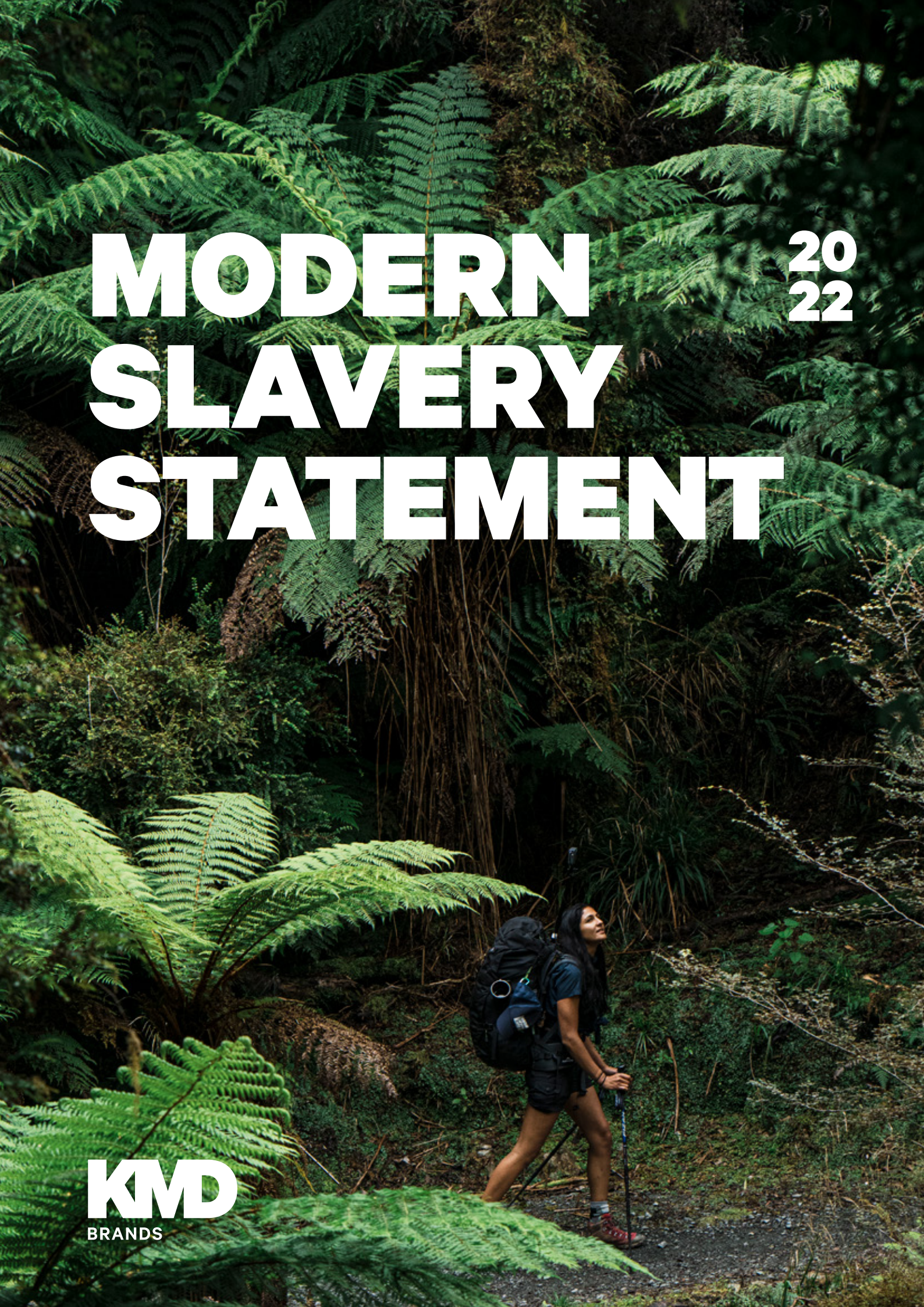


MODERN SLAVERY STATEMENT

20
22

KMD
BRANDS



KMD BRANDS MODERN SLAVERY STATEMENT 2022



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

It sets out the steps taken by the KMD Brands Group during the year ending 31st July 2022 to assess and address the risks of modern slavery in its business and supply chains.



KMD Brands Registered Office details are :

KMD Brands Limited
223 Tuam Street
Christchurch 8011 New Zealand

The Australian Registered Body Number of KMD Brands Limited is 139 836 918.

The two reporting entities included in this statement are:

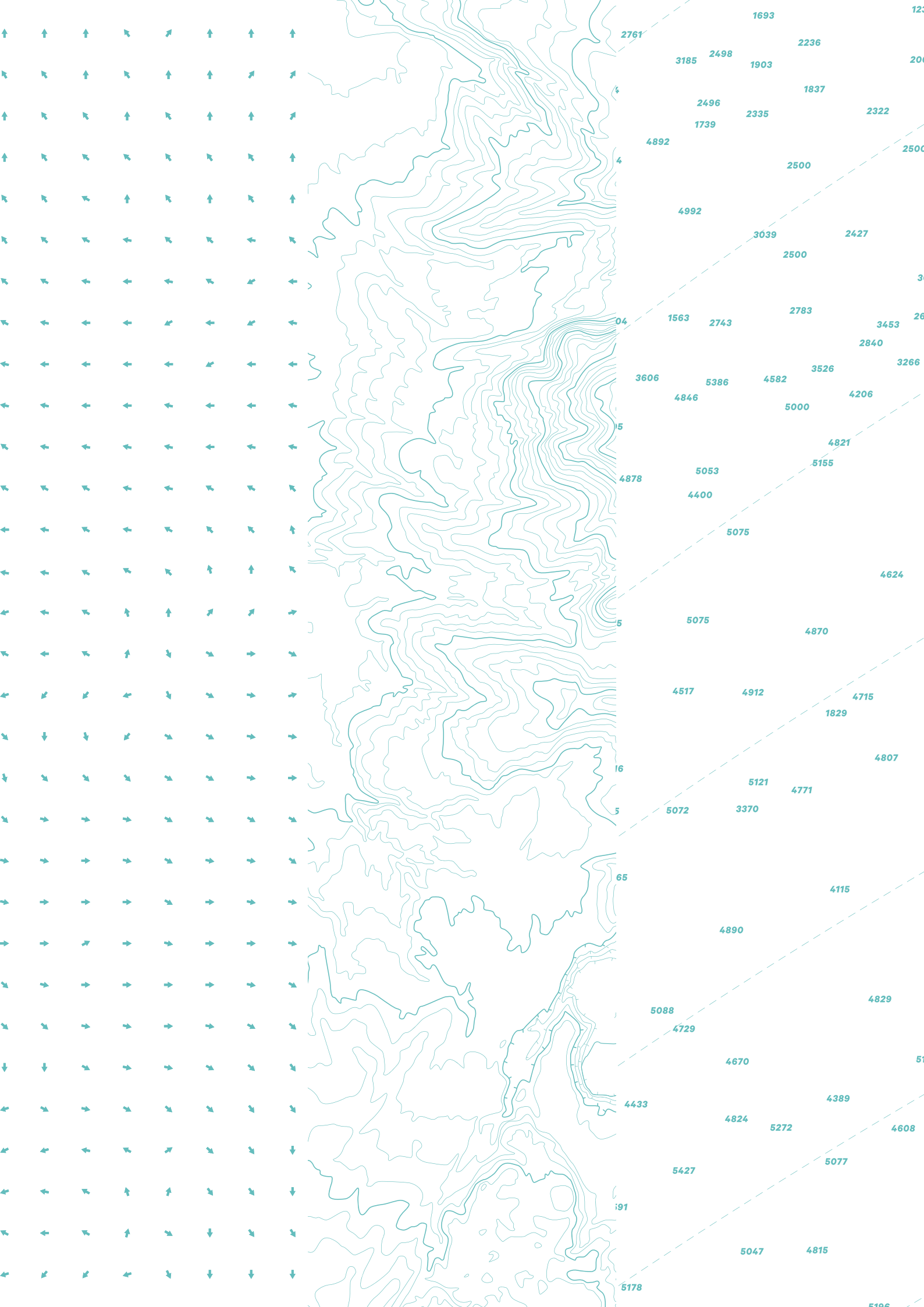
Kathmandu Pty Limited

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

Rip Curl Group Pty

The Australian Company Number of Rip Curl Group Pty Limited is ACN 068 999 520.





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1.0 INTRODUCTION AND APPROVAL

Modern Slavery thrives in secrecy and in silence. Hidden beneath the many layers that make up an international supply chain, the worst forms of human exploitation continue to flourish. It is therefore widely agreed that having greater transparency in our supply chains will provide us with the visibility to see where such slavery is occurring, understand the form that it takes, identify who is involved and meaningfully respond. That is, addressing both the impact on the individual as well as any systemic causes we may be unknowingly contributing to.

