



Kathmandu Modern Slavery Statement

This statement has been published in accordance with the Australian Modern Slavery Act 2018.

It sets out the steps taken by Kathmandu Pty Limited during the year ending 31st July 2020 to assess and address the risks of modern slavery in its business and supply chains.

The Australian Company Number of Kathmandu Pty Limited is ACN 007 047 547.

The registered office details are:

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1.0 Introduction and Approval

The purpose of Kathmandu is to inspire and equip the adventurer in all of us. The values that guide us include integrity, openness and a love of travel and adventure, which by their very nature presuppose an inherent respect for human wellbeing and freedom.

We believe travel and adventure is the ultimate life experience and we aim to inspire and equip people to discover their inner courage as they explore the world around them. All forms of slavery and exploitation are therefore the antithesis of everything we stand for as a company.

Kathmandu was birthed in New Zealand and Australia, countries which celebrate fairness and equality. As a company we agree with and support the reporting requirements of the Australian Modern Slavery Act and we are an advocate for all such legislation and endeavors that drive positive social transformation.

In publishing our first annual Modern Slavery Statement, we have been mindful of the horror of modern slavery and the devastating impact it has on real people.

We have framed our submission in terms of our shared purpose and what we stand for.

According to the International Labor Organisation, in the past five years, 89 million people experienced some form of modern slavery, ranging from a few days to five years. The ongoing impact and fallout of Covid-19 is only expected to increase these numbers.

We understand that businesses cannot eradicate global slavery in isolation and that collaboration with consumers, civil society, government and investors is key. However, we also understand that companies have a critical role in assessing, mitigating and preventing forced labor and slavery throughout their business activities.

This statement communicates the ways in which Kathmandu is working in collaboration with others to pioneer new ways of doing business and facilitating positive social change. In doing so, I am proud to be a part of the modern abolitionist movement.

This statement was approved by the Board of Directors of Kathmandu Pty Limited on 23 December 2020.



Reuben Casey
Director, Kathmandu Pty Limited
24 December 2020

2.0 New Thinking

As Albert Einstein famously said, we cannot solve our current problems with the same thinking we used when we created them. In other words, a new mindset is necessary as we seek to find solutions to challenges that our old mindset created.

Corporate Social Responsibility (CSR) is an attempt by a private company or publicly listed corporation to take some responsibility for the wider social and environmental issues within which it does business. In *Addressing Modern Slavery*, authors Nolan and Boersma state that one of the limitations of both Modern Slavery disclosure laws and Corporate Social Responsibility (CSR) programs, is that although well meaning, “they are aimed at treating the symptoms of the problem rather than tackling the underlying causes: the very nature of the business model.”¹

Nolan and Boersma go on to explain that unless there is a significant change in the way we see the world (our mindset) and operate as corporate entities (our actions), none of the strategies submitted by Kathmandu (or for that matter any other entity as part of the Australian Modern Slavery Act reporting requirements) are going to work in any meaningful or sustainable way.

Nolan writes,

“The dominant view of the primary purpose of companies is that they have a fiduciary obligation to make profits. In other words, it is their main duty to create as much value as possible for their shareholders. This fixation on shareholder value is mirrored in corporate decision-making processes. For example, the quest to maximise shareholder returns justifies driving down costs through outsourcing and legitimises cutthroat competition among suppliers. As we have seen, such scenarios create ideal conditions for modern slavery to thrive.”²

Essentially what Nolan is saying is that unless there is a fundamental change to the way in which we do business, traditional CSR will remain a completely ineffective, inauthentic and outdated paradigm.

“Responsibility” is an externally imposed duty, burden or obligation that we are required to fulfil. As long as CSR is

externally imposed, it will always be something we reluctantly feel obligated to comply with. It relies on extrinsic (external) motivation, the root of which is fear. Fear that if I don’t do this thing that I am responsible for, I will feel bad, I will look bad, I will be punished in some way - and in this context, it will damage my business and my brand. It is therefore unsurprising that CSR most commonly expresses itself in social compliance and auditing, a billion-dollar industry plagued by deception and corruption. Such audits are typically not designed to assess or measure many of the social challenges that threaten the wellbeing of workers in vulnerable circumstances, such as bullying and abuse, sexual harassment, forced labor and other forms of Modern Slavery.

A new mindset and a new business model is necessary as we seek to find solutions to challenges that our old mindset created, which is why in 2019 Kathmandu became a Benefit-Corporation or a “B-Corp”. A B-Corp is a new way of seeing and doing business, one that balances purpose and profit. Through a business structure that considers all stakeholders, B Corps endeavor to make decisions that balance profit and purpose, to benefit more than just the bottom line.³

B-Corps are now a rapidly growing community of leaders, driving a global movement of people using business as a force for good. The very real threat of social and planetary collapse has convinced many that any sense of maintaining the “business as usual” model is delusional. The Covid-19 pandemic has only reinforced this fact. What this means in practice for Kathmandu is that as a B-Corp we are required to consistently consider the impact of our decisions on our customers, wider community, the environment and the workers in our global supply chain.

Kathmandu believes that the “Benefit Mindset” that lies at the heart of the B-Corp movement, is required to effectively respond to the social challenges of our time, including and especially, Modern Slavery. This “Benefit Mindset” provides a map and a compass for helping us all make subtle yet profound shifts in the way we choose to do business.

1. Nolan, Justine . *Addressing Modern Slavery* (p.157).UNSW Press. Kindle Edition.

2. Nolan, Justine . *Addressing Modern Slavery* (p.185). UNSW Press. Kindle Edition.

3. <https://bcorporation.net/>

3.0 Benefit Mindset

Corporate entities are doing business within complex global supply chains with multiple tiers of suppliers. These businesses are typically very focused on their own growth and the growth of their profit margins. Even very well-intentioned businesses can inadvertently become so focused on their own growth that they end up extracting more from the systems of life than they contribute. They can fail to see how their own growth fuels these deeply interrelated issues.

Some have described this existing business model as a “crisis-creation machine.”⁴ The need for business to redefine its role grew out of the last global financial crisis. The rise in purpose-driven businesses was directly linked to a new understanding of the economy and increased questioning of economic models based on continued growth. Instead of limiting their focus on generating value only for shareholders, some businesses began exploring the idea of creating shared value for the benefit of all.

In early 2019, well before the world had ever heard of Covid-19, Australian entrepreneur and thought leader Ash Buchanan wrote the following:

“Humanity is facing an ever-worsening range of crises... There is an increasing appreciation of the interdependent nature of our wellbeing and the need for setting limits to growth on a finite planet... Rather than focusing on growth alone, this community is finding there is real value in being of value – to ourselves, to others, to nature and to the future. Together they are fundamentally redefining success; aspiring to not only be the best in the world, but also to be the best for the world.”⁵

Buchanan argues that a Benefit Mindset matters now more than ever.

“In the last one hundred and fifty years, we shifted our most basic beliefs about our place in the Universe, from believing we are one with all life, to believing we exist separately from each other and nature. While this shift in belief enabled modern society to progress and expand our empire to the limits of the globe, much of this progress has come at the expense of the Earth’s living ecologies, generating unprecedented levels of

environmental destruction... Societies all over the world are seeing disturbing increases in polarisation, inequality and injustice.”⁶

Buchanan writes,

“One of the urgent challenges we are called to address is how we can position our aspirations to fulfil our potential within a life-affirming context and be mindful of the vital interdependencies that sustain life. Because we are not separate individuals going it alone. We are interdependent beings and everything we do impacts the wellbeing and potential of everyone around us.”⁷

Any doubt we may have had about this “interdependence” has been convincingly eliminated by the Covid-19 Pandemic.

The Benefit Mindset is a new lens, a frame of reference for transforming how we come to understand the Universe and our place in it: from separateness to interdependence. Secondly it is a paradigm-shifting psychology for becoming aware of how we can fulfil our potential in a way that serves the wellbeing of all. And finally, it is a pathway for transforming business culture where corporate institutions operate as purpose-driven innovation ecosystems.

Kathmandu believes that adopting a Benefit Mindset as a liberating framework and pathway for transforming business culture, is a necessary first step that underpins our entire social impact strategy and Modern Slavery submission. Indeed, the Australian Department of Home Affairs would seem to require such a shift in Mindset as a necessary part of making a Modern Slavery submission. Included in their Guidance for Reporting Entities document is the invitation for companies to move away from seeing Modern Slavery as a risk to business, to seeing it first and foremost as a risk to people.⁸

4. <https://www.amazon.ca/Shock-Doctrine-Rise-Disaster-Capitalism/dp/0676978010>

5. Page 8, Benefit Mindset; Fulfilling our Potential in a Way that Serves the Wellbeing of All. Ash Buchanan, 2020. (DRAFT)

6. Page 10, Benefit Mindset; Fulfilling our Potential in a Way that Serves the Wellbeing of All. Ash Buchanan, 2020. (DRAFT)

7. Page 11, Benefit Mindset; Fulfilling our Potential in a Way that Serves the Wellbeing of All. Ash Buchanan, 2020. (DRAFT)

8. Page 40, Commonwealth Modern Slavery Act 2018, Guidance for Reporting Entities

3.0 Benefit Mindset

THE BENEFIT MINDSET LENS

The following icons reflect the various ingredients that together make up the Benefit Mindset.⁹

These icons will be included throughout this submission to indicate when Kathmandu has adopted a Benefit Mindset to find new solutions to challenges that our old mindset played a part in creating. As such, we invite the reader to consider adopting such a lens, just as you would try on a new pair of sunglasses. There is no obligation to keep them on forever. But on behalf of a world in desperate need, and on behalf of those are enslaved in some form of Modern Slavery, it behoves us at the very least to try them on.

3.1 Me & We

In responding to the modern slavery that existed in his generation, Martin Luther King Jr. said, "Injustice anywhere is a threat to justice everywhere. Whatever affects one directly, affects all indirectly." At the centre of a benefit mindset is the belief that we are relational beings living in a profoundly interconnected world. Our lives are inextricably linked with others, the environment and to future generations, and interdependency is built into the fabric of who we are.

3.2 Ecosystems of Wellbeing

When we do good by others, the people we help not only receive a benefit, but we also receive a benefit in terms of our own health and wellbeing. In this way, by acting virtuously, we can create what psychologists call an upward spiral. The more well we are, the greater our capacity for doing good. And the more good we do, the greater our capacity for being well. As the Dalai Lama has said,

"Not only is it the case that happy people are more willing to help others, but helping others is the best way to help yourself, the best way to promote your own happiness. It is you, yourself, who will receive the benefit."

3.3 Everyday leadership

Another strength of adopting a benefit mindset is how it invites us to see ourselves as leaders in everyday life. We are not only ready to learn but we are also ready to lead in our everyday relations with others. We understand that leadership isn't a job title or something a boss at the top does for us. Leadership is something we make possible through our everyday actions. We all know how to express values, be kind and listen deeply to some degree. Choosing to wholeheartedly express these dignifying qualities when opportunities arise is an act of everyday leadership.

3.4 Shared purpose

Whereas a fixed mindset focuses us on what we do, and a growth mindset focuses us on process and how we do something, a benefit mindset invites us to step into a shared sense of why we do what we do. This matters because shared purpose is a launching pad into a meaningful life. We make our lives most meaningful when we connect ourselves with important causes that are bigger than the self. Furthermore, when we have meaning in life, we don't have to push ourselves to get things done. Rather, shared purpose energises us and engages our creativity and passions in the service of something that really matters.

9. <http://www.benefitmindset.com/about/>

4.0 Kathmandu Structure, Operations and Supply Chain

4.1 Structure

Founded in New Zealand as an outdoor apparel and equipment retailer in 1987, Kathmandu Holdings became a publicly listed company in 2009. Kathmandu is now a leading travel and adventure brand with a transnational chain of stores throughout Australasia.

Kathmandu Pty Limited is the Australian subsidiary used by Kathmandu Holdings Limited, a New Zealand holding company, to conduct its business in Australia.

During the reporting period, Kathmandu Pty Limited acquired the brand “Rip Curl” (comprising various entities registered in Australia and overseas) and as such, the entities comprising “Rip Curl” are owned and controlled directly or indirectly by Kathmandu Pty Limited. As Rip Curl has a separate supply chain to Kathmandu Pty Limited, it will submit a separate modern slavery statement relating to the Rip Curl brand under section 13 of the Act.

Accordingly, this modern slavery statement will consider Kathmandu Pty Limited and its owned and controlled entities, other than those entities forming part of the Rip Curl group.

For more information about Kathmandu Holdings, see our [annual report](#) and [website](#).

4.2 Operations

Kathmandu has approximately 1185 employees in Australia and 615 in New Zealand. The majority work in 165 stores, 119 in Australia and 48 in New Zealand. Kathmandu operates in accordance with very robust legislation in relation to employment rights and human rights in both countries and is required by law to maintain internal best practices, systems and policies that support individual employees as well as facilitate protected disclosures. The relevant legislation in New Zealand includes the Employment Relations Act 2000 and the Health and Safety at Work Act 2015. The equivalent legislation in Australia includes the Occupational Health and Safety Act 2004 and the Fair Work Act 2019. As such the risk of Modern Slavery within Kathmandu internal operations is negligible.

For more information about Kathmandu, see our [website](#).

4.3 Supply Chain

Kathmandu products are designed and engineered in Christchurch, New Zealand. They are then manufactured in independently owned factories specializing in outdoor apparel, footwear and equipment located in China, Vietnam, Indonesia, Taiwan, Israel, Italy, Spain, Nepal and New Zealand.

These factories make products for other outdoor adventure and apparel brands from around the world. They are typically highly specialized facilities requiring a high level of technical ability and design specific technology. The factories that Kathmandu sources from globally, together have a combined workforce of approximately 50,000 workers.

Since 2018, Kathmandu has published its full supply chain on its online website as well as with the Open Apparel Registry. The interactive map of the exact geographical locations of the apparel factories making Kathmandu products can be found here: <https://openapparel.org/?contributors=33>

The breakdown of Kathmandu’s sourcing countries at the time of the report shows Kathmandu sources from 99 factories located as follows:



China

Kathmandu sources from 76 factories in China. They are all located in the east coast provinces with the majority in the Shanghai and Guangdong regions.



Vietnam

Kathmandu sources from 12 factories in Vietnam, 8 are located in Ho Chi Minh City in the south and four factories located in Hanoi in the north.



Indonesia

The three factories in Indonesia making Kathmandu product are all on the main island of Java near the capital city, Jakarta.



New Zealand

One factory is located in Christchurch, a second in the town of Ashburton in the South Island and a third factory is located in Auckland in the North Island.

The remaining one off factories are located in Taiwan, Israel, Spain, Italy and Nepal.



Unless there is a significant change in the way we see the world (our Mindset) none of the strategies submitted by Kathmandu or any other company are going to meaningfully address Modern Slavery.

5.0 The Risks Of Modern Slavery In Kathmandu Operations and Supply Chain.

We have broken down the risks of Modern Slavery by Geography, Sector, Product, Business Structure and Mindset.

5.1 Geographic Risks of Modern Slavery



Kathmandu sources most of our products from Asia. According to the MeKong Club¹⁰, of the 45 Million people who are trapped in some form of modern slavery, 30 million of those (66%) are in Asia. More than 20 million of those are associated with global manufacturing supply chains.

In order to have greater visibility, insight and impact in our supply chain, Kathmandu uses ELEVATE¹¹, a professional services company specialising in providing supply chain social, environmental and business performance services. The supply chain analytics platform operated by ELEVATE and utilised by Kathmandu provides an overall risk profile for each country the company sources from.

ELEVATE provides risk scorecards which cover five critical supply chain pillars: Labor, Health and Safety, Environment, Ethics and Management Systems. Each pillar has indices that is comprised of credible public domain data sources and ELEVATE audit data. These are then aggregated to produce overall country risk scores on a 0-10 scale, where 0 is Extreme risk and 10 is Low risk.

Risk / Leverage legend

	Extreme	(0.00 - 2.49)
	High	(2.50 - 4.99)
	Medium	(5.00 - 7.49)
	Low	(7.50 - 10.00)

China

China's overall risk score is High (ORANGE). China is the second largest economy in the world with much of its economic development resulting from an economy specialising in the production of labour-intensive, cheap goods for export. Forced labour occurs in the production of some of these goods, including the manufacturing sector.

According to the 2018 Global Slavery Index, there were more than 3.8 million people living in conditions of Modern Slavery in China.¹² The actual figure may be greater as there is no legal requirement for businesses to disclose cases of modern slavery identified in their supply chain.

Within China itself, there are extreme disparities in income levels by region, along with an enormous income gap between rural and urban areas. In comparison to the eastern region which has the highest income per capita, the western region of China is much less developed. This has led to the migration of millions of migrant workers who are vulnerable to forced labor practices. Internal migrants have limited access to public services due to China's household registration system which means they are unable to receive the same social benefits and legal protections as local residents.

In 2008 China enacted laws to formalise all employment relations, giving workers more protection and making contracts compulsory for all workers. An amendment to the law in 2013 also provided greater protection for workers who are employed via a recruitment agency. However, these laws are not effectively enforced and many cases remain unreported.¹³

A further risk of forced labor stems from the internment of over one million Chinese citizens of ethnic Turkic origin in the Xinjiang region as well as forced labor by prisoners incarcerated in China's regular judicial system. This risk is therefore potentially present at all levels of the supply chain, from the farm level (for cotton and other agriculture products) to the manufacture of finished goods.¹⁴

10. <https://themekongclub.org/>

11. <https://www.elevatelimited.com/>

12. 2018 Global Slavery Index

13. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>

14. https://www.fairlabor.org/sites/default/files/documents/reports/fla-brief-xinjiang_forced_labor_risk_final.pdf

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.

