



COMMUNICATION ON PROGRESS
UNITED NATIONS GLOBAL COMPACT

PERIOD OF COMMUNICATION

2021/2022

Letter of commitment to our stakeholders

19/4/2022

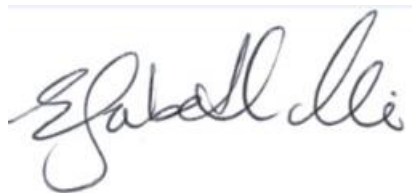
To our stakeholders,

I am pleased to confirm that Sustainable Living Fabrics reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human rights, Labour, Environment and Anti-Corruption.

In this annual Communications on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to sharing this information with our stakeholders using our primary channels of communications.

Without hesitation I, on behalf of Sustainable Living Fabrics, fully endorse the Ten Principles as outlined in the United Nations Global Compact.

A handwritten signature in black ink, appearing to read 'Liz Miles', is positioned above a thin horizontal line.

Liz Miles

Managing Director

Sustainable Living Fabrics PTY LTD

Reporting Period 2021 to 2022

We at Sustainable Living Fabrics are proud to announce that there have been no reports or incidents of any description that violates or defies the ten Principles of the United Nations Global Compact.

During this reporting period, we have been third party audited and successfully received ongoing certification for our:

GECA (Good Environmental Choice Australia) Standard - TLv3.Oi-2014 Textiles and Leather. The GECA certification covered over sixty compliance criteria concerning our manufacturing and finishing processes confirming our credentials on being an Environmentally Friendly preferable product supplier.

<https://geca.eco/licensees/sustainable-living-fabrics/>

And

Our *Climate Active* accreditation ensures our business operations and our full product ranges are certified Carbon Neutral under the Australian Government's Department of Industry, Science, Energy and Resources.

<https://www.climateactive.org.au/buy-climate-active/certified-members/sustainable-living-fabrics>

Introduction

The ten principles of the UN Global Compact are an integral part of the Environmental and CSR agenda for Sustainable Living Fabrics and are soundly embedded in corporate culture. The lynchpin is moral sustainability with transparent, credible and independent verification of credentials.

Sustainable Living Fabrics committed to the UN Global Compact in March 2008 when it produced its first Sustainability Report to GRI Guidelines. In April of that year it endorsed the CEO Water Mandate and the Caring for Climate platform. It has actively participated in these initiatives. The Directors attended the first meeting of signatories to Caring for Climate in Geneva in October 2008

and the CEO attended the UN Climate Change discussions in New York in late 2009 and in June 2010 participated in the Global Compact Leaders Summit in New York.

This report provides quantifiable data and addresses the Company itself, its history, products, market and the corporate philosophies that guide its sustainability agenda, which in turn drives corporate decision-making.

As the fabric supply chain has significant environmental impact, the report boundaries extend to the fabric supply chain but not to the supply chain for consumables.

The company is committed to reporting at least every two years. It chose not to seek external assurance for its report but independent environmental auditors have externally audited its environmental credentials.

Company Overview

Sustainable Living Fabrics' corporate strategy is driven by a proactive sustainability agenda that is more than just an environmental agenda.

It is about social responsibility and it is legitimate, transparent and credible, embracing independently audited and certified environmental credentials as key criteria for true sustainability.

The Board of Directors implemented the sustainability agenda in response to climate change considerations.

The Company

During 2007, the company began transitioning from a Australian commission manufacturer and wholesaler of upholstery fabrics to just a wholesaler, buying finished fabrics from Australian mills. Sustainable Living Fabrics has supplied the local and overseas commercial interiors markets for over 50 years. The Company is privately owned and proprietary limited. Its Head Office warehouse is located in Mulgrave, Melbourne and does not impact on natural habitats.

As a commission manufacturer, the company controlled the product supply chain from raw materials through to finished product enabling it to choose

where its processing was done. As it transitions to a wholesaler, it has ensured that its supply chain continues and that its fabric suppliers adopt the same stringent CSR criteria to this supply chain as previously.

