



RODD & GUNN®

SOCIAL AUDIT REPORT

2015-2020

OUR JOURNEY

RODD & GUNN commenced a formal auditing program in 2015, starting our journey of regular 3rd party social auditing in final stage production facilities. In this past five-year period, **RODD & GUNN** arranged a total of **57 audits across 31 factories**.

We foster a long-standing partnership with **SGS**, the leading global 3rd party for inspections, auditing and testing. An independent leader in the field, **SGS** are our trusted point of contact for all auditing matters and our eyes and ears on the ground.

The knowledge and insight we have gained over the years has encouraged us to continuously review and modify our approach to auditing. Where we have relied on out-of-the box checklists in the beginning, we now tailor our audits to further assess our factories on specific brand requirements and policies within our Code.

OUR PRIMARY GOALS

- to ensure the working conditions in all our factories are safe, fair and humane and minimum legal requirements are met
- to ensure we keep improving on our standards and performance over time
- to support our factories through corrective actions and ensure all improvements are maintained over time
- to encourage our factories to adopt industry best-practice and go beyond what is required by law

OUR METHODOLOGY

Our audit methodology is built on industry standards and mirrors our beliefs in collaborative supplier engagement. As of 2018, all factories are assessed on the same set of standards each time to allow for direct comparison between sourcing regions and factory type / size.

OUR PARAMETERS AT A GLANCE

AUDIT PRE-REQUISITE	Rodd & Gunn only work with factories who demonstrate full cooperation with our audit program
ASSESSMENT CONENTS	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
AUDIT FREQUENCY	Every 2yrs, subject to meeting our performance expectations
AUDIT DATE	Semi-unannounced. We provide a four-week window to our factories during which the auditors arrive on any given day
AUDITORS	All SGS auditors are fully trained & accredited, speak the local language of the regions we operate in and collectively share many years of experience

THE PROCESS

- **Step 1** - Contents of our Code and Audit checklist 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. We expect our suppliers to share our Code & Policies with their supply chain partners (e.g. approved sub-contractors).
- **Step 2** - New factories are scheduled for their first audit. Where available, we review and recognize other credible 3rd party audits or certifications. To avoid audit fatigue, we generally audit our factories on a 2yr schedule unless risk indicators show that more or less frequent auditing is needed.
- **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.
- **Step 4** -We 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 last resort exiting the business relationship.

OUR RATING SYSTEM

Our factories are assessed on **12 key areas** of social, ethical and environmental standards and are issued with an overall audit score ranging from A (fully compliant) to E (not compliant). We use this information to address risks and opportunities in our supply chain.

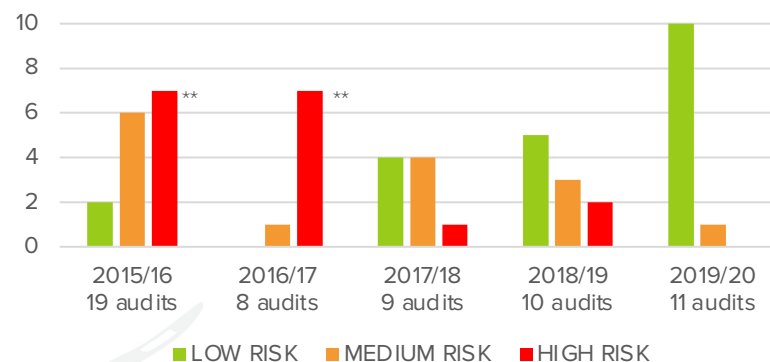
Score	Description	Risk
A & B	Factory meets or exceeds local law, regulations and policy requirements. MINOR corrective actions are defined and addressed appropriately.	Low
C & D	Factory meets some ethical policy requirements. MAJOR corrective actions are defined and monitored for ongoing improvement.	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

Non-compliance concerns within the audit assessment are rated as **MINOR, MAJOR or CRITICAL** - depending on the severity and impact they have on the workers or 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 • Serious human rights abuse • Lack of business ethics	• Full/Partial access deny • Inadequate fire exits or escape routes • Inaccessible fire fighting equipment • 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 • General breach of workers' welfare and/or rights • Lack of legally required records	• 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 • Breach of legal requirement and/or Rodd & Gunn Code of Conduct that generate relatively little impact on workers' welfare and/or basic right	• Lack of adequate and effective policy and procedure • Lack of communication and/or awareness training

FIVE-YEAR AUDIT RESULTS



** The greater occurrence of high-risk findings in the initial two years of auditing is largely attributed to inadequate health & safety standards, such as blocked escape routes, inaccessible fire fighting equipment and missing signage. Through follow-up actions and close cooperation with factories, these occurrences have reduced over time.