A further risk of forced labor results from the large degree of control that the state maintains over workers in general. The All-China Federation of Trade Unions (ACFTU) is the only trade union legally allowed to exist and traditional forms of collective bargaining are illegal. Some companies therefore avoid focusing on “human rights issues” because of political sensitivity as well as the belief that such issues are not directly relevant to business activities.¹⁵

The risks of Modern Slavery are arguably less for those businesses headquartered in the more economically advantaged cities in the eastern provinces of China as they are more likely to be aware of the need to protect the wellbeing of workers and engage in CSR related activities. Businesses and suppliers in export-oriented sectors such as textiles and manufacturing are usually considered leaders in CSR as a result of the pressure they receive from their international brands to perform ethically.¹⁶

Vietnam ●

Vietnam’s overall risk score is High (ORANGE). Vietnam is the fifth largest garment supplier in the world and the garment industry is as an important driver of the economy. Many garment workers are vulnerable to forced labor practices as a result of the absence of full terms and conditions of employment in their contracts. There are approximately 420,000 people living in some form of Modern Slavery.¹⁷

Young workers are especially vulnerable, given the unreliable age verification systems at recruitment and/or inadequate record keeping of workers under 18 years of age.¹⁸

Practices that increase the risks of forced labour in the Vietnamese garment and textile sector include excessive overtime, retention of identity documents and poor job

security due to temporary and seasonal employment contracts. Workers must often work overtime to cover their living expenses and employers rely on that to achieve their production targets. While working hours are regulated under national law, compliance has been difficult to achieve.¹⁹

Indonesia ●

Indonesia’s overall risk score is High (ORANGE). Indonesia is the world’s fourth most-populous country and struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment and unequal resource distribution among regions.²⁰ The Global Slavery Index reports that there are more than 1,220,000 people trapped in Modern Slavery.²¹ The most prevalent forms of Modern Slavery are found within the fishing industry, as domestic workers and in the agricultural and construction sectors. Sexual exploitation of women and children for commercial purposes also occurs throughout the country.

Indonesia is one of the top 10 garment exporters in the world and the manufacturing sector generates around a fifth of the country’s Gross Domestic Product (GDP)²² and employs over 2 million garment industry workers. The garment and textile industry is an important source of employment for women, with 78 percent of garment workers being female.²³ Sexual harassment is rampant in the Indonesian garment industry where women workers often face verbal, physical and sexual abuse.²⁴ Many suppliers also use second and third tier subcontractors who do not comply with legal labour standards and where workers are hired on a daily basis and earn much less than the minimum wage.²⁵

Within the garment industry, forced labor expresses itself in restrictions on the movement of workers, threatening violence against workers, forced labour related to debt, withholding of wages, confiscation or denying workers access to their personal documents, or forced overtime.

15. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>

16. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>

17. <https://www.globallslaveryindex.org/2018/data/country-data/viet-nam/>

18. <https://betterwork.org/where-we-work/vietnam/>

19. <https://whatshemakes.oxfam.org.au/wp-content/uploads/2019/02/The-Consequences-of-Low-Wages-a-Study-on-Fashion-Suppliers-in-Vietnam-.pdf>

20. <https://www.fairwear.org/country/indonesia/>

21. <https://www.globallslaveryindex.org/2018/data/country-data/indonesia/>

22. <https://www.fairwear.org/country/indonesia/>

23. <http://www.turc.or.id/>

24. The Fair Wear Foundation

25. <http://www.industrialunion.org/indonesia-low-wages-in-the-textile-and-garment-industry-undermine-workers-rights>

26. <https://gajimu.com/garment/Labour-Law-in-Garment/garment-forced-labour> (Indonesian Solidarity Center)

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.

While such examples are prohibited by Labour Law and the Indonesian Constitution, individual workers and unions face challenges in the form of corruption and the weak rule of law. Anti-union discrimination is also common and some employers refuse to recognize unions or discuss improvements in working conditions.²⁶

New Zealand: (2% of Supply Chain) ●

New Zealand has a low risk of modern slavery (GSI) and scores low (GREEN) on the Country Risk Profile. New Zealand is one of the least corrupt nations and has a very high level of transparency.²⁷ A number of cases of migrant worker exploitation have been documented, primarily within the horticulture, hospitality and construction sectors.

Taiwan (1% of Supply Chain) ●

The country risk score is medium (YELLOW). The risk of slavery in Taiwan is medium with an estimated 12,000 people in some form of modern slavery.²⁸ Migrants are especially at risk with many being exploited in the fishing, manufacturing, technology and garment industries. Labour brokers in Taiwan commonly charge migrant workers for factory jobs, creating a form of debt bondage. It can take workers two years to repay a labour broker for a contract that only lasts three years. Typically the worker then has to return home and begin the process all over again.

Israel (1% of Supply Chain) ●

Israel has a medium risk of modern slavery with approximately 31,000 people enslaved in some way.²⁹ Many are Palestinian nationals seeking employment in Israel in the construction, agriculture and service sectors. Low-skilled workers from a number of countries migrate voluntarily for contract jobs within these industries, with some facing conditions of forced labour such as the unlawful withholding of passports, restrictions on movement, non-payment of wages, threats and physical intimidation. Israel is also a source and destination country

for women trafficked into the commercial sex industry.

Italy (1% of Supply Chain) ●

Italy is a medium risk country (YELLOW). Although there are an estimated 145,000 slaves in Italy, the most commonly reported form of slavery is forced sexual exploitation.³⁰ Forced labour also affects migrant workers in agriculture, textile production, construction and domestic work. Migrant workers in the agricultural and domestic sectors frequently face exploitative working conditions ranging from violation of contract provisions through to severe abuse and trafficking for labour exploitation and other forms of forced labour.

Italy produces textiles and garments for fast fashion companies and designer brands based in Italy and elsewhere in Europe. There have been isolated cases of employees working long hours in sweatshop like working conditions. Instances of modern slavery have also occurred in domestic work including lack of contracts, excessive working hours for low salaries, restriction on freedom of movement as well as verbal, physical and mental abuse.

Spain (1% of Supply Chain) ●

Spain is a medium risk country (YELLOW). The US State Department reports that Spain is a transit and destination country for men, women, and children trafficked for the purposes of commercial sexual exploitation. A coalition of 20 NGOs in Spain estimates that there are at least 50,000 people in Spain who are victims of human trafficking. A 2017 report on Modern Slavery in Spain³¹ reported that while some victims were forced into unpaid labor, the great majority were made to work in forced prostitution. While there have been some isolated cases of Chinese workers being trafficked to Spain for forced labor, the risk within the outdoor apparel industry is comparatively low.

Nepal (1% of Supply Chain) ●

The risk of slavery in Nepal is high and the Global Slavery Index estimates 171,000 people are enslaved in some way.³²

27. <https://www.transparency.org/en/cpi/2019/results/nzl>

28. <https://www.globallslaveryindex.org/2018/data/country-data/taiwan/>

29. <https://www.globallslaveryindex.org/2018/data/country-data/israel/>

30. <https://www.globallslaveryindex.org/2018/data/country-data/italy/>

31. https://english.elpais.com/elpais/2017/04/21/inenglish/1492756977_271906.html

32. <https://www.globallslaveryindex.org/2018/data/country-data/nepal/>

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.



The ongoing influence of some cultural traditions which maintain women's inferior status to men is still strong. Thousands of young women are exploited in the sex industry of Kathmandu and thousands more are trafficked into India each year and forced into prostitution and various forms of abuse and exploitation.

Although slavery is banned in Nepal, the practice continues with some keeping young girls as slaves, called "Kamlaris". These girls are from the Tharu community, an indigenous group that was stripped of its land and forced into bonded labour after Nepal's first social order was introduced more than 160 years ago. Tharu workers typically farm the land of their landlord and then give back half of what they produce in return. Often they trade their daughters as well.³³

Nepal is also a source, transit and destination country for men, women and children in Modern Slavery. Bonded labor persists in agriculture and cattle rearing. Forced labor exists in brick kilns, stone breaking, hospitality, forced prostitution, domestic work and embroidered textiles.

5.2 Sector Risks of Modern Slavery

Second only to technology, the apparel and footwear industry funnels more money toward Modern Slavery than any other industry.³⁴ The 2018 Global Slavery Index states that US\$127.7 billion worth of garments are at risk of having Modern Slavery somewhere in their supply chain. The fashion supply chain is one of the largest and most complex supply networks.³⁵ Within the apparel supply chain, the following factors have a major influence on the levels of risk:

Unauthorised Sub-contracting

The risk of involvement in Modern Slavery through the supply chain increases as supplier sub-contracting grows. Unauthorised subcontracting is common within the apparel industry in China, Vietnam, and Indonesia.

Complex Supply Chains

There are increased risks associated with the difficulty of managing and monitoring a complex global supply chain. Workers are often disconnected physically (geographically), culturally (language, history and worldview), technologically (communication) and/or strategically (access to channels of influence). As a result, almost every company with a complex supply chain struggles to connect with affected groups beyond Tier 1 manufacturing and Tier 2 fabric mills in order to truly understand what is happening on the ground at a local level.

Labour Recruiters

The risks of trafficking and forced labour for companies may arise through the actions of labour brokers involved in deceptive recruitment and hiring processes.

High flexibility and low Profit Margins

Rapid turnaround times for production and the necessary flexibility to produce large quantities of goods that depend upon unreliable trends and quickly shifting demand, leaves workers vulnerable to exploitation. These include long working hours and forced overtime during periods of high consumer demand. The garment industry is especially vulnerable to such trends and for many items there is a rapid turnaround time for production and demand for large quantities.

Reliance upon Low-skilled or Unskilled labour

Unskilled work is typically low-paying and undervalued. These jobs often employ particularly vulnerable workers and marginalised individuals such as migrants, people with disabilities, and minorities. Unskilled or illiterate workers are also typically less aware of their rights than more skilled and better educated workers.

Seasonal Workforce

Workforces with high numbers of temporary, seasonal, or agency workers contributes to heightened worker vulnerability. These sectors also tend to depend on labour

33. <https://www.aljazeera.com/programmes/10least/2013/09/20139249536531927.html>

34. 2018 Global Slavery Index

35. Esgrobo

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recruiters for their recruitment activities. This creates an additional layer of separation between employers and workers, leaving workers exposed to deceptive or coercive recruitment practices.

Women's Vulnerability

Within the globalisation of supply chains, women remain at particular risk of human rights abuses including forced labour and trafficking. According to the ILO, more than half of the people in forced labour are women and girls, predominantly in commercial sexual exploitation and domestic work, but also in garment and textile supply chains. Women make up approximately 80% of the world's garment workers and are exposed to high levels of violence, including sexual harassment and abuse.

5.3 Product Risks of Modern Slavery

Any materials made in the manufacture of products not covered by an auditing programme have their own inherent risk, depending on the country risk and labour practices within the industry location and type. Materials commonly used in the outdoor apparel and equipment industry include cotton, leather and rubber.

Large amounts of the world's cotton is produced in slavery-like conditions in Central Asia in countries like Uzbekistan and Turkmenistan, Kazakhstan and Turkmenistan as well as India, Pakistan and Turkey. As already stated, there is a also high risk of forced labor in certain parts of China.

The Xinjiang region is the source of over 80 percent of China's cotton which is used in supply chains in China or processed into yarn or textiles and exported to other countries for incorporation into finished goods. The forced labor risk for most companies is from the cotton, yarn, or textiles produced in Xinjiang and then incorporated into finished goods in other parts of China or Asia.³⁶

Forced labor has also been found in leather tanneries in China, Indonesia and Vietnam as well as in the rubber

plantations of Indonesia and Thailand.³⁷

Unlike raw materials, the manufacture of chemical and other synthetic materials are highly capitalized industries employing qualified technicians. The likelihood of modern slavery practices here is therefore comparatively low.

A very small amount of metals is used in outdoor apparel and equipment. Aluminium, titanium and steel are sourced to produce some hard goods and accessories products. There is currently no known child labour or forced labour concerns associated with the production of these materials.³⁸

There is also no known child labour or forced labour concerns associated with natural fibres like merino wool and duck/goose down.³⁹

5.4 Business Risks of Modern Slavery

With most Kathmandu staff located in New Zealand and Australia, there is a large geographical distance between the company head offices and retail stores, and those locations where the raw materials, product components and final goods are manufactured.

This separation and distance provides the company with limited visibility into numerous aspects of the global supply chain and leaves it vulnerable to various forms of Modern Slavery.

Tier 1

Full visibility is currently limited to Tier 1 (Assembly, Cutting and Sewing). Kathmandu has only partial visibility into Tier 2 (Weaving, Knitting, Finishing, Dyeing, Printing, Tanneries and other Processing and Components). And Kathmandu has very limited visibility into Tier 3 (raw material processing) and Tier 4 (raw material production).

The risks associated with modern slavery within the Kathmandu supply chain are therefore increasingly more prominent in the upstream part of the supply chain in Tiers 2,

36. FLA Issue Brief, 2020

37. http://knowthechain.org/wp-content/uploads/KTC-LeatherLabor-Case-Study_Final.pdf

38. US Department of Labor

39. US Department of Labor

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.

3 and 4 where there is less transparency. Tier 2 suppliers and other processing and componentry suppliers are not covered by our auditing and social improvement programs. They are therefore at greater risk of Modern Slavery and are subject to the country risks and labour practices within the industry location and type.

Tier 3 and 4 raw materials suppliers are also not covered by a social auditing and social improvement program and Kathmandu has little visibility into the working conditions and social standards here. For most companies, Tier 3 and 4 suppliers are the hardest to identify, access and gain visibility around. Tier 3 and 4 suppliers can therefore most easily utilise exploitative employment practices and are also therefore most at risk of Modern Slavery.⁴⁰

Tier 2

To gain greater transparency, Kathmandu has tracked and identified all Tier 2 indirect suppliers, for our strategic Tier 1 suppliers. This includes the name of the direct supplier, the indirect supplier trading name and status, their type (e.g. trims, materials, fabric mills), the type of company (e.g. vertical supplier, converter, agent), the end use at Kathmandu, product type, 5 top customers, market split and any external accreditations (e.g. Bluesign Chemical Standards or ISO9000 Management Standards).

The dialogue has increased with some Tier 2 suppliers, primarily fabric mills. Kathmandu now works directly with mills to negotiate lead times and provide them with visibility so they can order materials for the whole calendar year. Our Sourcing Team utilises a production tracker with our Tier 1 suppliers to ensure factories are set up for success in meeting delivery timelines.

However, the majority of our Tier 2 indirect suppliers do not have any externally recognized social accreditations (SA8000, WRAP, Fairtrade) and the wellbeing of their workers, the human rights protections they enjoy and the risks of Modern Slavery are largely unknown.

Tier 3 and Tier 4

Kathmandu has very little visibility into Tier 3 and Tier 4 and we cannot reliably state what the risks of Modern Slavery are in this part of our supply chain. This is an identified area for improvement and in 2021 Kathmandu will begin assessing some Tier 2 suppliers for their social and environmental performance. Kathmandu does have several externally assessed and verified material and chemical accreditations. While not specifically related to a social accreditation, they do provide Kathmandu with an added layer of visibility and assurance, providing the company with greater confidence in the sourcing and handling of these products.

BCI Cotton

The Better Cotton Initiative (BCI) is a global not-for-profit organisation and the largest cotton sustainability programme in the world. As of 2020, Kathmandu uses 100% sustainable cotton, 65% of which is BCI. Their publicly stated mission is to “make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector’s future.”⁴¹ Our affiliation with BCI has provided Kathmandu with some confidence in addressing Modern Slavery at this level. For example, in January 2020, BCI made the decision to suspend its assurance activities in the Xinjiang region of China for the 2020-21 cotton season due to concerns about the use of forced labor and ongoing discrimination in the region.

Responsible Down Standard

The Responsible Down Standard (RDS) is an independent, voluntary global standard, that was developed to recognise and reward best practices in animal welfare. In respecting the freedom of the animals, one of the key points within the standard is that each stage in supply chain is audited by a professional third-party certification body. Every certification involves two people, an inspector and a certifier. On farms and slaughterhouses, the inspector



40. Nolan, Justine . Addressing Modern Slavery (p.157) . UNSW Press. Kindle Edition.

41. <https://bettercotton.org/>

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.

checks the wellbeing of the animals, looks for any evidence of live plucking or force-feeding, and makes sure everything is done in accordance with the standard. Again, while not a social accreditation, this process provides an additional layer of visibility into Tier 3 of the supply chain as 100% of the down used by Kathmandu is RDS certified.

Bluesign

BLUESIGN is a sustainable processing solution for manufacturing industries and brands. As an independent authority, BLUESIGN checks the progress that a company has made in this regard and provides further development solutions. BLUESIGN states that “the systems behind the product sign guarantees the highest degree of assurance to consumers and ensures that the products were manufactured with responsible use of resources and the lowest possible impact on people and the environment.”⁴² Again, while not designed as a form of social accreditation, the BLUESIGN process provides an additional layer of protection to workers as those seeking certification need to show that the manufacturing process is a safe and sustainable environment for people to work in.



Fair Labor Association (FLA)

Through our FLA Accreditation we are also able to benefit from the collaborative projects of other FLA members, such as the mapping of the rubber sector in Vietnam. In recognition that the production of rubber remains relatively unexplored from a labour perspective, in 2019 the Fair Labor Association partnered with the International Organization for Migration (IOM) and three global footwear and sporting goods companies (Adidas, New Balance and Puma), sourcing shoes and sporting goods from Vietnam, on a rubber mapping project.



The objective is to map the natural rubber value chain, assess worker demographics, recruitment processes and the working conditions at the various tiers of the natural rubber supply chain. The participating companies will learn about supply chain mapping in the process and will be able

to share their learnings and any risks identified with other FLA Accredited companies in ongoing discourse around supply chain labor assessments.