For many businesses having “greater transparency” is perceived as a very real threat. Global supply chains are imperfect, full of people behaving in ways that are not always aligned with our own stated values and that of our brands. Businesses also spend a considerable amount of money on advertising, marketing and PR in an effort to communicate anything but their imperfections. To proactively share the weaknesses in our supply chains requires a huge shift in mindset.

This is one of the reasons why KMD Brands seeks to embody the Benefit Mindset as a central part of our ESG Strategy. The Benefit Mindset lies behind everything we do, seeking not to be the best in the world, but best for the world. Being transparent about our imperfections is something we’re proud of. It allows us to humbly embrace, accept and be honest about our imperfections while also seeing them as opportunities to learn, improve and transform our business, and make a positive social impact at the same time.

By adopting this mindset and approach to addressing Modern Slavery as well as other ESG related challenges, we hope our efforts will contribute to a wider cultural shift that is necessary if we are to collaboratively respond in any meaningful fashion. As long as businesses are still named and shamed for being transparent about their flaws and their faults, Modern Slavery will remain in the shadows, undetected and a very real part of the

goods and services we all continue to benefit from. The time has come for businesses to be celebrated for identifying cases of Modern Slavery, not for the slavery itself, but because their people, policies and systems set up to address it actually worked.

This is the first KMD Brands submission under the Australian Modern Slavery Act, combining the efforts of our two brands, Kathmandu and Rip Curl, into one report. In addition to highlighting our best practices, for all of the aforementioned reasons we also seek throughout to highlight our imperfections in the hope that other businesses will be encouraged to follow suit. Only by being honest and genuinely seeking to collaborate will the business community effectively address the exploitation and human suffering inherent in any form of Modern Slavery.

This statement was approved by the Board of Directors of KMD Brands Limited on December 20th, 2022 as the principal governing body on behalf of each of the reporting entities covered by this statement.



Michael Daly
CEO and Managing Director,
KMD Brands Limited



2.0 MODERN SLAVERY AND KMD BRANDS



This is Trang. In 2015 he left his family behind in Ho Chi Min City, Vietnam and along with 10 other migrant workers, traveled to work at a factory in Taichung City, Taiwan. He was required to pay a recruiting fee of AU\$1300 as well as other expenses. Upon arrival his passport, banking information and related identity documents were taken, and he was told that he had further “fees” to pay off over the course of the next two years.

Trang was required to stay at the factory dormitory and his movements beyond this were restricted. The dormitory was located above the materials warehouse where hazardous chemicals were stored. Some of these chemicals were not stored or labelled correctly. The electricity control boxes in the workshop were fully blocked by production materials, as were numerous fire extinguishers and a fire exit.

Trang was a victim of forced labour, a form of Modern Slavery. In 2015, the factory he was working at was making product for Kathmandu.

In 2016, a social audit conducted by the Fair Labor Association (FLA) on behalf of Kathmandu documented the circumstances of Trang’s exploitation. When Kathmandu staff were alerted they immediately contacted the supplier in question. When further enquiries were met with hostility and indifference, Kathmandu reached out to several other larger brands who were also using the same supplier. However none of them were willing to upset their existing business relationships. Having very little leverage in terms of spend and influence, Kathmandu spoke with local authorities, alerted other brands using this supplier and ceased all business with them.

This case raised several significant questions for Kathmandu. Did identifying a case of Modern Slavery, make our audit a success or a failure? When we were unable to meaningfully intervene at a local level (recruitment fees and related costs are permitted under Taiwanese law) were our actions enough? And when none of the other brands were willing to

collaborate or simply respond, what was our role in facilitating sector wide changes that would make such inaction intolerable?

"Did identifying a case of Modern Slavery, make our audit a success or a failure? "

In 2015, while touring a factory near Pyongyang in North Korea, an Australian came across some Rip Curl clothing being manufactured there. The clothing in question was being sewn with "Made in China" tags on them.

North Korea is known for its human rights violations and for factory workers enduring slave-like working conditions where they are routinely exploited.¹

This was a case of unauthorised subcontracting by one of Rip Curl’s legitimate suppliers, without the knowledge or consent of the company and in violation of Rip Curl’s supplier terms and policies. Nevertheless, the Sydney Morning Herald reported that "Australians would be shocked to hear that an iconic Australian brand with roots on the surf coast of Victoria can't confidently track clothing produced within its own supply chain."² Oxfam Australia joined the criticism of Rip Curl stating, “Rip Curl has no excuse for being unaware of what is happening. Companies are responsible for human rights abuses within their businesses – not only morally but also within international human rights frameworks.”³ The Textile, Clothing and Footwear Union said the revelation that Rip Curl’s clothing had been made in North Korea was a "shocking indictment on the company and its policies".⁴

The Australian businessman who was the original source of the story, said “Rip Curl customers had a right to know where the clothes were made”. Oxfam went further and called upon Rip Curl to publish their



policies as well as the names and locations of their supplier factories. Like Kathmandu, this case raised several significant questions for Rip Curl. If they had extensive policies addressing everything from responsible purchasing, forced labour and unauthorised subcontracting, are such policies enough to prevent suppliers breaching trade agreements and acting in their own self-interest? And if Rip Curl publishes the names and locations of their supplier factories and puts such information into the hands of the consumer, will such transparency ensure this does not happen again? Rip Curl put such policies in place, publishing the details of all Tier 1 manufacturing facilities.

They now also have a code of conduct that prioritises transparency above all else. But given the imperfections and challenges inherent in any global supply chain, can any business state with absolute certainty that they can track everything produced within their supply chain? And is having such “certainty” the goal?

More importantly, if having greater transparency in our global supply chains is essential in order to meaningfully address Modern Slavery, given the condemnation that Rip Curl experienced, why would any brand voluntarily or proactively share their imperfections? Studies show that using shame, threats

and punishment are the least effective forms of social change or sustainable improvement. For businesses who proactively share their failures and their mistakes, both what they learned and how they are developing, what kind of mindset shift would be necessary at a wider cultural level for them to be celebrated rather than condemned?

It is these cases and these questions, as well as our own brand identity, values and purpose that continue to shape our approach to Modern Slavery.

1. <https://www.hrw.org/legacy/backgrounder/asia/korea1006/korea1006.htm>
2. <https://www.smh.com.au/business/surf-clothing-label-rip-curl-using-slave-labour-to-manufacture-clothes-in-north-korea-20160220-gmz375.html>
3. Ibid
4. Ibid

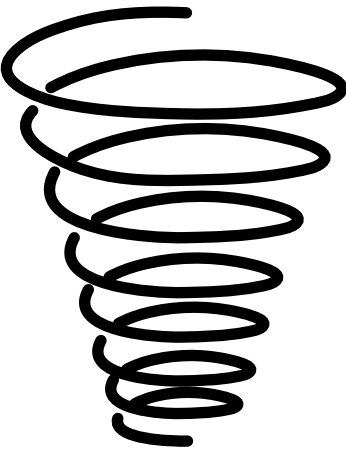
3.0 KMD BRANDS APPROACH TO MODERN SLAVERY

The confronting reality is that Modern Slavery allows us all to enjoy the lifestyles we have. The Global Estimates of Modern Slavery published in September 2022 conservatively estimate that there are more than 50 million people in situations of Modern Slavery on any given day. The largest category of those enslaved is forced labour, and more than half of those are in the Asia/Pacific region.⁵ What this means is that more than 17 million people are enslaved within the private economy, many hidden within the global supply chains of businesses.⁶ There is therefore no longer any moral high ground upon which any of us can stand because we are all part of a global system that benefits from Modern Slavery.

Spiral of Violence

Modern Slavery is a form of violence, and the roots of such violence are buried in the system itself.⁷ The system influences how the individual or individual business operates, which in turn influences the dominant mindset; the way most people are socialised to see the world. The key point here is that individual business and the mindset that results – are the symptoms. The root cause of such violence is the system itself.