OUR PERFORMANCE

With each new audit we gain important insights to the working conditions in our factories. Over time, our suppliers have demonstrated that compliance is increasing significantly, with a greater amount of factories achieving A and B ratings.

The following graph provides a five-year overview of our auditing results and overall performance progress.

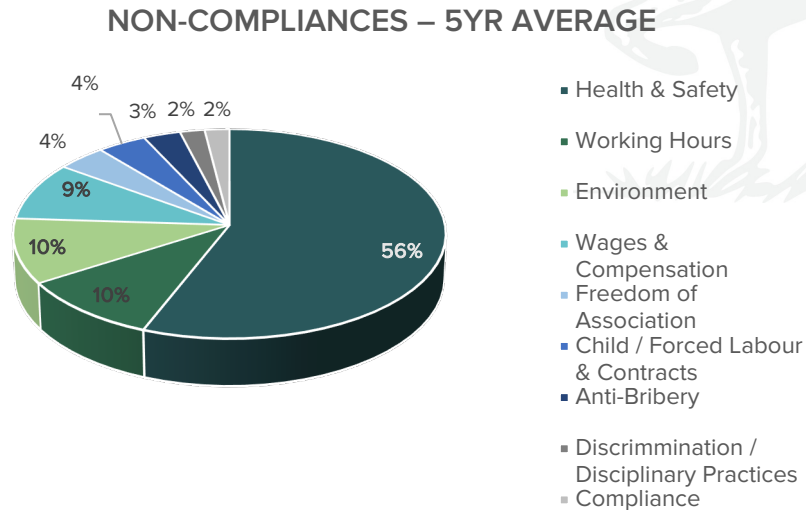
HIGHLIGHTS – FY20

- As of June 2020, **71% (15) of all active factories combined** are considered low-risk with no critical audit findings.
- **24% (5) of factories present a moderate risk** for reasons such as not sufficiently closing off audit findings from corrective-action-plans, or involving systemic issues that cannot be resolved through CAP remediation alone.
- The remaining **5% represents one (1) high-risk factory**. This factory has since undergone further follow-up auditing and has significantly improved their performance to a B status.

OUR FINDINGS

Over the five-year period since initiating audits in 2015, we see a clear overarching trend in the most common issues found year on year. These findings are also mirrored at industry level and are generally irrespective of the sourcing region.

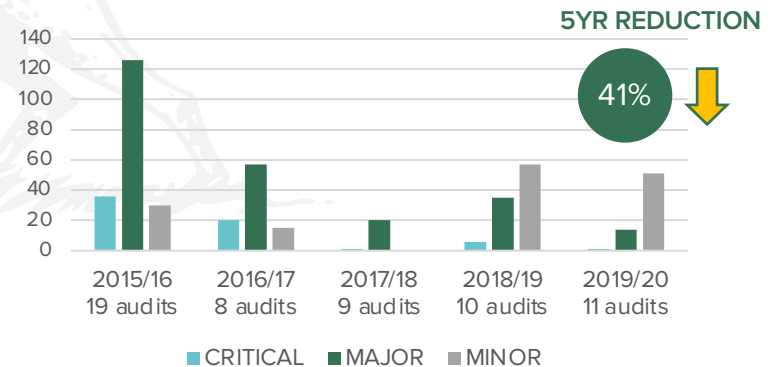
1. **HEALTH & SAFETY – 56%**
2. **WORKING HOURS– 10%**
3. **ENVIRONMENT – 10%**
4. **WAGES & COMPENSATION – 9%**



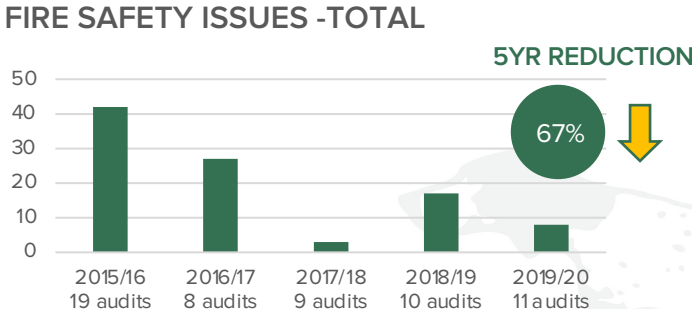
HEALTH & SAFETY has a very strong presence in every audit with a much higher number of requirements for factories to fulfil than any other area.