The Global Organic Textile Standard

The Global Organic Textile Standard (GOTS) utilised by Kathmandu is another globally recognised processing standard for textiles made from organic fibres. It defines high-level criteria along the entire organic textiles supply chain and requires compliance with both environmental and social criteria. This independently certified standard aims to define recognised requirements that ensure the organic status of textiles, from harvesting of the raw materials, through environmentally and socially responsible manufacturing. The social criteria are based on the key norms of the International Labour Organisation (ILO) which must be met by all processors and manufacturers. They must be able to demonstrate the adequate implementation and assessment of the key conventions of the ILO which include the Abolition of Forced Labour Convention, Freedom of association, Forced Labour Convention and the Abolition of Forced Labour Convention.⁴³



5.5 Mindset Risk

Social audits are the main mechanism businesses currently use to monitor compliance with ethical trade commitments within their global supply chains. While audits can be helpful in flagging workplace issues, they have been widely criticised for failures to detect human rights abuses and Modern Slavery in particular.⁴⁴

Key weaknesses of traditional social compliance audits are that they are only a snapshot in time of a very limited part of a supply chain. They rarely capture credible information about working conditions directly from the workers as management is often present and workers fear repercussions for being open and honest. The most exploited and



42. <https://www.bluesign.com/en>

43. <https://global-standard.org/>

44. ETI on Auditing

5.0 The Risks of Modern Slavery in Kathmandu operations and supply chain.

vulnerable workers are very unlikely to be interviewed by auditors as they are typically hidden from view. On top of this, traditional audits usually follow a standard template, preventing auditors from seeing the whole picture involving multiple factors.

A more proactive lens and assessment is therefore required to identify Modern Slavery. “Traditional audits aim to assess compliance, whereas human rights due diligence involves proactive assessment of risks and investigation of incidences of abuse anywhere in the supply chain, remedying those situations and publicly reporting on how they are addressed.”⁴⁵


Perhaps even more insidious than the auditing template is the mindset that lies behind such auditing and compliance. As previously stated, traditional social auditing is based on a business model that relies on mistrust, fear and shame to motivate action and drive change. Unsurprisingly this results in a cat and mouse game where suppliers try to conceal the true nature of the challenges they are experiencing so they can pass an audit. This has resulted in a worldwide army of “consultants” who are specifically hired by suppliers to help them conceal the truth about working hours, wages and other measures typically assessed as part of a social audit.

The existing business model with its primary focus on profit necessarily creates an incessant desire to protect shareholder value by minimising any risk to their brand. As a result, the focus of most audits is a tick the box approach with an emphasis on compliance, rather than a genuine desire for transparency and transformation. Whenever companies insist on compliance over transparency, they fuel an ongoing and very unhelpful deception and, in the process, render the signs of Modern Slavery almost impossible to detect.

Audits have their place and are useful in some circumstances to gain a high-level overview and provide a rudimentary assessment of a supplier. However traditional audits are not designed to facilitate positive social transformation and on their own they are not enough to improve the working conditions and wellbeing of factory workers. In order to most effectively add value to our supply chain and more effectively address Modern Slavery, Kathmandu moved away from an emphasis on monitoring and compliance to facilitating improvements in the protection of human rights and the engagement of workers that in turn leads to improved wellbeing and better business.



45. ETI Critique

A hiker with a large backpack and trekking poles is walking away on a narrow dirt path that winds through a mountainous landscape. The terrain is covered in dense, golden-brown and green vegetation. The background shows steep, hazy mountain slopes under a soft, overcast sky.

Kathmandu believes that adopting a Benefit Mindset as a liberating framework and pathway for transforming business culture is a necessary first step that underpins our entire social impact strategy and Modern Slavery submission.

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.

Summary

A summary of the key actions taken by Kathmandu in the face of Modern Slavery can be distilled to the following three areas: **Mindset**, **Transparency** and **Partnership**.

1. MINDSET



Modern Psychology has helped us to understand that we do not see the world as it is. Rather we see the world as we are. In other words, everything we see is coloured by the lens of our own cultural heritage, family of origin, life experience and personality bias. Awareness of our own mindset and the ability we have at any given moment to allow our lens of the world to be transformed, is critical to the transformation of the world. Kathmandu believes that adopting, applying and inviting others to see, live and work through a Benefit Mindset and a having B-Corp approach to business as a force for good, is essential in order to proactively address the roots of Modern Slavery.

2. TRANSPARENCY



Asking supply chain partners to be honest about the weaknesses in their companies, to highlight the management systems that are faulty or missing altogether, and to open the closet door on the skeletons they would rather keep hidden, requires a massive amount of vulnerability, trust and courage. But this kind of courageous leadership is necessary if we want our suppliers to raise Modern Slavery concerns without the risk of being penalised for doing so. This kind of vulnerability looks and feels like uncertainty, risk, and emotional exposure. This is especially so in Asia where “saving face” is a valued cultural norm. Addressing Modern Slavery then, stands and falls on the ability to let go of our corporate ego and be transparent about our business, our values and our shared humanity – all of which are very imperfect.

3. COLLABORATION



Kathmandu recognises that our ability to influence and address many of the challenges in our global supply chain, including Modern Slavery, is limited. We have therefore sought to create strong, strategic and collaborative partnerships with peers, strategic suppliers and factories, professional service agencies, multi stakeholder initiatives, other brands, customers and civil society organisations. In the face of the suffering caused by modern slavery, wherever possible we have sought to work collaboratively and not competitively.

Kathmandu has applied these principles of Mindset, Transparency and Partnership to the specific actions we have taken to address those risks identified in Section 5 of this submission.

6.1. MINDSET



Beyond Auditing to Empowering

When Kathmandu was focused on minimising the risk to our brand, we audited every supplier in the same way, using the same auditing company, the same audit tool, over the same timeframe. Once Kathmandu changed our mindset and our focus, from compliance and auditing to transparency and empowerment, we realised we needed to treat each supplier differently based on their unique strengths and weaknesses.

We began by segmenting our supply chain into those suppliers with whom we enjoyed a strong relationship, those we had some influence with, and those transactional suppliers with whom we had little influence.

This provided us with a more accurate assessment of the risks we were facing in each category and also allowed us to better understand the unique culture, values and attitude of each individual supplier. We could now more easily identify those suppliers who were facing the greatest

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.

challenges as well as where our investment in time and resources would be of most benefit.

Ownership

With this change in mindset, we were able to move away from a model that relied purely on compliance, to an approach that invited greater ownership and investment by our suppliers in their own management systems, monitoring and social processes.

Worker Voice

Another critical part of our approach included a bottom up assessment of our suppliers and the working conditions they provided, from the workers themselves. For all the aforementioned reasons, traditional audits are woefully inadequate to identify issues such as sexual harassment and workplace bullying, let alone forced labor and other forms of Modern Slavery.

Kathmandu sourced and created the necessary tools and processes that would allow the company to hear the voices of the workers themselves. We also sought to improve both the internal and external grievance mechanisms and communication channels between management, workers, and Kathmandu.

Supplier Evaluation

Kathmandu suppliers are categorized as Strategic, Core, or Transactional. This is based on the amount we spend, the length of our relationship, their significance within the product category and the percentage we make of the supplier's overall production.

The CSR assessment contributes to the status of the supplier which can either be "on-boarding, grow, maintain, and decline." On-boarding status is for suppliers who have been recently approved; grow status is for suppliers the company hopes to increase production and/or move to a core or strategic supplier; maintain status is for suppliers that are in a stable position, and decline status is for those suppliers that are not performing to Kathmandu's

standards and potentially exiting our supply chain. The CSR assessments are shared with our suppliers and are included in the ongoing decision making to determine future business.

6.2 Transparency

Modern Slavery continues to thrive and flourish in the world in large part because it is not visible. Making our own supply chain more transparent was therefore a central part of our overall CSR strategy. There are several benefits for doing so. Disclosing names, addresses, and other relevant information about our supply chain helps make it possible for otherwise competing brands to work together with us and together gain enough leverage or influence in a factory or country to achieve remediation of worker rights abuses.

Supply chain transparency also helps us to check unauthorised subcontracting which is a risk for any global supply chain. By publishing the names and addresses of all authorised supplier factories and their approved subcontract facilities, interested parties know which factories are authorised to produce for Kathmandu and which are not.

Online Transparency

Kathmandu made our Tier 1 supply chain transparent by posting our supplier and factory list on our website. This includes the name and address of each factory making Kathmandu branded product as well as the product type they make and the number of workers in each factory.⁴⁶

Kathmandu also makes our Tier 1 supply chain transparent through the Open Apparel Registry (OAR).⁴⁷ The OAR is an open-source, neutral and publicly accessible database of every facility in the global apparel and footwear sector. The mission of the OAR is to enable industry collaboration and improved identification of factories and now hosts more than 25,000 manufacturing facilities. Every facility making Kathmandu apparel can be identified and located on a global map using their GPS coordinates.

46. <https://files.kathmandu.co.nz/pdf/workers-rights/list-of-tier-suppliers.pdf>

47. <https://openapparel.org/>

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.

New Suppliers

Kathmandu has a comprehensive on-boarding procedure for new suppliers which includes a mandatory CSR assessment. Once new suppliers and factories have been selected, Kathmandu initiates the on-boarding process which introduces Kathmandu's values along with the Supplier Introduction Package. The Introduction Package includes information on the on-boarding process, the code of conduct, our stand on transparency, a self-assessment, and a supplier evaluation questionnaire. After the approval of this process, the Quality and CSR teams each arrange for an assessment of the factory. During the assessment, the transparency of the supplier is evaluated.

Supplier Commitment

Kathmandu requires all suppliers to sign the company's Terms of Trade Agreement. This agreement includes a commitment to uphold Kathmandu's Code of Conduct, to remediate issues as they arise, as well as the right of inspection from approved third parties. The agreement covers terms on the use of agents, subcontracting and terms of termination if the agreement is broken.

Supplier Workplace Code of Conduct

Our Code of Conduct forms the basis of our CSR Process and defines the labour standards that aim to achieve decent and humane working conditions for the workers in our global supply chain as well as prevent, identify and address any and all forms of Modern Slavery.

In keeping with the values of the company, Kathmandu placed transparency as the number one priority at the top of our Code of Conduct. This is also because if the information gathered during assessments and audits is not true, then everything else is smoke and mirrors. In order to do business with Kathmandu, Suppliers must commit to full transparency in their Supply Chain. The Supplier must seek Kathmandu approval for all primary and/or subcontracted facilities prior to production. In addition, the code gives

Kathmandu permission to seek to extend transparency further down the Supply Chain.

We reinforce to our suppliers that unlike some other brands, we do not expect perfection when it comes to adhering to our Code of Conduct but rather honest and transparent communication and visibility around those issues that affect the workers who make our products. That way we can work on addressing the issues together in partnership and cooperation and improve our combined business at the same time.

In order to do business with Kathmandu, suppliers must agree to comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Kathmandu Code in their applicable facilities. When differences or conflicts in standards arise, suppliers are expected to apply the highest standard.

Code of Conduct

The important aspects of our Code as it applies to Modern Slavery are Employment Relationship, Non-discrimination, Harassment or Abuse, Forced Labor, Child Labor and Freedom of Association and Collective Bargaining.⁴⁸

Modern Slavery Policies and Procedures

Kathmandu has developed the following policies as an essential step in addressing modern slavery.

- **Child and Forced Labor Policy**

Kathmandu has a Mandatory Reporting of Child and Forced Labor Policy, which is applied should cases of child or forced labor be found within the supply chain. The policy explains the detailed process for reporting child labor and forced labor violations, along with clear definitions of what constitutes child labor and forced labor.

The policy is based on and in accordance with the international labour standards in place to combat such exploitation, principally the United Nations Convention on the Rights of the Child (1989), The Protocol to Prevent,



48. https://files.kathmandu.co.nz/pdf/cms/kathmandu_holdings_ltd_workplace_code_of_conduct.pdf

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.



Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime (2000), The ILO Minimum Age Convention (1973) and the ILO Worst Forms of Child Labour Convention (1999). The Kathmandu policy is created to ensure that any cases of child labour and/or forced labour discovered within the Kathmandu supply chain are dealt with appropriately in a professional and timely manner.

The policy includes what initial action should be taken including what information should be gathered from an evidential perspective should an intervention requiring local Government law enforcement be required, who the information should be escalated to and within what period. It provides examples of recommended approaches to several potential scenarios involving underage workers and cases of suspected forced labor.

- **Migrant Labour Policy**

Kathmandu recognises that migrant workers are especially vulnerable to exploitation and are often subject to abuse and exploitation. They are unlikely to raise grievances with their employers or the authorities, especially if they are undocumented. They could lose their only source of income, could be locked up or deported. They may turn to unscrupulous intermediaries willing to exploit their vulnerability by finding them even riskier jobs.

The Kathmandu Migrant Labour Policy therefore outlines the company's commitment to ensuring its suppliers provide sustainable recruitment practices and employment conditions for Migrant Workers in our supply chain.

The policy provides an explanation of key terms along with what steps suppliers are required to take to ensure that Migrant Workers are treated with due respect to their basic human rights and in compliance with the Kathmandu Workplace Code and the local law. This includes pre departure, post arrival and repatriation.

Driving Transparency

EiQ is our supply chain analytics platform provided by our partner ELEVATE. EiQ was developed to provide sourcing and CSR professionals the information needed for evaluating risk at new sourcing destinations, monitoring existing suppliers, scorecarding business partners and supporting resource allocations. EiQ helps Kathmandu measure the transparency of each supplier as well as identify, implement, and measure opportunities to drive our social impact programs.

Assessing Factory Conditions

Kathmandu's full social audit tool covers the standard top-down management interviews, documentation review, visual inspection, worker interviews, consultation with unions or worker representatives and an occupational safety and health review. In addition, the audit also includes a confidential and anonymous worker survey to provide a bottom up lens of the working conditions (see Worker Voice Section, page 22).

To ensure consistency in how Kathmandu standards are assessed, Kathmandu also developed formal field instructions for its monitoring program that are shared with all auditors. The field instructions provide guidance on numerous issues including the company's approach to auditing and the priority we place on transparency over perfection, as well as the emphasis we place on worker voice and the participation of union and/or worker representatives in the opening and closing meetings during the audit.

Specific guidance focuses on the company's audit tool including direction on worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review. All auditors are provided training by the Kathmandu CSR Specialist. Where the CSR Specialist identifies inconsistencies among auditors, she documents the case and either provides feedback to the auditor or further training.



6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.

All factories are audited at least once every two years. The audit score is included in the overall risk score that is used in the segmentation process of suppliers. This scoring system is used internally to determine future business investment as well as the type of support each factory should receive.

For transactional suppliers, Kathmandu implemented a shortened audit tool in 2018 called a Minimum Standard Assessment. The shortened audit is a one-person, one-day audit that focuses on Kathmandu's minimum code of conduct standards, including questions on policies and procedures, hours of work, compensation, freedom of association, grievance mechanisms, Kathmandu's code of conduct, health, safety and the environment. This shortened audit also includes worker interviews, union engagement, management interviews, document review, and a factory walkthrough.



Worker Voice

In partnership with ELEVATE, Kathmandu uses a model of detection and prevention using direct worker feedback on working conditions to detect the level of risk, meet reporting obligations and support prevention and worker education. Laborlink is an award-winning tool for better detection and risk analysis through unfiltered worker insight and serves as a means to further support ethical sourcing at all levels of the supply chain. Laborlink provides enhanced detection through mobile technology allowing for anonymous and more reliable worker feedback. By engaging with workers in this way, Laborlink provides a more in-depth analysis and visibility of the true conditions at a factory. The factory-based worker surveys offer Kathmandu and the factory the opportunity to understand worker needs and sentiment in a deeper way. Providing workers with a safe, free, and anonymous channel to report on working conditions has been proven to detect sensitive issues in sites where traditional audits have not.

Kathmandu suppliers can also use this data to better understand the root causes of labor risks, improve recruitment practices, and support management in providing remedy for worker grievances. This survey data, when combined with educational materials and training to improve factory management's business and social performance, is a more powerful tool to reduce worker vulnerability than traditional audits on their own. From 2018, Kathmandu began including a Laborlink Worker Sentiment Survey as part of every full social audit. This 17-question diagnostic is benchmarked to over 1800 factories in 10 countries, providing a top down as well as a bottom up assessment of working conditions and trust in grievance mechanisms, from the workers' perspective.



Grievance Process

Kathmandu has created a robust grievance mechanism as part of a wider social improvement program. The process includes first verifying that a functioning grievance policy and procedure exists at every factory as part of our social audits. Kathmandu ensures there is a confidential email channel at all facilities as part of the agreed Terms of Trade with every supplier. The email address is displayed on every Kathmandu Code of Conduct. In addition to this, the same email address is displayed on business cards which are handed out by Kathmandu or Elevate staff as part of every assessment.

However, in recognition of the fact that most workers do not speak English and have limited access to email, Kathmandu realised that while the above mechanisms ticked the "grievance mechanism box", they were not very effective.

Kathmandu therefore created alternate channels in the form of links to the social media platforms used by the workers. More than 95% of workers in China use WeChat and the equivalent tool in Vietnam is called Zalo. The WeChat or Zalo QR Code is now displayed on all Kathmandu Codes of Conduct which are on display and

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.



accessible to all workers. By simply scanning the code with their own mobile phones, every worker in China and Vietnam (which makes up 80% of our supply chain) can now immediately contact and communicate directly the Kathmandu CSR team in their own language and on their own device.

Kathmandu further provides online e-learning modules to suppliers and factory management on the critical importance of having effective grievances mechanisms.

Finally, Kathmandu maintains an ongoing relationship with local partners who can be consulted and/or engaged when necessary. They are typically NGOs or trusted contacts with local knowledge and expertise on legal and complaint issues ([see Partnership Section page](#)).

Union Engagement

The CSR Specialist trains all auditors to review collective bargaining agreements (CBA) and assess against both Kathmandu's workplace standards and with respect to CBA contents during audits.