The Spiral of Violence



The dominant Mindset

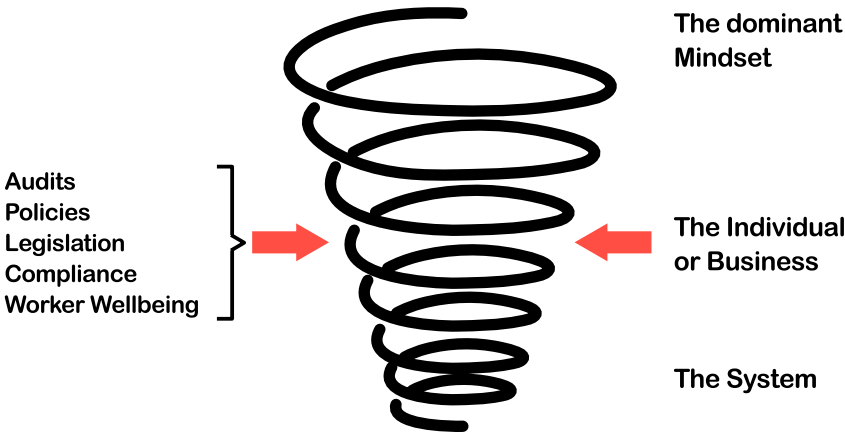
The Individual or Business

The System

Chairs on the Titanic

Yet when it comes to addressing Modern Slavery, 90% of our current efforts to respond are typically targeted at the individual and/or individual business level. Audits, compliance, legislation – are all good and necessary in their own right

- but when that is all we do as individual businesses or brands, we are simply improving the individual chairs on the Titanic, while not addressing the speed, size or direction of the ship itself.



“90% of our efforts are focused on the individual and/or individual business”

THE SYSTEM

In their book 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”.⁸ They 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 (the system), none of the strategies submitted by KMD Brands or any other business are going to be effective in addressing Modern Slavery in any meaningful way.

Nolan and Boersma write, “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.” Essentially what the authors are saying is that unless there is a fundamental change to the way in which we do business at a systemic level, we will continue to fool ourselves into thinking

that we are doing anything more than symptom reduction.

B Corp

It is for this reason that Kathmandu is a part of the global B Corp movement (Rip Curl is currently seeking certification).⁹ The very real threat of social and planetary collapse has convinced us that any sense of maintaining the “business as usual” model is delusional. The COVID-19 pandemic has only reinforced this fact. 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.¹⁰ B Corps are now a rapidly growing community, driving a global movement of people using business as a force for good. What this means in practice is that B Corps are required to consistently consider the impact of their decisions on customers, the wider community, the environment and workers in the global supply chain. This in turn opens the door for opportunities to work collaboratively with others in response to an issue that dwarfs us all.

[see “Collaborative Advantage” page 28]

MINDSET

KMD Brands 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 our Modern Slavery submission. 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. [for further information, visit www.benefitmindset.com or previous Kathmandu modern slavery submissions]

KMD Brands will continue to address Modern Slavery at an individual business level. But in addition to this, by using the B Corp model of business and by adopting a Benefit Mindset, KMD Brands hopes to create the space for a truly different future to emerge. Our approach to Modern Slavery is to seek to engage less from a place of ego and ambition, and more from a place of wisdom and soul. We do not seek to be the best in the world, but the best for the world.

5. <https://www.walkfree.org/reports/global-estimates-of-modern-slavery-2022/>
6. <https://www.walkfree.org/reports/global-estimates-of-modern-slavery-2022/>
7. The Spiral of Violence by Helder Camara; published by Sheed and Ward Ltd, London, 1971
8. Nolan, Justine. Addressing Modern Slavery (p. 157). UNSW Press. Kindle Edition.
9. <https://www.bcorporation.net/en-us>
10. <https://bcorporation.net/>

4.0 KMD BRANDS STRUCTURE, OPERATIONS AND SUPPLY CHAIN

KMD BRANDS 4.1 Structure

Founded in New Zealand as an outdoor apparel and equipment retailer in 1987, KMD Brands Limited (previously Kathmandu Holdings Limited.) became a publicly listed company in 2009. KMD Brands now has three brands: Kathmandu, Oboz and Rip Curl. For the purposes of the Australian Modern Slavery Act, this 2022 submission is made on behalf of Kathmandu Pty Ltd which is the Australian entity conducting the Kathmandu business, and Rip Curl Group Pty Limited which is the Australian entity conducting the Rip Curl business.

KATHMANDU 4.2 Operations

Kathmandu has approximately 1642 staff, 1022 in Australia and 620 in New Zealand. The majority work in 153 stores, 106 in Australia and 47 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 Fair Work Act 2019 and State and Territory work health and safety legislation. As such the risk of Modern Slavery within Kathmandu internal operations is negligible.

4.3 Supply Chain

Kathmandu products are designed and engineered in Christchurch, New Zealand. They are then manufactured in independently owned factories specialising in outdoor apparel, footwear and equipment. These factories make

products for other outdoor adventure and apparel brands from around the world. They are typically specialised facilities requiring a high level of technical ability and design specific technology.

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 on the Kathmandu website.¹¹

During the reporting period, Kathmandu sourced from 92 Tier 1 factories, located as follows:

China
The majority of factories making Kathmandu products are in China (60). They are all located in the east coast provinces with the majority in the Shanghai and Guangdong regions.

Vietnam
In terms of spend, Kathmandu sources the majority of our product Vietnam. There are 20 factories in total.

Indonesia
The 5 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.

RIP CURL 4.4 Structure

Rip Curl was born at Bells Beach (Australia) in 1969 and is now one of the world's leading producers of surf apparel, adventure gear and accompanying products, as well as being a major athlete and surf event sponsor. Rip Curl is a global brand, with retail and/or export subsidiaries operating in key regions around the world including Australia, USA, Canada, Brazil, Indonesia, Spain, Sweden, Portugal, UK, Switzerland, France, Germany and Thailand. Rip Curl was acquired by publicly listed KMD Brands in 2019. In addition, the Rip Curl brand is also licensed to 8 third-party licensees. These licensees operate in Argentina, Fiji, Papua New Guinea, Peru, Chile, South Africa, Uruguay, Israel, Singapore and Malaysia.

4.5 Operations

Rip Curl is headquartered in Torquay, Victoria, operating to design, develop, source and manufacture a range of Rip Curl branded surfing and surfing inspired products. Rip Curl has approximately 900 full-time, 380 part-time and 950 temporary/casual staff members. Rip Curl employees work across over 119 owned retail stores globally, and functional departments at the Torquay headquarters.

Rip Curl products are distributed at both wholesale and retail level, including through Rip Curl's owned and operated chain of 42 Ozmosis multi-branded stores in Australia. Ozmosis stores sell products from 46 third-party brands.

Since 1989, Rip Curl has owned and operated Onsmooth Thai Co. Ltd., a wetsuit manufacturing facility in Thailand. The factory employs around 770 full time workers and is one of the largest employers in the region. Operating this facility allows control over the social and environmental impact of our wetsuit production.

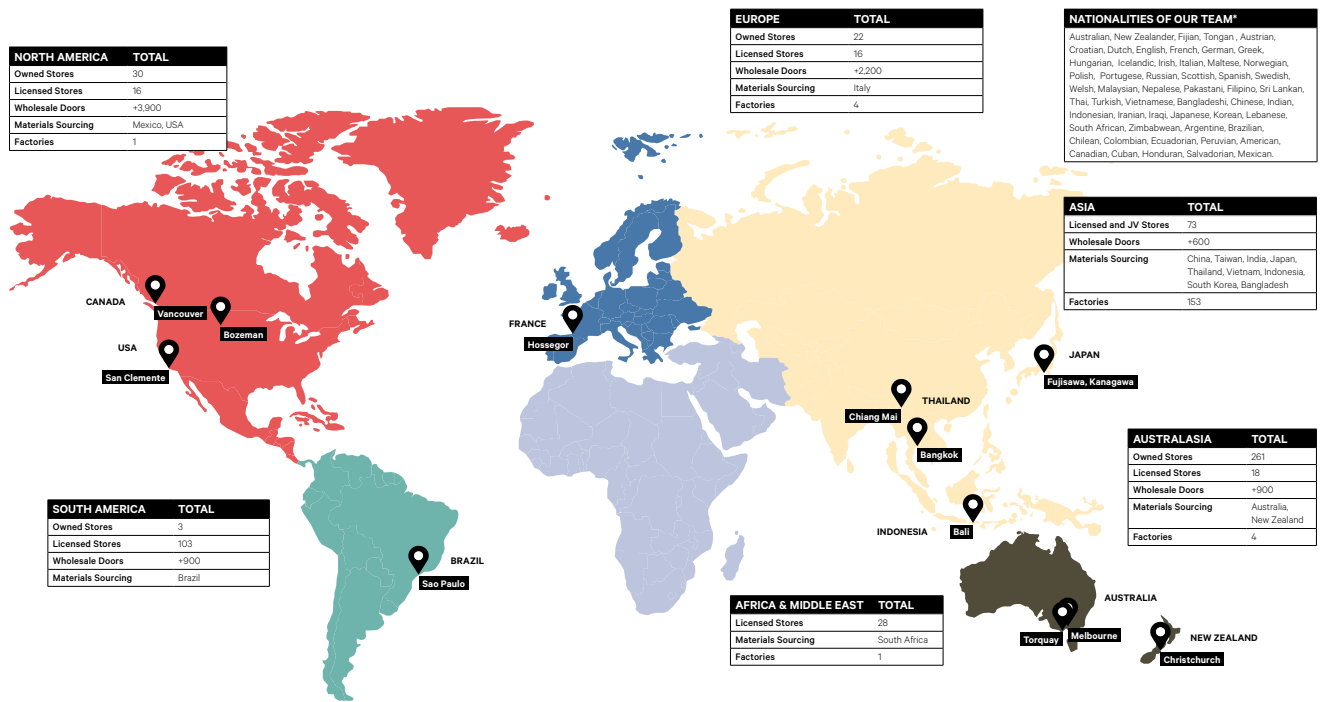
4.6 Supply Chain

Rip Curl products are designed in Australia, the USA, and France. They are then manufactured in factories located in Australia, Bangladesh, Cambodia, China, France, India, Indonesia, Italy, Taiwan, Thailand, USA and Vietnam. With the exception of Onsmooth Thai, these facilities are all independently owned.

