

KMD Brands Modern Slavery Report 2023

This is KMD Brand's Modern Slavery Report 2023, published in accordance with the *Forced Labour and Child Labour in Supply Chains Act 2024* (the "Act"). It covers the financial year ending 31st July, 2023. KMD Brands also reports under Australia's *Modern Slavery Act 2018* (Cth).

1. Introduction

As a B Corporation (B Corp), KMD Brands Limited ("KMD Brands") is committed to balancing profit with our impact on people and planet, including respecting internationally recognised human rights throughout our supply chain.

This statement is made on behalf of reporting entity KMD Brands Limited. However, it incorporates the consolidated approach to human rights due diligence across all our brands- Kathmandu, Rip Curl and Oboz. In this report, we use the term "modern slavery" to refer to forced labour and child labour.

2. KMD Brands Structure, Activities and Supply Chains

Founded in New Zealand as an outdoor apparel and equipment retailer in 1987, KMD Brands (previously Kathmandu Holdings Limited) became a publicly listed company in 2009. KMD Brands is publicly listed on the NZX and ASX. KMD Brands is a group of three brands: Kathmandu, Oboz and Rip Curl. KMD Brands is headquartered at 223 Tuam Street, Christchurch, New Zealand.

Kathmandu, Rip Curl and Oboz products are distributed via online websites and at wholesale and retail level. Kathmandu designs and manufactures outdoor apparel, footwear and equipment sourced from factories in Vietnam, China, Indonesia, New Zealand, Spain, Italy and Nepal. Rip Curl designs and manufactures surf apparel and accompanying products, as well as sponsoring athletes and surf events. Rip Curl products are manufactured in factories in Australia, Bangladesh, Brazil, Cambodia, China, France, India, Indonesia, Italy, Mexico, Thailand and Vietnam. The Rip Curl brand is also licensed to eight third-party licensees operating in Argentina, Chile, Fiji, Malaysia, Papua New Guinea, Peru, Singapore, South Africa and Uruguay. Oboz designs and manufactures outdoor footwear sourced from factories located in Vietnam.

Please refer to pages 8 – 9 of the KMD Brands [Annual Integrated Report 2023](#) ("Integrated Report") for a breakdown of number and location of office locations, stores, materials sourcing and factories. Kathmandu, Rip Curl and Oboz factory lists are also publicly available on the [Open Supply Hub](#).



As of July 31, KMD Brands employs 4,843 employees. Please see page 65 of our Integrated Report for breakdown by age, employment type and region.

KMD Brands controls an entity, Rip Curl Canada, which is engaged in selling and distributing goods in Canada. 5 employees are located in Canada.

3. Risks of Modern Slavery in KMD Brands Activities and Supply Chains

3.1 Our Supply Chain- Branded Products

KMD Brands works with 189 tier 1 manufacturing suppliers to create Rip Curl, Kathmandu and Oboz branded products. We currently source approximately 12% of products (by spend) from suppliers in regions with an extreme risk of slavery (Cambodia and Thailand) and 80% of products from suppliers in regions with a high risk of slavery (China, India, Indonesia and Vietnam).

KMD Brands employs a developing due diligence framework to identify potential risks in our supply chain that may be linked to or contribute to modern slavery. This is of particular importance considering the above-mentioned sourcing from high and extreme risk countries. Facilities are considered below in relation to overall geographic sourcing risk of slavery (as categorised by Walk Free Foundation (Walk Free, The Global Slavery Index 2023. <https://walkfree.org/global-slavery-index/>)). These risk ratings are used throughout this section to assess geographic risk as it pertains to modern slavery.

A comprehensive overview of general geographic risks within the KMD Brands supply chain is included in Section 5.1 of the 2022 KMD Brands Modern Slavery Statement. Please [click here](#) to access this statement. This year's discussion of geographic risk at Section 3.1.1 focuses on key issues of direct relevance to the KMD Brands supply chain.

Actions to assess and address the below risks are discussed in Section 4.

3.1.1 Geographic Risk

Extreme Risk Geographic Regions

Cambodia (Rip Curl)

The apparel industry in Cambodia is characterised by high levels of excessive overtime, poor wages and poor health and safety conditions. In light of these risks, KMD Brands only works with tier 1 suppliers in Cambodia with whom we have long, well-established relationships, and who have demonstrated strong internal compliance practices.

