



VOLUNTARY MODERN DAY SLAVERY STATEMENT

This Voluntary Modern Day Slavery Statement addresses the period of 01 July 2020 - 30 June 2021 in accordance with the Modern Day Slavery Act 2018.



Table of Contents

Clickable Contents

Statement from CEO	3
About Etiko	5
Etiko's Structure, Operations and Supply Chain	6
Risk of Modern Slavery in Etiko's Operations and Supply Chain	8
Actions Taken to Address Risks in the Reporting Period	12
Assessing the Effectiveness of Actions	13
Moving Forward	14

Statement from CEO



As the founder and director of Etiko Fair Trade clothing, I am proud to release our voluntary statement in response to Australia's Modern Slavery Act.

The Modern Slavery Act aims to bring transparency to a company's procurement channels and subsequently reduce modern slavery, and in my opinion, that's a good thing. While not perfect, the Act is a step towards holding Australian brands accountable for production that generally occurs behind closed doors and usually in overseas countries. It's an opportunity for companies to create better procurement goals and understand more about the people within their supply chains. At Etiko, we support any changes that minimises the rate of human, animal or environmental exploitation. **Etiko always has and always will advocate for the freedom of the 40 million people currently believed to be victims of modern slavery.**

Ethics have dictated every business decision we make. Our ethics determine how our cotton is grown, what price we pay for it, who makes our clothing and footwear, how we distribute it and even what happens to our products when our customers no longer have use for them.

Upon inception, beyond wanting to create slavery-free clothing, I also wanted to prove that ethical manufacturing is possible and profitable. And over the last 15 years, we have achieved that goal and received a swag of accolades for our commitment to ethical production. I hope that through Etiko, we can encourage other fashion labels to also prioritise ethics and work harder to reduce the rate of modern slavery within the textile industry.

At Etiko, one of our primary functions since launching has been to educate the general public about the importance of ethical consumption and how they can identify and support brands that pay their staff a living wage. **By paying a living wage, we can free people from the trappings of modern slavery.** That's why Etiko shares stories about the people who make our products, why we explain the benefits of our Fairtrade certification scheme and why we show real life examples of how a living wage has helped our staff. **We believe in reducing the distance between customers and supply chain staff, because without visibility, slavery will always exist in the shadows.**

Through this voluntary statement, we hope to highlight how those working within Etiko have created a brand that prioritises people, animals and the environment. We hope the general public will learn more about how brands should behave, and we hope other corporations can learn from our efforts. Above all, we hope to contribute to a world with greater social justice and freedom for all.

This statement has been approved by all members of the Board.

Nick Savaidis, CEO of Etiko PL, Board Member of Etiko PL
01 December 2021

Elizabeth Park, Board Member of Etiko PL
01 December 2021

Nicole Lamond, Board Member of Etiko PL
01 December 2021

About Etiko

Founded in 2005, Etiko produces apparel and footwear under the brand Etiko Pty Ltd and sports balls under the brand Jinta Sports. Both entities have always had human rights at the centre of its mission. Founder, Nick Savaidis, wanted to be confident that the apparel and footwear he was buying for his family wasn't being made at the expense of other people's human rights. This led to him starting Etiko.

Etiko is derived from the Greek word for 'ethical' and was the first fashion brand in the Southern Hemisphere to become Fairtrade Certified. In 2017, Etiko became a Certified B Corporation due to the brand's focus on social and environmental performance, transparency and accountability. Etiko is also a member of Social Traders which recognises Etiko as a social enterprise.



Etiko's Structure, Operations and Supply Chain

Etiko has five staff members in Australia and one in the Philippines. Etiko's board of directors is made up of three people.

Etiko has one retail store which moved from Boronia, Victoria to Brunswick, Victoria in March 2021. Etiko's office is in the same location. The majority of Etiko's sales occur via its online store, with orders being placed by supporters all over the world including Ireland, Hong Kong, New Zealand and the USA.

