalled direct access to the teaching community. Today the Modern Star Group is Australia’s number one partner and supplier of educational resources to early childhood centres, primary schools, high schools and before and after school care programs. We sell products that encourage motivated, thoughtful and active children and are dedicated to the ethos of building knowledge.



Company History



Modern Star Pty Ltd operates in two distinct market channels across Australia and New Zealand:

1. Education Resources; and
2. Educational Toys

The Modern Star operating companies include:

Education Resources

Modern Star's core Education Resources business operates under the Modern Teaching Aids (MTA) brand. MTA is the largest supplier of educational 'hands on' resources to educational institutions across Australia and New Zealand. The Educational Resources channel comprises the following entities which are all 100% subsidiaries of Modern Star Pty Ltd:



Modern Teaching Aids (MTA) Pty Ltd – www.teaching.com.au & www.teaching.co.nz

A leading supplier of quality educational resources to schools, early learning centres and school programs across Australia and New Zealand.



Zart Art Pty Ltd – www.zartart.com.au

Independently run out of its Victorian base, Zart Art is an Australia-wide provider of online and in person professional development workshops in Visual Art. It is also a supplier of art and craft materials to teachers, schools, universities, libraries, hospital educators, after school programs and holiday programs.



Educating Kids Pty Ltd – www.educatingkids.com.au

An Australian Early Years educational resource provider, independently operated from Sunshine West, Victoria. Educating Kids works closely with Early Childhood professionals to develop unique resources for the Early Years and offer an affordable product range including furniture, toys and educational resources, outdoor equipment and consumable supplies (nappies, wipes, gloves, cleaning and art and craft).



Educational Vantage Pty Ltd – www.educationalvantage.com

A manufacturer of paint and glue based in Melbourne. Educational Vantage wholesales the paint and glue, together with other products that it imports into large retailers such as Officeworks, Office Max, Aldi, and Big W.



CleverPatch Pty Ltd – www.cleverpatch.com.au

An Australian educational provider independently operated from its Newcastle base, CleverPatch specialises in art and craft solutions to Schools, Event Organisers, Holiday Programs and Libraries across Australia with an emphasis on quality and everyday value.



Kangaroo Educational Pty Ltd – www.hop.com.au & www.tutorwarehouse.com.au

An online only business that sells educational resources to early childcare and schools.



KESCO Educational Pty Ltd – www.kesco.com.au & www.kesco.co.nz

An Australian educational resource provider to schools and early learning with an emphasis on quality and everyday value.



Empowered Learning Pty Ltd

Empowered Learning is an audio-visual specialist providing interactive screens, projectors, and sound systems to primary and high schools across NSW & ACT.

Educational Toys

Modern Brands, having exclusive distribution rights to the World's Best Toy Brands, is the largest toy supplier to Specialty Toy Retailers in Australia and New Zealand.



Modern Brands Pty Ltd – www.modernbrands.com.au & www.modernbrands.co.nz

The exclusive distributor for Australia and New Zealand of over 5,000 products from 30+ world leading retail toy and entertainment brands.

The Modern Star Head Office is in Sydney, with our main distribution centre in Brisbane. We are continuing to seek new challenges, growth opportunities and better ways to 'delight' our customers.

Our operations include:



Our core operations are supplemented by a range of typical support functions such as sales, marketing, finance etc.

For a consolidated view of our organisation or for a list of our contact numbers, please visit www.modernstar.com



Our Governance Framework

Responsibility for modern slavery risk management ultimately sits with the Senior Management Team, comprised of the CEO, CFO, CCO, COO, Head of HR, Head of sales, Head of Modern Brands and Major Projects Manager. The Senior Management Team delegates operational responsibility to the Head of Compliance who achieves compliance through documented supplier onboarding processes. This includes ensuring suppliers understand and sign the ESP, requiring suppliers to provide copies of factory audits undertaken and ensuring suppliers undertake factory audits where there are none.

Our Head of Compliance works closely with the company's consulting China-based Sourcing and Manager who follows up directly with suppliers to ensure corrective action plans are documented and implemented.



Our People

Modern Star Group recognises the importance of fostering a strong team of committed, enthusiastic and talented people who work hard together to deliver quality products, outstanding service and dynamic business results.

Our culture supports and rewards those who excel in their field, take responsibility for their own actions, cultivate a can-do attitude, communicate openly, act with integrity in everything they do and celebrate the success of the team as a whole.

On 30 June 2021, we had 500 FTE employees. Of these, 4 are in New Zealand and the remainder in Australia.



Our Policies

We have a comprehensive set of policies and procedures that articulate our values, ways of working and expectations of our team and suppliers that are reviewed regularly. This policy framework ensures that our team members and suppliers clearly understand our expectations, can recognise when they are being treated in a way that is inconsistent with these expectations and understand how to raise a grievance or complaint.