Thailand (Rip Curl)

The risk of forced labour remains at extreme levels in Thailand. A large population of ethnic people continue to lack citizenship rights and are particularly vulnerable to abuse and exploitation. Rip Curl manufactures in three factories in this region. One is Onsmooth Thai, a certified B Corp factory owned by Rip Curl. Rip Curl has owned and operated this factory for 26 years. The second two are long-standing Rip Curl partners that are visited regularly by our internal production team and have demonstrated well-established internal management systems.

High risk geographic regions

China (Rip Curl, Kathmandu)

Discriminatory government practices are a key contributor to modern slavery risks in China, including the internment of Chinese citizens of ethnic Turkic origin in the Xinjiang region and forced labour by prisoners incarcerated in China's regular judicial system. In FY23, Kathmandu had goods inspected by USA customs for connection with Xinjiang forced labour under the Uyghur Forced Labor Prevention Act. Whilst able to provide almost 40 different chain of custody documents across tiers 1 to 4, we were challenged by insufficient documentation relating to the sale between a Brazilian cotton grower and the cotton seller. This experience has resulted in process improvements including the addition of searchable traceability data within our product lifecycle management (PLM) system. Moving forward, Kathmandu is implementing a cotton t-shirt program with Indian fibre origin. This will provide full chain of custody and assurance that there is no connection between Kathmandu cotton t-shirts and Xinjiang forced labour.

The prohibition on traditional forms of collective bargaining continues to impact on forced labour risk. Internal migrant workers are also particularly vulnerable to exploitation. Both Kathmandu and Rip Curl tier 1 manufacturing facilities are predominately located in export-oriented centres that are under significant government and customer pressure to operate in a socially and environmentally responsible manner. In light of the increased risks presented by suppression of freedom of association and state-imposed forced labour, KMD Brands is increasing its use of worker engagement in social assessments.

India (Rip Curl)

Bonded labour in India is still prevalent and the risk of child labour is extreme. Recent amendments to the Factories Act in Karnataka that increase permissible working hours and permit women to work night shifts may also impact worker conditions, particularly the health and safety of women. These changes go against International Labour Organisation conventions and declarations as well as the KMD Brands Code of Conduct. KMD Brands engages one factory located in this region and has confirmed with that factory that there will be no change in accepted working practices due to the amendment.

Indonesia (Rip Curl, Kathmandu)

The textile and garment industry plays a key role in the Indonesian economy and employs over 4.3 million workers. Sexual harassment is prevalent, and workers often face verbal and physical abuse. Subcontracting to suppliers with below standard labour conditions is also common. In recognition of this broader risk, Kathmandu works with suppliers with strong human rights awareness and dedicated social and environmental teams.

In FY23, a social assessment found one of Rip Curl's Indonesian suppliers was paying workers below the minimum government regulation. The intention was to retain their workforce during a period of low demand and the pay rate was consistent with other employers in the area. KMD Brands held a critical issue meeting with our supplier to discuss the concern and understand our supplier's perspective and challenges. We sought a detailed compensation breakdown and plan for wage adjustments to at least regulation requirements within 7 days. This remains an open case with future production contingent upon remediation. This approach reflects an emphasis on open communication with suppliers, alongside a focus on education and mutual understanding. We would rather our suppliers be honest about their challenges and the need to work together to find a solution, than to hide non-compliance due to fear of losing ongoing business.

Vietnam (Rip Curl, Kathmandu, Oboz)

The garment industry is an important driver of the Vietnamese economy. Excessive overtime and poor job security are prevalent within the sector, which increases the risk of forced labour. The state of the global economy is also placing pressure on factories. Given the large percentage of products sourced from Vietnam and prevailing risks, KMD Brands surveyed over 4,000 workers in Vietnam in FY23. This anonymous survey was conducted in collaboration with an independent third-party provider, who also cleansed and analysed the data to ensure authentic responses. The overwhelmingly positive responses reflect the high standard of factory partners in Vietnam. The majority of factories engaged by Kathmandu, Rip Curl and Oboz in Vietnam are progressive Environmental Social Governance (ESG) partners with dedicated social and environmental teams. They are industry leaders that provide inspiration for KMD Brands in relation to both social and environmental impact.

In FY23, a Fair Labor Association (FLA) assessment identified two critical issues (inaccurate attendance records for labour hire workers and insufficient training for equipment operators) in a factory we share with two other FLA participating brands. In collaboration with the factory and other brands, an action plan was agreed upon. Local brand teams visited the factory to provide on-site guidance and the findings were recently resolved and closed, including ceasing to use a labour hire company for production recruitment.