In terms of spend, the single largest supplier that we source from is our Rip Curl owned factory in Thailand. After Thailand, China and Bangladesh are the countries from which we source the most product by spend.

Both Kathmandu and Rip Curl have published our factory lists on the [Open Apparel Registry](#).

For more information about KMD Brands, visit our website: www.kmdbrands.com



11. <https://www.kathmandu.co.nz/workers-rights>

5.0 THE RISKS OF MODERN SLAVERY IN KMD BRANDS OPERATIONS AND SUPPLY CHAIN

5.1 GEOGRAPHIC RISKS OF MODERN SLAVERY



In order to have greater visibility, insight and impact in our supply chain, both Kathmandu and Rip Curl both use ELEVATE¹², a professional services company specialising in providing supply chain social, environmental and business performance services. The supply chain analytics platform EiQ, operated by ELEVATE, is utilised by Kathmandu and Rip Curl to identify forced labour and Modern Slavery risks relevant to our sourcing countries, sectors, products and businesses.

EiQ 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)

These risk scores are used throughout this section to assess geographic risk as it pertains to Modern Slavery.

The Kathmandu icon  and Rip Curl icon  indicate which brand manufactures in each country.

Australia

Australia has a low overall country risk score (GREEN) and low risk of slavery (GSI). A small number of cases of child and forced labour have been documented in the past two years in the food and agri-business sector. Migrant working conditions was the subject of a 2019 Migrant Workers' Taskforce, yet

substantive reforms are still being implemented. This is reflected in a 36% year on year decrease in the Migrant Workers Index Score¹³.

Bangladesh

The Bangladesh country risk score is high (ORANGE), driven by high levels of risk associated with working hours, machine and building safety. Risk is also considered extreme in relation to domestic migrant workers, freedom of association and risk of non-compliance in relation to wages. Poverty, social instability and inter-communal conflict all contribute to this risk.

Brazil

The Brazil country risk score is high (ORANGE). Risk is considered extreme in relation to unauthorised subcontracting, freedom of association and child labour. Accelerating urbanisation has resulted in an increase in Modern Slavery in the textile industry, including reports of exploitation of undocumented migrants in Sao Paulo.¹⁴ The Brazil region is a signatory to the ABVTEX¹⁵ certification association. All facilities are audited for social and environmental performance under this scheme and subject to the KMD Brands Code of Conduct.

Cambodia

Cambodia has an overall risk score of high (ORANGE). This is driven by extreme levels of hygiene and sanitation risk and building and machine safety risk. There has been significant year on year improvement in relation to freedom of association (171%), humane treatment (100%) and wages (77%), however high or extreme risk remains. Garment exports make up over 45% of total exports¹⁶ (excluding gold: World Bank Group, Cambodia Economic Update: Road to Recovery, 2021). As a result of industry pressure, workers experience high levels of labour rights abuses, including forced and excessive overtime, poor wages and poor health and safety conditions¹⁷.

China

In 2022, 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 (GSI), there were more than 3.8 million people living in conditions of Modern Slavery in China. 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 has a much lower income per capita. This has led to the migration of millions of migrant workers who are vulnerable to forced labour 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.

A further risk of forced labour stems from the internment of over one million Chinese citizens of ethnic Turkic origin in the Xinjiang region as well as forced labour 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.

A further risk of forced labour 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.

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.²²

Throughout 2022 China has maintained its Zero-COVID approach to the COVID-19 pandemic, employing lockdowns, quarantines and compulsory testing. This has continued to impact the ability of KMD Brands and others to complete audits and independent verification and monitoring of factories. During this time the Chinese Government has also continued to clamp down on various forms of expression and freedom of expression, both internally and in Hong Kong. The Communist Party of China has used control and silence in response to complaints relating to the alleged exploitation by senior Government officials. Such actions have increased the

vulnerability of workers who in many cases rely on regular external monitoring, transparency and the provision and impartial enforcement of government regulations for their ongoing assurance, wellbeing and livelihood.

France

The overall country risk score for France is medium (YELLOW). High level supply chain risk is present in relation to migrant workers. In response, French companies are required to implement effective due diligence that addresses environmental, health and security and human rights risks.

India

India has a high overall risk score (ORANGE). This is driven by extreme levels of building safety and child labour risk. Whilst the Freedom of Association Index (ELEVATE) Index is also extreme, there has been a 170% year on year improvement in this rating. The 2016 Global Slavery index reported there were 18.3 million people in modern slavery in India.²³ Research indicates that bonded labour is still prevalent, such as the exploitation of young women in spinning mills on the promise of lump sum payments that are often not received.²⁴

Indonesia

In 2022, 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.²⁵ The Global Slavery Index reports that there are more than 1,220,000 people trapped in Modern Slavery.²⁶ 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.

12. <https://www.elevatelimited.com/>
13. EiQ System, Elevate Limited.
14. Walk Free Foundation. 2018. The Global Slavery Index Report. Brazil | Global Slavery Index
15. ABVTEX - Brazilian Textile Retail Association
16. World Bank. 2021. Cambodia Economic Update, June 2021: Road to Recovery. World Bank, Phnom Penh. © World Bank. <https://openknowledge.worldbank.org/handle/10293/54610>
17. Walk Free Foundation. 2016. The Global Slavery Index Report.
18. 2018 Global Slavery Index
19. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>
20. https://www.fairlabor.org/sites/default/files/documents/reports/fla-brief-xinjiang_forced_labor_risk_final.pdf
21. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>
22. <https://www.globallslaveryindex.org/2018/findings/country-studies/china/>
23. Walk Free Foundation, 2018. 'Global Slavery Index', India | Global Slavery Index
24. (Walk Free Foundation, 2018. 'Global Slavery Index', India | Global Slavery Index)
25. <https://www.fairwear.org/country/indonesia/>
26. <https://www.globallslaveryindex.org/2018/data/country-data/indonesia/>

THE RISKS OF MODERN SLAVERY IN KMD BRANDS OPERATIONS AND SUPPLY CHAIN

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)²⁷ 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.²⁸ Sexual harassment is rampant in the Indonesian garment industry where women workers often face verbal, physical and sexual abuse.²⁹ 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.³⁰


Within the garment industry, forced labour 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. 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 recognise unions or discuss improvements in working conditions.³¹


The Australian Institute of International Affairs confirmed that the COVID-19 pandemic has resulted in a rapid and significant increase in the prevalence and severity of modern slavery in Indonesia.³² The pandemic triggered a socio-economic crisis with rising unemployment and limited government social support leaving thousands of Indonesians vulnerable to exploitative employment in order to survive. They cite a disproportionate increase in the prevalence of modern slavery of woman and girls.

The pandemic has also triggered mass unemployment and a reduction in job opportunities. The latest projections

indicate that COVID-19 could push between 1.3 million to 8.5 million Indonesians into poverty, most significantly affecting females. "The majority of Indonesian woman are employed in the informal sector, earning low and irregular incomes. They are living most precariously, and any income shocks in times of crisis make these women susceptible to exploitation. Sudden job losses have left workers vulnerable to exploitative work as they are forced to make risky choices to make money in order to support their families. Mass lockdowns have resulted in the inability to find work and economy downturn, which makes all individuals more vulnerable to criminal activity."³³

The authors note that protection for Indonesian women is severely lacking as female victims of modern slavery are disproportionately affected by the lack of identity documents. They state that the pandemic has also increased the obstacles for victims to report modern slavery incidents or to seek assistance. Conversely people traffickers are taking advantage of the unstable environment in which exploitation can flourish more easily.