Stakeholders are the shareholders, employees, suppliers and customers without whom its business model could not be implemented and with whom regular contact is maintained.

Environmental Excellence

Sustainable Living Fabrics' has maintained its environmental leadership position since first launching its ambitious CSR program in 2005 and its position is unique amongst Australian companies.

Sustainable Living Fabrics range consists of over 400 fabrics which are exclusively environmental fabrics made from ethical eco wool, eco polyester and ethical eco wool blends. The products are designed as upholstery for commercial and residential interiors. Every product sold is independently certified environmentally preferable and carbon neutral.

The corporate strategy to achieve a simple guarantee of environmental excellence has driven comprehensive, quantifiable CSR change in the Company and continues to be a catalyst for change in the industry and the wider community.

Commitment to the Global Compact

Sustainable Living Fabrics is committed to the Global Compact principles of building sustainable markets, combating corruption, safeguarding the environment and ensuring social inclusion.

The company recognizes this is increasingly important for the long-term value for the business and a strong focus on CSR issues drives a holistic approach to decision making from selection of suppliers to marketing and sales and end of life.

Sustainable Living Fabrics transparently embraces the United Nations Global Compact philosophy that sustainability is about comprehensive CSR to ensure that no activity of the business adversely impacts on any individual or

community in terms of the ten international principles embracing not only the environment but human rights, labour standards and anti-corruption.

Corporate Governance

It aims to fully embrace and enact the principles of the UN Global Compact and endeavours to incorporate them in every facet of the business. The company has a strong education program to ensure all employees are aware of the principles and has had no instances of corporate infringements.

Human Rights



The company is committed to supporting and respecting the protection of internationally proclaimed human rights and to ensuring that it is not complicit in human rights abuses. Its environmental credentials require regular valid confirmation that the company and supply chain respect the rights of others.

Labour Standards



The company upholds the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination

of discrimination in respect of employment and occupation. It regularly requires suppliers to confirm its commitment to ILO fair labour practices and has had no instances of breaches of this commitment.

Environment



The company has embraced a sustainability agenda based on independent certification and is committed to undertaking initiatives to promote greater environmental responsibility and to encourage the development and diffusion of environmentally friendly technologies. During the reporting period it was recertified as 100% carbon neutral and continued to meet the requirements of its environmental labelling program GECA.

Anti- Corruption



The company abhors corruption in all its form and is committed to working against corruption including extortion and bribery. Its policy of transparency in all business transactions is successful and no instances of corruption have been reported during this period.

Responsibility



Good governance demands defining responsibility for the CSR program. Responsibility for governance and compliance and implementation of the program lies with the CEO. The Director of Sustainable Strategy and Marketing develops the overall CSR strategy working closely with the Director of CSR and Sales, and communicates this to stakeholders. The Director of CSR and Sales is responsible for overseeing the program and for the societal issues – human rights, philanthropic programs, anti-corruption, education and training and not only for driving the

Sales Team to achieve sales targets but also for ensuring this is achieved without compromising company ethics, integrity or transparency. It is a workable structure that enables the program to be managed without overstressing limited resources.

In practice the company:

- o Strives to be ethical in all it does and monitors, assesses, evaluates and reports on its activities and their environmental impact.
- o Ensures its environmental credentials are externally and independently monitored, assessed, verified and audited on a regular basis.
- o Financial reports are verified externally.
- o Offers equal opportunity to all employees regardless of race, religion, sex or marital status.
- o Provides a safe and healthy working environment for all employees.