Medium risk geographic regions

Bangladesh (Rip Curl)

The Bangladesh Government has taken a strong stance on addressing modern slavery. Poverty and social instability continue to present labour risks and monitoring of labour law enforcement is limited.

Rip Curl has an on-ground supplier agent in Bangladesh that supports factories to meet our social and environmental expectations. This provides us with strong visibility of performance within these factories. In FY23, Rip Curl also conducted internal assessments of the majority of tier 1 suppliers in Bangladesh. The vertical nature of many of our supplier relationships in Bangladesh also provides very good visibility into the working conditions of input (tier 2 and 3) suppliers within our supply chain.

Brazil (Rip Curl)

Labour risk in Brazil is significant in relation to unauthorised subcontracting, freedom of association and child labour. Accelerating urbanisation has also resulted in an increase in modern slavery in the textile industry.

The Brazil region is a signatory to the ABVTEX certification association. Rip Curl's Global Office in Brazil works with factories that are audited for social and environmental performance under this scheme and subject to the KMD Brands Code of Conduct.

Low-risk geographic regions

Rip Curl and Kathmandu work with trusted, long-term supplier partners in Australia, France and New Zealand. Each have undergone third-party social assessments and have been classified as low risk. In FY23, one supplier lacked sufficient residency documentation for a small number of workers. This was highlighted and rectified within one week. The focus for KMD Brands in this region is on the risks presented by indirect procurement, discussed at 3.3.

3.1.2 Tier 2+ Manufacturing, Processing and Production

KMD Brands has partial visibility beyond tier 1. Visibility varies by product division and supplier structure. For example, we have good visibility within our wetsuit supply chain, but significantly less understanding of the risks of modern slavery in the camping accessories supply chain.

The risks associated with modern slavery within the KMD Brands supply chain are more prominent in the upstream part of the supply chain where there is 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.

Raw materials suppliers are also not covered by a social auditing and social improvement program and KMD Brands has little visibility to reliably assess modern slavery risks. For most companies, raw materials suppliers are the hardest to identify, assess and gain access to. The financial and contractual relationship is between the brand and tier 1 supplier, which affects leverage in relation to traceability and performance requirements. These suppliers can more easily utilise exploitative employment practices and present significant modern slavery risk.

3.1.3 Product Risk

Materials commonly used in KMD Brands apparel, footwear and equipment products include cotton, down, leather and neoprene.

Large amounts of the world's cotton are produced in Central Asia in countries including Uzbekistan, Kazakhstan and Turkmenistan as well as India, Pakistan and Turkey. There is also a high risk of forced labour in certain parts of China. The Xinjiang region is the source of over 80% 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 (FLA, Issues Brief, 2020).

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 (http://knowthechain.org/wp-content/uploads/KTC-LeatherLabor-Case-Study_Final.pdf). Unlike raw materials, the manufacture of chemical and other synthetic materials are highly capitalised industries employing qualified technicians. The likelihood of modern slavery practices in these industries is therefore comparatively lower.

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 (US Department of Labor).

There is also no known child labour or forced labour concerns associated with natural fibres like merino wool and duck/goose down (US Department of Labor).

The core ingredient in traditional wetsuits is oil or limestone-based neoprene foam. The former involves oil drilling and the latter limestone mining. Limestone neoprene is used in the majority of Rip Curl wetsuits. The Global Slavery Index (GSI) 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 (Walk Free, The Global Slavery Index 2018).

3.1.4 Sector Risk

The following summary was included in our 2022 Modern Slavery Statement. At an industry level, these risks remain, as the apparel and footwear industries continue to contribute significantly to modern slavery.

Within the sector, 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 in order to truly understand what is happening 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 contribute 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%) of all victims of modern slavery. Gender inequality directly impacts the prevalence of modern slavery.

3.2 External Rip Curl Licensees

Rip Curl has a number of external licensees, some of whom source all product from existing Rip Curl approved and monitored suppliers, while others have a license to produce independently. Rip Curl licensees are required to manufacture to an agreed standard, which includes some social and environmental considerations. Sourcing by external licensees presents a risk due to lack of clear visibility and transparency of factories used by those licensees that are authorised to source their own products.