Israel  Israel has a medium risk of modern slavery with approximately 31,000 people enslaved in some way (YELLOW).³⁴ 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.³⁵

Italy  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.³⁶ 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.


Nepal  The risk of slavery in Nepal is high (ORANGE) and the Global Slavery Index estimates 171,000 people are enslaved in some way.³⁷ The ongoing influence of some cultural traditions, including gender-based discrimination, impact women in Nepal. 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.³⁸ Nepal is also a source, transit and destination country for men, women and children in Modern Slavery. Bonded labour persists in agriculture and cattle rearing. Forced labour exists in brick kilns, stone breaking, hospitality, forced prostitution, domestic

work and embroidered textiles.

New Zealand  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.³⁹ A number of cases of migrant worker exploitation have been documented, primarily within the horticulture, hospitality and construction sectors.

Spain  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 Spain⁴⁰ reported that while some victims were forced into unpaid labour, 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 labour, the risk within the outdoor apparel industry is comparatively low.

Taiwan  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.⁴¹ 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.

Thailand  Thailand's overall country risk score is high (ORANGE), driven by extreme risk ratings for the forced labour, freedom of association and health and safety policy

indices. Thailand has a large population of ethnic people lacking citizenship rights, who are particularly vulnerable to abuse and exploitation. Risk is also high for refugees and asylum seekers, due to the threat of arrest and deportation.

Vietnam  In 2022 Vietnam's overall risk score also remains High (ORANGE). Vietnam is the fifth largest garment supplier in the world and the garment industry is an important driver of the economy. Many garment workers are vulnerable to forced labour 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.⁴² 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.⁴³

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.⁴⁴

Vietnam has begun to emerge from the lockdowns and closures of 2021, although the ongoing impacts of this disruption continue to be felt. Global brands have continued to experience shipping delays, cancelled bookings and poor capacity recovery. Suppliers continue to face a shortage of labour in a number of regions. The International Organization for Migration (IOM) in Vietnam maintain that the COVID-19 pandemic will likely result in more cases of Modern Slavery as people take greater risks to obtain work in other regions and overseas.⁴⁵ Some KMD Brands' suppliers have also expressed concern about the greater indebtedness among workers, and with it the increased risk of debt bondage.

27. <https://www.fairwear.org/country/indonesia/>
28. <http://www.turc.or.id/>
29. The Fair Wear Foundation
30. <http://www.industriall-union.org/indonesia-low-wages-in-the-textile-and-garment-industry-undermine-workers-rights>
31. [https://gajimu.com/garment/Labour-Law-in-Garment/garment-forced-labour-\(Indonesian-Solidarity-Center\)](https://gajimu.com/garment/Labour-Law-in-Garment/garment-forced-labour-(Indonesian-Solidarity-Center))
32. <https://www.internationalaffairs.org.au/australianoutlook/the-hidden-experiences-of-modern-slavery-victims-in-indonesia/>
33. The pandemic triggered a socio-economic crisis with rising unemployment and limited government social support leaving thousands of Indonesians vulnerable to exploitative employment in order to survive.
34. <https://www.globallslaveryindex.org/2018/data/country-data/israel/>
35. <https://www.state.gov/reports/2021-trafficking-in-persons-report/israel/>
36. <https://www.globallslaveryindex.org/2018/data/country-data/italy/>
37. <https://www.globallslaveryindex.org/2018/data/country-data/nepal/>
38. <https://www.aljazeera.com/programmes/101east/2013/09/20139249536331927.html>
39. <https://www.transparency.org/en/cpi/2019/results/nzl>
40. https://english.elpais.com/elpais/2017/04/21/inenglish/1492756977_271906.html
41. <https://www.globallslaveryindex.org/2018/data/country-data/taiwan/>
42. <https://www.globallslaveryindex.org/2018/data/country-data/viet-nam/>
43. <https://betterwork.org/where-we-work/vietnam/>
44. <https://whatshemakes.oxfam.org.au/wp-content/uploads/2019/02/The-Consequences-of-Low-Wages-a-Study-on-Fashion-Suppliers-in-Vietnam-.pdf>
45. <https://vietreader.com/life/52244-why-covid-19-pandemic-may-step-up-human-trafficking-in-vietnam.html>

THE RISKS OF MODERN SLAVERY IN KMD BRANDS OPERATIONS AND SUPPLY CHAIN

USA

The United States has a medium overall country risk score (YELLOW). The risk in relation to freedom of association is extreme, whereas the risk of wage non-compliance and forced labour (GSI) are low. Forced labour largely occurs in relation to domestic work, agriculture and farm work, travelling sales crews, and restaurant or food services.⁴⁶ Migrants are particularly vulnerable due to language barriers, restrictive immigration policies, lower education levels and lack of strong labour protections.⁴⁷

5.1 GEOGRAPHIC RISKS OF MODERN SLAVERY – EXTERNAL RIP CURL LICENSEES

Rip Curl has a number of international external licensees, some of whom do not produce locally and source all product from existing Rip Curl approved and monitored suppliers, while others manufacture some product independently.

Chile

The Chile country risk score is medium (YELLOW). Year on year improvement of over 20% has been noted in the Freedom of Association Index (ELEVATE) and Migrant Workers Index (ELEVATE). However the Forced Labor Index has declined 46% to a high-risk rating (ORANGE). Chile does not produce locally and sources product independently from China. Licensee factories are not currently onboarded or monitored directly by Rip Curl or a third-party.

Israel

The risks associated with Israel are noted on page 16. Supply chain risk is medium (YELLOW), driven by medium risk scores for the Migrant Workers and Freedom of Association.

Malaysia

The Malaysia country risk score is high (ORANGE). Both overall country risk and supply chain risk scores have declined by over 20% year on year. This is partially driven by extreme risk scores for the Human Treatment and Freedom of

Association Indices, both of which has decreased by over 30% year on year. Supply chain Forced Labour, Migrant Worker and Working Hours Indices are all rated as extreme risk (RED).

Singapore

The Singapore overall country risk score is low (GREEN). This is driven by both low supply chain and low civil society overall risk.

Papua New Guinea

The Papua New Guinea overall country risk is high (ORANGE). This is driven by high civil society risk. Supply chain risk data is unavailable. The Global Slavery Index notes that widespread labour migrant exploitation exists in Papua New Guinea, most notably within its logging industry. [2018 Global Slavery Index]

Uruguay

The overall country risk score for Uruguay is medium (YELLOW). Due to lack of supply chain data, this score reflects civil society risk indicators only. The Workers’ Rights Index declined by 25% and the Labor Risk Index 6% year on year. According to the United States Bureau of Democracy, Human Rights and Labor, foreign workers are vulnerable to forced labour in agriculture, construction, domestic service, cleaning services, elderly care, wholesale stores, textile industries, agriculture, fishing and lumber processing (2020 Country Report on Human Rights Practices).

INDEPENDENT PRODUCTION

Some licensees are authorised to both produce and sell product locally. These facilities are required to manufacture to an agreed standard under the license terms. They include:

Argentina

Argentina has a medium overall country risk score (YELLOW). While the supply chain Forced Labor Index Score is medium (ELEVATE), the broader global slavery risk is low (GSI). Driving the improving overall risk profile are increasing scores for Health and Safety

(ELEVATE) and Worker Contracts (ELEVATE). There are four licensee facilities in Argentina, but only one of them is currently subject to the KMD Brands Code of Conduct and third-party social auditing.

Indonesia

The risks associated with Indonesia are outlined above on page 15. All Indonesian licensee facilities are subject to KMD Brands Code of Conduct and either hold or are currently working towards a third-party social audit or related certification.

Peru

Peru has a medium overall country risk score (YELLOW) and high supply chain risk score (ORANGE). These scores are driven by high-risk scores for freedom of association, forced labour and working hours (ELEVATE). Over 20% year on year change is reported in the Freedom of Association and Humane Treatment Indices (ELEVATE), and almost 10% decrease in the Forced Labor Index (ELEVATE). Licensee production occurring in Peru is currently subject to requirements under license only and there is no third-party social audit or related certification.

Fiji

Fiji has a high country risk score (ORANGE). This rating is built primarily off civil society risk due to limited supply chain data. According to the United States Department of Labor, children in Fiji are subject to child labour, sometimes because of human trafficking. They may also perform dangerous tasks in agriculture. Vulnerability to child labour has been exacerbated by the COVID-19 pandemic and natural disasters.⁴⁸ The single facility utilised in Fiji is subject to KMD Brands Code of Conduct.

South Africa

South Africa has a high overall risk score (ORANGE) and medium supply chain risk score (YELLOW). This is driven by high chemical-related injuries and occupational safety indices (ELEVATE). The Freedom of Association and Domestic Migrant Indices

(ELEVATE) increased over 20% year on year.