- o Pays good wages above the legal minimum wage and respects the rights and family responsibilities of employees.
- o Contributes 10% of employees' gross income on a monthly basis to a retirement plan of their choice.
- o Works with its suppliers to help them meet its CSR standards and respects their right to be paid fairly and promptly.
- o Requires clear evidence that its suppliers pay fair wages and maintain OH&S standards to the ILO guidelines.
- o Respects the rights of its customers to be supplied high quality product at a fair price with good service and a high standard of quality control.
- o Educates and communicates with its market, ensuring that its achievements are visible and well publicized providing a path for influencing change in the market.
- o Educates and involves employees in its corporate agenda to ensure they uphold its ethics and corporate philosophy.
- o Reviews and improves its program as an integral and ongoing part of its corporate strategy.
- o Develops and maintains an extensive CSR network including participating in the Australian Governments Climate Active program, the GECA Type 1 Ecolabel, the Green Building Council of Australia (GBCA), Greenfleet and Bush Heritage.

The Company has never been fined for non-compliance.

Environmental



The heart of the sustainability program is the environment because this is where activities have the most adverse impacts.

To keep it simple, the company has determined to use an internationally recognised environmental standard that breaks down the complexity into clear, transparent and quantifiable criteria.



The GECA Ecolabel Standard for Textiles reflects the EU Ecolabel Textile standard and extends to social issues. Assessment is by independent third party audit at all stages of production to a clear and transparent, environmental, multi criteria standard reflecting best environmental practice.

Environmental standards are complex. However, a transparent standard addressing the main environmental loads based on the whole of product life cycle does make it simpler.

To the best of its knowledge no processing operations impact on protected areas or areas of high biodiversity and the supply chain has been audited to ensure no emissions adversely impact on the environment.

Ongoing, the company seeks suppliers with a commitment to the environment and ensures its suppliers are educated on the requirements of the GECA Ecolabel Standard. It works with them to ensure they continue to comply and requires regular independent proof of environmental claims for every input

into producing its fabrics. Energy sources, water usage, recycling programs and a commitment to change are taken into account as suppliers are retained or replaced by others more receptive to the company's objectives. Increasingly some suppliers are adopting environmental processes over and above what Sustainable Living Fabrics initially demanded of them and are implementing these environmental practices into standard production. In a sustainability program where the environmental cost is more important than the financial cost, these are preferred suppliers. Initially the company had less flexibility and the cost was higher to achieve its sustainability targets but as demand for environmental textiles increases, more and more suppliers are willing and able to meet these requirements and costs are becoming more competitive.

Sustainable Living Fabrics has totally committed to a genuine sustainability program by having every product certified to carry the GECA Ecolabel and certified to be 100% carbon neutral.

To be sustainable there is no choice but to minimize the environmental and social impact in every facet of the business and its supply chain.

Caring for Climate

Caring for Climate is a voluntary and complementary action platform for UN Global Compact participants who seek to demonstrate leadership on the issue of climate change. Caring for Climate provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes. CEOs supporting the statement are prepared to set goals, develop and expand strategies and practices, and to publicly disclose emissions as part of their existing disclosure commitment within the UN Global Compact framework, that is, the Communication on Progress (COP). Sustainable Living Fabrics signed the Caring for Climate initiative in May 2008.

In 2006 Sustainable Living Fabrics had set about reviewing the greenhouse gas impact of its complete supply chain, from raw materials to final fabric and beyond, to encompass the eventual recycling of the product at end of life, or its disposal to landfill. When it was all added up it came to almost 6000 tons of CO2 equivalents and planting 22000 trees through Greenfleet for the year ending June 2006 offset this. But this was self-assessing and this is not good governance for sustainability.

In 2007 therefore, it chose to be independently audited by a third party and joined the Australian Government's Greenhouse Challenge, committing to the government to assess, monitor, reduce and report on greenhouse gas emissions. In addition, every product was certified carbon neutral under the Australian Government Greenhouse Friendly Initiative (GHF) which involved assessing, monitoring, reducing, offsetting and reporting on greenhouse gas emissions attributable to its product supply chain from raw materials to end of life. It demanded extensive annual reporting which was third party verified and then audited by agents of the government. Effective from 1 July 2010, the Australian Government abandoned the Greenhouse Challenge Program and GHF carbon neutral program and replaced them with The National Carbon Offset Scheme (NCOS).

