



RODD & GUNN®

**SOCIAL AUDIT
REPORT**

FY23

OUR JOURNEY

Since the beginning of our formal social compliance program in 2015, **Rodd & Gunn** remain strongly committed to our factory auditing program.

In FY23, we commissioned a total of **10 Tier 1 factory audits** in **5 countries**, spanning across **Asia** and **Europe**. Except for one specific case, all assessments were carried out with the support of our independent, 3rd party auditing partner **SGS**, using our proprietary assessment checklist.

China	Vietnam	Mauritius	Cambodia	Portugal
4	3	1	1	1

80% of these audits were **first-time Rodd & Gunn assessments** of our factories. This number is reflective of our commitment to attend to the challenges our industry experienced in carrying out on-site monitoring activities throughout the Covid-19 pandemic.

OUR METHODOLOGY

Our approach to auditing remains consistent with previous years concerning all parameters, our audit process and the rating system we apply to our suppliers' performance.

In addition to our SGS audit program we also evaluate other forms compliance, such as a factory's own certification program or independent audit report (e.g. WRAP Compliance, SMETA audit, SA8000 accreditation, etc.). This approach supports our methodology to make use of a range of tools that strengthen our due diligence response and triangulate information on the conditions in which our products are made.

AUDIT CHECKLIST

A key element of our audit program requires a **regular review of our assessment checklist** and making amendments as needed. This ensures we stay up to date with industry best-practice, align with our risk assessments, and that the information we capture remains relevant to the risks and due diligence requirements we carry out on our supply chain.

Below is a summary of key changes we made to our checklist:

1. Auditors perform additional checks on our suppliers' sub-contractor policies concerning child/ forced labour and make simple calculations to compare factory capacity with workers' workload to identify possible undeclared sub-contracting.

2. Specific checkpoints were added to raise awareness on gender specific issues such as suspected pregnancy testing, forced use of contraception and termination of employment due to pregnancy.
3. We ask auditors to evaluate whether worker committees are operating independently from factory management, the process for recording grievances raised, and to what level follow-up actions include involvement from unions or worker committees.

THE PROCESS

- **Step 1** – Contents of our Supplier Code of Conduct and Policies are reviewed and updated regularly to ensure industry best-practice is reflected. All suppliers, ongoing & new, are required to declare their commitment and full understanding of the requirements before proceeding with orders.
- **Step 2** – New factories are scheduled for their first audit. Where available, we review and recognize other valid & credible 3rd party audits or certifications for the first 12 months. To avoid audit fatigue, we generally audit our factories on a 2-year schedule, unless risk indicators show that an adjustment in frequency auditing is warranted.
- **Step 3** – After the audit, we review the results and corrective actions are defined. We work closely with our suppliers to ensure we understand the root causes and each finding is addressed appropriately.

In case of an audit revealing any critical findings, factories are required to undergo a follow-up audit to independently verify the corrective actions, unless compelling evidence for immediate correction is available.

- **Step 4** – We track & evaluate the performance of each supplier and periodically communicate our findings to senior management, shareholders and our board of directors. In the event where suppliers do not meet our social compliance requirements on a continuous basis, we consciously consider the need for other approaches (beyond audit) or at the very last resort, exiting the business relationship.

OUR PARAMETERS AT A GLANCE

AUDIT PRE-REQUISITE	Rodd & Gunn only work with factories who demonstrate full cooperation with our audit program and due diligence screening process
ASSESSMENT CONTENTS	Our checklist scans factories on local, national & international laws, in conjunction with our Code of Conduct & other brand specific requirements
AUDIT TYPE	On-site only for all new & initial audits. On-site or remote desktop review for follow-up audits
AUDIT FREQUENCY	Approx. every 2yrs, subject to meeting Rodd & Gunn's performance expectations
AUDIT DATE	Semi-unannounced. We provide a four-week window to our factories during which the auditor(s) arrive on any given day
AUDITORS	All SGS auditors are fully trained & APSCA accredited, speak the local language of the regions we audit in and collectively share many years of experience

OUR RATING SYSTEM

Our factories are assessed on **12 key areas** of social, ethical and environmental standards.

Any non-compliant findings within the audit assessment are given a weighted rating of either **MINOR, MAJOR or CRITICAL** - depending on the severity and impact they have on the workers or on the environment.

The following table outlines how these ratings are applied and include some common examples.