Kathmandu added additional questions on union engagement, worker representation and the review of CBAs to our audit tool.

Tracking Remediation

Kathmandu has a process to remediate findings from all factory assessments. Once an audit is completed, the auditor submits the final report within five working days and Kathmandu then raises issues or approves the report within three working days. Once the report is approved, a Corrective Action Plan (CAP) is generated and a CAP initiation email is sent to the facility contacts. The CAP creation process is a collaborative process between the facility, the auditor, and Kathmandu. The collaborative process of CAP creation is an expectation that is shared with the suppliers during the onboarding and audit process.

All facilities are required to submit an initial CAP within 14 calendar days after receiving the CAP initiation email.

Each finding is categorized into critical, major, moderate, or minor severity. Kathmandu assigns the following timelines for CAP submission by type of finding:

- a. Critical – Immediate action, within 24 hours after the audit.
- b. Major – 1 month.
- c. Moderate – 3 months; and
- d. Minor – 6 months.

Root Cause Analysis

On their own, CAPs have a limited effectiveness in improving working conditions. A root cause analysis is therefore also required for every critical issue found in a Kathmandu audit. Conducting a root cause analysis is the responsibility of the factory, with the CAP then reviewed by the CSR team. When needed, the CSR Specialist provides guidance documents on root cause analysis as part of the improvement services for suppliers.

6.3 Collaboration

Kathmandu believes that companies have a critical role in assessing, mitigating and preventing forced labor and Modern Slavery throughout their business activities. However, we also recognise that we are a comparatively small player on the global stage, and we cannot adequately address global slavery alone. Having both internal expertise and external collaboration through strategic partnerships with consumers, civil society, governments, investors, suppliers and workers is essential.

INTERNAL EXPERTISE:

Kathmandu CSR Department

The Corporate Social Responsibility (CSR) Department is responsible for developing and implementing Kathmandu's CSR policies and social impact program. The department consists of the CSR Manager, who is supported by a CSR

6.0 Actions taken by Kathmandu to assess and address the risks of Modern Slavery.

Specialist based in Asia. The CSR Manager reports directly to the General Manager of Product who in turn reports to the CEO of Kathmandu.

Modern Slavery Expertise and Experience

The Kathmandu Corporate Social Responsibility (CSR) Manager was hired in part due to his previous extensive experience in investigating and documenting cases of modern slavery. After 20 years' experience in law enforcement, he worked as an investigator for several international human rights organisations operating in Asia, Africa and Latin America. His role was to gather evidence of human trafficking in order to facilitate the rescue of victims and the prosecution of the perpetrators involved. This previous experience and expertise has been beneficial in helping Kathmandu identify and address the risks of Modern Slavery.

CSR Specialist

In order to effectively respond to the social challenges in our supply chain with transparency and integrity, Kathmandu recognised we required greater access and improved visibility, genuine understanding of the issues involved and an ability to act in a timely and culturally appropriate manner. Without any local on-the-ground staff who speak the language and understand the culture and mindset of our suppliers, this would remain a constant barrier. Having someone on the ground in the primary country of manufacture where Kathmandu manufactures the majority of its products was therefore critical for any kind of sustainable improvement at the supplier level.

The Managed CSR Service (MCSR) offered by ELEVATE provides Kathmandu with a dedicated professional, tools and other resources to help the company in the following areas:

- On the ground presence
- Immediate access to suppliers and factories
- Bridging the cultural and language gap

- Remediation support and synergy with other ELEVATE improvement services
- Risk mitigation to both workers, suppliers, factories and Kathmandu
- Corrective action management and follow up in local language and time zone
- Credible grievance mechanism for workers
- Consistent brand presence in factories
- Elevate the core competency of the Kathmandu CSR team

The CSR Specialist, who reports directly to the CSR Manager, is located on the ground in Shenzhen, China. As a Chinese national she understands both the language and the culture of the majority of both our suppliers and workers. This provides the company with the ability to communicate with most of our suppliers in their own language and in a way that respects their worldview. It also gives Kathmandu the improved ability to see and detect cases of possible exploitation previously hidden used the guise of cultural differences.

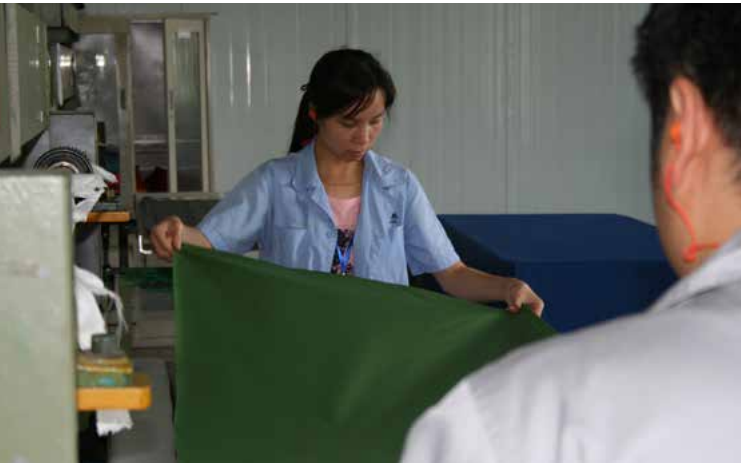
The CSR Specialist supports daily operations at the headquarter-level as well as supporting assessments and remediation efforts in the field. She is responsible for overseeing social compliance due diligence at the factory level, including providing auditors with the necessary guidance and training to ensure that company assessments meet or exceed the Kathmandu standards. She also regularly participates in social improvement projects to empower factory management and workers and help them understand the importance Kathmandu places on trust, transparency and collaboration.

Training on CSR and Modern Slavery for Kathmandu Staff



Kathmandu's Human Resources (HR) Department worked with the CSR team to develop compulsory online social compliance training modules for all staff, including headquarter and retail staff. Compliance trainings to date include Kathmandu's Workplace Code of Conduct,

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Principles of Fair Labor and Responsible Sourcing and Responsible Purchasing Practices. Each training session results in a scored assessment of knowledge gained and each training session needs to be completed successfully to be completed at all. Kathmandu tracks the percentage of completion by each staff and has a feedback form for subsequent trainings.

Training on Modern Slavery is provided annually to all Kathmandu Product staff. The CSR Manager and CSR Specialist provide training on the Mandatory Reporting of Child and Forced Labour Policy and the corresponding reporting procedures. Relevant statistics and examples of Modern Slavery are provided and case studies discussed as an example of best practice. During the latest training, the impact of the Australian Modern Slavery Act was also discussed and staff were made aware of the legal requirements of the legislation.

Supplier Training - China



Modern Slavery training was also provided to all Strategic and Core Suppliers in China. In November 2019, 24 suppliers and their corresponding factory management representatives participated in an online webinar hosted by the Kathmandu CSR Specialist. Importantly, the training was all in the local language of the workers and factory management and addressed the implications of the Code of Conduct relating to Responsible Recruitment and Modern Slavery.

The training also included a link to a video made by The Ethical Trading Initiative and Carnstone Sustainability Consultancy. A Guide to Preventing Modern Slavery in Supply Chains⁴⁹ is a short but powerful dramatization and conversation between factory management on the need to create the necessary systems to ensure they do not have cases of Modern Slavery within their business. The video is in Mandarin and is set in China, with English subtitles.

The indicators of Modern Slavery are discussed in the video such as withholding wages, excessive overtime, deception

about pay or working conditions and not letting workers have freedom of movement. The vulnerability of migrant workers is also highlighted along with the need to ensure workers do not pay labor brokers for their jobs, that contracts are in a language they understand and that they are paid fairly and as agreed.

Best practices for remediation are included such as identifying and communicating with all relevant stakeholders, identifying who at the factory has responsibility for the first response, what actions they need to take and whether appropriate remediation or compensation is required. The video stresses the needs of the affected workers need to be put first as they may be working under duress or desperation. The guide further highlights the need for a root cause assessment and the creation of internal processes to prevent such cases from happening again. Accessible, fair and transparent grievance mechanisms are recommended as well as the necessary systems to correctly manage labor agents.

Included in the video is links to additional tools such as the ILO Modern Slavery Indicator Booklet⁵⁰, the ETI Base Code Guidance on Modern Slavery⁵¹, and Protecting Your Business from the Risk of Modern Slavery and Human Trafficking⁵² by the IOM.

A link to the online ELEVATE Supplier Resource Center was also provided to all attendees which included their own copy of the training materials, further links to the aforementioned video to share with their own internal management and staff, the Kathmandu Code of Conduct and the emergency contact details of the Kathmandu CSR Manager and CSR Specialist.

Responsible Sourcing

In order to avoid creating the conditions that can fuel forced labor and other forms of Modern Slavery, Kathmandu has a Responsible Purchasing Policy which includes information on the company's commitment to worker wellbeing, supply chain characteristics and

49. https://s3-ap-southeast-1.amazonaws.com/singapore--public/suppliers_training_video.mp4

50. https://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang--en/index.htm

51. <https://www.ethicaltrade.org/resources/base-code-guidance-modern-slavery>

52. <https://thailand.iom.int/sites/default/files/Infosheets/3.%20IOM%20Thailand%20-%20CREST%20-%20Corporate%20Brochure.pdf>

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production and planning critical path schedule. The policy ensures that suppliers have a voice and an ability to delay or decline orders to avoid overtime. Kathmandu uses a purchase order and freight management system that requires suppliers to either confirm, request changes or decline production units and timeline requests. Before a purchase order can be confirmed, both supplier and Kathmandu must indicate agreement in the system.

The policy also addresses balanced planning, adequate lead times and incurring costs if a shipment delay is due to Kathmandu not being able to reach critical path deadlines. For example, if design changes are made after the deadline has passed, Kathmandu incurs the costs of any changes of freight methods to allow for a longer production time. If the delay is the fault of the supplier, the supplier pays the additional air freight costs.

Additionally, the policy outlines the Product Lifecycle Management process, which consolidates information related to line plans, design concepts, supplier information, fabric and managing critical path activities through centralising the data. This process ensures that all finished products have materials written by the Marketing Team and decisions are agreed by the Product Team before passing on to the next business process. The policy explains responsible purchasing best practices, the persons responsible for responsible purchasing practices and the scorecard process and supplier incentives.

Training on Responsible Purchasing Practices

All relevant Kathmandu staff are trained on Responsible Purchasing Practices through training modules sourced from ELEVATE. The trainings include a review of Key Performance Indicators (KPI's) as well as group activities that are identified as best practices. To date these trainings have included a formal feedback mechanism and results were reviewed by the CSR Team. In addition to training relevant business staff, Kathmandu's Human Resources department has developed compulsory training for all staff on Responsible Purchasing Practices.

Accountability to Purchase Responsibly

All relevant business staff are held accountable for carrying out responsible planning and purchasing practices through their job descriptions. Every job position description has CSR as an area of accountability. The performance standards in the area of accountability is broken down to "key accountabilities" and "performance measures." Key accountabilities include the responsibility to act without delay when a serious human rights or labor rights violation affects Kathmandu employees, customers, or workers in factories within Kathmandu's global supply chain. All staff responsible for implementing the Responsible Purchasing Practices are listed within the policy.

Implementing Responsible Purchasing Practices

Internally there are multiple meetings involved in Kathmandu's sourcing processes. These meetings include a management team meeting every two weeks, an operational team meeting on a monthly basis and a weekly critical path meeting. Kathmandu also conducts pre-allocation meetings where the Sourcing Team meets with the Merchandising Team and Product Development Team to discuss new products. Kathmandu staff responsible for planning and purchasing decisions are required to engage with the Supplier Management Team as part of the regularly scheduled stage gate meeting process, especially when problems arise so that the appropriate support can be provided at the factory level.

Consolidation of Suppliers

In 2019 Kathmandu recognised that the risk of Modern Slavery was greater within our smaller transactional suppliers. These facilities accounted for a very small amount of production and Kathmandu lacked the necessary leverage to make positive and lasting social change. Kathmandu therefore exited a number of transactional suppliers and consolidated the remainder under one locally based sourcing company, ET2C.⁵³

53. <https://et2c.com/>

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ET2C is aligned with Kathmandu's approach to CSR and transparency and hired a full time CSR Manager who was selected and trained with the assistance of the Kathmandu CSR Specialist. Working with ET2C, Kathmandu is now able to more effectively focus on those suppliers we can genuinely collaborate with while maintaining a robust level of visibility and transparency across all suppliers.

EXTERNAL COLLABORATION:

ELEVATE

As previously discussed, ELEVATE provides Kathmandu with corporate consulting services including CSR program evaluation and development, projects and research, surveys, as well as capacity building services such as CAP management, worker engagement, factory improvement support, digital learning, managed corporate social responsibility (MCSR) and key performance indicator monitoring.

Most importantly for Kathmandu, ELEVATE shares the same values and commitment to transparency. The company leadership and staff recognise the importance of going beyond the audit in order to facilitate genuine understanding, real improvement and positive impact in the supply chain. In keeping with the Benefit Mindset, ELEVATE adheres to an economic model that collectively activates business and other stakeholders to improve people's lives and preserve the planet.

Kathmandu aligned with ELEVATE in large part because of their focus on going beyond the audit to making innovative, tangible improvements and positive social impact at a local level. In an industry fraught with corruption, ELEVATE has efficient systems to ensure that their work is maintained to a high standard of integrity and transparency. Their goal is to add value and deliver lasting positive change for companies, brands, suppliers, factories and workers. Of critical importance, ELEVATE auditors and staff provide Kathmandu with a better understanding of

the local culture, language and mindset of our suppliers, factories and workers.


The partnership Kathmandu enjoys with ELEVATE has allowed the company to take a very holistic approach to our supply chain, using recommended best practices within the industry. We have collaboratively created an auditing tool and methodology that is transparent and effective at identifying areas for improvement but goes beyond compliance to continuous improvement and impact. ELEVATE also provides Kathmandu with some of the tools necessary to proactively identify those issues that are impacting workers such as the worker-sentiment surveys that provide greater insight into the issues impacting their lives.

ELEVATE is our expert advisor when it comes to addressing Modern Slavery risks in global supply chains and the company runs webinars and training sessions on the same. ELEVATE has also provided wider training on the implications of the Australian Modern Slavery Act, partnering with NGOs in running forums to equip Australian companies to be slavery free.

Fair Labor Association (FLA)

The Fair Labor Association (FLA) is a collaborative effort of socially responsible companies, colleges and universities, as well as civil society organizations. The FLA was established in 1999 and evolved out of a task force created by then United States President Bill Clinton following a series of child labor and forced labor scandals involving major apparel and footwear brands. The FLA uses a Multi-Stakeholder Approach (MSA) to improving workers lives and addressing abusive labor practices. It offers tools and resources to companies, delivers training to factory workers and management, conducts due diligence through independent assessments and advocates for greater accountability and transparency from companies, manufacturers, factories and others involved in global supply chains. Kathmandu affiliated with the Fair Labor Association (FLA) in June 2014, aligned its code of conduct





Awareness of our own mindset and the ability we have at any given moment to allow our lens of the world to be transformed, is critical to the transformation of the world.

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in 2015 and became the first brand in Australasia to become FLA accredited in 2018.

The FLA provides guidance to all members on how to address the risks of Modern Slavery in their collective supply chains. The guidance has included indicators of forced labor, responsible recruitment, benchmarks of best practice, recommendations for our suppliers and a list of resources and additional organisations to provide further guidance and assistance.

The FLA also regularly updates all its members on global risks and the latest trends and best practices as they relate to Modern Slavery. An example is the FLA Brief released in January 2020 on Forced labor Risk in the Xinjiang region in China. The brief outlined what the forced labor risks are for those companies sourcing from Xinjiang. The brief provided comprehensive background to the issue, the limitations to effective remediation due to restricted access and unreliable information, as well as recommendations and additional reading.

- **FLA Forced Labor Toolkit**

In September 2019 the FLA released a Forced Labor Toolkit and webinar-based training platform to equip all FLA members with a Forced Labor Guidance Document, Assessment Tool and training on Responsible Recruitment. The Guidance included international standards and best practices, indicators of forced labor and recommendations companies. The Assessment tool included questions to be included in any assessment system addressing recruitment issues, locked doors, debt, sanitation in dormitories, effective grievance mechanisms and appeals for disciplinary issues. The Responsible Recruitment training addressed improving recruitment practices, equipping suppliers with the skills to meet international standards and putting mechanisms in place to ensure fair recruitment by agents. The Kathmandu CSR team participated in this training and amended our own supplier assessment tools and communication procedures to comply with these recommended best practices.

- **FLA Responsible Recruitment Commitment**

In 2018, the American Apparel & Footwear Association (AAFA) and the Fair Labor Association (FLA) announced a proactive industry effort to address potential forced labor risks for migrant workers in the global supply chain. They together created a Responsible Recruitment Commitment to be signed and adopted by all participating members. The commitment states: “We commit to work with our global supply chain partners to create conditions so that no workers pay for their job, workers retain control of their travel documents and have full freedom of movement; and all workers are informed of the basic terms of their employment before leaving home.”⁵⁴

For the Commitment to Responsible Recruitment to be an effective industry tool to address risks of forced labor, the AAFA and the FLA decided that member companies who agree to sign the industry tool must incorporate the commitment into their company social compliance standards by 31 December 2019. In addition, they must periodically report on their actions to imbed elements of the commitment into their policies and processes through sustainability reporting and/or Modern Slavery legal disclosures. Kathmandu signed the Commitment to Responsible Recruitment in 2018 and in 2019 we updated our Code of Conduct accordingly in all factories making Kathmandu branded product.⁵⁵

- **FLA Transparency Group**

In 2019 Kathmandu was invited to be part of the FLA Transparency Working Group. The group was tasked by the FLA Monitoring Committee to explore the benefits and challenges of factory list transparency and the role of the FLA in facilitating greater disclosure. Proactive disclosure of suppliers is a recognised best practice and an emerging norm in the apparel industry. Consumers and human rights organisations are increasingly demanding to know where their clothing is produced in recognition that disclosure of supplier information can enable workers and their advocates to play a role in monitoring human rights risks



FAIR LABOR
ASSOCIATION

54. https://www.aafaglobal.org/AAFA/Solutions_Pages/Commitment_to_Responsible_Recruitment

55. Commitment to Responsible Recruitment (CRR)

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and combating Modern Slavery. The final recommendations of the working group were adopted by the FLA Board in 2019, requiring all affiliates to disclose their factory or site lists publicly.