The following policies are those that are most relevant to preventing modern slavery among our team members and workers in our supply chains:

Policy/Procedure – Operations

Policy/Procedure	Purpose
 <p>Ethical Sourcing Policy (High Risk Countries)</p>	<p>This policy applies to high risk countries in Asia, Africa and South America. It is based primarily on Ethical Trading Initiative (ETI) and International Labour Organisation (ILO) Conventions. It requires suppliers to comply with all local laws and regulations regarding labour, health, safety and the environment must be observed by suppliers.</p> <p>Suppliers must comply with the legal requirements of the countries in which they operate and ensure that they meet their contractual obligations to Modern Star.</p> <p>The policy includes specific requirements about forced/bonded labour, child labour, illegal labour, wages and benefits, working hours, freedom of association, working conditions, discrimination, regular employment, harsh or inhumane treatment, business integrity, sub-contracting, responsible sourcing of raw materials and environmental management.</p> <p>Suppliers are required to demonstrate commitment to compliance with this policy and undergo regular audits conducted by recognised compliance bodies.</p>
 <p>Ethical Sourcing Policy (Low Risk Countries)</p>	<p>The requirement placed on low risk suppliers from countries in Europe, North America and Australasia are similar to those documented in the high risk ESP (for forced, child, illegal labour etc), but lower risk suppliers are not required to undergo audits. They must, however, sign and deliver to Modern Star an annual declaration of compliance and maintain a Factory Compliance Schedule.</p>
 <p>Timber, Pulp and Paper Sourcing and Due Diligence Policy</p>	<p>This policy aims to ensure that Modern Star eliminates timber, which is illegally harvested or traded, from its supply chain. The Policy aligns to the ESP and requires that suppliers understand the origin of the timber used in Timber Products and retain sufficient documentation to verify that the wood was not illegally logged. For products specifically covered by the Anti-Logging Laws 2012, suppliers are required to conduct additional due diligence.</p>



Policy/Procedure	Purpose
 <p>Code of Conduct</p>	<p>The Code of Conduct sets out the types of behaviours and conduct which are required to support the company’s legal, moral and ethical standards and those behaviours and conduct which are not tolerated and establishes procedures for addressing unacceptable behaviour or conduct. It is a contractual requirement that suppliers read and adhere to our Code of Conduct, in addition to our ESP.</p> <p>It ensures compliance with Australian and New Zealand’s workplace legislative framework including employment, human rights and anti-discrimination legislation. The Australian and New Zealand workplace legislative framework incorporates elements of global best practice that can be applied to Modern Star’s locations internationally, such as Singapore in conjunction with local and relevant legislation.</p>
 <p>Whistleblower Policy</p>	<p>Modern Star encourages the reporting of any instances of suspected wrongdoing; unethical, illegal, fraudulent or undesirable conduct involving Modern Stars’ businesses (including reporting of modern slavery in the supply chain), and will ensure that those persons who make a report shall do so without fear of intimidation, disadvantage or reprisal.</p> <p>This policy ensures compliance with Australian and New Zealand’s workplace legislative framework including corporate governance, whistleblower, work, health & safety and employment legislation. It sets out the types of behaviours and conduct which will be taken to constitute wrongdoing and ‘Reportable Conduct,’ how to make a disclosure, to whom disclosures may be made and how Modern Star will address and manage disclosure reports.</p> <p>This policy is not intended to replace other reporting procedures, such as those for personal grievances, equal opportunity, discrimination, harassment or bullying; except where the issue is of a serious nature and where existing reporting systems have failed to process the issue or have processed it in an inappropriate, unfair or biased manner.</p>

Our Supply Chain

Modern Star Group's supply chain extends to over 30 major categories of educational products, teaching materials and teacher and classroom resources.

What we buy

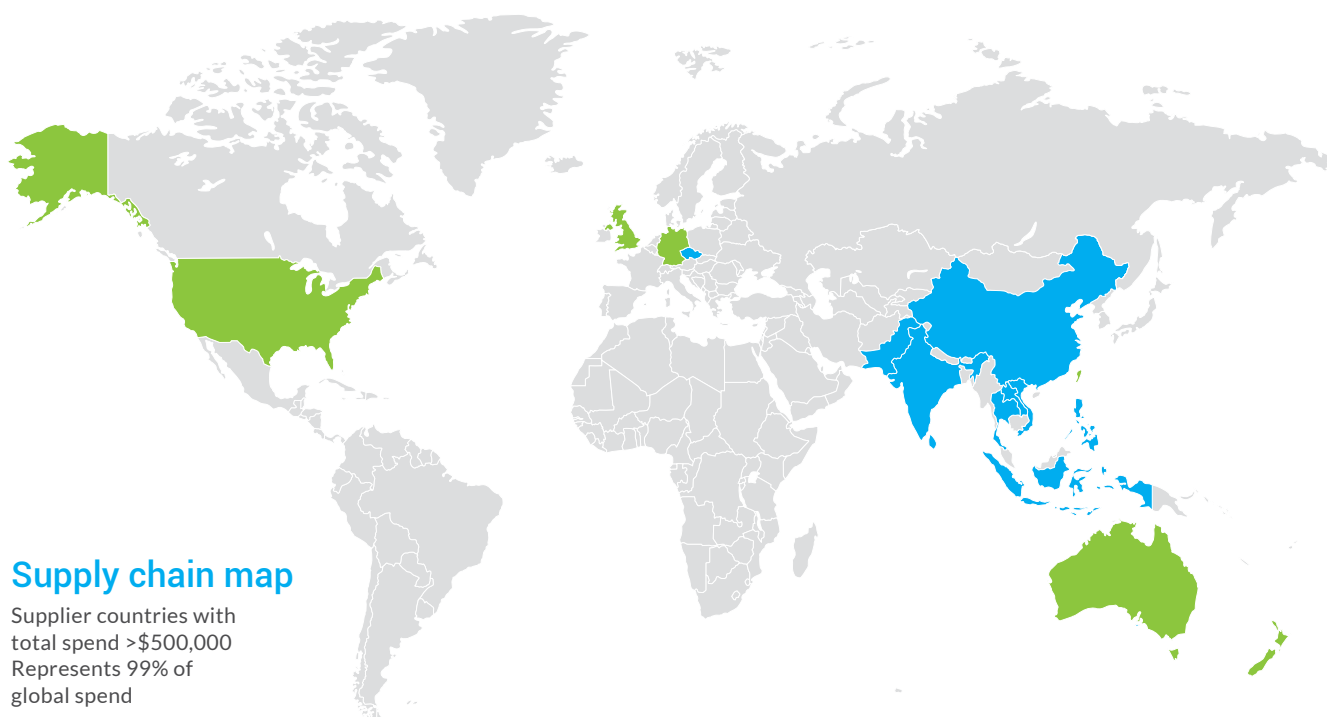
Major categories of stock items we procure include:

- Puzzles and games
- Toys and gifts
- Construction sets
- Health, hygiene and safety goods such as cleaning chemicals and PPE
- Books and audio resources
- Learning environments and classroom furniture such as tables, chairs, soft furniture and storage
- ICT based learning materials including interactive audio-visual products and robotics
- Art and craft materials including paint, paper, brushes, drawing and wood craft.

Modern Star also procures a range of non-stock items to support our growing operations in Australia and New Zealand, including ICT equipment, software, utilities, transport, office equipment, advertising etc.

In FY21 we had over 1,600 suppliers and more than \$170 million in procurement spend with Tier 1 (direct) suppliers. We have established long term relationships with most of our suppliers, 65% of who are in Australia and comprise 45% of our total procurement expenditure.

Our supply chain is complex, and we source our goods and services from over 30 countries on seven continents.



© SD Strategies Modern Slavery Risk Index

* Top ten spend categories Modern Slavery Country Risk Rating 1.4-1.0 2.4-1.5 3.4-2.5 5.0-3.5

The full list of countries we procure from is included in the table below:

Australia	Honduras	Italy	Nepal	Portugal	Taiwan
Canada	Hong Kong (HKSAR)	Korea	Netherlands	Singapore	Thailand
China	India	Lao	New Zealand	Spain	United Kingdom
Czech	Indonesia	Malaysia	Philippines	Sri Lanka	United States
Denmark	Israel	Malta	Poland	Sweden	Vietnam
Germany					

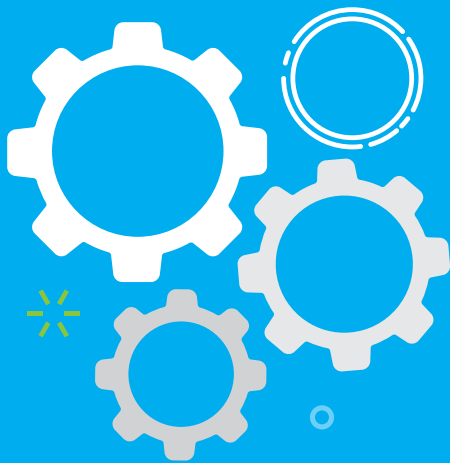


Reporting Criteria 3:

Modern slavery risks in
operations and supply chain

Overview

In FY21 we built on work undertaken in FY20 to further enhance our understanding of modern slavery risks in our operations and supply chain and map our risk levels according to the UN Guiding Principles' framework of cause, contribute and directly linked. While the level of modern slavery risk in our own operations is low, we acknowledge the potential for us to inadvertently contribute to or be indirectly linked to modern slavery practices through our supply chains. Our risk management and due diligence processes thus focuses largely on our supply chain risks.



Operational risks

Recognising that our employees and contractors would benefit from increased education around modern slavery risks, particularly in relation to supply chain and procurement practices, we rolled out a series of modern slavery eLearning courses. Our Leadership Team actively supported our modern slavery risk management program and participated in our training initiatives.

We continue to manage operational risk in our business through ISO9001 compliance and have a comprehensive business risk register, Integrated Management Plan and supporting Business Unit Management Plans. We review and manage operating KPI's such as health and safety statistics and customer delivery times monthly.

Supply Chain risks

We engaged external consultants to repeat the supplier risk assessments first undertaken in FY20 enabling us to better understand our baseline modern slavery risk of our Tier 1 (direct) suppliers. This included data of acquired trading entities Educating Kids, Educational Vantage and CleverPatch which were not part of the analysis in our last report. Results of the second round of assessments were largely consistent with our FY20 findings with little change in the percentage of high risk spend and high risk spend categories. We can now identify major year on year suppliers (as opposed to 'one-off' purchases of goods or services) and focus our due diligence efforts on the most critical suppliers in terms of potential modern slavery risk.