Rating	Description	Examples
CRITICAL	Issues which pose an immediate threat to the health & safety of factory workers and/or the environment and therefore require urgent attention <ul style="list-style-type: none"> • Serious human rights abuse • Lack of business ethics 	<ul style="list-style-type: none"> • Full/Partial access deny • Blocked / locked fire exits or escape routes • Incomplete worker attendance records
MAJOR	Any findings that are likely to have a negative impact on the medium-long term health & safety of workers, their rights or the environment <ul style="list-style-type: none"> • General breach of workers' welfare and/or rights • Lack of legally required records 	<ul style="list-style-type: none"> • Lack of permits, certificates, reports • Lack of safety equipment • Excessive working hours • Inadequate benefits and/or compensation
MINOR	Issues which pose no immediate threat or risk to the health & safety of workers or the environment <ul style="list-style-type: none"> • Breach of legal requirement and/or Rodd & Gunn Code of Conduct that generate relatively little impact on workers' welfare and/or basic rights 	<ul style="list-style-type: none"> • Lack of adequate and effective policy and procedure • Lack of communication and/or awareness training

A **Corrective Action Plan (CAP)** is issued at the closing of each audit, and all necessary corrective actions, a responsible person/department and due dates for completion are agreed upon. In addition, auditors include comments from factory management or worker representatives on the root cause of a non-compliance for context and enhancing the effectiveness of proposed corrective actions.

Our factories are issued with an **OVERALL AUDIT SCORE** ranging from **A (fully compliant) to E (not compliant)**. We use this information to track a supplier's progress, develop risk assessments and identify specific actions or initiatives for ongoing progress.

The table below gives a basic overview of the audit scores & risk rating.

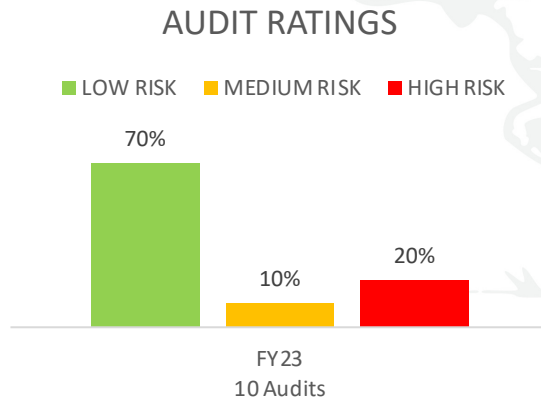
Score	Description	Risk
A & B	Factory meets or exceeds local law, regulations and policy requirements. MINOR corrective actions are defined and addressed appropriately.	Low
C & D	Factory meets some ethical policy requirements. MAJOR corrective actions are defined and monitored for ongoing improvement.	Medium
E	Factory fails some ethical policy requirements. A CRITICAL action plan has been defined & corrections are verified through follow-up on-site audits	High

Any number of critical findings raised in an audit automatically result in a **NON-COMPLIANT (E)** status and factories are required to undergo additional follow-up monitoring.

SUPPLIER & COUNTRY PERFORMANCE

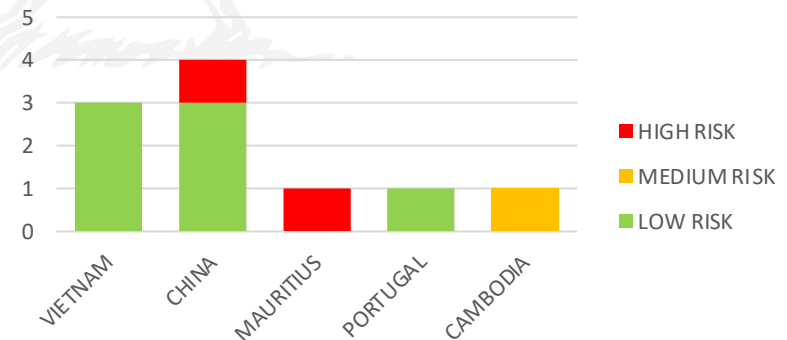
The insights gained from our audits assist us in understanding each of our supplier's strength and weaknesses, along with the geographical differences, and play an important role in assessing current risk profiles and potential emerging trends in our supply chain.

The following graph provides a snapshot of our factory based on individual performances during the FY23 auditing cycle. Ratings



Collectively, the audits carried out in FY23 and those suppliers/factories still up to date from FY22 represent **70% of Rodd & Gunn's active Tier 1** supplier/factory pool. The remaining % represent factories that are either awaiting their renewed audit (15%) or no longer producing orders for Rodd & Gunn for FY24 onwards (15%).

The **high-risk supplier ratings** from FY23 are attributed to inconsistent records on working hours wages/benefits paid, recruitment process, restriction of movement, and health and safety issues related to fire safety and building/dormitory conditions. These incidences reflect a small portion of overall findings and are given highest priority during the post-audit CAP (Corrective Action Plan) remediation phase. Nonetheless, any number of critical findings automatically lead to a high-risk supplier rating until an official & verified follow-up indicates otherwise. As of publishing this report, one high-risk supplier had already undergone an independent re-audit to confirm all critical findings were sufficiently addressed. The other high-risk supplier is also making considerable efforts on their CAP remediation and is awaiting an official follow-up audit in the coming months.

