

SPELL

MODERN SLAVERY STATEMENT

2023





INTRODUCTION

Our Modern Slavery Statement aims to outline Spell’s approach and actions taken within our organisation and supply chains to assess and mitigate risks of modern slavery and how we continue to train and educate our team and suppliers to ensure we are regularly improving our practices and helping to eradicate any potential risks for modern slavery practices within our organisation.

Our values at Spell lead and enhance the way we operate day-to-day, both internally and with external organisations.

Our vision that guides our strategies is:
To work in harmony with people and planet.
To create with intention so change is possible.
To champion fibres that are circular, regenerative, and renewable.

We are committed to implementing high social and environmental standards within every part of our business and recognise the role that we play as a leader within the global fashion industry. As signatories of the United Nations Global Compact (UNGC), we have aligned our strategy with the Sustainable Development Goals (SDGs). Our position on Modern Slavery has assisted us in prioritising commitment to SDG10, SDG12, SDG17, as outlined below:

According to the UNGC:

“Modern slavery is an umbrella term that refers to exploitive practices including forced labour, slavery, servitude, debt bondage, human trafficking, deceptive recruiting for labour services, the worst forms of child labour, and forced marriage.”

The objective of the Modern Slavery Act 2018, No. 153 (Cth); Modern Slavery Act 2018, No.30 (NSW)(the Legislation) in Australia, is to combat modern slavery globally and provide for the detection, exposure, awareness, collaborative action, and reporting on the risk of modern slavery in our business operations and supply chains to provide actions to address and mitigate such risks.

The scope of our Modern Slavery Statement applies to all employees, contractors, and suppliers in our organisation and extended value chain. By understanding and identifying our regional and industry risks, we can more effectively implement controls to minimise and mitigate modern slavery in our supply chain.

OUR COMPANY

Spell Designs Pty Ltd, trading as Spell, is an Australian fashion label. Founded in 2009 by sisters Elizabeth Abegg (Chief Brand Officer) and Isabella Pennefather (Chief Creative Officer), Spell designs forward-thinking women's apparel, jewellery, accessories, and footwear at our headquarters in Byron Bay, Australia. Produced in our partners' facilities overseas, our products are then retailed in our flagship store, on our Australian and US e-commerce sites, and retailed globally through our stockists' stores and e-commerce sites.

Our Modern Slavery Statement, reviewed and updated annually, outlines our approach and actions taken within our organisation and

supply chains to mitigate risks of modern slavery practices, how we assess and address any risks, and how we continue to train and educate our team and suppliers, to eradicate any potential risks of modern slavery practices within our organisation and value chain.

Outlined below is Spell's second Statement under the Legislation and the headings below reflect those criteria mandatory under the Legislation. Our Modern Slavery Statement 2023 is for the reporting period of 1 July 2022 through 30 June 2023.



OVERVIEW OF OPERATIONS

CORPORATE STRUCTURE

The Spell Group consists of privately owned corporate group of entities registered in Australia and overseas in the United States which operate under IPEA Holdings Pty Ltd (ACN 618 071 935). and control the following subsidiaries:

- Spell Designs Pty Ltd (ACN 605 908 496), which is responsible for the design, sourcing, procurement, manufacture, production, marketing, sales, Australian retail and wholesale operations located in our Byron Bay Head Office;
- Spell Services Pty Ltd (ACN 618 071 631) which is responsible for our full-time and part-time employee operations, located both at our headquarters and our flagship store at 15 Browning Street, Byron Bay, NSW, Australia.
- Spell Designs (USA) Inc. (90-1250135), which is responsible for American wholesale and e-commerce sales.

Our headquarters and flagship store are both located in Byron Bay, NSW. Our organisation employs 66 full-time and part-time employees in Australia, as well as engaging local contractors including creative agencies, consultants, and other suppliers.