Supply Chain:

Etiko and its tier 1 and 4 suppliers are Fairtrade Certified. Tiers 2 and 3 are covered under the Fairtrade Certifications of tiers 1 and 4 respectively. Tier 1 includes the cut and sew and final stage manufacturing facilities where Etiko's apparel and sneakers are manufactured. Tier 2 are the fabric producers, tier 3 is the cotton gin and spinning facility and tier 4 is the cotton farm.



For transparency, **Etiko has published the name and location of each of its direct apparel suppliers on its website.** The majority of Etiko's Supply Chain is located in India, with all products except for Etiko sneakers being manufactured in India. The final stage of manufacturing of Etiko's sneakers occurs in Pakistan. Each of these suppliers must adhere to relevant Fairtrade Standards in accordance with their Fairtrade Certification and **Etiko's Supplier Code of Conduct.** In May 2021, Etiko reviewed its Supplier Code of Conduct, adding the definition of human trafficking and clauses 2.2, 2.5 - 2.7 and 8.2, mainly relating to the use of labour brokers.

Each supplier has been carefully selected based on location and values to ensure that at each stage of the supply chain, workers are treated in accordance with human rights values and production occurs with environmental sustainability in mind. Prior to the Covid-19 Pandemic, CEO Nick Savaidis visited multiple cotton farms who are members of the Chetna Organic Farmer Cooperative and the cut and sew facilities numerous times over a number of years. Etiko staff are in frequent contact with managerial staff at the final stage of both the apparel and footwear supply chains as well as with Fairtrade Australia New Zealand who oversee each supplier's certifications.

Etiko has used the same suppliers since its inception. Etiko believes that in order to create the most impact, a brand should commit to the same suppliers, rather than have multiple suppliers. This ensures job and order stability for suppliers and their workforce.

Suppliers of materials such as zippers and eyelets are chosen by Etiko and ordered by the manufacturers themselves.

What it means to be Fairtrade Certified:

In being Fairtrade Certified, Etiko and its certified suppliers must adhere to the Fairtrade Minimum Price, Fairtrade Premium Price and Fairtrade Standards set by Fairtrade International.

The Fairtrade Minimum Price is the selling price paid to producers and acts as a safeguard against falling prices, allowing farmers and workers to plan for their future. The Fairtrade Premium Price is a fixed additional amount of money paid to producers which they can invest into their community or business. How the premium is used is decided upon democratically. Finally, the Fairtrade Standards outline terms of trade between farmers and buyers to protect worker rights and include social, economic and environmental criteria.

(Fairtrade Australia New Zealand 2021)





Risk of Modern Slavery in Etiko's Operations and Supply Chain

Operation Risk:

Direct Employment

All directly employed staff are paid and treated in accordance with country and industry guidelines.

Outsourced Services

Etiko outsources services to aid in day to day operations including warehousing and analytics, shipping and delivery, IT and e-commerce support.

Warehousing and analytics

Warehousing and analytics is outsourced to Fulfilio which is a subsidiary of Australia Post and adheres to Australia Post's Code of Conduct requirements. The Fulfilio warehouse used is located in Melbourne and has been visited by Etiko staff.

Shipping and delivery

The shipping and delivery companies used depend on the size of an order and location of customers. The primary shipping and courier companies used are Couriers Please, Aramex and Australia Post.

Couriers Please is a member of the Singapore Post Group and has Work Health and Safety guiding principles on their website. The Couriers Please website does not disclose further information, indicating higher risk of modern slavery in relation to their services.

Aramex includes 20 regional franchises and over 900 franchise partners within Australia. Aramex has a Code of Conduct, Human and Labor Rights Policy and Whistleblowing and Grievance Policies.

Australia Post has various policies and programs in place to prevent, identify and remediate modern day slavery within their operations. These, along with identified modern day slavery risks in their operations, are listed in their Modern Day Slavery Statement for the 2019-2020 Financial Year. Australia Post's own assessment identified that their core business has a low risk of modern slavery.