Entities with the license for Israel, Malaysia and Singapore currently source all product from existing Rip Curl approved and monitored suppliers. The modern slavery risk for tier 1 production for these regions is low.

Licensees in Argentina, Chile, Peru, South Africa and Fiji are authorised to both produce and sell product locally. These facilities are required to manufacture to an agreed standard under the license terms.

- The broader global slavery risk in Argentina is low. There are four licensee production facilities in Argentina, but only one is currently subject to the KMD Brands Code of Conduct and third-party social auditing.
- Rip Curl's licensee in Chile does not produce locally and sources product independently from China. KMD Brands now has visibility of the factories used by the Chilean licensee, but these factories are not currently onboarded or risk assessed by Rip Curl or KMD Brands.
- High supply chain risk in Peru is driven by high freedom of association, wages and working hours risk. Licensee production occurring in Peru is currently subject to requirements under the license only and there is no third-party social audit or related certification.
- The single facility utilised in Fiji is subject to the KMD Brands Code of Conduct.
- All facilities in South Africa are subject to the KMD Brands Code of Conduct and have completed third-party social audits.

3.3 Our Supply Chain- Indirect Products and Services

KMD Brands procures non-inventory products and services across the following categories:

- Marketing and advertising
- Information technology
- Freight and logistics
- Retail operations (store fit-out and consumables, postage, facilities management, loss prevention and utilities)
- Support operations (professional services and office supplies)

We have analysed each procurement sub-category by potential labour risk and have identified the following high and medium risk categories to prioritise.

- Retail Operations, focusing on store fit out, facilities management and loss prevention.
- Supply Chain, focusing on freight and logistics.

KMD Brands engages suppliers to provide fit out, maintenance and security across our extensive network of retail stores. Although many of our indirect suppliers are located in low-risk regions, unauthorised subcontracting, short-term engagements, underpayment of wages and poor occupational health and safety are features of these industries. There is also a high reliance on

migrant workers within these sectors, who may be vulnerable to worker exploitation due to visa insecurity, non-standard operating hours and language barriers.

3.4 Third-party Products Sold by KMD Brands

Rip Curl, Kathmandu and Ozmosis retail stores sell products from third-party brands, none of which are currently subject to social and environmental sourcing requirements as a condition of being sold in store. KMD Brands also does not currently conduct formal monitoring of third-party brands with modern slavery legislation.

3.5 Operational Risks

KMD Brands operates in accordance with robust legislation in relation to employment rights and human rights in both Australia and New Zealand and is required by law to maintain internal best practices, systems and policies that support individual employees as well as facilitate protected disclosures. These policies and practices apply to Canadian activities and across the Group. Group level controls in relation to recruitment, onboarding and support of Canadian-based employees are managed by the human resources team in the North American global office. The Code of Ethics that guides our behaviour and decision making can be accessed [here](#).

4. Actions Taken by KMD Brands to Assess and Address the Risks of Modern Slavery

4.1 Governance

KMD Brands Workplace Code of Conduct

KMD Brands requires all suppliers of Rip Curl, Kathmandu and Oboz branded products to commit to uphold KMD Brands' Code of Conduct, allow workplace inspection by approved third-parties and to remediate issues as they arise. The important aspects of our Code as it applies to modern slavery are transparency, employment relationship, non-discrimination, harassment or abuse, forced labour, child labour and freedom of association and collective bargaining. 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 in their applicable facilities. Transparency is prioritised in relation to both owned and subcontracted facilities.

Modern slavery policies and procedures

KMD Brands has company policies that address modern slavery, including a Child and Forced Labour Policy and a Migrant Labour Policy. New employees are trained in these policies as part of their orientation. Employees in global head offices receive annual training on modern slavery indicators and trends, developed and delivered internally. All employees located in Canada have received training in these policies alongside wider human rights training.

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, Rip Curl or Oboz initiates the onboarding process which introduces our shared values alongside a Supplier Manual.

4.2 Commercial Practices

Purchasing of branded products

We understand the impact purchasing practices play on labour rights abuses within supply chains and that decent working conditions, increased worker productivity and long-term business competitiveness are interconnected. Genuine consultation and engagement with stakeholders play a key role in our efforts to balance the competitive manufacturing environment and our social and environmental expectations.