Since the first years of auditing, the number of **CRITICAL** and **MAJOR** findings are on a significant decline and replaced by a higher amount of **MINOR** findings.

HEALTH & SAFETY ISSUES

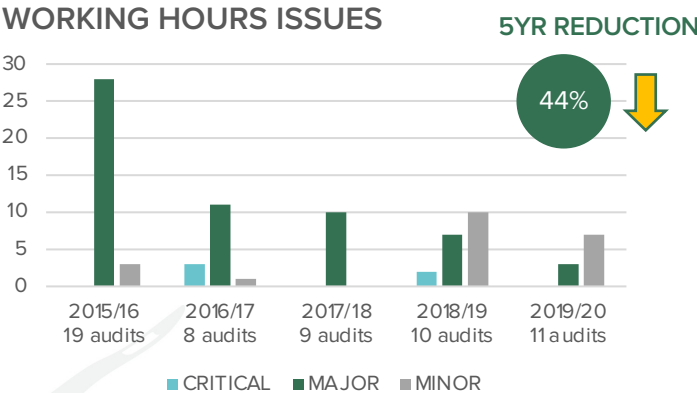


Of all Health & Safety related issues, **FIRE SAFETY** was the number one area of most **CRITICAL & MAJOR** non-compliances. Occurrences such as blocked exit routes, lapsed inspection of fire fighting equipment and incorrect / insufficient emergency signage are all common findings.

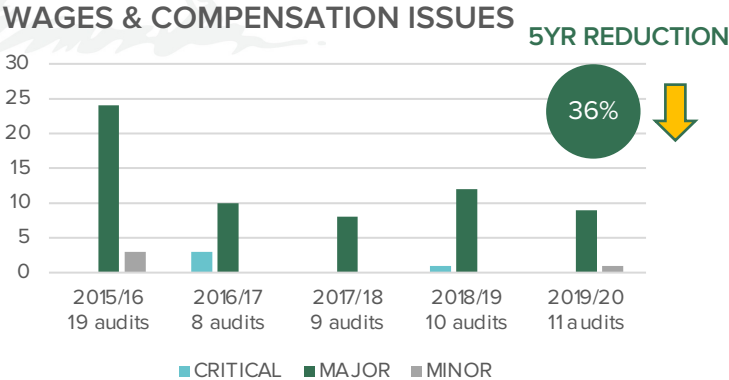


WORKING HOURS and WAGES are the 2nd and 4th most commonly found non-compliances in social audits. In the early phases of auditing, excessive overtime or absence of rest days were commonly detected in many factories, often combined with inconsistent or incomplete records.

Importantly, no involuntary overtime has been observed in any audit and all minimum wage requirements and remunerations of overtime hours have occurred in line with local laws. Factories' ability to keep accurate payroll records has improved over time, allowing for better reporting and verification.

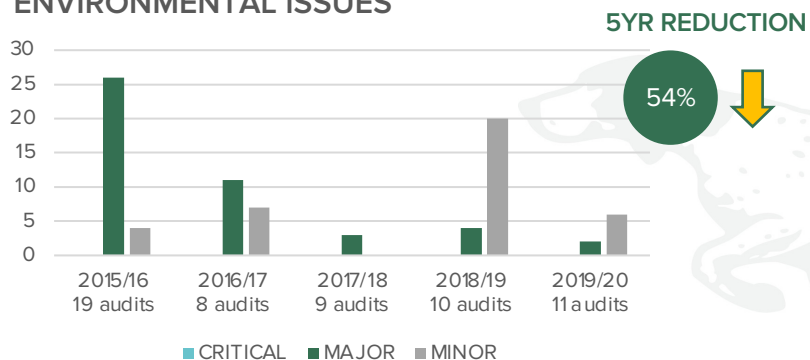


The reduction of wage related issues is a positive sign, albeit less than other areas. This is primarily due the complex and systemic nature of some of the non-compliances that are difficult to resolve through audit remediation alone.



ENVIRONMENTAL ISSUES in audits are largely related to the absence of policies and protocols, including waste management plans and monitoring of resources. In all five years of auditing there has been **NO CRITICAL** findings related to this section. Although we have seen a downward trend in issues compared to the first year of auditing, the actual number of findings have fluctuated over the years.

ENVIRONMENTAL ISSUES



SUMMARY

RODD & GUNN are proud to be partnering with progressive suppliers who continuously improve on management practices and overall working conditions. 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.