Despite the due diligence methods implemented by all three courier companies being used, there is still risk of modern slavery within warehouse and analytics and shipping and delivery operations. Risk of Modern Slavery is heightened for deliveries outside of Australia, particularly those where the destination's National Human Rights regulations may not be as strict as those within Australia.

Goods used in day to day operations which are not for resale

To aid in day to day operations, Etiko purchases and uses goods including stationery, cleaning products, computers and IT equipment, kitchen appliances, tea and coffee and product cleaning, display and packing equipment. Each of these products has its own supply chain risks associated with it. Where possible, Etiko attempts to purchase products from brands which align with their values, including Fairtrade Certified consumables. Most of the furniture and day to day equipment was brought over from the Boronia location when moving to Brunswick in 2021. Most of the shop fittings being used in the Brunswick store were there prior to Etiko's lease. Whilst Etiko has taken actions to reduce modern slavery associated with goods used in day to day operations, there is still modern day slavery risk in this area.

Supply Chain Risk:

In 2018, the Global Slavery Index ranked garments as being the second highest product imported into G20 countries at risk of modern slavery.

The International Labour Organisation (2015) identified five forms of forced labour which fall under modern slavery. Etiko has added child labour as a separate form.

Forced labour includes:

- Human Trafficking
- Debt and Bonded Labour
- Child Labour
- Forced Labour in Prisons
- Coercion in Employment
- Forced labour linked to exploitative labour contract systems

Etiko acknowledges that whilst its direct suppliers are Fairtrade Certified, that this does not completely eliminate the risk of modern slavery within its supply chain.

Etiko's tier 1 apparel supplier who also oversees the cotton spinning and dyeing facility is audited numerous times per year, including once per year by Fairtrade USA. This supplier is also Global Organic Textile Standard (GOTS) Certified and SA8000 Certified. All factories and processes under this supplier are audited by Control Union under the GOTS Certification on top of the audits conducted by FLO-CERT for Fairtrade. The supplier's Forced Labour and Bonded Labour Policy is also sent to all of their suppliers such as the zipper supplier for Etiko apparel.

Modern Day Slavery Risk assessments conducted by Etiko's Social and Environmental Impact Officer identified risks related to supplier location and stage of supply chain. The risk assessments took into consideration those identified by the ILO as most at risk or vulnerable to modern slavery.



The International Labour Organisation (2015) identified that those most vulnerable to modern slavery include:

- Women and girls
- Workers who are part of a group that has suffered a long-standing pattern of discrimination
- low castes in south Asia and, in particular, women within these groups
- Migrant workers, particularly those with an irregular status, whose vulnerability can be exploited through coercion
- Workers employed in informal enterprises, including home-based workers and those in geographically remote rural regions, operating at the margins of the formal economy; and
- Young people and unskilled or illiterate workers who may be less aware of their legal rights

Location Risk:

India:

India was ranked as 15th highest in modern slavery prevalence in Asia and the Pacific. With 6.1 victims per 1000 population and 7 989 000 victims of modern slavery in 2018 (Global Slavery Index 2018).

Populations at greater risk of Modern Slavery due to policies, social and cultural norms in India include the Muslim community, those from lower castes and women and girls (Human Rights Watch).

Human Trafficking, particularly of young girls for forced sexual exploitation is prevalent in certain regions of India (Global Slavery Index 2018).

Further, more than 90% of India's workforce is considered to be part of the informal economy. Within the formal sector, instances of withholding of wages, **debt bondage** and physical and sexual abuse in the workplace is more common (Global Slavery Index 2018).

Indian Supplier Specific Risk:

Risk of Modern Slavery within Etiko's supply chain in India lie predominantly within tiers 3 and 4.

Tier 3: Cotton Gin and Spinning Facility:

Bonded labour schemes known as Sumangali schemes are common within India, particularly within Spinning Mills (Global Slavery Index 2018).