Economic disparity, widespread discrimination and the legacy of apartheid increase vulnerability to exploitation (GSI). All facilities in South Africa are subject to KMD Brands Code of Conduct and have completed third-party social audits.

5.2 BUSINESS RISK OF MODERN SLAVERY

KATHMANDU

With most Kathmandu and Rip Curl staff are 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

The primary focus of our efforts to drive transparency are currently limited to Tier 1 (Assembly, Cutting and Sewing). However even in Tier 1 facilities, our metrics from 2022 indicate that 48% of our audits were not fully transparent which means that our business partners are breaking our trust and violating our Code of Conduct, and their disclosed ESG data cannot be relied upon.

Kathmandu has only partial visibility into Tier 2 (Weaving, Knitting, Finishing, Dyeing, Printing, Tanneries and other Processing and Components) and 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 more prominent in the upstream part of the supply chain in Tiers 2, 3 and 4 where there is even less transparency. Tier 2 suppliers and other processing and componentry suppliers are only minimally covered by our current 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.⁴⁹

Tier 2

To gain greater transparency, Kathmandu is tracking and working to identify 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 also 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 recognised social accreditations and the wellbeing of their workers, the human rights protections they enjoy and the risks of Modern Slavery are largely unknown.

46. National Human Trafficking Hotline. 2021. 2020 National Hotline Annual Report. Polaris. 2020 National Hotline Annual Report | National Human Trafficking Hotline

47. Department of State. 2017. Trafficking in Persons Report. 2017. Government of the United States of America. 2017 Trafficking in Persons Report (state.gov)

48. Bureau of International Labor Affairs. 2021. 2021 Findings of the Worst Forms of Child Labor: Fiji. United States Department of Labor. Findings on the Worst Forms of Child Labor - Fiji | U.S. Department of Labor (dol.gov)

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

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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. However, we do 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. These include Better Cotton, Responsible Down Standard, Bluesign and The Global Organic Textile Standard.

RIP CURL

Tier 1

Since 1989, Rip Curl has owned and operated a large wetsuit manufacturing facility in Thailand, Onsmooth Thai Co. Ltd. This affords Rip Curl strong control over the wellbeing of workers within this facility.

Long-term supplier relationships also assist Rip Curl in understanding and addressing risks of Modern Slavery with Tier 1 suppliers. The average length of relationship across all current Tier 1 suppliers is 11 years. Rip Curl conducts annual reviews with suppliers, which includes a detailed social performance component that assists in identifying risks of Modern Slavery.

Tier 2

Rip Curl conducts regular risk assessments to identify aspects of its supply chain most at risk for negative social impact. Rip Curl has tracked over 250 input suppliers, including the name and facility type, 18% of whom have signed the Code of Conduct that includes Forced and Child Labour commitments. However, despite this traceability Rip Curl's ability to assess Modern Slavery risks beyond tier 1 is very limited.

Tier 3 and beyond

Rip Curl visibility beyond tier 2 varies by division. For example, the company has good visibility within the wetsuit supply

chain. However, there is significantly less understanding of the risks of Modern Slavery in other product divisions.

Rip Curl Licensees

Rip Curl Licensees are required to manufacture to an agreed standard, which includes some social and environmental considerations. In recent years, largely due to COVID travel restrictions, there has been a lack of visibility and transparency into those factories used by those licensees authorised to source their own products.

There has been no independent verification of ESG performance in many of these facilities and this represents a risk to both the business and to the potential slavery and exploitation of workers located there. COVID-19 has only heightened this risk as it prevented any on-site visits with licensees.

Third-Party Brands

The 42 Ozmosis stores sell products from 46 third-party brands, none of which are currently subject to ethical sourcing requirements as a condition of being sold in store. Rip Curl also does not currently monitor the compliance of third-party brands with modern slavery legislation.

5.3 SECTOR RISKS OF MODERN SLAVERY



Second only to technology, the apparel and footwear industry funnels more money toward Modern Slavery than any other industry.⁵⁰ 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.⁵¹ 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 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.

Gender Inequality

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.

Research by Walk Free confirmed that while Modern Slavery affects everyone, there is no escaping the fact that it is a gendered issue with women and girls accounting for nearly three quarters (71 per cent) of all victims of modern slavery. Gender inequality directly impacts the prevalence of modern slavery. "Modern slavery is enabled by power imbalances. For women and girls, this imbalance is exacerbated by gender inequality and discrimination, which is embedded in the fabric of our lives. Countries with a greater gender gap across health, education, and economic status have higher prevalence of modern slavery."⁵²

5.4 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 also a high risk of forced labour 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 labour 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.⁵³

Forced labour has also been found in leather tanneries in China, Indonesia and Vietnam as well as in the rubber plantations of Indonesia and Thailand.⁵⁴ Unlike raw materials, the manufacture of chemical and other synthetic materials are highly capitalised 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.⁵⁵

There is also no known child labour or forced labour concerns associated with natural fibres like merino wool and duck/goose down.⁵⁶

The core ingredient in traditional wetsuits is oil or limestone-based neoprene foam. The former involves oil drilling and the latter limestone mining. The Global Slavery Index states that mining and oil drilling are both sectors at risk of Modern Slavery as the remote areas in which companies operate can increase vulnerability to exploitation.⁵⁷

50. 2018 Global Slavery Index

51. 2018 Global Slavery Index

52. <https://www.walkfree.org/reports/stacked-odds/>

53. FLA Issue Brief, 2020

54. http://knowthefchain.org/wp-content/uploads/KTC-LeatherLabor-Case-Study_Final.pdf

55. US Department of Labor

56. US Department of Labor

57. <https://www.globalslaveryindex.org/resources/downloads/#gsi-2018>

6.0 ACTIONS TAKEN BY KMD BRANDS TO ASSESS AND ADDRESS THE RISKS OF MODERN SLAVERY

Summary

Actions taken by KMD Brands to assess and address the risks Modern Slavery can be distilled to the following three areas of Mindset, Transparency and Partnership.

1. Mindset

KMD Brands believes that adopting, applying and inviting others to see, live and work through a Benefit Mindset is essential in order to proactively address the roots causes of Modern Slavery

2. Transparency

Transparency means 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. Paradoxically it further means rewarding them for doing so, without any shaming or punishment. Such courageous leadership is necessary if we want our suppliers to raise Modern Slavery concerns without the risk of being penalised. Addressing Modern Slavery stands and falls on the ability to let go of our corporate ego and be transparent about our business and our shared humanity – both of which are very imperfect.

3. Collaboration

KMD Brands recognises that our ability to influence and address many of the systemic 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.

KMD Brands has applied these principles

of Mindset, Transparency and Collaboration 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

Social audits are still the main mechanism businesses use to monitor compliance with ethical trade commitments within their global supply chains. While audits can be helpful in flagging some workplace issues, they are not designed to detect or measure human centric risks and have been widely criticised for failures to detect human rights abuses and Modern Slavery in particular.⁵⁸

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 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.”⁵⁹

Perhaps even more harmful 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.

The existing business model with its primary focus on profit necessarily creates an incessant desire to minimise any risk to 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 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, KMD Brands is moving away from an emphasis on monitoring and compliance, to greater focus on facilitating improvements in the protection of human rights and the engagement of workers. We believe this will lead to improved wellbeing and better business.

Strengths based Segmentation

When KMD Brands was focused on minimising the risk to our brands, we audited every supplier in the same way, using the same auditing company, the same audit tool, over the same timeframe. Once we changed our mindset and our focus we recognised that we needed to

treat each supplier differently. This led to the segmentation of our supply chain and to a more accurate assessment of where each supplier landed when measured against the amount of influence we shared in our relationship and the risk factors they were facing.

Ownership

With this change in our own mindset, we moved away from a fear and shame-based model that relies on compliance, to inviting greater ownership by our suppliers of their own management systems, monitoring and social processes. This work is ongoing and requires honest conversations around value alignment, shared purpose and mutual benefit.

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 is therefore a central part of our overall strategy. There are several benefits for doing so. Supply chain transparency 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 our brands and which are not.

Online Transparency

Both Kathmandu and Rip Curl Tier 1 supply chains are publicly listed on our respective websites. This includes the name and address of each factory making our branded product as well as the product type they make and the number of workers in each factory.⁶⁰ Our supply chain is shared via the Open Supply Hub (formally Open Apparel Registry).⁶¹ The Open Supply Hub is an open-source, neutral and publicly accessible database.

Every facility making our product can now be identified and located on a global map using their GPS coordinates.