We recognise that this is an ongoing process, and we will undertake further analysis and due diligence of priority suppliers in FY22.



Our COVID-19 Response

Our COVID-19 response team established at the outset of the pandemic in 2019 continued to meet to discuss the evolving COVID-19 situation and make appropriate decisions regarding our supply chain, customers, employees and revenue initiatives. Throughout this reporting period, we maintained contact with our suppliers directly to ascertain the impact of COVID-19 on their production. We continued to pay our suppliers on time, we did not ask for additional discounts or shortened production timelines and we did not cancel any orders on short notice.

Our COVID-19 response team carefully monitored Public Health Orders and Restrictions to ensure compliance with work from home restrictions, our COVID-19 safety plan and check-in requirements. Our Working from Home Policy and Work from Home Agreements for our employees continued into this reporting period and we ensured all employees were kept informed of travel restrictions and self-isolation requirements throughout the pandemic.

In our warehouse we continued with initiatives to improve employee segregation, including splitting shifts, implementing distinct operating zones, closing the retail shop to prevent third party access the warehouse site, commencing temperature checks of employees and requiring warehouse employees to continue to wear protective facemasks in line with public health requirements.



We emphasised hygienic practices at all sites by displaying WHO posters, providing hand sanitiser in all offices, checking our contract cleaning to ensure the use of hospital grade disinfectant and disinfecting high frequency touch points.

The COVID-19 pandemic challenged progress against our own targets for managing modern slavery risk including access to supplier factories continued to be limited during FY21 for health and safety reasons. As a result of this, our on-site supplier audit program was again paused during much of this reporting period. However we adapted and implemented the additional tools including the use of the Sedex platform to ensure our review of audits was able to continue.



Supply Chain Risks

In the FY21 reporting period we engaged external consultants to repeat the supplier and category risk prioritisation first done in FY20 to identify major supply categories and suppliers that are potentially at-risk for modern slavery. This important follow-up step provides a comprehensive baseline for our risk management program and informs ongoing risk assessments and supplier due diligence and audit initiatives for our year-on-year suppliers.

Risk assessments of spend categories and suppliers are based on four globally recognised risk factors for modern slavery:

1

Geographic location

Based on estimated prevalence of modern slavery and the government responses as outlined in the 2018 GSI and our external advisor's detailed country risk matrix. While many of our suppliers are based in Australia or have head offices here, our supply chain extends to many overseas countries, several of them considered higher risk of modern slavery by the GSI and other human right indices.

2

Industry sector

Specific industry sectors deemed as high risk in international and national guidance documentation, academic studies and reports.

3

Commodity product

Specific products and commodities deemed as high risk by the US Department of Labor's 2018 List of Goods Produced by Child and Forced Labor, the Global Slavery Index (GSI) and other international guidance materials.

4

Workforce profile

In undertaking our supplier analysis we considered the type of labour involved in the production of our goods and services, particularly where low skilled, vulnerable or migrant labour is used, or where the work is deemed as '4D' work (dirty, dull, degrading or dangerous).

We recognise that there is a risk of modern slavery risk in our supply chain given the diversity of regions we procure from. A review of the Global Slavery Index and other publicly available information indicates that the following forms of modern slavery and worker exploitation may be present in our supply chain:

 <p>Forced, Bonded and Indentured Labour</p>	 <p>Deceptive Recruitment</p>	 <p>Child Labour</p>
 <p>Exploitation of Migrant Workers</p>	 <p>Underpayment of Wages</p>	 <p>Excessive Working Hours</p>

We also acknowledge that COVID 19 continues to pose a major challenge to global supply chains and has exacerbated the risk of exploitation of vulnerable workers. The steps we have taken to protect the rights and freedoms of workers in our supply chain are discussed under Reporting Criteria 4.

Close to 70% of our Tier 1 (direct) suppliers are in Australia, the UK and northern Europe – all jurisdictions with a lower risk for modern slavery. While we acknowledge that there may be increased risk of human rights and labour rights abuses in our extended supply chain (beyond our direct suppliers), we accept that most of our Tier 1 suppliers are subject to stringent labour rights and human rights compliance regimes (including modern slavery legislation in Australia, the UK and the US). As such, the risk posed by these suppliers is lower than that posed by our direct and indirect suppliers located in jurisdictions where legislation may not exist, or where it is not effectively enforced.

Despite this, we have provided potential risk rankings for all our direct suppliers, based on industry sector, commodity and geography, and will undertake further due diligence of our priority suppliers to better understand the actual risks posed.



Risk Assessment Findings

In FY21 we repeated the high-level modern slavery risk assessment, assessing more than 1,000 Tier 1 suppliers with whom we spend more than \$500,000 across 32 countries. As noted above, this year we included 3 acquired businesses in our risk assessment data. The assessment provided a clear snapshot of potential modern slavery risk posed by our Tier 1 suppliers.