Outdoor Industry Association (OIA)



Kathmandu is a member of the OIA⁵⁶, a membership-driven trade organization for the outdoor industry focused on best practices in policy, sustainable business innovation and increasing outdoor participation. The OIA provides brands like Kathmandu with a collaborative community to participate in, learn from and access best practice tools and resources for addressing common supply chain challenges such as Modern Slavery.

Sustainable Apparel Coalition (SAC)



Kathmandu is a member of the SAC, an alliance of apparel, footwear and textile companies working together to further sustainable production. The vision of the coalition is “An apparel, footwear, and textile industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.”⁵⁷ As a member of the coalition, Kathmandu is an active participant and user of the Higg Index. The Higg is a suite of tools that enables brands, retailers, and facilities of all sizes to measure and score their own sustainability performance. The Higg Index delivers a holistic overview that empowers businesses to make meaningful improvements that protect the well-being of factory workers, local communities and the environment.

Social and Labor Convergence Project (SLCP)



Kathmandu is a signatory to and participant in the Social and Labor Convergence Project (SLCP)⁵⁸. The SLCP is an initiative led by the world’s leading manufacturers, brands, retailers, industry groups, inter-governmental organizations, service providers and civil society organizations. The mission of the SLCP is to develop a common assessment framework and data collection

system, dramatically increasing industry efficiency and reducing audit-related costs.

In recognition of the fact that suppliers, factories, brands and other stakeholders are ready to move away from endless auditing to more innovative investments which actually make a difference, the SLCP is an attempt to create one agreed upon auditing framework that promotes collaboration and frees up resources which can then be redirected to programs that facilitate lasting improvements in working conditions and have a wider social impact.

Kathmandu supports and aligns with the SLCP in their mindset and actions as they attempt to move beyond traditional auditing to more creative and collaborative ways of making an impact. The Kathmandu CSR team has participated in several SLCP trainings and had input into the ongoing development of this tool. Several Kathmandu suppliers in China have also participated in the roll-out and testing of this audit tool and have provided feedback on its effectiveness and areas for improvement. Like other signatories, Kathmandu believes that the adoption of one standardised auditing tool is a necessary step so that resources currently spent on audits can be proactively spent on addressing issues like Modern Slavery.

MeKong Club



The Mekong Club⁵⁹ is a non-profit membership-based organization that works with brands and companies who want to ensure their business is free of Modern Slavery. The Mekong Club provides members with resources, training and tools better address the challenges unique to their industry.

Members are invited to work collaboratively to address forced labour and other forms of exploitation and abuse within their supply chains. In recognition of the fact that approximately 75% of Modern Slavery is forced labor and of this figure, approximately 60% of the victims are associated with manufacturing supply chains, the vision of the Mekong

56. <https://outdoorindustry.org/>

57. <https://apparelcoalition.org/>

58. <https://slconvergence.org/>

59. <https://themekongclub.org/>

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Club is to harness the power of the private sector in changing those business practices that fuel such slavery.

In 2019 the MeKong Club founder and CEO visited the Kathmandu Head Office and provided training to staff on Modern Slavery. He also addressed the potential impact their business decisions could have on workers within the supply chain. Kathmandu further arranged for a joint presentation by Kathmandu and the Mekong Club to the Canterbury Employers Chamber of Commerce, the largest business support agency in the South Island of New Zealand. The presentation focused on the potential impact of Modern Slavery on local businesses as well as proactive ways of addressing Modern Slavery through supply chain transparency and management initiatives.

CCR-CSR

The bulk of Kathmandu's suppliers are based in China. Kathmandu therefore entered a partnership with the China-based Centre for Child Rights and Corporate Social Responsibility (CCR CSR)⁶⁰ to deal with any cases of child trafficking or child labor cases that might arise. CCR CSR is a supply chain consultant based in Shenzhen.

The organisation has the experience, expertise and necessary networks to help companies improve their impact by strengthening their sustainable business practices. In 2019, CCR CSR provided advice to Kathmandu on best practices for addressing potential child labor cases in China. CCR CSR and ELEVATE further announced a formal collaborate agreement between the two agencies, making CCR CSR ELEVATE's preferred partner to support companies with child labor remediation, risk assessments and support programs for parents and young workers.⁶¹

Alliance Anti Traffic (AAT)

Kathmandu's second largest source country is Vietnam. The company therefore proactively signed a memorandum of understanding (MOU) with Alliance Anti Traffic (AAT)⁶² in Vietnam. AAT is the primary organization in Vietnam offering services to victims of human trafficking and

Modern Slavery. AAT is a local expert in prevention through education, repatriation, rehabilitation, professional training, reintegration and advocacy.

Kathmandu signed an MOU with AAT in order to establish and promote a collaborative working relationship between the two organisations. The MOU covered the sharing of confidential information and the ongoing care of victims of human trafficking and Modern Slavery in accordance with recognised best practices.

If a case of Modern Slavery is identified in any of the factories that make up part of the Kathmandu supply chain, the two organisations agreed to work collaboratively and follow a series of agreed action steps. Kathmandu and AAT agreed to communicate openly and transparently and find a solution that protects and respects the dignity of the victims, in recognition that they will be better protected by the two organisations working collaboratively together.

The MOU states that AAT will work closely with and support Kathmandu in providing on the ground assistance and advice, acting as an advocate to victims of Modern Slavery. ATT will provide a direct source of communication with the victims and provide the relevant victim support as well as assess and develop a reintegration plan that is relevant and appropriate for any victims referred to them.

The MOU further states that Kathmandu and AAT will both contribute to the ongoing safety and reintegration of victims of Modern Slavery. Each case will be dealt with separately and the amount of any financial support provided by Kathmandu will depend on the circumstances of each case. Whether Kathmandu contributes to the ongoing vocational training, schooling, repatriation, transport, accommodation or medical treatment of any victims will also be determined on an individual basis depending upon the circumstances.



60. <https://www.ccrcsr.com/>

61. <https://www.elevatelimited.com/about-elevate/news-media/elevate-ccr-csr-collaboration/>

62. <http://allianceantitrafic.org/>

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● AAT Modern Slavery Pilot Project



In February 2020 Kathmandu began a pilot project with AAT and a strategic supplier based in Ho Chi Minh City, Vietnam. The project consisted of Modern Slavery prevention education for factory workers and their communities. The training was delivered in three parts. The first part consisted of a train the trainer course for workers selected by the factory management. The second part included the roll out of the training to the rest of the workers by these trained staff, using a booklet specifically created by AAT for this project. The third and final part of the project was an evaluation of the effectiveness of the training.

The contents of the training included gender and sexuality, sexual abuse and harassment in the workplace, psychological consequences of abuse or harassment, reporting cases of exploitation, where and how to get help, how to identify and avoid a false promise of work or marriage, the risks of human trafficking, smuggling and Modern Slavery as it relates to Vietnam, debt bondage, the risks of borrowing money in Vietnam, the inherent risks in migration, and the worst risks to workers and their families through Internet use.

Baptist World Aid Australia



Every year, Kathmandu participates in The Ethical Fashion Guide⁶³, a consumer facing assessment and grading of 130 apparel companies, including 480 brands, from A+ to F on their policies, transparency, worker rights, and environmental management. In 2019 Kathmandu received an A grade, reflecting the actions we have taken and the improvements we have made in these areas. More than the grade however, Kathmandu supports and encourages this collaboration between the NGO and private sector in a way that empowers consumers to use their purchasing power in support of those brands that align with their own values.

The report benchmarks and tracks the efforts of fashion companies to ensure that the rights of the workers who make their products are upheld. These rights including a

safe workplace, a fair wage and freedom from Modern Slavery. The 2019 Report highlighted the work of Kathmandu as an example of best practice in the Worker Empowerment Section, outlining the roll-out and implementation of more effective grievance mechanisms to give workers a voice.

Tearfund New Zealand



In 2019 Kathmandu facilitated the inspection and exposure to our supply chain by Tearfund New Zealand⁶⁴. The purpose of the visit was to provide Tearfund and the wider community with an inside view of what the supply chain of an iconic Australasian brand looked like. Tearfund accompanied Kathmandu staff on the audit of one of our strategic suppliers, located on the outskirts of Ho Chi Minh City. The audit included the traditional aspects of a social audit as well as the more innovative aspects of anonymous worker interviews using Laborlink technology. Tearfund subsequently posted a very positive blog about the visit on their website⁶⁵.

New Zealand Working Group on Modern Slavery



The New Zealand Working Group on Modern Slavery was created to foster cross-sector collaboration to effectively address the root causes of slavery and exploitation. In May 2020, Kathmandu was invited to present to the members on sourcing challenges and the practical implementation of strategies to prevent and address Modern Slavery in a global supply chain. This event was ultimately postponed due to Covid-19.

Retail New Zealand



In March 2020, Retail NZ⁶⁶ held its first Sustainability Forum on Ethical and Sustainable Sourcing. The purpose of the forum was to share non-competitive information about sustainability best-practice across the sector, to enable retailers to connect and learn from each other. Kathmandu was one of two New Zealand brands who provided an overview on how to better protect the

63. <https://baptistworldaid.org.au/resources/2019-ethical-fashion-guide/>

64. <https://www.tearfund.org.nz/Get-Involved/Ethical-Fashion-Guide.aspx>

65. [https://www.tearfund.org.nz/The-Tearfund-Blog-\(1\)/August-2019/What-It-s-Actually-Like-To-Visit-Vietnamese-Factor.aspx](https://www.tearfund.org.nz/The-Tearfund-Blog-(1)/August-2019/What-It-s-Actually-Like-To-Visit-Vietnamese-Factor.aspx)

66. <http://www.retail.org.nz/>

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wellbeing of workers in our supply chain and the mindset, transparency and collaboration required to effectively address Modern Slavery.

Legacy Summit

In March 2020 Australia's leading ethical fashion summit was held online due to the threat of Covid-19. The Legacy Summit ⁶⁷ was hosted by Ndless, The Australian Fashion Council and the Fashion Revolution. The event was designed to galvanise action across the field of business, human rights and sustainability. The focus of Legacy 2020 was to explore how business within the fashion industry could be done differently. Kathmandu was invited to present on how the company was seeking to drive change within the industry and more effectively address Modern Slavery through a more collaborative model based on transparency and trust.



The Fashion Revolution

The Fashion Revolution is a global movement committed to changing the way clothes are sourced, produced and consumed. Their vision is a fashion industry that values people, the environment, creativity and profit in equal measure. The self-identified "pro-fashion protesters" want to see the fashion industry become a force for good. They do so by being bold, provocative, inquisitive, accessible and inclusive, while avoiding negative protesting, victimising and naming and shaming as ineffective ways to achieve systemic change.⁶⁸ Fashion Revolution's Fashion Transparency Index (FTI) reviews and ranks 250 of the biggest global fashion and apparel brands and retailers according to their level of transparency. In 2020 Kathmandu was included in the FTI for the first time.⁶⁹



Brand Collaboration

Throughout 2018 and 2019, Kathmandu joined with five other global outdoor brands to address the business practices of a China based supplier we all shared. Workers at the factory used the grievance mechanism to alert Kathmandu to the fact that the supplier was using



unauthorised subcontractors. In addition to this there were allegations of excessive overtime and inappropriate behaviour toward female workers by one manager.

Kathmandu created and signed a Responsible Sourcing Collaboration Agreement with the other brands. While agreeing to respect the applicable antitrust guidelines, the brands agreed to share information bearing on worker safety, wages and hours of work, overtime practices, worker recruitment, workplace conduct, labour relations, grievance systems, training, termination and other information relevant to working conditions shared by the employees of shared production facilities.

The combined business of all six brands amounted to nearly 100% of the supplier's turnover so it was unsurprising when the owner and management responded immediately and decisively by investing in CSR training and consulting services, hiring a new CSR manager, updating internal grievance mechanisms and communication channels, ceasing the use of unauthorised factories and ultimately dismissing the manager engaged in inappropriate behaviour.

University of Canterbury

In 2019, the Associate Professor of Management from the Department of Management and Entrepreneurship at University of Canterbury approached Kathmandu to collaborate in the creation of a shared project around ethical sourcing. Kathmandu subsequently provided a theoretical simulation of a case study based on the real challenges the company was facing within its supply chain.



The challenge for the students was to create a more effective paradigm than auditing in order to make a tangible improvement in workers lives. The students completed their own research and later presented their findings and ideas to Kathmandu. The project reinforced the need for companies like Kathmandu to align with suppliers who share their values and are committed to transparency.

67. <https://www.legacysummit.com.au/>

68. <https://www.fashionrevolution.org/about/>

69. <https://www.fashionrevolution.org/about/transparency/>

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Australian Dialogue on Business and Human Rights

In October 2019 Kathmandu participated in the Australian Dialogue on Business and Human Rights conference in Melbourne, hosted by the United Nations Global Compact Network Australia⁷⁰ and the Australian Human Rights Commission.⁷¹ Kathmandu was invited to speak as part of a panel discussion addressing grievance mechanisms and how to build trust and ensure access to remedy. The event was designed to support Australian companies as they consider their relationships in the region as part of their response to Modern Slavery legislation. Kathmandu explained why moving beyond auditing to provide workers with a more effective voice was critical in responding to and proactively addressing Modern Slavery.



Vietnamese Government

In 2019 the Policy Team of the Vietnam Chamber of Commerce and Industry (VCCI) invited input from the Kathmandu CSR team. The VCCI was developing a sector guide for Vietnamese businesses addressing best practices on human rights and business. Kathmandu shared our own approach to CSR and addressing human rights issues such as Modern Slavery. Further input and ongoing collaboration was postponed due to the impact of Covid-19.



Mindset Transformation Training for Suppliers

In March 2019 during a scheduled audit of a factory in Vietnam, several workers commented that the most impactful training they had received was a Mindset Transformation Course that the factory management had arranged. The workers explained that it had dramatically changed how they saw themselves, how they approached their work and how it helped them improve their working relationships. They were also grateful for the very positive impact the course had also had on their home life, family dynamics and the wider community.

Factory Management said they began sending workers on the courses in 2015 and had continued to do so because of the very positive benefits that had been seen to both workers and their business as a result. Factory management said the course empowered workers to better organise their daily lives, to be more confident in themselves and in their abilities and to be happier in the workplace as a result of the positive impact they were making.

Kathmandu contacted the course provider to find out more. ISM⁷² (Institute of Solutions and Mindful Transformation) provide courses that give workers the opportunity to discover their inner courage based on a learning approach that gives participants the tools for lasting and deep personal transformation. ISM explained that a transformation in thinking and belief is a prerequisite to any sustainable change in behaviour. In Vietnam issues such as sexual harassment, bullying, abuse, exploitation and Modern Slavery exist because people are often afraid to speak up and act.

Kathmandu decided to invest in a pilot project for such training. In December 2019 eight senior CSR and HR Managers from seven different strategic suppliers participated in a three-day Mindset Transformation course hosted by ISM. The results were very positive and Kathmandu arranged for ISM to expand the course to include all our Vietnam based suppliers. The scheduled release date in March 2020 had to be postponed due to Covid-19.

70. <https://unglobalcompact.org.au/>

71. <https://humanrights.gov.au/>

72. <http://ism.vn/>

A woman with long dark hair, wearing a blue sweater, is seen from the side, reaching up to touch a large ball of orange wool yarn. She is surrounded by numerous other balls of wool in various colors like green, yellow, and purple, which are hanging from wooden frames. The scene is set in a factory or workshop, with the lighting being somewhat dim and focused on the woman and the yarn.

Addressing Modern Slavery stands and falls on the ability to let go of our corporate ego and be transparent about our business, our values and our shared humanity – all of which are very imperfect.

7.0 How Kathmandu assesses the effectiveness of the actions we have taken.

As previously outlined, the key actions taken by Kathmandu to assess and address the risks of modern slavery in our operations and supply chains are summarised under the three areas of mindset, transparency and collaboration. How Kathmandu assesses the effectiveness of our actions in each of these areas is outlined below.

HOW WE ASSESS THE EFFECTIVENESS OF ADDRESSING MINDSET

Given that our mindset is the very lens through which we see the world, the best way to become aware of the unconscious lenses through which we see - is to ask questions that expose those lenses and/or to model what it looks like to wear lenses that are very different. The question for Kathmandu is how we are assessing the effectiveness of the questions we are asking and the different lenses and approach we are modelling. We do so through the following:

1. The CSR Manager meets with the CSR Specialist every other working day to review and assess in an ongoing manner the questions we are asking our suppliers, the responses we are seeing and the approach we are taking.
2. The CSR Manager meets with the General Manager of Product every fortnight to ensure that the approach we are modelling embodies and reflects the values and commitments of the business and our wider participation in the B-Corp movement.
3. The CSR Manager meets with the CEO on an annual basis to review Kathmandu's proactive approach and response to Modern Slavery.
4. The Sourcing team regularly discusses all potential new suppliers with the CSR Manager and the CSR Manager is required to approve any new vendor as part of the onboarding process.
5. Including a worker sentiment survey as part of every full social audit ensures that Kathmandu can ask better and more relevant questions of workers and gain a more thorough and complete understanding of their overall wellbeing as a result.

6. The CSR Manager tracks the positive disruption caused to the existing business model of auditing and compliance through the growing number of other businesses and brands seeking to connect with Kathmandu, understand our approach and apply our methodology to their own supply chain.