Pre-Sourcing Assessments

KMD Brands has a comprehensive on-boarding procedure for new suppliers which includes a mandatory ESG assessment. Once new suppliers and factories have been selected, Kathmandu or Rip Curl initiates the on-boarding process which introduces our shared values along with the Supplier Introduction Package.

Supplier Commitment

KMD Brands requires all suppliers to commit to uphold KMD Brands’ Code of Conduct, to remediate issues as they arise, as well as the right of inspection from approved third parties.

Workplace Code of Conduct

Our Code of Conduct forms the basis of our Social Impact Strategy 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, KMD Brands places 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 KMD Brands, suppliers must commit to transparency in their supply chain. The Supplier must seek approval for all primary and/or subcontracted facilities prior to production. In addition, the code gives both Kathmandu and Rip Curl 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

58. ETI on Auditing
59. ETI Critique
60. <https://files.kathmandu.co.nz/pdf/workers-rights/list-of-tier-suppliers.pdf>
61. <https://openapparel.org/>

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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 honest partnership and cooperation and improve our combined business at the same time.

In order to do business with KMD Brands, 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 KMD Brands Code of Conduct in their applicable facilities. When differences or conflicts in standards arise, suppliers are expected to apply the higher standard.

The important aspects of our Code as it applies to Modern Slavery are Transparency, Employment Relationship, Non-discrimination, Harassment or Abuse, Forced Labor, Child Labor and Freedom of Association and Collective Bargaining.⁶²

Modern Slavery Policies and Procedures

Both Kathmandu and Rip Curl have developed company policies as an essential step in addressing modern slavery. These include a Child and Forced Labor Policy and a Migrant Labor Policy. We are currently in the process of merging our separate policies into one master policy that will then apply to all brands at the group level.

Driving Transparency

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

Assessing Factory Conditions

When completing an audit, KMD Brands utilises Elevate's full social audit tool which 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.

To ensure consistency in how KMD Brands' standards are assessed, Kathmandu and Rip Curl 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.

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.

Assessing Licensees

Given the ESG risks associated with the current limited visibility into some facilities making Rip Curl branded goods for licensees, Rip Curl has recently appointed a Head of International Licensing to execute Rip Curl's licensing strategy across the Rip Curl Group. This will include educating and supporting licensees to meet Rip Curl's goals for supplier social and environmental performance. A key benefit of this role is an increased physical presence in the regions, which has not been possible since pre-COVID. This will also allow increased understanding of the risks in each licensee location, as well as the areas in which the company needs to better support licensees to meet Rip Curl's ESG standards.

Living Wages

Paying workers a living wage is another powerful means of ensuring that they are

less vulnerable to exploitation and Modern Slavery. In 2022 KMD Brands introduced a living wage to all workers at Onsmooth Thai, the only factory the company owns. In other contracted factories where the combined influence and leverage is limited, ensuring that every worker receives a living wage is far more difficult. KMD Brands is therefore working with the Fair Labor Association (FLA) and other brands as part of their 2022 Living Wage Pilot Project in Vietnam, a collaborative effort across buyers and suppliers to improve responsible purchasing production as well as compensation practices and systems. [See Fair Labor Association on 27]

Grievance Process

KMD Brands 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. Both Kathmandu and Rip Curl requires there is a confidential email channel at all facilities as part of the agreement with every supplier. The relevant email address is displayed on every Code of Conduct. In addition to this, the same email address is displayed on business cards which are handed out by Elevate staff as part of every assessment.

KMD Brands also created alternate channels in the form of links to the social media platforms used by 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 Supplier Code of Conduct documents used in those countries, which are on display and accessible to all workers. By simply scanning the code with their own mobile phones, every worker in China and Vietnam can now immediately contact and communicate directly the KMD Brands ESG team in their own language and on their own device.

Worker Voice

Another essential part of moving away from a top-down compliance-based

model of auditing, was including a bottom-up view that incorporated the voices of the workers themselves. For all the aforementioned reasons, traditional audits typically fail to identify issues such as sexual harassment and workplace bullying, let alone forced labour and other forms of Modern Slavery. KMD Brands needed to source and create tools and processes that would better allow the company to hear the voices of the workers themselves. Wherever possible, we also sought to improve the internal communication channels between management and workers.

In 2021 KMD Brands began working with New Zealand company Ask Your Team⁶³ who are approaching this challenge with a different mindset and innovative technology that ensures every worker gets a meaningful voice. Rather than a "top-down" approach that places audits at the centre of supply chain integrity, Ask Your Team uses a more "bottom-up" approach based on the understanding that workplace cultures of involvement, empowerment and inclusivity necessarily begin with people. Their approach therefore places the human at the centre, rather than on the periphery.



The Ask Your Team Ethical VOICE solution provides transparency on how every worker, including those most vulnerable, are being treated. Real-time feedback means companies can more quickly identify issues that improve both productivity and the wellbeing of their workers. Information gathered can then be

aggregated and used to identify exploitation risks across an entire sector. Worker Wellbeing scores can be publicly made available to auditors, consumers, industry bodies, consumers and other interested parties. Essentially using this technology means companies can get an overview of worker wellbeing across their entire supply chain and can also then compare worker wellbeing scores between suppliers.

Kathmandu worked with Ask Your Team to translate the survey questions into Mandarin and conducted a trial of the technology in collaboration with a Chinese supplier in July 2022. The trial went well and provided both Kathmandu, supplier management and Ask Your Team with valuable feedback on the roll out of the tool itself as well as the views of the workers on issues such as how safe they feel at work, whether they are encouraged to care for their mental health, whether they can leave their job voluntarily, their hiring process, access to unions, raising complaints and the respect and dignity they are afforded.

Based on the effectiveness of this trial, in the next financial year KMD Brands will expand the Ethical VOICE solution to other Kathmandu and Rip Curl suppliers in Vietnam.



Worker Voice at Onsmooth

As stated, the only factory KMD Brands owns is Rip Curl's factory, Onsmooth Thai, located in northern Thailand. The factory employs a strong worker voice channel for both direct and indirect factory workers. In 2022 an Elevate Worker Sentiment Survey was conducted, followed by an anonymous worker survey of the entire

62. <https://www.kathmandu.co.nz/blog/reports-policies>

63. <https://www.askyourteam.com/>

ACTIONS TAKEN BY KMD BRANDS TO ASSESS AND ADDRESS THE RISKS OF MODERN SLAVERY

workforce to explore the initial findings in more detail. This was in addition to the presence of an active Worker Committee, anonymous feedback box and small focus group consultation on issues such as compensation.

Union Engagement

Our Asia based ESG Specialist trains all auditors to review collective bargaining agreements (CBA) and assess against both KMD Brands’ workplace standards and with respect to CBA contents during audits. KMD Brands has additional questions on union engagement, worker representation and the review of CBAs within our audit toolkit.

Tracking Remediation

KMD Brands follows the standard practice of remediating findings from all factory assessments. Once an audit is completed, the auditor submits the final report within five working days and either Kathmandu or Rip Curl 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 the relevant company. 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 categorised into critical, major, moderate, or minor severity. Kathmandu or Rip Curl assigns the following timelines for CAP submission by type of finding:

- a. Critical – Immediate action, within 24hours 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 or Rip Curl audit. Conducting a root cause analysis is the responsibility of the factory, with the CAP then reviewed by the ESG team. When needed, the auditors work with the ESG Specialist to provide guidance documents on root cause analysis as part of their improvement services for suppliers.

6.3 COLLABORATION

KMD Brands believes that companies have a critical role in assessing, mitigating and preventing forced labour 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:

KMD Brands ESG Team

The ESG Team is responsible for developing and implementing KMD Brands’ ESG strategy, policies and social impact program. The department consists of the Chief Legal & ESG Officer which is an Executive level office; the Head of ESG, Social Impact Manager, one full time Social Impact Specialist and one full time climate specialist, two part time and one full time ESG Specialist, and an ESG Specialist based in Asia. These positions are equally spread across and based in both the Kathmandu and Rip Curl head offices.

ESG Specialist - Asia

In order to effectively respond to the social challenges in our supply chain with transparency and integrity, KMD Brands recognises the need to have greater on

the ground access to our supply chain improved visibility, genuine understanding of the issues involved and an ability to act in a timely and culturally appropriate manner. Without any local support 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 Asia where the bulk of KMD Brands sources the majority of its products is therefore critical for sustainable improvement at the supplier level.

Responsible Sourcing

In order to avoid creating the conditions that can fuel forced labour and other forms of Modern Slavery, both Kathmandu and Rip Curl have a Responsible Purchasing Policy which includes information on the company’s commitment to worker wellbeing, supply chain characteristics and production and planning critical path schedule. The policy ensures that suppliers have a voice and an ability to delay or decline orders.