	Potential high risk	Potential medium risk	Potential low risk	Total
Suppliers (no.)	391	553	110	1054
Suppliers (no.) represented in top 80% of spend	83	102	15	200
Categories (no.)	12	10	4	26

Table 2. High level findings (based on potential risk)

Based on the four modern slavery risk indicators outlined previously (geography, industry, commodity, workforce profile), we acknowledge there is significant potential risk of modern slavery in our extended supply chain.



The five highest potential risk categories by spend are:



Consumer goods for sale

98% of Modern Star's products are manufactured overseas in countries with a potentially high or medium risk for modern slavery.



Packaging materials

packaging and associated raw commodities (paper, fibre, plastic, timber and steel) have a higher risk of modern slavery, particularly if sourced from at-risk countries.



ICT equipment, components and consumables

exploitation of workers and modern slavery in the ICT manufacturing sector has been widely documented, particularly in South-east Asia and China. Workers on assembly lines (particularly women, young workers and children) in low skilled, low paid, repetitious jobs are particularly vulnerable.



Property and facility maintenance

exploitation of cleaners, security staff and maintenance workers, particularly through sub-contracting arrangements, has been widely documented in Australia and subject to action by the Commonwealth Fair Work Ombudsman, state-based regulators and unions. Migrants workers are particularly vulnerable.



Raw materials

materials used in our products such as timber, paint, plastic, chemicals used in paint and numerous other products are produced by industry sectors known to be high risk for modern slavery such as forestry, manufacturing, refining and mining.

Country Risk

Our consumer goods for sale make up close to 91% of total potential high risk spend due to the geographic location of our suppliers (see map on page 14).

Supplier countries considered higher risk for modern slavery include:

- China
- Honduras
- Hong Kong
- India
- Indonesia
- Laos
- Sri Lanka
- Thailand
- Vietnam

Several of our major suppliers have co-manufacturing arrangements in countries with varying levels of modern slavery risk. For example, individual suppliers source goods from manufacturers in China, Denmark, Laos, Indonesia and Czechia.

Trends Between 2020 and 2021 Reporting Periods

Despite the acquisition of new businesses and a significant increase in procurement spend to meet increased demands for our products over the last 12 months, levels of potential modern slavery risk between the 2020 reporting period and 2021 reporting period (this statement) have remained largely consistent (Table 3).

	2019	2020
Total suppliers assessed for risk	733	1054
Percent of potentially high risk spend	41%	41%
Percent of potentially high-risk suppliers	35%	37%
Number potentially high-risk categories	11	12

Table 3: Trends between 2020 and 2021 reporting periods

An analysis of our top potentially high-risk suppliers by spend between the 2020 and 2021 reporting periods indicated that over 50% are year-on-year suppliers. Engaging and undertaking additional due diligence on this core group of potential high-risk suppliers is a priority for the next 12 months.



Reporting Criteria 4:

**Actions taken to assess
and address risk**

Over the past few years, we have been actively working towards eliminating modern slavery and human rights abuses from our supply chain. Driven by our value of being respectful to all people, we have established ethical sourcing policies for high and low risk suppliers, implemented a factory audit framework for all high-risk suppliers, delivered ethical sourcing training to our procurement staff and embedded positive working relationships with many of our suppliers.

Ethical Sourcing Policy

Our Ethical Sourcing Policy (**ESP**) clearly states the levels of ethical behaviour we require in our supply chain and specifically, that we will not tolerate slavery, child or forced labour in the factories that we work with. We use two versions of the ESP, one of which is sent to suppliers with factories in high risk countries (Asia, India, Bangladesh etc) and the other of which is sent to suppliers with factories that are in lower risk countries (Europe, America, Australia, New Zealand).

In 2020 we added a right of audit condition to the high-risk country policy, and for both high and low-risk countries we have mandated that suppliers give us factory names and addresses and copies of any recent audit reports that have been undertaken at each of these locations.

The Modern Star ESP and Code of Conduct have been embedded as a requirement in all MTA supplier contracts. Since April 2019, we have rolled out the new MTA supplier contract to over 300 larger suppliers which contractually commits suppliers to our ESP and audit program. These signed contracts and ESP's are loaded into Salesforce (our CRM system) as files on the supplier account. Every supplier has a check box in

Salesforce to say whether the signed ESP has been received and the date of receipt.

For all new suppliers and new items, our new product development workflow requires a signed contract and ESP to be received from a supplier before an order can be placed.

Our plan is to send ESP's to any remaining smaller suppliers once contracts and signed ESP's have been received from the 300 suppliers representing 80% of revenue. Where suppliers are multinational toy companies, we have been unable to get companies to sign up to our ESP as they have their own comprehensive EPS and compliance programmes in place. Instead, we have requested a copy of their ESP's and compared with our policy to ensure that the requirements are at least as stringent as ours.

We also require a number of our larger suppliers to join Sedex to enable us to assess their SAQ responses and audit reports. As a Sedex Buyer Member, we are using Sedex to make direct connections with brand owners and ask them to make connections with their suppliers (our Tier 2 suppliers).





Case Study

Suppliers who don't make the grade

Modern Star has exceptionally long tenure (> 10 years) with many of our suppliers which leads to high supplier engagement. Category Managers/Buyers have for many years visited our supplier factories across Asia to meet suppliers directly, review quality processes and ensure product development ideals are met. In addition to this, our internal compliance team also visits our factories from time to time as part of a broader business development and factory evaluation process.