Spell products are shipped globally from our two warehouses—our Australian warehouse is operated in-house by Spell in Byron Bay, and our North American warehouse facilities in Los Angeles are operated by a third-party logistics partner. We work with other agents and wholesale stockists globally.

The Spell Group revenue sits below reporting thresholds and are not obliged to the mandatory report under the Australian Legislation or the US or UK modern slavery legislation. This voluntary statement is made on behalf of the Spell Group and any references to ‘we / us / our’ are to the corporate group collectively.

OPERATIONS AND SUPPLY CHAIN

Our supply chain begins with raw materials, and continues through the processing, manufacturing, and transport of goods. Our products wouldn’t exist if it weren’t for the cooperation and dedication of our global partners.

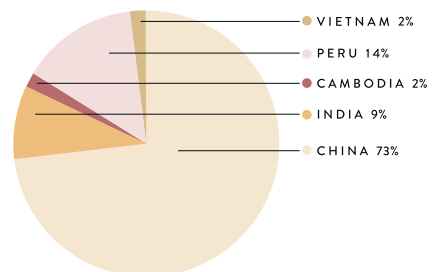
Spell’s supply chain can be broken down into the following 5 Tiers, plus Inputs:

- Tier 1: Garment factories
- Tier 2: Prints, dyes, and/or washes
- Tier 3: Fabric mills
- Tier 4: Yarn spinners and processors
- Tier 5: Raw materials processors
- Inputs

Our ‘Inputs’ sit alongside our garment manufacturing supply chain are the supply chains, which include threads, buttons, zippers, trims, etc.

Within our business operations, in financial year 2023 (FY23) Spell worked with 18 Tier 1 suppliers around the world, the majority located in China, India, Vietnam, Peru, and Cambodia.

Our FY23 production by country, based on quantities of product is shown in the following chart:



Generally, our Tier 1 suppliers assist us in coordinating sourcing materials, inputs, trims (Tiers 2 through 5). In some instances, we work directly with Tier 2 to supply printed fabrics to our Tier 1 suppliers.



RISKS OF MODERN SLAVERY

According to the Global Slavery Index (GSI), in 2021, 50 million people were experiencing modern slavery (a 10 million increase since the 2018 GSI report), 71% being female and 29% being male.

Due to the massive scale, and the trend for fast, flexible production at low prices, the textile, clothing, leather, and footwear sector offers immense potential for exploitation and forced labour among workers. In addition, Australia is among the G20 countries, which are the 20 countries that account for 75% of global trade and purchase 80% of the world GDP. Garments and textiles are among the top 5 imported products at risk of modern slavery in both Australia and the United States.

Our global value chain includes operations in Australia, logistics partners in the USA, wholesale stockists globally, and our supply chain as described above. We have identified our highest risk to be in our product supply chains. According to the 2023 GSI, the Asia and Pacific regions has the largest number of people in modern slavery, with an

estimated 15 million people in forced labour. This region is estimated to have 52% in forced labour situations and 48% in forced marriage situations. Risks of child and forced labour follow raw materials into textile production, particularly in countries based in the Asia and the Pacific region. Additionally, cotton produced in China was included on the US Department of Labor 2022 List of Goods Produced by Forced Labor or Child Labor.

Given the risk that we may contribute to modern slavery practices within our supply chain, Spell recognises the importance of developing a responsible sourcing strategy and to making a positive impact within our supply chain. Pursuant to the UN Guiding Principles, we have assessed our risks of modern slavery, which Spell may cause, contribute or be directly linked to any such practices. The estimated vulnerability to modern slavery for our product country of origin is summarised in the below table:

COUNTRY	Estimated Vulnerability to Modern Slavery ⁶ (based on weighted %)	Types of goods by country found produced with modern slavery ⁷ (relevant to Spell's supply chain)	Spell's determined overall risk rating
CHINA	46%	Thread/Yarn – human trafficking, forced labour Garments – forced labour Textiles – forced labour, child labour Cotton – human trafficking, forced labour, child labour Footwear – forced labour	High
INDIA	56%	Thread/Yarn – forced labour, child labour Garments – forced labour, child labour Leather goods/accessories – child labour Embellished textiles – child labour	High
PERU	47%	Forced labour, child labour (see note below)	Medium
VIETNAM	44%	Garments – human trafficking, forced labour, child labour Footwear – child labour Textiles – child labour	Medium
CAMBODIA	58%	Textiles – child labour, human trafficking	Medium

The above weighted percentage, provided by the Global Slavery Index, is based on consideration of the following dimensions that impact vulnerability to modern slavery: governance issues, lack of basic needs, inequality, disenfranchised groups, and effects of conflict. It is important to note, that while these ratings can give us an idea of the potential risk of modern slavery in the regions in which our supply chain operates, they must be interpreted cautiously and with the understanding that the data collection has limitations and gaps, especially in some regions and subregions.

Our garments are predominantly made with cotton, viscose, linen, hemp, and a smaller amount of synthetics, leather, and wool. The above Types of Regional Modern Slavery Risks is based on the List of Goods Produced by Child Labor or Forced Labor created by the US Department of Labor. The List of Goods is based on evidence and reports of modern slavery. While Peru has risk of modern slavery, the List did not provide reports of specific goods produced with modern

slavery that are relevant to Spell's production. We collect our supply chain mapping information in order to identify risk within each of our supply chain tier.

It is necessary to acknowledge the risk of modern slavery in cotton production. China accounts for 20% of the world cotton production, and the Xinjiang region of China accounts for around 87% of the cotton produced in China. Spell is aware of the lack of transparency and the disturbing reports of the forced labour of the Uyghur population in the Xinjiang region that may be present in the cotton production, processing, and manufacturing. Our supplier Code of Conduct has been updated to help ensure our compliance with the legislation that was rolled out in June 2022 in the USA, the Uyghur Forced Labor Prevention Act, Pub.L.No.117-78 (2021) ("UFLPA").

² The Global Slavery Index 2023 – Walk Free Foundation

³ The Global Slavery Index 2018 – Walk Free Foundation

⁴ International Labour Organisation – Textile, Clothing, Leather, and Footwear Sector

⁵ The Global Slavery Index 2023 – Walk Free Foundation – Asian and the Pacific



ADDRESSING MODERN SLAVERY & OUR HUMAN RIGHTS MANAGEMENT

According to the United Nations Guiding Principles on Business and Human Rights:

“Just as States should work towards policy coherence, so business enterprises need to strive for coherence between their responsibility to respect human rights and policies and procedures that govern their wider business activities and relationships.”

We recognise that modern slavery exists and is systemic therefore it is an important issue to address across our whole value chain to ensure that those who are vulnerable are not exploited. We work to provide actions to address and mitigate such risks and are working to combat modern slavery and provide for the detection, exposure, awareness, collaborative action in our business operations and wider fashion industry.

Our business partners are continuously informed of amendments and updates and are in receipt of relevant policies. We have also made our policies publicly available by publishing them on our website.

Our ongoing commitment to human rights in the fashion industry sees us continuously collaborating with

relevant industry peers, NGO’s, local and international industry experts in the aim of ensuring an open dialogue and constant learning and improvement. A collaborative approach supports a more effective effort in ensuring human rights are upheld within our supply chain and within the fashion industry.

COVID-19

The challenges of COVID-19 have eased and slowly become a part of our daily lives. Throughout the pandemic, without the availability of government aid, many of our partners around the world were forced to find ways to keep working while outbreaks unfolded around them. To avoid adding extra pressure, we have become adaptable with our timelines, changing plans and launch dates to accommodate the unexpected – with a view to best support our suppliers, as guided by their needs. Our suppliers set-up COVID-19 support systems to aid their employees through the times of crisis and unpredictability.