External Collaboration:

Elevate Limited

Elevate provides both Kathmandu and Rip Curl with corporate consulting services including ESG 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 and key performance indicator monitoring

Most importantly for KMD Brands, 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.

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 organisations. The FLA uses a Multi-Stakeholder Approach to improve workers’ lives and address 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. 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.

Sustainable Apparel Coalition (SAC)

Kathmandu and Rip Curl are members of the SAC, an alliance of apparel, footwear and textile companies working together to further sustainable production. As members of the coalition, Kathmandu and Rip Curl are increasingly using the Higg Index. We are specifically using the FSLM (social module) and the FEM (environment module) to enable our suppliers and ourselves to better assess, track and improve a supplier’s performance in these areas. The Higg Index delivers a holistic overview that empowers businesses like ours to make meaningful improvements that protect the well-being of factory workers, local communities and the environment.

Mekong Sustainable Manufacturing Alliance

Both Kathmandu and Rip Curl are members of the Alliance Leadership Group of the Mekong Sustainable Manufacturing Alliance, which uses a market-driven approach to strengthen sustainable and competitive manufacturing by engaging the private sector, catalysing market forces, and

advancing innovative regional initiatives that increase the adoption of ESG standards. Two of Rip Curl’s suppliers are actively engaged in these initiatives; Rip Curl’s factory Onsmooth Thai in Thailand, and another supplier in Vietnam.

Centre for Child-Rights & Business

KMD Brands entered a partnership with the Centre for Child-Rights & Business⁶⁴ to deal with any cases of child trafficking or child labour cases that might arise in China. The Centre for Child-Rights & Business (formally CCR CSR) is a supply chain consultant based in Hong Kong and Shenzhen. The organisation has the experience, expertise and necessary networks to help companies improve their impact by strengthening their sustainable business practices.

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)⁶⁵ in Vietnam. AAT is the primary organisation 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 covers the sharing of confidential information and the ongoing care of victims of human trafficking and Modern Slavery in accordance with recognised best practices.

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

65. <http://allianceantitraffic.org/>

66. <https://www2.deloitte.com/nz/en/blog/sustainability/2021/the-collaborative-advantage.html>

ACTIONS TAKEN BY KMD BRANDS TO ASSESS AND ADDRESS THE RISKS OF MODERN SLAVERY

The Collaborative Advantage

The Collaborative Advantage is a working group of sustainable and ethical sourcing practitioners focused on enabling greater collaboration and shared learning to drive collective and sustained change from within the New Zealand Business community.⁶⁶ The group is facilitated by Kathmandu and Deloitte in order to collaboratively create and participate in a more ethical and sustainable way of doing business that benefits all stakeholders. It is based upon the premise that we are all connected and that it is only by working together collaboratively that we can meaningfully improve sustainability and ethical best practices across the board.

The objectives of the group is to bring sustainability and ethical sourcing practitioners together to:

- Create a safe environment to share and ask questions in a non-competitive context
- Develop a new mindset and new ways to conduct truly sustainable business
- Learn from each other about our ESG journeys, the good and the bad
- Learn from experts, government groups, NGOs, new developments, tools and initiatives
- Facilitate collective impact and drive positive action

The Collaborative Advantage is pioneering a new way of approaching the common environmental, social and governance challenges that every business is facing in recognition that we cannot meaningfully or effectively respond to any of them in alone and in isolation from the wider ecosystem within which we operate. This is especially true for Modern Slavery.



7.0 HOW KMD BRANDS ASSESSES THE EFFECTIVENESS OF THE ACTIONS WE HAVE TAKEN

The key actions taken by KMD Brands 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 KMD Brands assesses the effectiveness of our actions in each of these areas is outlined below.

- Because Kathmandu is a B Corp and Rip Curl is currently seeking B Corp certification, our approach to ESG, including our social impact programme and best practices are independently assessed by the Australian and New Zealand B Lab Office; the non-profit network responsible for certifying companies as B Corps.
- The KMD Brands approach to ESG, forced labor, 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 (FLA) as a result of our ongoing partnership with them.
- Our risk assessment processes and sourcing practices are regularly assessed and updated because of our partnership with ELEVATE and access to their EiQ platform.
- Kathmandu assesses the effectiveness and impact of Modern Slavery prevention education and training with our suppliers provided through our partnerships with relevant NGOs who have the necessary expertise, qualifications, cultural understanding and experience.
- KMD Brands tracks the number of collaborative partnerships with other businesses and brands who choose to work cooperatively to address shared social challenges and Modern Slavery risks in their supply chains.
- KMD Brands maintains consults with and receives regular feedback from our respective suppliers on the effectiveness of our mindset, approach to transparency and willingness to truly collaborate with them on ESG initiatives and capacity building projects.
- The KMD Brands Social Impact Manager tracks the number and nature of partnerships and invitations to collaborate with tertiary intuitions and other higher education facilities on ESG and Modern Slavery related initiatives and best practices.
- The KMD Brands Social Impact Manager has KPIs that reflect and measure how KMD Brands is delivering on our ESG initiatives.
- The KMD Brands Social Impact team meets together regularly to review our internal processes, seeks feedback on what is and is not effective, and endeavours to remain open to learning new ways of understanding how we can operate most effectively, with the greatest impact and brand alignment.

CONSULTATION PROCESS

With the rebranding of Kathmandu Holdings as KMD Brands in 2022, both Kathmandu and Rip Curl businesses have essentially come under one roof. The group of businesses (which also includes the American based footwear company Oboz) has transformed from an Australasian retailer to a brand-led global multi-channel business.

As a result of these changes, a group level ESG team was formed, made of up team members from both the Kathmandu and Rip Curl CSR and Sustainability teams. Consultation between Kathmandu and Rip Curl has therefore become a weekly if



not daily occurrence with both businesses working closely together to align in strategy, coordinate in practice and share leanings, insights and identified potential risks to both business and people.

Both the KMD Brands Chief Legal & ESG Officer as well as the Social Impact Manager have travelled to and spent several weeks with the Rip Curl ESG team in Torquay, Australia. Equally the Head of ESG and Social Impact Specialist, both based at the Rip Curl Head Office, have travelled to and spent time with the ESG team members based at the Kathmandu Head Office in Christchurch, New Zealand.

The Kathmandu and Rip Curl teams have worked extensively and collaboratively on the first KMD Brands Annual Integrated Report. The report is a review of financial, economic, social and environmental performance for the year ending 31 July 2022 and necessitated extensive consultation around our ESG initiatives, including our shared response to Modern Slavery.

The combined ESG team have also consulted widely and worked collaboratively on the B Impact Assessment as part of Kathmandu being re-certified as a B Corp, and Rip Curl's first application for B Corp certification which is currently underway.

ESG team members, sourcing teams and leaders from both Kathmandu and Rip Curl were consulted throughout the creation of this statement and they each provided feedback and input.

The final draft of this statement was then circulated widely across both businesses and further edits and additions were made based on the feedback received.

This statement is truly a collaborative effort and reflects the work done and the commentary provided by both entities as a result of this consultative process.

8.0 OTHER RELEVANT INFORMATION

In 2021 the New Zealand Ministry of Business Innovation and Employment (MBIE) established a Modern Slavery Leadership Advisory Group (MSLAG) to inform the policy development taking place in relation to the implementation of Modern Slavery legislation in New Zealand.

The KMD Brands Social Impact Manager is an active member and continues to provide regular and ongoing input into New Zealand’s legislative response to meaningfully addressing Modern Slavery.

In addition to this, the KMD Brands Social Impact Manager has also run workshops and webinars for other brands, tertiary institutions and government departments on addressing Modern Slavery.

This has included the following:

- A Human Centric Approach to Modern Slavery; International Business Class, The University of Auckland Business School
- Worker Wellbeing within Supply Chains; Ask Your Team Online Webinar

- Modern Slavery and Investment; private equity investment firm; Australia
- Addressing Modern Slavery; Responsible Investment Association of Australasia, Annual Conference
- Beyond Risk in Addressing Modern Slavery; Australian Catholic Anti-Slavery Network
- Responding to Modern Slavery; The Institute of Internal Auditors New Zealand, Annual Conference
- Addressing Modern Slavery; Franchise Association of New Zealand, Annual Conference
- Modern Slavery in Supply Chains; Raw Assembly Conference, Melbourne

KMD Brands has also provided feedback and ongoing input into the consultation relating to the three-year review of the Australian Modern Slavery Act 2018.



THE KMD BRANDS 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 organisation that promotes continuous improvement, the KMD Brands 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 KMD Brands Group. The "KMD Brands Group" includes 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 recognise 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 realise 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