Example

Including the worker voice section in all our full social audits has revealed that some suppliers who score very well in a traditional audit, can simultaneously score very poorly in the worker voice section. One such supplier received an audit score of 93% which is an "A" grade result. However, when workers participated in the anonymous worker survey, 58% reported workplace bullying. Of those who reported such harassment, nearly twice the number of female workers reported being the victim of such bullying as their male colleagues. Such concerning results would not have been identified or even voiced during a traditional audit.

Similarly another supplier who also scored very well in the traditional audit score, revealed cases of sexual harassment with some female workers stating they had experienced or witnessed unwelcome sexual remarks or physical contact by a co-worker or superior in the last 12 months. Such findings have given us greater confidence in the mindset we are adopting and the effectiveness of our approach to detect forms of abuse, exploitation and Modern Slavery.

HOW WE ASSESS THE EFFECTIVENESS OF TRANSPARENCY

Transparency is encouraged and facilitated by modelling the same vulnerability and willingness to trust that we seek from the other. Transparency in business requires courage, ownership and a willingness to get it wrong - so that we can learn, improve and transform. We reward those who are transparent in business by investing more in our relationship with them. Equally we caution and ultimately withdraw from those suppliers who are unwilling to be

7.0 How Kathmandu assesses the effectiveness of the actions we have taken.



transparent with us and who are also unwilling to change. How we assess the effectiveness of facilitating such transparency is through the following:

1. The CSR Specialist tracks the number of suppliers who are willing to be transparent about the imperfections within their business and seek external guidance on how to improve.
2. 100% of our Tier 1 factories are required to complete a social audit, corresponding CSR assessments and/or participate in supplier ownership programs every two years as part of their Terms of Trade Agreement with Kathmandu. Transparency is the number one issue on our Supplier Code of Conduct that is assessed and tracked. The CSR Specialist follows up on all mitigation measures, corrective action plans and ongoing social improvement projects as part of her existing job description.
3. The CSR Specialist tracks the transparency of each supplier and their willingness to improve when the results of their assessment are initially inconclusive or inconsistent.
4. The CSR team tracks the number and nature of grievances received from workers in the supply chain, further ensuring there is a level transparency that extends to all workers making Kathmandu product.
5. The CSR Specialist tracks specific violations that lead to inconsistent and inconclusive results following a social assessment and provides clear and simple guidance on how a supplier can improve.
6. Through the EiQ platform, Kathmandu monitors trends in transparency across sector, product type, province and country. EiQ allows us to compare the levels of transparency we are seeing with the results of other brands as well as industry market leaders.

Example

The grievance mechanisms we have created as part of our wider social improvement program have facilitated direct contact between workers on the factory floor with the mobile phone sitting on the desk of the CSR Manager. This has resulted in more effective communication, more efficient and helpful interventions and a response that is both timely and culturally appropriate. Specific grievances have resulted in specific improvements in health and safety, internal grievance mechanisms, greater clarity and improved systems around wages and overtime, as well as the removal of a factory manager who was behaving inappropriately toward female workers.

HOW WE ASSESS THE EFFECTIVENESS OF COLLABORATION

In assessing the effectiveness of collaboration, both the strength of the relationship between those who have agreed to work collaboratively, as well as the results they achieve by working together are considered. How we are assessing the effectiveness of our collaboration is through the following:

1. The Kathmandu approach to CSR, monitoring and compliance, the implementation of best practices and the social impact of our work is annually assessed and independently monitored by the Fair Labor Association as a result of our accreditation and ongoing partnership with them.
2. Our risk assessment processes and ongoing implementation of best practices are regularly updated as a result of our partnership with ELEVATE, access to their combined history and experience, country and industry specific expertise and relevant tools and technology such as EiQ.
3. Kathmandu measures the impact of Modern Slavery prevention education and training with our suppliers provided through our partnerships with relevant NGOs

7.0 How Kathmandu assesses the effectiveness of the actions we have taken.

who have the necessary expertise, qualifications, cultural understanding and experience.

4. The CSR Manager tracks the number of collaborative partnerships with other businesses and global brands who choose to work cooperatively to address shared social challenges and Modern Slavery risks in their supply chains.
5. The CSR Manager tracks the number and nature of invitations and ongoing opportunities to collaborate with tertiary intuitions and higher education facilities on CSR and Modern Slavery related initiatives and business best practices.
6. The CSR Manager has KPIs that reflect and measure how Kathmandu is supporting and aligning with other brands working in collaboration on CSR and Modern Slavery initiatives.

Examples

China

In November 2019, Modern Slavery training was provided to our Strategic and Core Suppliers in China. Factory management and supplier representatives participated in an online webinar focused on our partnership-based approach to CSR, raising awareness on Modern Slavery and proactively addressing those factors that can fuel it. Included in the training was a video provided by the Ethical Trading Initiative. Feedback provided by our suppliers through a follow up survey on the effectiveness of the training confirmed that 84% thought the training was either very or extremely relevant to their role. 74% of suppliers said the training had met or exceeded their expectations and 89% said the training was easy to understand.

Vietnam

In February 2019 Kathmandu began rolling out a pilot project with AAT and a Strategic Supplier based in Ho Chi Minh City. The effectiveness of the project was assessed by

follow up surveys of workers. The results were very positive with both the supplier and the NGO expressing gratitude for the professionalism and effectiveness of the course.

The Managing Director of the supplier said she could not adequately describe in words the positive and very powerful impact of the training. She said it empowered both herself and her staff to know how to better protect themselves, their families and their communities and not let fear dictate their decisions and lives. She said the course allowed them to discover more about themselves as people and develop their strengths and abilities, to live proactively and positively. The workers surveyed reported that the training had an immediate and very positive impact on themselves, their families and their communities. Moving forward the supplier said rolling out such training to their entire workforce was a priority.

Feedback and Effectiveness

To measure impact and effectiveness of the training, participants completed three different questionnaires at three different times; before the training, immediately after the training and again two months later. The three questionnaires assessed changes in knowledge, attitude and practice.

● Changes in Knowledge

Before the training, 33% of workers did not know anything about the risks of sexual abuse with many saying they lacked any knowledge of sexual harassment. After the training more than 80% of workers said they knew very well how to identify forms of sexual abuse, sexual harassment and Modern Slavery.

● Changes in Attitude

Measuring changes in attitudes is an effective way to assess changes in behaviour. The largest changes were in the areas of human trafficking, gender discrimination and domestic violence.

7.0 How Kathmandu assesses the effectiveness of the actions we have taken.



Before the training, 27% percent of workers said Modern Slavery and human trafficking would never happen to them, 27% thought being gay or lesbian was a psychological illness and 22% believed using physical violence was a good way to teach their children. After the training, these numbers dropped to 4%, 13% and 15% respectively.

- **Changes in Practice**

The completion of the third questionnaire was delayed as a result of the arrival and ongoing impact of Covid-19.

8.0 Covid-19 Impact & Response.

Impact of Covid-19

The COVID-19 pandemic was first identified in Wuhan, China, in December 2019. The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January and a pandemic on 11 March 2020. On 19 March 2020, the International Labour Organization stated that 25 million jobs could be lost worldwide because of COVID-19. Underemployment was also expected to increase on a large scale, as the economic consequences of the outbreak translated into reductions in working hours and wages. Falls in employment would also mean large income losses for workers and working poverty was expected to increase significantly. The ILO warned that certain groups would be disproportionately affected by the crisis including people in less protected and low-paid jobs, particularly youth and older workers, as well as women and migrants.

Both Challenges and Opportunities

To better understand the impact of COVID-19 on the apparel and fashion industry, in April 2020 the Australian Fashion Council conducted a survey in partnership with the Australian Textile Clothing and Footwear Industry. The results of the survey confirmed that the apparel industry was in crisis with 75-80% of companies agreeing or strongly agreeing to being negatively impacted by Covid-19, 87% reporting a drop in in-store sales leaving many businesses struggling to meet their obligations and 55% of businesses saying it would take more than a year, if at all, recover financially.

Some businesses also said Covid-19 was also an opportunity to become more sustainable and collaborative. "The crisis had reinforced the need to rethink current systems and create new business models. Embracing more sustainable practices, working toward a circular economy and shifting the dial on recycling fashion waste are central to many businesses views on opportunities for the future."⁷³

In relation to collaboration, some businesses reported an increased desire to come together and pool resources and

participate in industry joint ventures. "Collaboration is even more apparent as an opportunity for smaller brands and sole traders; from co-working spaces, to overcoming MOQ's, to joint workshops and co-owned assets and equipment. Businesses recognise opportunity in diversifying both their markets and their product offering."⁷⁴

Guidance from the Fair Labor Association (FLA)

As an accredited member, Kathmandu liaised closely with the FLA and sought guidance from them as to those best practices to be employed in response to the pandemic. We also communicated with other FLA members and global brands to ensure our response was collaborative and aligned.

The Fair Labor Association (FLA) provided country specific information on the Covid-19 crisis that included Covid-19 status updates, national and local Government actions, rules and guidelines, insurance provisions, retrenchment options, workers rights and cash support for those made redundant as a result of the pandemic. This information and the relevant links were provided to our suppliers on a country specific basis.

The COVID-19 Fashion Commitments

The 2020 Ethical Fashion Report was put on hold due to the impact of Covid-19. Instead, Baptist World Aid (BWA) Australia and Tearfund New Zealand, in alignment with the ILO Call to Action in the Global Garment Industry, agreed on 6 commitments they asked companies to make to protect the wellbeing of their workers during the pandemic. The 6 Commitments were:

1. Support workers' wages by honouring supplier commitments
2. Identify and support the workers at greatest risk
3. Listen to the voices and experience of workers
4. Ensure workers' rights and safety are respected
5. Collaborate with others to protect vulnerable workers
6. Build back better for workers and the world

8.0 Covid-19 Impact & Response.



Kathmandu chose to align with the BWA and Tearfund commitments and took the following actions:

- **Commitment 1**

Kathmandu worked with suppliers to delay our orders and agreed to honour all purchase orders for apparel and 90% for equipment. Ultimately no orders were cancelled at all and 100% of orders across the business were honoured.

- **Commitment 2**

Kathmandu conducted a survey of all our Suppliers to identify and support workers at greatest risk. 80% of our suppliers completed the survey. The impact of COVID-19 on our supply chain in terms of layoffs was very small (2.5% of workers). Of those, 90% were fully or partially compensated according to law and nearly half found jobs elsewhere. 21% resigned of their own accord due to the impact of the virus. Within our supply chain (70% of which is in China) those workers who required the most support were domestic migrant workers. This is expected as most factory workers in China live in dormitories near the factory as the distance from their homes is too great for a daily commute. The largest impact on migrant workers of any kind was the inability to travel or the impact of quarantines and the need to isolate for a period.

All suppliers were aware of and adopted the recommended / required Health and Safety steps including PPE for workers. Prior to COVID the major challenge for suppliers was training and development. Following COVID the challenge was maintaining salary levels. Prior to COVID the major challenges for workers was bonuses and allowances. Following COVID the main challenge was maintaining their existing salary level.

100% of workers have access to grievance mechanisms, both internal and external. No workers had to incur a debt because of the virus.

- **Commitment 3**

The Grievance Mechanisms we have allow workers to contact us directly via their phones. We received some messages, but none were serious and we responded to all of them. One example was a worker contacting us via WeChat to complain about the pay cut they were receiving because of COVID. As per our Grievance Policy, we reached out to them to see if they were willing to engage with us further, provide additional information and corroborate their grievance and complaint. In this case the workers said they no longer worked for the supplier and did not want to engage further with us. We investigated the pay rate and found that this was compliant and above minimum wage and above what other suppliers were paying their workers in this region during this time. We decided not to take this any further as a result.

- **Commitment 4**

Kathmandu worked with ELEVATE to create a Remote Assessment that allowed us to continue to audit and monitor our factories during this time when we cannot visit in person. The Remote Assessment was developed by ELEVATE to provide a scalable, fast and global audit alternative to assess facility compliance performance and uncover potential findings during the outbreak of COVID-19. It is not designed to replace the traditional onsite assessment but aims to provide valuable insights into a suppliers' performance and continue to hold our supply chain partners accountable for actions they have committed to. Kathmandu decided to make the Remote Assessment valid for 1 year instead of 2 years as with normal audits.

- **Commitment 5**

Kathmandu collaborated with multiple brands and other organisations in order to better protect vulnerable workers. This took the form of sharing audit data from our factories with other brands, sharing our approach to CSR and running a workshop for them on setting up effective grievance mechanisms, facilitated a training session on

8.0 Covid-19 Impact & Response.

using local social media channels to create a simple, cost effective Grievance Mechanism that other brands could adopt during this time and shared which factories in our supply chain had pivoted to start making PPE so the OIA could publish this detail on their public facing website.

● Commitment 6

Challenging existing ways of doing business that are the cause of the many social issues we are facing and promoting and inviting others to consider other models that place equal weight on profit, people and planet. This included engaging with other B-Corp companies to collectively influence and demonstrate what a triple bottom line (people, planet and profit) looks like. This also meant investing in new and innovative staff training called an Inner MBA which is run by LinkedIn, Mindful NYU, Wisdom 2.0 and Sounds True. The Inner MBA is a nine-month immersion program to train leaders, entrepreneurs, managers, and employees on how to powerfully grow themselves and their companies.

Responsible Purchasing Policy

The effectiveness of Kathmandu's Responsible Purchasing Policy was tested in response to the crisis. The Sourcing Team opted to engage directly with every supplier by email and then by telephone. In each instance, Kathmandu submitted our business case and asked for feedback from the supplier as to whether this was acceptable to them. A compromise was sought that respected and honoured the existing purchase orders placed by Kathmandu and the investment in raw materials already made by some suppliers. At the same time, Kathmandu sought agreement on delays of various lengths to allow the company to honour those orders in full. This resulted in an ongoing relationship with each supplier that respected the needs of both parties.

In summary, Kathmandu took the following steps:

- sought to understand the impact of Covid-19 on each of our suppliers

- affirmed our commitment to responsible purchasing practices and our desire to consult with them to find solutions that can mitigate harm to workers
- confirmed that there would be no cancellations of existing orders
- said we would instead seek to extend the delivery windows to ensure the company could honour all existing commitments
- confirmed that there would be no penalties of any kind
- communicated that we would review and extend shipping windows to allow for factories to have more time to complete orders to decrease excessive overtime.
- made the decision to delay some order shipments in consultation with the supplier
- asked to actively slow down and delay the flow of stock from factories so the company could continue to meet its financial commitments and to ensure that any overtime requirements to catch back production caused by such delays would be negated
- invited feedback on all our proposed solutions and asked if this was acceptable to each supplier
- compromised wherever possible to find a solution that was acceptable to both the financial needs of the company and the supplier
- maintained regular communication with each supplier on what Kathmandu was doing and why.

CSR Response

The Kathmandu CSR team also communicated with every supplier and repeated what the Sourcing Team had said, namely that Kathmandu would honour every purchase order, albeit with a delayed timeline negotiated individually with each supplier. The CSR team affirmed that our commitment to the wellbeing of those who make our products had not changed, stating, "We remain resolute in our desire to figure out effective ways to mitigate the negative impact of this virus while at the same time maintaining and improving the wellbeing of workers."

8.0 Covid-19 Impact & Response.

CSR Assessments During Covid-19

Due to the health risks posed to both auditors and workers, as well as the ongoing impact of Covid-19 around the world making travel impractical, Kathmandu communicated to all suppliers that we would be cancelling all scheduled social audits until further notice. In place of social audits and in keeping with our existing CSR Strategy, as an interim measure Kathmandu said we would be more willing to accept and rely on copy audits completed by other brands, as well as move to the aforementioned remote assessments to ensure ongoing visibility and transparency.

Worker Voice

In addition to the obvious health risks posed by Covid-19, Kathmandu communicated our concerns that Covid-19 would leave many workers vulnerable to unemployment, social isolation, debt and exploitation. We required all suppliers to remind their workers to utilise internal grievance mechanisms to communicate their needs to management in a constructive manner as well as potential solutions and creative ways to respond and adapt. We also required suppliers to ensure that workers had access to external grievance mechanisms, including our own Kathmandu Code of Conduct.

Severance Pay

In the unfortunate event that making some staff redundant was necessary, we required our suppliers to ensure that workers were paid whatever legally mandated severance pay they were entitled to.