Both Rip Curl and Kathmandu have a Responsible Purchasing Policy which includes information on the company's commitment to worker wellbeing, supply chain characteristics and responsible business conduct. In FY23, sourcing teams at both Rip Curl and Kathmandu received training in responsible purchasing practices. The wider Head Office team for both Rip Curl and Kathmandu also received human rights training that covered modern slavery indicators and policy.

All brands have clear supplier terms of purchase that include agreement on detailed payment terms, penalties prior to placing purchase orders and process for factory exit. Production planning is a collaborative process by season that includes forecasts, mutual agreement for order modifications and commitment to spreading order volume. In FY24, consistency in supplier terms and the potential public reporting on responsible purchasing practices will be considered.

Long-term supplier relationships assist each brand in understanding and addressing risks of modern slavery with tier 1 suppliers. For example, the average length of relationship across all current tier 1 Rip Curl suppliers is 11 years and 6 years for Kathmandu. Each brand conducts regular reviews with suppliers, which includes a detailed social performance component that assists in identifying risks of modern slavery. In FY23, all tier 1 suppliers were invited to provide feedback on our commercial terms, purchasing practices and barriers to social and environmental improvement. Over 80 responses were received, including a high rate of free text comments. This feedback is currently being reviewed and will guide any required changes to our purchasing practices.

Purchasing of indirect products and services

Social and environmental criteria are considered as part of new provider evaluations and requests for proposal for indirect product and services. These criteria will be developed further in FY24, including considerations at both supplier type and supplier business practice level.

Purchasing of third-party products sold by KMD Brands

Clauses relating to modern slavery and wider human rights considerations are included in KMD Brands standard terms for the purchase of branded goods. An internal audit of the social and environmental performance of third-party brands is planned for FY24.

4.3 Assessment and Monitoring

KMD Brands has a due diligence program to identify and assess human rights impacts in operations, supply chains and business relationships guided by the OECD Guidelines for Multinational Enterprises. In FY23, 100% of tier 1 manufacturing suppliers (189) and 11 tier 2 suppliers have been subject to third-party assessments that include human rights criteria. Assessments incorporate information on our own supplier relationships and their business models, as well as individual analysis of social and environmental indicators. We also used the [LRQA EIQ platform](#) to provide up to date research on trends and drivers of forced labour within the wider risk landscape.

We continue to use third-party audits to gain a high-level overview of social and environmental risk, particularly in relation to health and safety and compliance with government requirements. We recognise the limitations of audits in relation to facilitating long-term improvements and use them as one tool within our monitoring program. Where we request a third-party audit, it is stressed to suppliers that our focus is on transparency and clear expectation of improvement where required, not tick-the-box compliance.

The KMD Brands monitoring program has included a two-yearly audit requirement, which is included in the wider supplier risk assessment. KMD Brands used LRQA's full audit tool during FY23 for commissioned audits, which includes an occupational health and safety review, consultation with unions and worker representatives and an anonymous worker survey. To ensure consistency in how KMD Brands' standards are assessed, formal field instructions are shared with all auditors. The field instructions provide guidance on numerous issues including the priority we place on transparency, worker voice and the participation of union and/or worker representatives in the opening and closing meetings during the audit.

From FY24, auditing will be conducted to risk, with an emphasis on a wider range of assessment tools. Rather than requiring all factories to be audited via the same tool over the same timeframe, assessments will be driven by potential human and environmental risk and our potential leverage within the facility. This change also seeks to address FY23 challenges including reports of bribery of auditors and lack of transparency in relation to wages and working hours across the industry. In FY24, KMD Brands expects to increase the use of internal site assessments, via deployment of an internal self-assessment and training for sourcing and development teams.

We appreciate the need to better understand the causes of forced labour in supply chains from workers, trade unions and worker organisations. In FY23, we prioritised direct engagement with workers and worker organisations and intend to continue this in FY24. Further information is available in the Communities Section of our Integrated Report.

Grievance process

KMD Brands has created a grievance mechanism that includes a requirement for a functioning grievance procedure at all tier 1 factories and a confidential third-party grievance channel as part of all supplier agreements. Our grievance channel is displayed on all Codes of Conduct and business cards provided to workers during factory visits. In China and Vietnam, there are additional channels in the form of links to the social media platforms used by workers. A WeChat (China) or Zalo (Vietnam) QR code is now included on all Supplier Codes of Conduct displayed in tier 1 factories in these countries. In FY24, we will be investigating the effectiveness of our current grievance mechanism in detecting human rights violations.