Unfortunately, due to the global COVID-19 pandemic, border closures and lock-down restrictions, our ability to visit factories over the last 18 months has been severely restricted. Despite the challenges during this period, we have continued to focus on audit requirements for existing suppliers, due diligence of new suppliers and our on-boarding processes, including ensuring that our new suppliers commit to our Ethical Sourcing Policy (ESP) and supplier terms which include audit obligations and right to audit.

As part of our due diligence and on-boarding process, new suppliers are required to undertake a detailed review of our ESP and commit to our requirements for ethical business. This includes prohibitions on the use of forced, bonded and child labour, requirements to pay liveable wages and commitments to freedom of association – as well as responsible sourcing of raw materials and environmental management obligations.

Our Category Managers engage with new suppliers to ensure they understand the requirements of our ESP and the commitment we require from them to ensure compliance – including legally binding agreements to comply. In the past year, some new suppliers have been unwilling to commit to our ESP and because of that we declined to do business with them. While signing our ESP is only one part of our processes for management of modern slavery supply chain risk, it is a key due diligence requirement.

We require suppliers to commit to our Ethical Sourcing Policy, or they don't make the grade.

Factory Audit Framework

Our ESP suppliers are asked to provide factory names and locations and supply any Sedex, BSCI, SA8000, ICTI or WRAP compliance audits that they have undertaken in the past 2 years. Audit documentation is reviewed by our Head of Compliance and/ or our consulting China-based China Sourcing and Project Manager to ensure that the factory conditions are adequate.

Audit reports and documentation is saved onto our Salesforce CRM tool which auto generates requests for updated audit reports for the relevant category manager 2 months out from the audit expiry date.

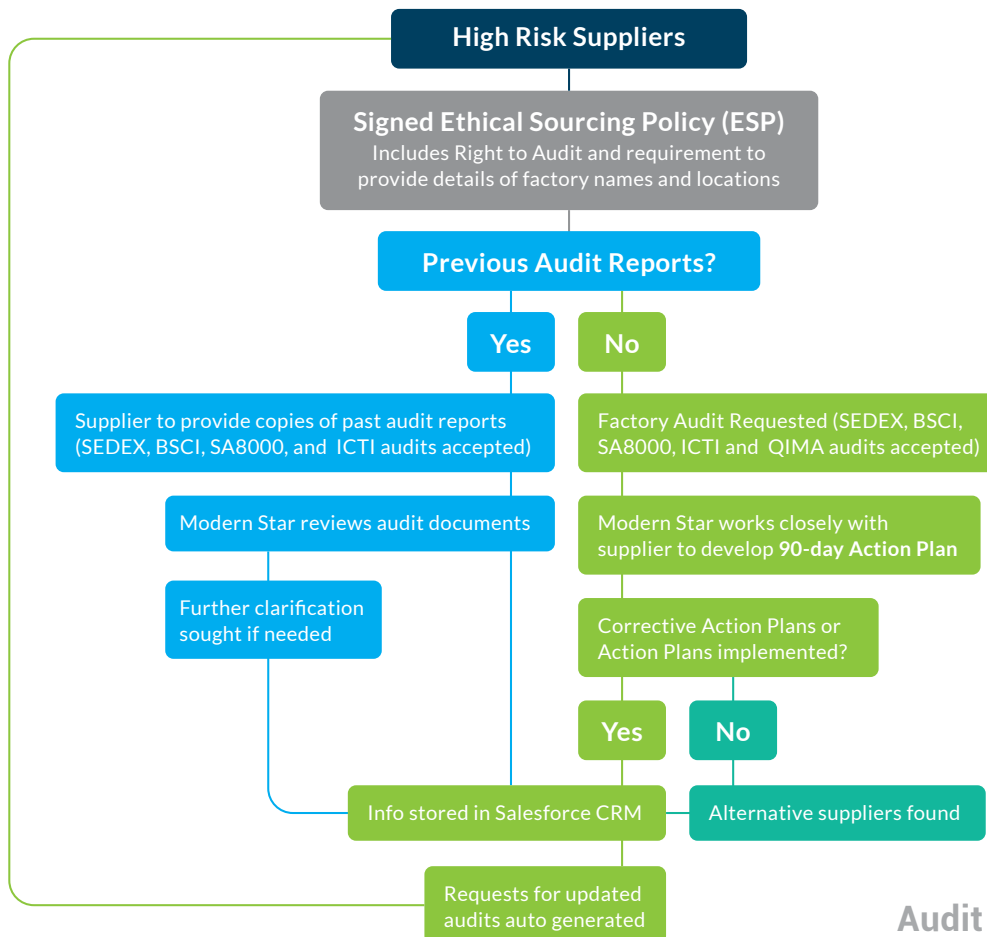
Suppliers with factories in high risk countries who are not able to provide a recent audit report are required to undertake a factory compliance audit at their cost. These suppliers are provided contact details of our preferred auditing company, along with the relative costs of BSCI, Sedex and SA8000 audits.