Modern Slavery

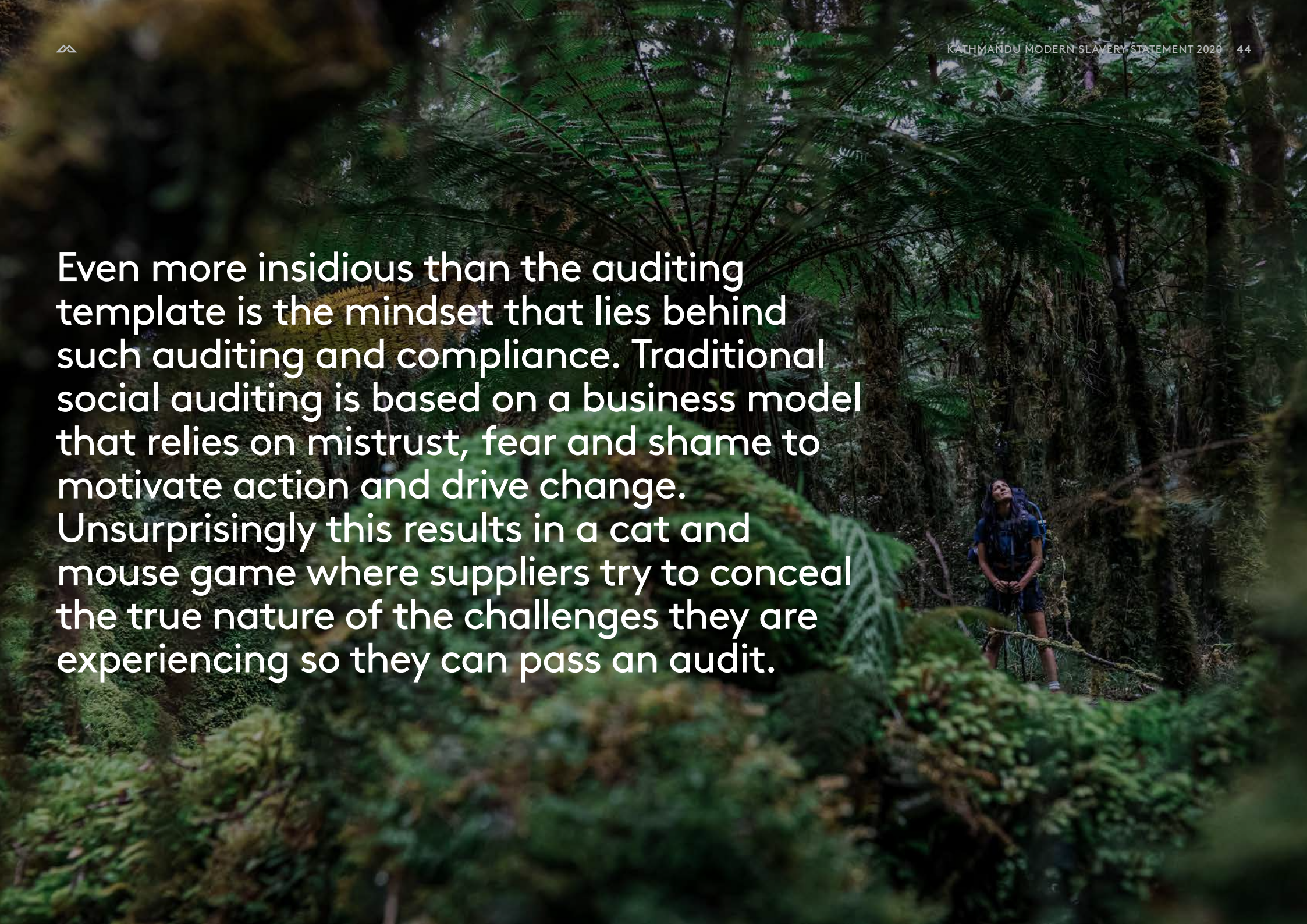
We reminded all suppliers that poverty, debt, deception and exploitation could lead to workers falling victim to various forms of Modern Slavery. We asked them to communicate openly with their workers of the need to be vigilant of those seeking to take advantage of them and their families during the pandemic.

Employee Care

Kathmandu provided links to ELEVATE webinars (accessible in both Chinese and English) focusing on COVID-19 prevention and employee care. The focus of the webinars was on best practices in helping workers better understand what actions to take and what role they could play in protecting themselves and others.

The COVID-19 Fashion Commitments Result

Kathmandu was independently assessed by BWA Australia and Tearfund New Zealand as to how the company performed in relation to the commitments. Kathmandu was one of several companies who provided sufficient evidence of the actions completed against all 6 commitments.



Even more insidious than the auditing template is the mindset that lies behind such auditing and compliance. Traditional social auditing is based on a business model that relies on mistrust, fear and shame to motivate action and drive change. Unsurprisingly this results in a cat and mouse game where suppliers try to conceal the true nature of the challenges they are experiencing so they can pass an audit.

9.0 Consultation Process.

JANUARY 2019

Modern Slavery Act Commences

MARCH 2019

Mekong Club

Meet with Matt Friedman, Founder and CEO of Mekong Club.

Commence ongoing communication, feedback and information sharing on Modern Slavery.

MARCH 2019

Be Slavery Free Event on Modern Slavery Act (formally Stop the Traffik Australia)

Kathmandu participated in the Melbourne based event run by Stop the Traffik Australia, an Australian charity whose mission is to prevent, disrupt and abolish Modern Slavery. The event was called Towards Slavery-Free Business and included speakers from ELEVATE, The Mekong Club and relevant Unions. Mr Chris Crewther MP, the chair of the Modern Slavery Inquiry Committee addressed the Forum and discussed the benchmarks in addressing Modern Slavery. The relevant guidance material on the Modern Slavery Act was also released at the event and was discussed by senior officials from the Australian Department of Home Affairs.

MARCH 2019

Kathmandu Suppliers

Visit Kathmandu Suppliers in Vietnam and discuss Modern Slavery with management and workers.

Commence ongoing communication regarding training and prevention of Modern Slavery.

APRIL 2019

Ministry of Business, Innovation and Employment

Liaised with the New Zealand Government working group on Modern Slavery and available resources.

MAY 2019

Kathmandu Executive

CSR Manager reported to Kathmandu Executive on Australian Modern Slavery Act and implications for the business. Completed a White Paper for the company coming out of this meeting.

Continue ongoing dialogue with Executive team members, CEO and Kathmandu legal counsel regarding the Kathmandu Modern Slavery Statement.

MAY 2019

New Zealand Human Rights Commission

Liaised with Human Rights Commission and obtain their input and report on what the Modern Slavery Act will mean for Big Businesses.

JUNE 2019

Legal Input

Worked with legal Counsel for Kathmandu to ensure the company fully understands the Act and the reporting requirements. Kathmandu Pty Limited was deemed the most appropriate entity to issue the Modern Slavery statement.

JULY 2019

Sustainability Partners

Began working with Canadian consultants Sustainability Partners on best practices for businesses in response to Modern Slavery.

AUGUST 2019

Fair Labor Association (FLA)

Liaise with FLA and obtain materials on best practices for addressing Modern Slavery in supply chains.

9.0 Consultation Process.

OCTOBER 2019

Australian Dialogue on Business and Human Rights

Attend Dialogue convened by the Global Compact Network Australia (GCNA) and the Australian Human Rights Commission (AHRC) addressing “Doing Business with Respect for Human Rights in the Asia Pacific Region”.

OCTOBER 2019

Research

Met with Justine Nolan, author of Addressing Modern Slavery.

OCTOBER 2019

Mindset

Met with Ash Buchanan, author of Benefit Mindset.

Discuss the application of this system and mindset in relation to Modern Slavery and its root causes.

OCTOBER 2019

B-Corp

Kathmandu becomes a B-Corp. Research and apply B-Corp best practices and resources to addressing Modern Slavery.

NOVEMBER 2019

Alliance Anti Traffik (AAT) Vietnam

Liaise with AAT and obtain their input into our ongoing approach to addressing Modern Slavery.

FEBRUARY 2020

Rip Curl

Met with Rip Curl CSR and Ethical Sourcing Team to compare approaches to addressing Modern Slavery and how each company could benefit the other in improving our effectiveness.

MARCH 2020

Kathmandu CSR team engages with and presents to Legacy Summit on Sustainable and Ethical Fashion (online) as well as Retail New Zealand’s first Ethical Sourcing forum in Auckland.

MARCH 2020

ELEVATE CEO visits Kathmandu Head Office and provides training on Ethical Sourcing trends and best practice.

11 MARCH 2020

Covid-19 Declared a Pandemic

All CSR initiatives, supplier training conferences and physical auditing is suspended because of COVID-19 lockdown measures throughout Australia and New Zealand and all international travel is halted.

MAY 2020

The DRAFT Modern Slavery Statement is circulated among selected Kathmandu Executives for final feedback and approval before submitting to the Kathmandu Board for sign off.

JUNE 2020

Consult with FLA regarding ongoing response to forced labor and COVID-19. Focus on ensuring worker voice and grievance mechanisms are visible and maintained. Collaborated with other brands in sharing audit data and responding to COVID-19 in shared suppliers.

JULY 2020

Work with Baptist World Aid (BWA) Australia and Tearfund New Zealand on the COVID Fashion Commitments and respond in kind using best practices.

10.0 Summary and Conclusion.

Kathmandu has moved away from a mindset that sees CSR as an “add on” or something we have an obligation or duty to perform. Instead the company has embraced a more integrated approach that sees responding to social challenges such as Modern Slavery as an authentic expression of the purpose and values of the company.

Rather than CSR being something we “have to do”, it is something we “get to do”. As Kathmandu Holdings Group CEO Xavier Simonet said, “Human rights is not something we reluctantly feel obligated to consider as a necessary business risk. It is our number one material issue reflecting the very heart of our values and brand.”

For Kathmandu, CSR is therefore less about our “responsibility” and much more about our ability to respond. Anything less is an expression of fear, not freedom. And since it is greater freedom we are seeking to create in the face of Modern Slavery, we believe this approach is critical. As the proverbial wise person once said, we cannot give to others what we do not already possess ourselves.

We accept that we cannot directly change the weak rule of law and the corruption that allows Modern Slavery to flourish. Neither can we directly improve the social and gender inequalities that already exist in the cultures with whom we do business. But as one of many global apparel brands with the combined weight of billions of dollars in commercial investment and revenue, together we can do the following:

- Start with ourselves and do everything possible to ensure our own internal cultures and external supply chains are free of Modern Slavery and that we have the tools and networks necessary to address cases if and when they arise.
- Work collaboratively with civil society organisations, Governments, multi-stakeholder initiatives, Inter-Governmental Organisation and our business competitors to utilise our unique strengths in the private sector.
- Be transparent about cases of Modern Slavery if and when they arise, share both our strengths and our weaknesses, and communicate widely those things we have learned from our achievements and our mistakes.

None of these steps will be possible without adopting a Benefit Mindset, a new way of seeing the world and ourselves in it - and a new way of doing business.

Those caught in the web, secrecy, darkness and suffering of Modern Slavery implore us to be swift in doing so.

Gary Shaw

CSR Manager
Kathmandu



Modern Slavery continues to thrive and flourish in the world in large part because it is not visible. Making our own supply chain more transparent is therefore a central part of our overall CSR strategy.

11.0 Appendices.

- Workplace Code of Conduct
- Child and Forced Labor Policy
- Migrant Labor Policy

The Kathmandu group — workplace code of conduct



The Kathmandu group — workplace code of conduct

This code defines labour standards that aim to achieve decent and humane working conditions. The Code's standards are based on International Labour Organization standards and internationally accepted good labour practices. As an organization that promotes continuous improvement, the Kathmandu Group strives to establish best practices for respectful and ethical treatment of workers, and in promoting sustainable conditions through which workers earn fair wages in safe and healthy workplaces. The Code applies to the entire family of brands owned by the companies in the Kathmandu Group. The "Kathmandu Group" includes Kathmandu Holdings Limited, Kathmandu Pty Limited, Kathmandu Limited, Kathmandu (U.K.) Limited, Oboz Footwear LLC, Rip Curl Group Pty Limited, Rip Curl Pty Limited, Rip Curl Inc, Rip Curl Europe S.A.S, and any of their Subsidiaries or Related Companies (as those terms are defined in the Companies Act 1993 (New Zealand))

TRANSPARENCY

In order to do business with any member of the Kathmandu Group, Suppliers must commit to full transparency in their Supply Chain. The Supplier must seek the approval of the relevant member of the Kathmandu Group for all primary and/or subcontracted facilities prior to production. In addition, the Kathmandu Group may seek to extend transparency further down the Supply Chain.

COMPLIANCE WITH THE LAW

In order to do business with any member of the Kathmandu Group, a Supplier is expected to comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Workplace Code in their applicable facilities. When differences or conflicts in standards arise, Suppliers are expected to apply the highest standard.

EMPLOYMENT RELATIONSHIP

Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

NONDISCRIMINATION

No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, gender identity, nationality, political opinion, social group or ethnic origin.

HARASSMENT OR ABUSE

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

RESPONSIBLE RECRUITMENT

No worker shall pay for their job; all workers shall retain control of their travel documents and have full freedom of movement; and all workers shall be informed of the basic terms of their employment before leaving their home country or region.

MODERN SLAVERY

There shall be no slavery of any kind in the Supplier's supply chain. This includes the use of forced labor, human trafficking, prison labor, indentured labor, bonded labor or other forms of labor facilitated by any form of coercion or deception. Workers are not required to lodge deposits or their identity papers with their employer and are free to leave their employer after reasonable notice.

CHILD LABOR

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

HEALTH, SAFETY, AND WORKPLACE ENVIRONMENT

Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace environment has on the workers.

HOURS OF WORK

Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be voluntary and consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

COMPENSATION

Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the Kathmandu Group to take appropriate actions that seek to progressively realize a level of compensation that does.

ENVIRONMENT

Business partners of all members of the Kathmandu Group are required to comply with all applicable environmental laws, rules and regulations at their facilities and in the communities in which they operate, particularly with respect to water, energy, hazardous chemicals, air quality and waste. Further, the Kathmandu Group expects its business partners to incorporate environmentally responsible practices into all of their activities that relate to their business with the Kathmandu Group.

CONTACT: If any worker or business partner believes this Codes has or may have been violated, please contact the Kathmandu Group at:

Email: workers.rights@kathmandu.co.nz

Mandatory Reporting of Child & Forced Labour Policy

Prepared by	Gary Shaw, CSR Manager
Date	22nd November 2016
Version	3.0
Status	Updated 01.02.18

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1.0 Mandatory Child & Forced Labour Reporting Policy

1.1 Purpose

This policy outlines the mandatory requirements for reporting a case of Child Labour and / or Forced labour discovered within the Kathmandu supply chain.

Using 2012 figures, the International Labour Organisation (ILO) estimate that 20.9 million people are victims of forced labour globally, trapped in jobs into which they were coerced or deceived and which they cannot leave. This figure, like the previous one in 2005, represents a conservative estimate, given the strict methodology employed to measure this largely hidden crime.

Human trafficking can also be regarded as forced labour, and so this estimate captures the full realm of human trafficking for labour and sexual exploitation or what some call “modern-day slavery”. The figure means that around three out of every 1,000 persons worldwide are in forced labour at any given point in time.

Women and girls represent the greater share of the total – 11.4 million (55%), as compared to 9.5 million (45%) men and boys. Adults are more affected than children – 74% (15.4 million) of victims fall in the age group of 18 years and above, whereas children aged 17 years and below represent 26% of the total (or 5.5 million child victims).

Of the total number of 20.9 million forced labourers, 18.7 million (90%) are exploited in the private economy, by individuals or enterprises. Out of these, 4.5 million (22%) are victims of forced sexual exploitation, and 14.2 million (68%) are victims of forced labour exploitation in economic activities, such as agriculture, construction, domestic work or manufacturing. The remaining 2.2 million (10%) are in state-imposed forms of forced labour, for example in prisons, or in work imposed by the state military or by rebel armed forces. 1.

The figures do not include trafficking for the removal of organs or for forced marriage/adoption unless the latter practices lead to a situation of forced labour or service. The Asia-Pacific region accounts for by far the largest number of forced labourers – 11.7 million or 56% of the global total.

There are a number of international labour standards in place to combat such exploitation, principally the United Nations Convention on the Rights of the Child (1989), The Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations

Convention against Transnational Organized Crime (2000), The ILO Minimum Age Convention (1973) and the ILO Worst Forms of Child Labour Convention (1999).

The Minimum Age Convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). The Worst Forms of Child Labour Convention defines as a “child” a person under 18 years of age. It requires ratifying states to eliminate the worst forms of child labour, including all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; child prostitution and pornography; using children for illicit activities, in particular for the production and trafficking of drugs; and work which is likely to harm the health, safety or morals of children.

The convention requires ratifying states to provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration. It also requires states to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labour.

Kathmandu supports and endorses the international labour standards established to combat exploitation. This policy is created to ensure that any cases of child labour and / or forced labour discovered within the Kathmandu supply chain are dealt with appropriately in a professional and timely manner.

1.2 Scope

Child Labour

The ILO defines child labour as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

It refers to work that:

- Is mentally, physically, socially or morally dangerous and harmful to children; and
- Interferes with their schooling by:
- Depriving them of the opportunity to attend school;
- Obliging them to leave school prematurely; or
- Requiring them to attempt to combine school attendance with excessively long and heavy work.

In its most extreme forms, child labour involves children being enslaved, separated from their families, exposed to serious hazards and illnesses and/or left to fend for themselves on the streets of large cities, often at a very early age. Whether or not particular forms of “work” can be called “child labour” depends on the child’s age, the type and hours of work performed, the conditions under which it is performed and the objectives pursued by individual countries. The answer varies from country to country, as well as among sectors within countries.

Kathmandu supports ILO Minimum Age Convention with regard to the minimum legal age of workers. Kathmandu will not knowingly work with suppliers who use child labour. If a supplier is found by Kathmandu to use child labour, the case will be immediately documented and fully investigated as per this policy.

Kathmandu Suppliers must employ workers in accordance with the minimum employment age defined by national law or by International Labour Organization (ILO) Convention - whichever is higher. The ILO minimum employment age is the local mandatory schooling age, but not less than 15 years of age, subject to exceptions allowed by the ILO and national law.

Kathmandu Suppliers must comply with all applicable laws governing minimum working age:

- If set below 15 years of age, then no one under the age of 15 is permitted to work (subject to exceptions allowed by the ILO and national law).
- If set at 15 years of age, then no one under 15 is permitted to work.
- If set above 15 years of age, then no one under the age established by law may work on the factory floor.

Kathmandu Suppliers must be able to demonstrate the establishment and proof of implementation of a written policy specifying the youngest age for hired workers to ensure compliance with the child labour provision as detailed above. All workers must be aware of this policy without exception.

Kathmandu Suppliers must comply with all legal restrictions placed on young/juvenile workers and should take every precaution to ensure that these workers are protected from conditions dangerous to their health, safety and / or welfare.

This includes but is not limited to:

- The number of days worked to days of rest.
- The number and frequency of overtime hours worked,
- Hazardous and/or night shifts,
- The implementation of annual (as a minimum) medical examinations

Suppliers must maintain accurate and up-to-date documentation for juvenile workers, as required by law, including written permission from parents or guardians, registration, school completion certificates and doctor certificates where applicable.