Worker voice

In FY23, we extended our use of worker surveys to Kathmandu and Oboz suppliers in Vietnam. A case study is included in our Integrated Report. KMD Brands partnered with New Zealand company, Ask Your Team, to offer a real-time survey to workers relating to worker wellbeing and engagement. More than 4,500 office and production workers completed the survey, mostly on their own smartphones. We asked for feedback on a range of topics, from human rights to workplace health and safety, remuneration to worker aspirations. The 70% response rate was higher than expected and all suppliers demonstrated their commitment to deploy the survey at scale.

Assessing licensees

Rip Curl held an international conference in March 2023 to provide licensees with a clear understanding of social and environmental expectations, and the need for strong supply chain visibility. Monitoring progress is described in section 3.2.

Transparency

Making our own supply chain more transparent is a central part of our overall strategy. Our supply chain is shared via the Open Supply Hub. 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.

Tier 2 + assessment and monitoring

To gain greater transparency, each brand is working to trace strategic tier 2 facilities. For Kathmandu, this includes an understanding of volume of inputs provided for end products, company structure and external social and environmental accreditations (such as Bluesign Chemical Standards, or ISO 9000 Management Systems). In FY23, 65 tier 2 facilities were disclosed via Open Supply Hub and agreed to the standards of the KMD Brands Workplace Code of Conduct. The dialogue has also increased with some tier 2 suppliers, primarily fabric mills. Kathmandu now works directly with mills to negotiate lead times.

KMD Brands also considers third-party social and environmental accreditations to support monitoring in tier 2+ facilities where visibility is limited. This includes sourcing from facilities that hold accreditations including bluesign, ZDHC, OEKO-TEX, ISO 14001 and ISO45001, Better Cotton



Initiative (BCI), Responsible Down Standard (RDS), Global Organic Textile Standard, Organic Content Standard, Global Recycled, Standard Fair Labor Association and Fair Trade.

Empowering workers to protect their own rights

In FY23, KMD Brands became a signatory to the International Accord. The Accord is focused on ensuring workplace safety for garment workers in Bangladesh and Pakistan. Unlike traditional multistakeholder initiatives, the terms of the Accord are legally binding between brands and trade unions. As a signatory, we are supporting the active engagement of workers through training that includes awareness of rights and an accessible complaints mechanism. The factories we source from in Bangladesh are frequently inspected under the Accord initiative and are all covered by elected participatory committees consisting of workers and managers.

To support rights to exercise freedom of association and collective bargaining, KMD Brands focuses on supplier relationships and emphasises a zero-tolerance approach to violation of the right to exercise freedom of association.

4.4 Remedy, Reporting and Collaboration

Tracking and reporting on remediation

KMD Brands monitors and supports suppliers to remediate critical and major findings from factory assessments. The Corrective Action Plan (CAP) process is a collaborative process between the facility, the auditor, and the relevant brand. Addressing findings via the CAP process is an expectation that is shared with the suppliers during the onboarding and audit process. We recognise the limited effectiveness of the CAP process in improving working conditions and require an additional root cause analysis for all critical issues. 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 KMD Brands ESG team to provide guidance documents on root cause analysis as part of their improvement services for suppliers.

KMD Brands includes high-level remediation reports in our Integrated Report with reference to the Global Reporting Initiative (GRI) Universal Standards. Please refer to pages 70 and 71 for discussion of actual or potential negative impacts identified in FY23 and how these were addressed.

Collaboration

KMD Brands is engaged in several multi-stakeholder initiatives that are valuable in generating ESG-related dialogue. We also have strategic partnerships that support cooperation on remediation with shared suppliers. In FY24, we will be reviewing our engagement in multi-stakeholder initiatives to ensure our resources are contributing to action that protects rights holders.

External collaboration in FY23 included:

The International Accord



The International Accord is a set of legally-binding agreements between global unions, IndustriALL and UNI Global Union, and signatory brands and retailers with the purpose of ensuring health and safety within garment factories. The Accord covers over 1,600 factories in Bangladesh and provides an independent enforcement body that manages factory inspections and upgrades, and engages workers to help identify instances of workplace violations.

Fair Labor Association (FLA)

KMD Brands is an accredited member of the Fair Labor Association (FLA), a collaborative effort of socially responsible companies, colleges and universities, as well as civil society organisations. We use FLA tools and resources including the FLA Fair Compensation Dashboard and independent assessments within our supply chain. The FLA also provides guidance on how to address modern slavery risks, including responsible recruitment guidance, benchmarks of best practice and forced labour indicators.