Our China-based compliance resource liaises with our suppliers and works with them to confirm the audit timeline and to develop corrective action

plans and monitoring programs as required. Whilst our is qualified to audit factories, our preference is to use third party organisations for the audits, with our in-house resource supporting factories post-audit by undertaking site visits and assisting with 90-day corrective action plans.

Given the breadth of our product range, we have several small, unsophisticated suppliers who are not familiar with compliance audits. Many of these suppliers are not able to produce sufficient documentation to meet our strict due diligence requirements. Where suppliers get a low audit score due to inadequate documentation, our China-based Sourcing and Project Manager will work closely with the factories to develop a 90-day action plan to ensure they meet our requirements.

Where suppliers receive a low score because they are non-compliant or due to lack of documentation and are reluctant to take corrective action, we cease all future purchase orders to that supplier and find an alternative source of supply for those products.



Audit Process

Modern Slavery Training

We understand that to recognise and address modern slavery risks in our supply chains our people need to know what modern slavery looks like, the red flags to identify modern slavery and how to address modern slavery risks. We know that a well-trained team will make a major difference in implementing our anti-modern slavery stance. This year we worked with external consultants to provide training to the Brand and Product Managers from across our business, and for our Compliance and Safety teams as well as members of our Senior Management Team.

This included four modern slavery training modules provided on the SD Strategies' Know Slavery eLearning platform:

Module Name	Content
What is Modern Slavery?	<ul style="list-style-type: none"> - Defining modern slavery - Who is vulnerable? - Forms of modern slavery - Numbers of people in modern slavery globally
Modern Slavery in the Workplace	<ul style="list-style-type: none"> - The continuum of worker exploitation - Factors that lead to increased vulnerability of workers - Types of high-risk jobs and workplaces - Scenarios and situations that could lead to modern slavery
Supply Chain Red Flags	<ul style="list-style-type: none"> - Red Flag indicators for modern slavery - Risk maps - Supply chain risk management practices
Business Relevance	<ul style="list-style-type: none"> - Business impact on human rights - How businesses can cause, contribute to, or be directly linked to modern slavery - Business drivers for managing modern slavery risk across operations and supply chains

The training provided included access to extensive additional resources on modern slavery risks and mitigation and all participating team members were also quizzed on the training materials to ensure a better understanding of key learnings.

In addition to the above training modules, we are developing a targeted training plan for selected Category and Brand Managers and for our compliance team in 2022. Training programs are being mapped out by function and we will be undertaking a full training needs analysis in 2022. Modern slavery training will be integrated into employee induction programs in future. In the meantime, our employees continue to have access to all training courses on Go1 (an aggregator of training content).






















Modern Slavery Roadmap

Our modern slavery roadmap continues to be informed by our supplier risk analysis conducted of 1,054 suppliers (or 99% of total FY21 spend). 200 suppliers comprise 80% of our spend and just over 40% of these, or 83 suppliers, are potentially high risk for modern slavery. Of these 83 potentially high-risk suppliers (across all Modern Star entities), 42% have signed our ESP and 10% have had a factory audit within the last 2 years.

Over coming years, we will continue to work closely with these potentially high-risk suppliers in respect of modern slavery risks and labour rights laws as well as our supplier policies, codes of conduct and contract clauses. We will target for all audits to be up to date, and where possible we will visit factories, or, where factory access is not granted, require that high-risk suppliers provide us with an annual declaration (or access to Sedex audit reports) that their ethical sourcing processes meet our requirements.

We will continue to require all new suppliers to sign and comply with our ESP and provide copies of audit reports where these are undertaken.

Our current three-year modern slavery roadmap from year 1-3 and beyond is included below:

Year 1 (2019/2020) Establish Framework and Implement Actions	Year 2 (2020/2021) Undertake Further Supplier Due Diligence	Year 3 (2021/2022) Review, Extend, Evaluate & Improve
Updated policies and procedures to incorporate modern slavery risk management requirements 	Focused on the 57 potentially high-risk suppliers in the top 80% of spend and increased the % of high-risk suppliers who have signed the new ESP with right of audit from >60% to 94% (Modern Star core suppliers) 	Maintain % of high-risk stock suppliers who have signed the new ESP with the right to audit 
Included the right to audit in high-risk Ethical Sourcing Policy 	Circulated our 2020 Modern Slavery Statement to our suppliers 	Increase the % of high-risk stock suppliers that have undertaken a factory audit 
Rolled out updated ESP to high-risk suppliers for signature 	Expanded requirement to sign an ESP and undertake audits to high-risk non-stock suppliers 	Embed staff training on modern slavery into staff induction and learning and development programs 
Undertook supplier risk prioritisation (Tier 1 suppliers) 	Translated our high-risk Ethical Sourcing Policy into Chinese to assist with supplier engagement 	Develop and implement further targeted training for our brand & category managers and for our compliance and safety teams 
Formalised Modern Slavery Working Group 	Delivered internal modern slavery risks training modules to brand and category managers 	
Engaged and educated Leadership Team and Board 	Improved our monthly reporting and monitoring of ESP and audit status at senior management level 	
Undertook broad introductory training (eLearning) on modern slavery 		
Conducted further in-house Ethical Compliance training 		
Conducted due diligence on 100+ suppliers and conducted 20 factory audits 		



Reporting Criteria 5: Effectiveness Assessment

By improving transparency about modern slavery there will be increased business awareness of modern slavery risks, providing us with the ability to improve overall workplace practices. We have implemented a comprehensive modern slavery program review framework comprised of monthly, quarterly and annual review processes and ongoing development of KPIs.