Kathmandu Suppliers must have a written Recruitment & Employment Policy which includes:

- Clear definitions of legal age limitations,
- Procedures in place to verify and record legal age documentation in the form of birth certificates, government identification cards and/or other official documents,
- Secure Personnel Files for all employees.

No children under the age of 15 are allowed into any operational areas or factory space, even if they are not employed in the facility.

Forced Labour

Kathmandu only operates with suppliers whose employees work freely under their own volition, and are in no way forced, bonded or obligated to work against their will.

- Employment is freely chosen by all employees.
- There is no forced, bonded or involuntary prison labour.
- All forms of forced and slave labour are prohibited.

Workers are not required to lodge monetary deposits or their identity papers with their employer and are free to leave their employer after reasonable notice without malice.

Kathmandu Suppliers shall not engage in or support trafficking in human beings. Suppliers must verify that their product supply chains address risks of slavery and human trafficking.

Kathmandu Suppliers shall certify that they have implemented procedures to manage the materials, including all labour related processes, incorporated into their products to ensure they comply with laws on slavery and human trafficking.

Workers employed in any part of the Kathmandu supply chain must be able to voluntarily end their employment without any restrictions. Any restrictions for workers to voluntarily end their

employment, such as excessive notice periods or substantial fines for terminating their employment contracts, are prohibited.

Kathmandu Suppliers must never physically prevent or delay workers from leaving the facility or its grounds unless for reasonable safety reasons.

Kathmandu Suppliers must grant employees permission to leave the factory under reasonable circumstances, such as personal or family emergencies, without disciplinary penalty.

Kathmandu Suppliers must not require employees to make any monetary deposits or require employees to surrender any original identification documents as a condition of employment.

Kathmandu Suppliers should never require employees to incur debt through recruitment fees or make any financial guarantees to secure employment.

2.0 Mandatory Reporting Process – explanations and definitions

Refer Mandatory Child & Forced labour Reporting Process flowchart (at end of policy) for details.

If a Kathmandu staff member (including third party auditor) acting on behalf of Kathmandu, becomes aware of a case of child labour and/or forced labour, they must inform their manager within 48 hours.

2.1 Staff Member:

- “anyone employed by, contracted by or acting on behalf of the company, which includes third party auditors”

2.1 Becomes aware:

If someone receives relevant information, they are considered to have been ‘made aware’ of the incident and would be required to report, for example:

- Direct notification by a factory worker via email.
- Direct notification by a third party auditor
- Direct notification through a complaint / information contained in a letter
- Direct notification by a non-government organisation (NGO).
- Direct notification by a supplier.

3.0 Reporting process

Staff Member must inform their Manager within 48 hours, who will then escalate the incident to the Kathmandu Product Team.

3.1 Recording of Details

The staff Member should obtain as much information as possible about the incident. The following information should be recorded by the person discovering the incident:

- The date, time and location.
- What is the nature of the incident (child labour, forced labour)
- The circumstances of the incident.
- How it was observed and who was present at the time.
- Gender, age, name and full contact details of the victim.
- Full details of the onsite factory manager / line supervisor.
- Full description of the work the victim was observed performing.
- Depending upon the circumstances, consider taking photographs if appropriate.
- Depending upon the circumstances, consider informing the victims of their options to seek assistance and provide appropriate referral information.

3.1 Escalation

The relevant Manager immediately escalates the incident to the Kathmandu Product Safety team:

The relevant manager needs to directly reach someone in the Corporate Social Responsibility (CSR) Product team. Due to the urgency of this process, it is imperative that someone in this list is contacted as soon as possible. The manager is responsible for ensuring that someone within the Product Team has been contacted and advised of the incident. The order of contact is as follows.

3.2 Product Team:

1. CSR Manager

Gary Shaw
 Phone: +64 (0)3 4215941
 Cell: +64 (0)21 33 1911
 Email: gary.shaw@kathmandu.co.nz
 Mon – Fri 08:00 – 17:00 (NZ Time)

2. CSR Coordinator

Nasrin Lin
 Phone: +86-0755-82144529 ext. 839
 Email: nasrin.lin@elevatelimited.com
 Mon – Fri 08:00 – 17:00 (China time)

In the event of none of the Product Safety team being available, the incident should be escalated to the General Manager of Product (below):

3. General Manager – Product

Ben Ryan
 Ph. +64 (0)3 421 5265
 Cell: +64 (0)273 144107
 Email: ben.ryan@kathmandu.co.nz

3.4 Initial Action

If Kathmandu CSR Manager or General Manager Product considers that a violation has occurred, s/he will, within 48 hours, make contact with the most appropriate relevant contact from the supplier in question. Input and advice from the Fair Labour Association or other governing body may also be sought.

Kathmandu will present the details of the incident and seek an explanation. Kathmandu will also ask for an immediate internal investigation on behalf of the supplier. Kathmandu will further ask the supplier to report back to them within 48 hours as to the outcome of their own internal investigation.

3.5 Local Authorities

Depending upon the strength of the available evidence and the outcome of the internal investigation and the explanation offered by the supplier, Kathmandu will consider contacting the most appropriate relevant local authorities to investigate further.

Depending upon the circumstances, this may be the Ministry of Labour (or local equivalent), local law enforcement or other mandated agency. Kathmandu will work with the most appropriate local authorities, informing them of the suspected violation and agreeing on an action plan.

3.6 Action Plan

Action Plans will vary dependent on the violation identified and the underlying circumstances, but will always include both investigation and remediation. The best approach will vary depending on the violation identified and the underlying circumstances. The following are broad recommendations only and are examples of the kind of action that should be considered depending upon the circumstances of each case.

3.7 Examples of Recommended Approach

Recommended approaches and examples of best practice for remediating cases of underage workers:

- The case is referred to the relevant local agency or authority. This may include more than one agency, for example a relevant department within the Ministry of Labour, local law enforcement and/or local NGO with appropriate knowledge, experience and capacity.
- Kathmandu assist with the investigation into the incident. Every attempt is made to determine the child's age through interviews and documentation.
- Other key people and institutions whose assistance may be required for remediation are identified. Depending on the circumstances, these may include relevant departments within the Ministry of labour or other Government departments, the employer, the recruitment agent (if any), the worker, the child's family, trade union representatives, buyers, local NGOs, and healthcare and counselling service providers.
- If necessary, a guardian is appointed by local authorities to represent the best interests of the child. Children of sufficient age and maturity participate in any decisions that may affect them.
- Subject to relevant local law, the outcome of the investigation and the unique circumstances of each case, if the employer is deemed to be negligent or in any way responsible for the incident, every effort is made to ensure that the employer is held responsible for paying any fees associated with the placement of the child in the education/vocational training schemes, and housing costs if the child will not reside with family.
- Again, subject to the unique and specific circumstances of each case and the outcome of the investigation into the incident, every effort is made to ensure that the employer provides the child with a monthly compensation payment until s/he turns 15.
- Subject to the circumstances of the case and the outcome of the investigation, any outstanding disciplinary fines or other monies owed by the child to the employer are forgiven by the employer.
- The employer ensures that the age of all workers will be verified against reliable documents prior to recruitment (including workers recruited through agents).
- The employer ensures that workers who are between 16 and 18 years of age are not subject to the worst forms of child labour as defined by the ILO Worst Forms of Child Labour Convention (1999).

- Subject to the specific circumstances and outcome of each case, Kathmandu will reevaluate its relationship with the supplier / employer in question. This may result in anything from a full audit of the factory/supplier in question and the remediation of the hiring and employment processes followed by the factory/supplier in question, through to the complete termination of the relationship.

Recommended approach for remediating issues relating to forced labour

- The case is referred to the relevant local agency or authority. This may include more than one agency, for example a relevant department within the Ministry of Labour, local law enforcement and/or local NGO with appropriate knowledge, experience and capacity.
- Kathmandu assist with the investigation into the incident. Every attempt is made to determine the true nature of the circumstances of forced labour through interviews and documentation.
- Other key people and institutions whose assistance may be required for remediation are identified. Depending on the circumstances, these may include relevant departments within the Ministry of labour or other Government departments, the employer, the recruitment agent (if any), the worker, the child's family, trade union representatives, buyers, local NGOs, and healthcare and counselling service providers.
- Appropriate remedial action is taken to assist/protect workers, depending on the violation. For example, the employer removes restrictions on workers' freedom of movement, and workers are informed about the change in policy.
- Persons accused of threat or violence in the workplace are suspended immediately by the employer pending the outcome of the investigation; persons found to be responsible for threat or violence are disciplined appropriately by the employer and through government prosecution if appropriate.
- Egregious cases of worker confinement, or physical or psychological abuse are referred to law enforcement authorities and/or NGOs.
- Law enforcement authorities and/or NGOs provide workers a safe place to stay and link them to needed services, including healthcare, counselling, shelter, legal aid and other services.
- Subject to the unique and specific circumstances of each

case and the outcome of the investigation into the incident, every effort is made to ensure that the employer is held responsible and bears the cost of any necessary services.

- The Ministry of labour pursues appropriate enforcement action against the employer, in coordination with other governmental authorities if appropriate under the circumstances.
- Kathmandu works with the factory and advisory services to ensure that noncompliance relating to forced labour is addressed in a sustainable manner and that all measures taken are in the best interest of the victim(s).
- Throughout the investigation and remediation efforts, the well-being of the victim(s) of the violation is safeguarded and any action taken must not in any way place the victim in any further danger or make him or her vulnerable to any retribution.

4.0 Supplier Liability

It is important to note that the reporting of an incident is not considered an automatic admission of liability in relation to the supplier involved. The Mandatory reporting regime has been created to allow timely forwarding of information to ensure that the most appropriate action is taken as soon as possible given the critical nature of the exploitation and inherent vulnerability of victims of child and forced labour.

5.0 Confidentiality

Mandatory reports of this nature must be treated as confidential to ensure that the rights of the victim as well as the supplier, factory and employer are also protected and that any premature disclosure does not threaten the integrity of any subsequent investigation and/or prosecution.

Staff members aware of the incident must not discuss it with anyone other than the people listed at 3.3. Before publicly disclosing any information specific to the case, Kathmandu will first consider whether such disclosure is:

- In the public interest
- Required or authorised by law
- Necessary for the enforcement of criminal law

6.0 Summary

There is more forced labour and child labour in the world than at any other time in human history. With many millions of those victims employed in the global textile and apparel industry, it is imperative that companies operating in this arena do whatever they can to ensure that their supply chain has integrity and is free of such exploitation.

Any Kathmandu staff member who becomes aware of an incident must:

- Immediately inform their manager (who will escalate to Kathmandu CSR Team and Product Team General manager)
- Record all necessary information

All information is confidential and must not be publicly disclosed by anyone involved in the incident or reporting the incident.


Failure to adhere to this mandatory reporting regime may leave victims of child labour and/or forced labour in very dangerous and potentially life threatening circumstances.

In some jurisdictions, penalties can also be imposed on the company and/or individuals involved if this process is not followed.

This policy is an essential part of the Kathmandu brand and is an expression of our core values of integrity, transparency and our commitment to inspiring adventure in everyone.

7.0 Reporting Form

Mandatory Child & Forced Labour - Reporting Form



This form should be used by any staff member reporting a potential case of child or forced labor

Date:

Time:

Location:

Incident Details: (Describe in detail how you became aware of this incident)

Describe the Circumstances: (How observed, who present, what was happening etc.)

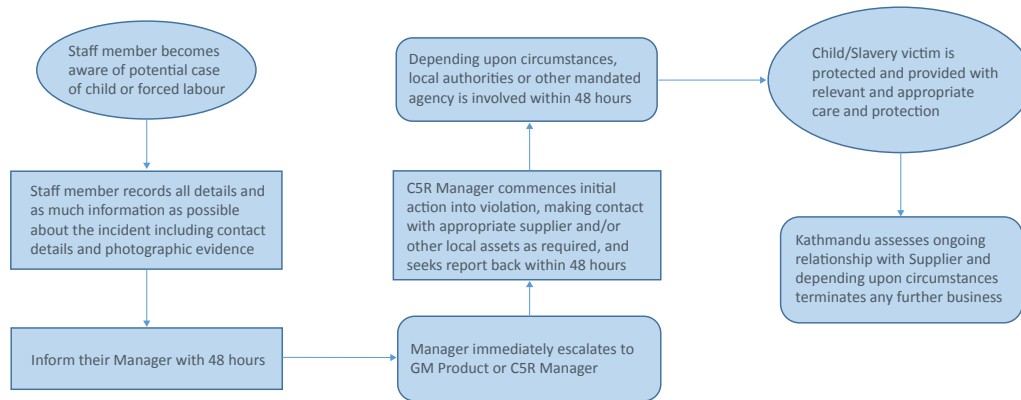
Document the details of the victims: (Name, date of birth, gender, full contact details, ID card number etc.)

Action Taken: (Steps taken, manager contacted, evidence obtained and secured)

Completed By:
Signature:
Date:

8.0 Reporting Process

Mandatory Reporting of Child and Forced Labor - Process Map



Please refer to Mandatory Child and Forced Labour Policy for further information

Migrant Labour Policy

Prepared by	Gary Shaw
Date	July 2018
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1.0 Migrant Worker Policy

1.1 Purpose

Kathmandu understands that the monitoring of recruitment practices and employment conditions for Migrant Workers (also known as Foreign Contract Labourers) are challenging issues. Kathmandu is committed to:

- Communicating our policies on Migrant Workers throughout our company, and to suppliers.
- Ensuring our suppliers provide sustainable recruitment practices and employment conditions for Migrant Workers in our supply chain.
- Migrant Workers are subject to the following policies and standards to ensure fair and equitable treatment.

1.2 Key Terms

Migration for Employment

When a person or persons migrates from one country to another with a view to being employed otherwise than by his/her own account.

Migrant Workers

Workers who are commonly recruited to work in the factory by labor recruitment agencies (Agents) in the worker's country of origin for a fee.

Recruitment

The engagement of a person in a territory on behalf of an employer in another territory, or the giving of an undertaking to a person in territory to provide him/her with employment in another territory; and the making of arrangements as mentioned above, including the recruitment and selection of migrants and the preparation for departure of migrants.

2.0 Achieving and Maintaining Standards

All Kathmandu Suppliers/Factories/Mills, and/or their subcontractors, that employ foreign migrant workers are expected to taking on the following responsibilities for ensuring that Migrant Workers are treated with due respect to their basic human rights and in compliance with the Kathmandu Workplace Code and the local law.

2.1 Fair Treatment

Kathmandu Suppliers are expected to treat such migrate workers fairly and provide the same terms and conditions of employment as national employees including compensation, holidays and leaves of absence and any employer provided housing except where country law requires different benefits (for example with respect to payment of social security benefits).

2.2 Pre Departure

Fees/Costs

Workers shall not be responsible for any fees paid to agencies or the factory in exchange for employment, nor for medical examinations (if they are mandatory), nor for inbound or outbound travel costs.

Passport Policy

Each migrant worker shall understand that neither the agency nor factory shall retain a worker's passport for any reason other than processing work visas. All migrant workers shall be given a secure place to store their personal documents (i.e. passports, working papers).

Employee Contract

If a contract exists between the agency and each migrant worker, it shall be written in the workers' local language and include:

- Wages (regular, overtime, and holiday)
- Working hours (regular, overtime, and holiday)
- Living conditions to expect
- Benefits and insurance that will be provided by the agency
- Job description and required job skills
- Contract duration

Agency Contract

At a minimum, the contract between the agency and the factory shall include:

- Fees the factory will pay the agency (if any fees apply)
- Wages (regular, overtime, and holiday)
- Working hours (regular, overtime, and holiday)
- Job description and required job skills
- Contract term, including start and end dates

2.3 Post Arrival

Employee Contract

If a contract exists between the agency and each migrant worker, copies shall be readily available at the factory at all times.

Factory Contract

The contract between the factory and worker shall be consistent with (or better than) the contract between the agency and worker. At a minimum, the contract shall be written in the workers' local language and include:

- Wages (regular, overtime, and holiday)
- Working hours (regular, overtime, and holiday)
- Living conditions to expect
- Benefits and insurance that will be provided by the agency
- Job description and required job skills
- Contract duration
- Termination policies (including terms for being sent back to the sending country)

Agency Contract

The contract between the agency and the factory shall be readily available at all times.

Orientation

All migrant workers shall go through an orientation at the factory to review the following points (written in workers' local language):

- Job training
- Health and safety
- Factory policies and rules
- Grievance systems and process
- Termination policies (including terms for being sent back to the sending country)

2.4 Repatriation

In addition to any legal requirements of the host country and country of origin regarding repatriation of foreign workers, at the completion of the employment relationship, or earlier upon termination of employment, the contractor shall provide return air or land transport tickets to any foreign worker hired or recruited by the contractor from another country. The contractor shall comply with this requirement irrespective of the terms of the employee's employment contract.

The requirement to pay for repatriation does not apply where the employee:

- Is terminated for illegal conduct;
- Obtains other legal employment within the country; or
- Voluntarily terminates his or her employment prior to the conclusion of the term of the employment contract.
- The supplier must still pay for repatriation, however, if the employee terminates the employment prior to conclusion of the employment contract because:
 - The supplier breaches a material term of the employment contract, or
 - The employee is subject to harassment or abuse that is not timely remedied upon complaint.

3.0 Summary

Migrant workers are especially vulnerable to exploitation and are often subject to abuse and exploitation. They are unlikely to raise grievances with their employers or the authorities – especially if they are undocumented. They could lose their only source of income, could be locked up or deported. They may turn to unscrupulous intermediaries willing to exploit their vulnerability by finding them even riskier jobs.

This policy is therefore an essential part of the Kathmandu brand and is an expression of our core values of integrity, transparency and our commitment to all workers in our global supply chain.



Thank you