ACTIONS TAKEN BY SPELL

POLICIES AND COMMITMENT

Spell is committed to the improvement of social conditions globally. We are committed to promoting the highest level of human rights within all parts of our operations and we aim to use our influence to leverage positive business practice where possible. From design to finished product, each one of our partners is expected to uphold our supplier Code of Conduct, which was developed in line with the ILO (International Labour Organization) and ETI (Ethical Trade Initiative). This code outlines basic requirements each supplier must meet to maintain a partnership.

Failure to comply with our Code will see us work together to implement changes so that requirements are met or, if remedy is not possible, cease operations with the company in question.

Our Code outlines the following categories:

- Working hours
- Non-discrimination
- Child labour
- Forced labour and modern slavery
- Freedom of association and the right to collective bargaining
- Wages
- Disciplinary practices
- Health and safety
- Involuntary labour
- Grievance mechanisms
- Bribery and corruption
- Environment
- Community
- Sustainable sourcing and transparency
- Animal welfare

We take our human rights due diligence responsibility seriously and have developed a range of policies that are implemented across our local and global business operations to uphold our commitments. This suite of policies includes our Spell Code of Ethics, Supplier Code of Conduct, Supplier On-Boarding Policy, and Whistleblower Policy.

Spell conducts due diligence to mitigate risk of our operations contributing to or benefitting from state-imposed forced labour, including where it occurs in the Xinjiang Uyghur Autonomous Region of China. We have worked with our

suppliers to ensure we are not sourcing cotton from the Xinjiang region and have developed our UFLPA Response Plan as well to verify the origin of each of our products with documentary evidence.

We value the development of long-term, stable relationships with our suppliers, and operate under three (3) year term contracts. In addition, we encourage our suppliers to undergo social and environmental audits conducted by independent and internationally reputable third-party organisations that utilise globally recognised best-practice frameworks. Social auditing allows us to assess our suppliers and verify the working conditions, worker health and safety, business practices, and signal a zero tolerance for human rights violations. While audits can be effective in calling attention to workplace violations, we do understand that they have limitations, as they offer a narrow window of observation.

In the aim of mitigating the risk of modern slavery within our value chain we undertake the following due diligence:



IDENTIFY AND ASSESS

We utilise our Supplier On-boarding Policy to ensure we follow a stringent assessment process when taking on new suppliers. Our Tier 1 suppliers are assessed upon engagement for responsible business practices and social compliance prior to commencing work together, under normal circumstances, we visit our suppliers' facilities for site tours and to develop strong working relationships;

- We map all supply chains of our products from Tier 1 through Tier 5 to gain a better understanding of the resource flow and assess risk throughout all stages of production;
- We maintain a risk matrix, identifying risk potential based on country, industry, and activities;
- We request our Tier 1 suppliers undertake regular third-party social audits. We accept the following third-party social and environmental certifications and audits to help ensure our suppliers are operating in a manner as set out by our Supplier Code of Conduct:
 - GOTS, GRS
 - Fairtrade
 - Sedex SMETA
 - BSCI
 - WRAP
 - oA8000
 - HIGG SLCP
 - ELEVATE Responsible Sourcing Assessment (ERSA)

In the instance that our supplier carries out an audit under a different framework than listed above, we will use our discretion to determine if it meets our expectations.

INTEGRATE OUR FINDINGS

- Internal training on all new reports, policies, and procedures around our modern slavery practices;
- We keep records of our Supplier Code of Conduct and supplier audit reports, CAPRs and certification receipt and expiry dates;

- We track the total percentage of each tier of supply chain that we have mapped with an aim for 100% of our supply chain mapped;
- We review each supplier's audit reports and follow up any non-compliances found with a Corrective Action Plan and any findings that may indicate a higher risk, such as migrant workers, recruitment fees, excessive overtime, subcontractors, on-site accommodation, unlawful payment practices;
- On-going development of a risk mitigation, response, and remediation strategy.