In September 2010, Sustainable Living Fabrics became the first company to transition to the new scheme, which was managed by Carbon Trust Australia. The program requires Sustainable Living Fabrics to produce an annual externally audited report on carbon emissions and offset these emissions for ongoing certification. The company is required to purchase approved offsets from overseas and procures these from UN CDM projects.

On a more everyday scale the company:

- o Has chosen to be powered by green energy and prefers suppliers using green energy.
- o Reuses all plastic wrapping from fabric delivered to the warehouse.
- o When it has to buy, it buys only recycled plastic.
- o Reclaims cardboard tubes from customer for storing and shipping fabric
- o Uses recycled cardboard and paper and recycles/reuses these.
- o Has installed low ballast lights, turns lights off when not in use and turns off computers and other equipment at the switch.
- o Fans are used instead of air-conditioning.

The cost of the carbon neutral program comes straight off the bottom line and the cost of offsets is a driver to further reduce carbon emissions. However,

with such large reductions in emissions already achieved, further reductions are challenging and the company is proud that it continues to maintain reduced emission levels.

CEO Water Mandate

The CEO Water Mandate was launched in July 2007 as a private-public initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. The CEO Water Mandate recognizes that the business sector, through the production of goods and services, impacts on water resources – both directly and through supply chains. In April 2008, Sustainable Living Fabrics endorsed the CEO Water Mandate recognizing that with more than one billion people lacking access to clean water, every company, large or small, has a role to play in advancing practical water management.

Sustainable Living Fabrics recognizes that clean water is a valuable and scarce resource and its sustainability agenda specifically addresses water quality. Its direct operations contribute less than .01% of its water use but it has identified that one area where it can continue to make a difference is in water use in its offices and by employees in their homes. Engaging employees with the company's environmental agenda has encouraged them to minimise their water use.

With such significant reduction in water usage when it first embarked on its award winning sustainability strategy, continuing to reduce water use is difficult but nevertheless, the company continued to:

- o Identify areas of water use in the supply chain and its own offices.
- o Identify areas where water use can be reduced.
- o Identify areas where chemical use can be reduced.
- o Prohibit the use of chemicals identified as harmful to humans or to aquatic life.
- o Achieve independent, transparent certification of the supply chain to ensure chemicals harmful to human or aquatic life do not contaminate wastewater.

o Educate clients and the broader community on the benefits of independent environmental certification as a tool to achieve real environmental progress.

Supply Chain and Watershed Management

Although Sustainable Living Fabrics is small it believes that every drop counts and the actions it takes can have meaningful results. The company is committed to reducing water consumption and ensuring its operations do not adversely impact on any community or individual. It recognizes that clean water is a valuable and scarce resource and its sustainability agenda specifically addresses water quality. Use of chemicals that adversely affect water quality or aquatic life is prohibited and the supply chain is regularly third party audited to ensure that there are no breaches of this policy.

The changes that were required to ensure that every fabric stocked carried the GECA Ecolabel were significant and further reductions in its environmental impact relating to water are limited by technology and available environmentally preferable inputs. These limitations are beyond the control of the company and make it difficult to continue to achieve significant further reductions in its environmental impacts.

For comparison purposes, 2004 FY is the base year as it is the year prior to the beginning of changes noted above. The target was set at 40% by 2006 to be maintained into the future.

The target has been exceeded each year. The fluctuations post 2006 reflects the ratio of wool to polyester fabrics sold. As more wool fabrics are sold, water use will increase. Sustainable Living Fabrics recognizes that by taking such a giant step regular and significant reductions beyond this will be difficult to achieve but it is committed to continue to set water targets and monitor and report on water use.