Cascale (formerly the Sustainable Apparel Coalition)

KMD Brands is a member of the Cascale, an alliance of apparel, footwear and textile companies working together to further sustainable production. Our membership requires a commitment to supply chain social and environmental monitoring, transparency, sharing best practice and making meaningful improvements. Our progress is assessed each year, both by Cascale and via the verified Brand Retail Module.

Mekong Sustainable Manufacturing Alliance (MSMA)

In FY23, both Kathmandu and Rip Curl formed part of the Alliance Leadership Group of the Mekong Sustainable Manufacturing Alliance (MSMA). The MSMA 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.

The Collaborative Advantage

In FY23, KMD Brands was a coordinating member of 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. Objectives of the group include learning from experts and NGOs about new tools and initiatives, and creating an environment to collaborate in a non-competitive context.

5. How KMD Brands Assesses the Effectiveness of Our Actions

Rip Curl, Kathmandu, Oboz and Onsmooth Thai are all certified B Corporations. Our approach to ESG and associated actions are independently assessed by the relevant B Lab offices responsible for certification. KMD Brands practices relating to forced labour, social monitoring and compliance are also annually assessed and independently monitored by the Fair Labor Association (FLA).

The effectiveness of our program and quality of disclosure is also assessed by civil society organisations, including as part of the Baptist World Aid Ethical Fashion Report, the Tear Fund Ethical Fashion Report, the Textile Exchange Material Change Index and the Fashion Revolution Transparency Index.

We have a strong commitment to continuous improvement. This is reflected in the linking of KMD Brands finance to our performance against key sustainability indicators including supply chain monitoring. Our performance against these indicators will be independently audited in FY24. Our broader progress will also be independently verified through the Higg Brand Retail Module assessment. We will continue to work with Oxfam New Zealand in their independent assessment of our performance relating to our commitment to living wages, supply chain transparency, gender policy and freedom of association.

We also review our processes and performance internally. Metrics relating to our internal assessment can be accessed via our Integrated Report.

6. Consultation

KMD Brands Environmental, Social, and Governance (ESG) team members, sourcing teams and leaders from all brands were consulted throughout the creation of this statement. ESG is a Group function at KMD Brands. There are team members based in Torquay (Rip Curl Head Office), Melbourne (KMD Brands Office), Christchurch (Kathmandu Head Office), Bozeman (Oboz Head Office) and China. There is strong consultation at brand level to ensure strategic alignment and effective implementation. Our approach to human rights due diligence is defined at a Group level, drawing on the expertise and experience of brand level employees.

The KMD Brands, Kathmandu, Rip Curl and Oboz teams collaborate extensively on the KMD Brands Annual Integrated Report and B Corp, which necessitates consultation around our ESG initiatives, including our shared response to modern slavery.

7. Looking Ahead

KMD Brands remains committed to action on modern slavery, prioritising meaningful impact beyond statements of policy. Throughout FY24, we will continue to develop our due diligence practices and deepen our understanding of risks outside of our branded product supply chain. A key focus will be working with our suppliers to increase our visibility of modern slavery risks beyond tier 1.

We will continue to prioritise responsible purchasing practices that support positive working conditions such as on-time payment to suppliers and mutually agreed ordering patterns. Drawing on our strong supplier relationships, we will continue to exert meaningful pressure where necessary to improve working standards, whilst respecting supplier perspectives. We will also continue our post-supply monitoring, including supplier feedback, direct worker engagement and capacity building. We will work in partnership with civil society to undertake a review of our grievance mechanism to improve the usage and accessibility of the tool.

In FY24, we will begin developing social and environmental metrics to evaluate significant indirect suppliers and incorporate these requirements into proposal requests and tender documentation.

We will continue to collaborate to better understand opportunities to coordinate due diligence in shared supply chains. We will also be conducting a review of our involvement in multi-stakeholder initiatives to enable prioritisation of those that deliver meaningful impact and are integrated across the organisation.

8. Approval and Attestation

This report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of KMD Brands Limited for the fiscal year ended July 31st, 2023.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full name: Michael Daly



Title: Managing Director and Chief Executive Officer

Date: 21st May 2024

I have the authority to bind KMD Brands Limited.