TRACKING OUR PERFORMANCE

- KPIs to track annual completion of Supplier Code of Conduct, certifications, and audits:
 - Percentage of active suppliers who have signed our Supplier Code of Conduct within the year;
 - Percentage of active suppliers that have provided us their valid social audit report or certificate within the year;
 - Percentage of each tier that we have mapped for product that was delivered within the year;
 - Percentage of product delivered from each country of origin.
- On-going engagement with primary suppliers to maintain trusted relationships and continue our progress towards achieving 100% supply chain transparency and verification, Tier 1 through Tier 5;

PUBLICLY COMMUNICATING OUR POSITION

- Publishing our Modern Slavery Statement on our website.
- Providing our Modern Slavery Statement to our suppliers for review
- Stating our position on modern slavery and report on our KPIs in our annual Impact Report





TRAINING AND EDUCATION

We prioritise partnerships with businesses that share Spell’s values and commitment to the preservation of the environment and protecting human rights. We have developed our Supplier Code of Conduct based on the most respected global standards and initiatives and our expectation is that this Code of Conduct will be met at every stage of our value chain, as we work together to ensure the highest standards are being implemented within our business operations and global communities.

Spell employees are actively trained regarding our modern slavery policies and broader sustainability work through our internal training sessions and specialised third-party training.

Spell policies and commitments to educating our team and global community are outlined in the following Supplier Agreements:

- Sustainable Supplier Policy - <https://aus.Spell.co/pages/sustainable-supplier-policy>
- Code of Conduct - <https://aus.Spell.co/pages/code-ofconduct>
- Modern Slavery Statement - <https://spell.co/pages/modern-slavery>

REMEDICATION

Even with best procedures and policies in place, we understand that a business may cause or contribute to unforeseen adverse impacts in their supply chain. In the event Spell’s business operations contribute

to modern slavery, Spell will do everything in our power to provide remediation of the impact. Based on our leverage in the situation and feedback from in-country representatives we shall prioritise a quick response, engaging NGOs, government, and key stakeholders to curb the harm and ensure it cannot recur.

Based on our modern slavery risk matrix, we can focus our attention on the areas of our supply chain that pose the greatest risk of modern slavery. This may allow us to identify issues before they escalate and better manage the risks.

Grievance mechanisms implemented by business “support human rights due diligence by providing an avenue for businesses to identify modern slavery and broader human rights risks, monitor trends in complaints, incorporate this information into their strategies and improve policies and procedures”, as stated by the UN Global Compact Network Australia” .

Grievance mechanisms are merely a well-intentioned charade if the execution is ineffective. It is the commitment of Spell to develop more robust grievance mechanisms that are meaningful and respectful to seek remedy where harms occur. For this reason, each year our Modern Slavery Statement will be reviewed in concurrence with on-going learning and training to continue to improve our strategies for remediation and overcome challenges as they arise.

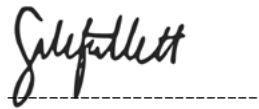
We have developed our Modern Slavery Incident Response Policy with consultation from The Freedom Hub, to have clear actions to implement so that we can effectively support victim(s) and address any incidents that arise within our value chain, and work with our suppliers and partners to ensure the harm will not recur.

CONSULTATION PROCESS

All entities within the Spell Group were consulted in preparing this Modern Slavery Statement.

The key stakeholders of Spell Designs Pty Ltd engaged with one another to identify, assess, and mitigate modern slavery risks and processes within our company and in accordance with the Legislation. There was considerable input provided by key players across the business and external consultation, prior to executive review.

Our Modern Slavery Statement has been approved and signed off by Spell's senior management. Our Modern Slavery Statement is published and available via our Spell website.



Sally Tullett
CEO

Dated: 19 Dec 2023
Spell Designs Pty Ltd (ACN 605 908 496)
Byron Bay, NSW, Australia