Annual Review	Quarterly Review	Monthly Report
Our annual Modern Slavery Statement is reviewed and signed off by the Board	Modern slavery progress vs. KPI's reviewed by Senior Management team (SMT) quarterly as part of a quarterly compliance update.	Modern Slavery progress is reported to our Board of Directors monthly

Effectiveness Indicators 2020/2021

In FY21 we assessed the effectiveness of our actions against the following measures:

Focus area	Example activity	Effectiveness Assessment
Risk and governance	<ul style="list-style-type: none"> - Board and ELT engagement - Updated CRM with modern slavery data 	<ul style="list-style-type: none"> - Regular oversight on progress against modern slavery risk management program and legal/compliance function - Quarterly reports to executive and board committees
Procurement and supply chain	<ul style="list-style-type: none"> - Reviewed Tier 1 suppliers and updated supplier risk prioritisation - Mapped supplier risks across spend, supply category and supplier location - Supplier engagement through circulating our 2020 Modern Slavery Statement and translating our ESP into Chinese 	<ul style="list-style-type: none"> - Update of supplier risk profile year on year - Building greater understanding of potential modern slavery risks in our supply chain - Percentage of suppliers who have signed ESP - Percentage of supplier factory audits completed
Awareness and Training	<ul style="list-style-type: none"> - Modern slavery training needs analysis - Awareness raising communications - Training on Modern Slavery for all brand and category managers, compliance & safety team & key senior management team 	<ul style="list-style-type: none"> - Percentage of workforce completing modern slavery training - Increased awareness and training across workforce and management

Continuous Improvement

Addressing modern slavery risk is complex and challenging. This Statement builds on our 2019/2020 Statement and describes our ongoing initiatives to assess, address and mitigate our operational and supply chain modern slavery risks.

We are taking a 'continuous improvement' approach to our modern slavery risk management program which we expect to evolve over time as we and the business community learn more about the risks of modern slavery in operations and global supply chains.



Reporting Criteria 6:

Process of consultation with entities owned or controlled

We continue to integrate our modern slavery risk management program into company-wide systems and processes and ensure that personnel from all entities we own or control, are engaged and educated about our approach.

We are in the process of integrating businesses acquired by Modern Star. As these businesses were below the required thresholds for Modern Slavery Act compliance and did not submit voluntary statements, there is still work to be done on this.

We are working to develop consistent compliance programs, risks assessment and analysis of supply chains and roll-out of the Modern Star Ethical Sourcing Policy, supplier terms and supplier due diligence processes to acquired businesses where they do not have existing systems in place to ensure that all entities owned or controlled by Modern Star Group adopt a consistent approach.



Reporting Criteria 7:

Other

Memberships and Certifications



Modern Star is ISO 9001 and ISO 14001 certified and a member of the Australian Toy Association (ATA) Sustainability Committee which meets regularly to discuss ideas and projects around recyclability and sustainability for toys at end of life.



Modern Star has been a member of the Australian Packaging Covenant Organisation (APCO) since its inception in 1999.



Modern Teaching Aids (MTA) and Modern Brands (MB) are both signatories to the International Child Protection Agency (ICTI).

Modern Star is continually sourcing the best quality, sustainably produced products and meets the requirements of the Australian Illegal Logging prohibition Act 2012 for all our timber and paper pulp products. This ensures the regulated use of plantation and sustainable forestry and bans the use of illegally logged materials.



The mark of
responsible forestry
FSC® N002195

A large number of Modern Star's products are Forest Stewardship Council (FSC) certified which sets best practice standards for responsible forest management ensuring social, environmental and financial indicators are met. We are continually working towards sourcing more FSC products and have developed our own range of exclusive FSC certified educational equipment and resources.



Close to 2000 of our resources have been identified as Green Choice, meaning sustainable and environmentally conscious materials are being used in the manufacturing process. These are items that we know are using recycled materials, using materials like timber from plantations that are sustainably replanting.

STATEMENT ANNEXURE

Principal Governing Body Approval

This modern slavery statement was approved by the principal governing body of **Modern Star** as defined by the Modern Slavery Act 2018 (Cth) (“the Act”) on 21 December 2021.

Signature of Responsible Member

This modern slavery statement is signed by a responsible member of **The Board of Directors** as defined by the Act



Mal McHutchison
(CEO and Director)

Mandatory Criteria

Please indicate the page number/s of your statement that addresses each of the mandatory criteria in section 16 of the Act:

Focus area	Page number/s
a) Identify the reporting entity	2, 4-7
b) Describe the reporting entity's structure, operations and supply chains.	8-14
c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	15-22
d) Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	23-28
e) Describe how the reporting entity assesses the effectiveness of these actions.	29-31
f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	32
g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.	33

modern 

**Modern Slavery
Statement**

2021