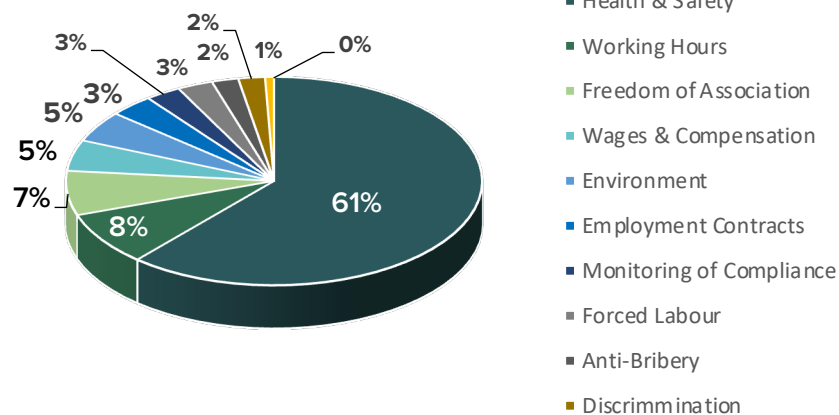


100% of audits carried out in Vietnam factories produced a low-risk result. The high-risk audit results occurred in China (1) and Mauritius (1).

KEY FINDINGS

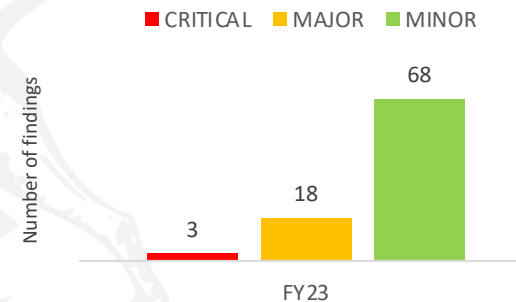
The insights from our factory assessments provide a snapshot of the conditions in our supply chain and help bring the nature of non-compliances to light. Below is an overview of the most common non-compliances found in the past financial year.

- **HEALTH & SAFETY – 61%**
- **WORKING HOURS – 8%**
- **FREEDOM OF ASSOCIATION – 7%**
- **WAGES & COMPENSATION – 5%**
- **ENVIRONMENT – 5%**



HEALTH & SAFETY – 61% of all findings

This area has a very strong presence in our audit checklist, with a much higher number of requirements for factories to fulfil than any of the other key areas (69 out of 188 checkpoints - 37% of the assessment). In FY23, health and safety related findings increased by 8% on FY21/22 period. This increase is largely related to factories/regions that were not subject to their regular assessments during the Covid-19 pandemic and subsequently presented more findings overall.



Thus, **HEALTH & SAFETY** remains the most prevalent category for non-compliances in our factories, although most findings are **minor issues (76%)** and only **3% of all H&S related findings are critical in nature.**

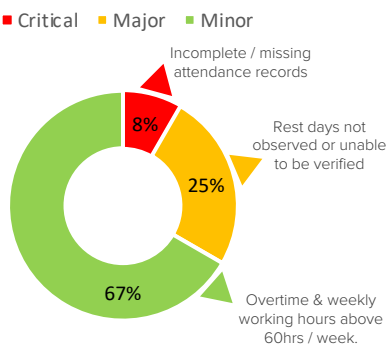
Of all Health & Safety related issues, **FIRE SAFETY** is where most **CRITICAL & MAJOR** non-compliances are found. Critical findings often appear in a factory's **very first audit** and are usually linked to locked safety exits or obstructed escape routes. Over time, factories improve safety practices and establish better systems to achieve a higher standard.

The top non-compliance in Fire Safety in FY23 audits was the insufficient identification of evacuation/emergency exits via lighting system and/or not functioning correctly.

Fire Safety remains an integral part of our auditing checklist and an important element for identifying possible risks to workers in our factories.

WORKING HOURS – 8% of all findings

In the FY23 auditing period auditors detected excessive overtime and weekly working hours, as well as absence of rest days in many factories.



Commonly reported root causes for such non-compliance are poor production/capacity planning and lack of monitoring.

No involuntary overtime was observed in any audit and all minimum wage requirements and remunerations of overtime hours occurred in line with local laws.

Except for one critical finding in this auditing period, the factories' ability to keep accurate payroll records is improving over time, allowing for better reporting and verification.