Socially Responsible Practices Human Rights



Sustainable Living Fabrics is opposed at all levels to the use of bribery and corruption to facilitate profit making by companies. This can and does occur at many levels in every industry. Even green washing is a subtle form of fraud. It is unacceptable and removes any chance of a level playing field in the market. The temptation is always there and opportunities invariably present themselves from external sources. However the Sustainable Living Fabrics ethos empowers all staff to do the right thing. It provides its employees with certified facts relating to its products, remunerates its employees well, listens to their needs and takes appropriate action. All employees in contact with the market are trained to recognise and avoid bribery and corruption and there are no reported incidents of corrupt practices. The company has never had legal action taken against it for breaches of human rights, anti-competitive behaviour or monopoly practices nor has it been fined or sanctioned for non-compliance with laws and regulations.

Labour Practices

Employees have individual written contracts, which comprehensively specify terms and conditions of employment such as period of notice and leave entitlements in line with legal requirements. All employees in the warehouse have the opportunity to meet with management weekly to discuss OH &S issues and during the reporting period the company has had no injury or absenteeism other than for normal background illnesses in the community. The Company has no formal agreements with any Trade Union.

No program exists to equip employees for career ending but it regularly reviews the performance of all employees to ensure they are equipped to develop within the Company.

The Directors communicate with employees on a daily basis.

Equal opportunity is embedded in the Company culture and male and females are given equal opportunities and are paid on an equal basis according to the work they do.

Human Rights

This covers the Company and its supply chain. Human rights are an integral part of company culture. The GECA Ecolabel covers human rights issues and all suppliers have been audited for fair wages, bonded labour, slave labour, child labour, and working conditions to ILO guidelines.

Partly due to this screening process for suppliers and partly because of our own insistence that employees are treated fairly, the company has had no known instances of discrimination based on sex, religion or race and no evidence of restrictions on freedom of association.

Sustainable Living Fabrics supports and actively participates in the UN Global Compact including the CEO Water Mandate and the Caring for Climate initiative, the Global Compact Australia Network, United Nations Association of Australia, Green Building Council of Australia, Greenfleet and Bush Heritage. The company regularly communicates its position in public speaking engagements and presentations to clients and lobbies appropriate groups on environmental and human rights issues. The company does not donate to political parties.

Measurement of outcomes

Over the reporting period Sustainable Living Fabrics has consolidated its environmental, social and corporate governance programs reflecting its commitment to the principles of the Global Compact, stakeholders and the wider social community. Its sustainability and CSR strategy has created a level of trust in it as a company and in its products.

Its CSR claims are transparent and its achievements offer a solution that provides security and comfort in the fact that procurement decisions are based on the truth. The Sustainable Living Fabrics' strategy has proved a socially responsible, competitive pathway to success in a very tough market.

Pangolin Associates has independently audited the Company and its supply chain for carbon emissions under the Australian Government's Climate Active. Our calculations meet Climate Active requirements. The calculations cover creation of the wool and polyester, direct and indirect energy sources, transport of materials between sites and waste and emissions.

Design for the Environment

GECA certification ensures environmental impacts are minimized and the GECA Textile Standard and the GECA licence confirming compliance to the standard are available at

www.geca.org.au

Product Responsibility

The report is confined to the Company and does not cover the supply chain.

Every product is certified fit for purpose and certified low VOC emitting. Fabrics are certified to meet industry fire standards. The company has not been notified of any breaches of health and safety requirements or labelling laws. It has never been fined for non-compliance to laws and regulations concerning the use of its fabrics.

Every piece of fabric dispatched to the customer is clearly labelled with country of origin, fabric name defining fibre content, and after care instructions detailing how to care for the fabric in use.

Sustainable Living Fabrics respects the confidentiality of customer details and has not received any complaints from customers, directly or indirectly, reflecting any breach of this confidentiality.

Contact Details:

Further information regarding this report can be obtained on our website

<http://www.sustainablelivingfabrics.com.au>