Tier 4: Cotton Farm:

As noted by the International Labour Organisation, workers in geographically remote rural regions such as those working on cotton farms are more vulnerable to modern slavery. Further, with cotton farms being so large, and cotton often coming from multiple farms, it is harder to monitor for exploitation, mistreatment of workers and modern slavery.



Pakistan:

Pakistan ranked as the third highest country with prevalence of Modern Slavery in Asia and the Pacific. With an estimate of 16.8 victims per thousand population or a total of 3 186 000 victims of modern slavery in 2018 (Global Slavery Index 2018).

The prevalence of discrimination against women, religious minorities and transgender people in Pakistan makes these groups increasingly vulnerable to modern slavery and mistreatment within the workplace.

The risk of **Child Labour** in Pakistan is also high. Human Rights Watch (2021) identified that prior to Covid-19, over 5 million primary school aged children did not attend school, most of which were girls. Reasons included lack of schools, school costs, child marriage, child labour and gender discrimination.

Printed Merchandise:

Screen printing of Etiko's products is outsourced to Melbourne based company Ezibrands. Etiko staff visit the Ezibrand's facility regularly.

Slavery Risk Beyond Etiko's Direct Suppliers:

Whilst Etiko is able to choose suppliers for materials such as zippers and eyelets, Etiko itself does not have direct contact with these suppliers (contact is made by tier 1 suppliers/manufacturers), increasing the risk of modern slavery.

Eyelets:

Eyelets are sourced from a supplier located in China. Etiko acknowledges that as just there are risks with having a supplier in any region of the world, there are specific modern slavery risks associated with having a supplier in China. Amongst all other forms of forced labour, there is heightened risk of forced labour in prisons. Groups more vulnerable to modern slavery include the Uryghur and Turkic Muslim community amongst other minority groups.

Zippers:

Etiko's zipper supplier operates in 72 countries, providing challenges for the supplier to audit and monitor for, and remediate instances of modern slavery. Zips used in Etiko products are manufactured in India and therefore have heightened modern day slavery risks related to India as a region. To minimise the risk of modern slavery within their operations and supply chain, this supplier has implemented a Global Criteria of Compliance and conducts both internal and external audits of human rights, labour practices, the environment, health and safety and fair business practices (YKK 2020).



Purchasing Practices:

Etiko acknowledges that demanding purchasing practices can increase the risk of modern slavery and exploitation of workers, particularly within the garment industry. Etiko is reflective of its impact of purchasing practices on suppliers and works hard to ensure that its purchasing practices are responsible and reasonable so that they do not result in modern slavery practices.

Etiko is constantly reviewing its purchasing practices in order to improve in this area.

Actions Taken to Address Risks in the Reporting Period

Fairtrade Certification:

During the reporting period, Etiko and all direct suppliers have remained Fairtrade Certified and continued to adhere to all requirements of certification as outlined by Fairtrade International.

Etiko has been in frequent contact with suppliers, particularly Tier 1 suppliers and encourages feedback and transparency from suppliers regarding working conditions and concerns.

Responsible Purchasing Practices

Etiko has used the same suppliers since its inception and believes that in order to create the most impact, a brand should commit to the same suppliers, rather than have multiple suppliers.

Further, as part of the Fairtrade Certification, brands must adhere to certain requirements regarding sourcing and payment of products. All Etiko purchases from suppliers are documented and payments scheduled as per agreements with suppliers.



FAIRTRADE



FAIRTRADE



Employment of Social and Environmental Impact Officer

In May 2021, Etiko employed a Social and Environmental Impact Officer whose role includes:

- Conducting modern slavery and human rights risk assessments
- Reviewing and updating Etiko's Supplier Code of Conduct
- Communicating with suppliers and Fairtrade about human rights and environmental concerns in the supply chains
- Working with the Etiko team to develop short term and long term goals to improve upon Social and Environmental Impact within Operations and Supply Chain

Response to impacts of COVID-19

The COVID-19 Pandemic has significantly impacted the garment industry. Worldwide, suppliers have been impacted by order cancellations, reduced demand and lockdowns, resulting in worker lay-offs and dismissals.