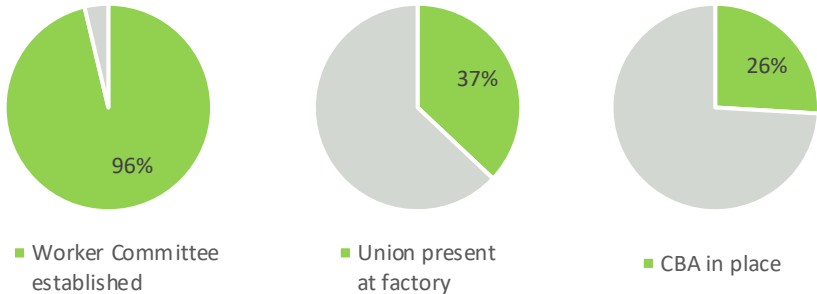
FREEDOM OF ASSOCIATION – 7% of all findings

A core element in our auditing is to ensure workers' rights to form and join organizations, such as trade unions or worker committees, are respected.

It is considered a fundamental right at work, and a prerequisite for sound collective bargaining and creating positive social impact. In regions where union activity is restricted by law, we assess factories for other parallel means of worker representation (must be worker-led and independent of management).

Since 2022, we request that union and/or worker committee representatives are present during each audit to help strengthen communication between the factory, workers and Rodd & Gunn. Where this is not the case, we include a recommendation in the factory's CAP for remediation.

The following charts give an overview of the percentages of worker committees, unions and collective bargaining agreements (CBA) across all active factories in FY23.



Access to union and worker representation in our Tier 1 supply chain remains largely unchanged over the past few years. CBA's however, **increased to 26%**, up from 10% coverage in FY21/22. This increase is linked to the onboarding of new facilities in Vietnam, where union representation and CBA's are supported by industry and the government. Whilst our influence on union and CBA uptake is limited, we are continuously working with our factories in other countries to ensure a parallel means of worker representation is provided to workers.

UPDATE – WORKER GRIEVANCE MECHANISM

In early 2020, we began distributing our Worker Grievance Policy to all Tier 1 suppliers to provide an avenue for workers wanting to address any grievances or concerns directly with **Rodd & Gunn**. To date, we have not received any grievances through this channel and as such, we continue to assess the effectiveness of our policy and mechanism.

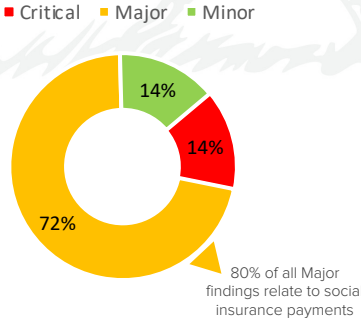
One way we do this is by including specific checkpoints and awareness raising directly to workers and worker representatives/unions during our audits. During FY23, we observed two cases in which factories had not sufficiently documented grievances raised by workers and this was subsequently addressed through their CAP.

40% of all non-compliances in the FOA category relate to ineffective grievance mechanisms, reporting and worker training.

Going forward, we anticipate deeper engagement with factories and workers, utilizing additional tools such as anonymous worker surveys.

WAGES & COMPENSATION – 5% of all findings

Wages and benefits are a key indicator of worker health & well-being, and the primary function of our audits is to ensure that workers are paid correctly. We further track all wages in our supply chain to assess the actual wages paid (above minimum wage), workers' earning capacity through voluntary overtime, as well as the gap to earning a living wage in each region.



In previous years, our auditors identified social insurance payments as an area that is not always sufficiently integrated in workers' employment contracts and associated payments made.

This area continues to rank highly in the findings made in FY23, with 80% of all Major non-compliances linked to social insurance coverage.

This is a systemic challenge that cannot be addressed by industry or brands alone and requires the collaboration of governments, suppliers and worker's unions.

Nonetheless, we monitor this area closely and continue to encourage our suppliers to educate workers on the benefits of insurance.

ENVIRONMENT – 5% of all findings

Environmental compliance remains an integral part to overall factory compliance and performance. In FY23, environmental issues represented only 5% of all findings in our audits, which is a significant reduction since FY21/22 (15% of all findings).

All findings observed in FY23 were minor in nature and related to insufficient awareness raising/training of workers on correct storage of waste material, and lack of energy assessments and improvement plans.

FINAL WORD

Rodd & Gunn are proud to be partnering with suppliers who continuously work with us on improving management practices and overall working conditions. As of finalising this report, **72% of non-compliances** have been addressed in the CAPs, and we continue to monitor and track all ongoing progress.

We recognise that our work doesn't end here and that there is always more to accomplish for brands, industry bodies and governments alike. Our long-lasting supplier relationships and open channels of communication will continue to play a key role in enabling synergistic change.