In 2020, Etiko **published a statement** on their website responding to the impact of the Covid-19 pandemic on workers within their supply chain.

Throughout the pandemic, Etiko has been taking steps to limit the negative impact of COVID-19 on suppliers and workers in its supply chain:

- Supporting workers wages by ensuring manufacturers are paid for finished goods and goods in production;
- Honouring all orders placed prior to and throughout the ongoing COVID-19 period and continuing to pay for and receive these orders;
- Listening to management on the ground in order to recognise local restrictions in production and honouring commitments to suppliers and factories allowing adjustments for reductions in their factory production capacity from time to time
- Continue to place orders with factories and communicate regularly to check on production timelines and communicate this back to our customers
- Not enforcing force majeure clauses in trading agreements
- Maintaining communication with suppliers about safe work practices and providing support as required
- Diversifying the range to include ordering face masks in line with local laws of manufacturing at our factories.

Remediation:

In the case that Modern Day slavery were found in Etiko's supply chain, Etiko has a Remediation Policy which is outlined in its **Supplier Code of Conduct**. Following a breach of Etiko's Supplier Code of Conduct and/or an instance of modern slavery, Etiko may monitor the supplier's progress according to the agreed timeline. Thereafter, it may monitor the supplier's progress annually. If the supplier refuses to cooperate, makes little progress or no progress in remediation and/or demonstrates a lack of commitment, Etiko will cease trading with that supplier. In addition, Etiko holds the rights to report the violation to the relevant authorities should it breach any national and/or international law.

Further to the remediation policy outlined in the Supplier Code of Conduct, Etiko will also raise and discuss concerns with relevant stakeholders including the supplier themselves, Fairtrade and local NGOs.



Assessing the Effectiveness of Actions

Etiko Pty Ltd. assessed the effectiveness of its actions in minimising the risk of modern slavery in doing the following:

- Communicating with tier 1 suppliers about Modern Slavery and what they do to minimise the risks of Modern Slavery within their facilities
- Communicating with tier 1 suppliers about audit results and concerns they or their workers may have
- Communicating with Fairtrade Australia and New Zealand
- Team meetings with staff based in Australia about how Etiko can improve their social and environmental impact in the future and creating goals to achieve in these areas
- Communicating with Australia Post about their Codes of Conduct and modern day slavery risks
- Up until the end of the 2021 Financial Year, Etiko was a member of Be Slavery Free which kept Etiko up to date about areas of concern



Moving Forward

Operations level risk assessment and questionnaire

To better understand modern slavery risk at an operational level, a questionnaire will be developed and sent to organisations which Etiko outsources to at an operations level. The questionnaire will ask about modern slavery policies, due diligence and remediation.

Review Purchasing Practice Policy and Supplier Contracts

Etiko has a strong and trusted relationship with its suppliers. Whilst Etiko's purchasing practices and policy have remained the same and rely on clear communication between Etiko and Suppliers, Etiko has not formally reviewed its purchasing policies for some time.

Etiko will review and formalise its purchasing practice policy to ensure Etiko's purchasing practices do not increase the risk of worker exploitation in its supply chain. Etiko will also review supplier contracts.

Reducing Environmental Impact

On top of Etiko's human rights focus, Etiko strives to reduce its impact on the Environment.

Etiko uses organic cotton for all products, FSC Certified rubber in its sneakers, products are packed in home compostable packaging and Etiko offers a shoe take-back and recycling service. Etiko aims to further reduce its environmental impact by:

- Measuring Etiko's Carbon Footprint and identifying ways to reduce our footprint.
- Partnering with BlockTex in order to extend its take back service to include clothing.
- Reviewing screen printing methods used
- Expanding the circularity in our product range