



26 October 2021

To Our Stakeholders,

I am pleased to confirm that Piping Hot Australia 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 our first Communication on Progress, we report the actions taken to continually improve the integration of the Global Compact and its principles into our business strategy, culture, and daily operations. This report covers the period October 2020 to October 2021 and is accompanied with the results released in our 2020 Impact Report.

We have ambitious targets and have achieved some promising results as we work to build scalable solutions that help families save money and protect oceans.

Sincerely,

A handwritten signature in black ink, appearing to be "Stanley Wan", written in a cursive style.

Stanley Wan
Managing Director
Piping Hot Australia

PIPING HOT AUSTRALIA

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

Reporting Period: October 2020 - October 2021

Human Rights Overview

At Piping Hot, we are working towards a more responsible business. We have been taking steps to improve and manage our social impact to protect human rights. As a brand that designs and produces apparel and fashion, we are conscious of the risk of human right violations within the production supply chain, as we do not have direct control of these facilities.

Mapping our supply chain has been our priority. We recognise that having a clear picture of our entire supply chain means we are better able to identify health and safety risks and implement systems to improve the working conditions and rights of the people who make our products.

In 2020 we introduced the Piping Hot Supplier Code of Conduct. All garment and dye facilities in our supply chain are required to sign and adhere to the conduct. This is based on the International Labour Organisations base code and includes our policy against human rights violations.

We have set human rights and labour standards as a key focus for 2022.

Human Rights Actions

Responsible Sourcing and Compliance

- We have developed a Responsible Sourcing Policy with a focus on human rights and labour standards. This includes audit requirements, corrective action plan management and a plan to implement a Worker's Grievance Mechanism by end 2022.
- Social audits of all Tier 1 suppliers (Garment Factories) have been reviewed to identify key areas of risk such as harassment, discrimination, workplace health and safety.
- We enacted a Supplier Code of Conduct that ensures basic human rights of workers are protected.
- We translated the Piping Hot Supplier Code of Conduct into the local language of our suppliers. The Piping Hot Supplier Code of Conduct has been signed and acknowledged by all Tier 1 and Tier 2 (Wet Processing and Fabric Mills) suppliers.
- Piping Hot is aware of the risk of enforced labour in cotton farming in Xinjiang Province. Piping Hot sources 100% of cotton from Better Cotton Initiative (BCI) programs.

BCI has made a formal statement; *"Sustained allegations of forced labour and other human rights abuses in the Xinjiang Uyghur Autonomous Region (XUAR) of China have contributed to an increasingly untenable operating environment. As of October 2020, BCI has taken the decision to cease all field-level activities in the region effective immediately, including capacity building and data monitoring and reporting. Earlier, in March 2020, BCI suspended licensing and assurance activities in the XUAR, and as a result, there is no new licensed Better Cotton coming from the region"*.

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Piping Hot acknowledges the effort that BCI have taken to reduce risk, however as the BCI program is based on a mass balance system we cannot be certain that our cotton supply is not from this region.

We continue to monitor this risk in our supply chain, referring to global best-case practices to address this issue.

Transparency

- Traceability is important to Piping Hot. To ensure greater accountability and visibility of the human rights of workers, the entire supply chain has been traced.
- Piping Hot has 100% transparency across Tier 1 (Garment Factories), Tier 2 (Wet Processing/ Fabric Mills) and Tier 3 (Fibre and Yarn Facilities).

Innovation and Research

- Textile processing is known to negatively impact workers and communities residing close to factories. To minimise exposure, Piping Hot has produced a Dyes, Prints and Washes Report to eliminate the use and treatment of harmful chemicals that threaten human health and the ecosystem.
- In addition to eradicating toxic chemicals, Piping Hot has also begun working with suppliers to implement systems for the responsible treatment of effluents.

Team Training

- Piping Hot's Brand Director and Sustainability Manager have joined the UN SDG Ambition Accelerator program to assist in aligning our brand goals and commitments with the Global Compact principles including human rights, labour rights, environmental practices, and anti-corruption.

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Labour Overview

At Piping Hot, we acknowledge there are risks in the fashion supply chain. We are working towards improving labour standards, refining auditing processes and implementing effective compliance systems to protect worker safety and rights.

In 2021 we developed our Responsible Sourcing Policy. The policy outlines key requirements including audit procedures, corrective action plan processes and goals focused on effective grievance mechanisms. Developing specific requirements and clear processes for onboarding suppliers gives us the ability to make meaningful change happen.

We continue to improve our systems to better manage risk throughout our supply chain.

Labour Actions

Responsible Sourcing and Compliance

- In late 2020 we completed a Labour Standards Report for internal use. This identified potential risk areas in Piping Hot's supply chain. These included excessive overtime and inaccurate record keeping of wages and entitlements that ensure appropriate wage standards are adhered to.
- Our Supplier Code of Conduct includes requirements regarding human rights and labour standards. We have translated this document into the local language of our suppliers to better reduce risk in the identified areas and ensure suppliers meet expected labour standards.

These standards are based on the Ethical Trading Initiative base code and include minimum wages standards. They specifically exclude forced/bonded labour and child labour.

- Our Responsible Sourcing Policy prescribes a management system that protects human rights and labour standards. This includes audit requirements, corrective action plan management and a plan to implement a worker's grievance mechanism by end 2022.
- As part of Piping Hot's Responsible Sourcing Policy, Corrective Action Plans will be reviewed by Piping Hot's sourcing team, with a third party accreditor to take effective action to address any systemic issues in non-conformance.

Transparency

- Piping Hot has committed to making the entire Tier 1 supply chain transparent and accessible to the public. Our garment factory suppliers have been published on a third-party database called Open Apparel Registry.

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Certification

- All Piping Hot suppliers have been audited against the Global Recycling Standard which includes minimum labour standards.
- Piping Hot Headquarters has been audited against the Global Recycling Standard. This process includes the review of minimum labour standards, wage rates and workplace safety for direct employees.
- All Tier 1 suppliers undergo a BSCI (Business Social Compliance Initiative) appraisal conducted by a third-party accrediting body.
- As part of Piping Hot's Responsible Sourcing Policy, moving forward Piping Hot will preference third party audits by APSCA members (Association of Professional Social Compliance Auditors).

Grievance Mechanisms

- A senior director of Piping Hot attended the UN Global Compact Grievance Mechanism Workshop, to learn more about Modern Slavery reporting requirements and the implementation of effective mechanisms to protect worker rights.
- As part of Piping Hot's Responsible Sourcing Policy, a grievance mechanism in the form of an anonymous workers survey will be implemented and is required for all new suppliers.

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Environment Overview

We are committed to protect and conserve oceans. We have redesigned our entire model from mission and material design, to operations and marketing, to be able to provide our customers with affordable and sustainable products.

Being tied to the ocean, our framework is focused on water stewardship, preventing plastic pollution and developing a circular model that minimises harm to our ecosystems. Our environmental actions reflect these principles.

Key milestones include Piping Hot achieving certification to the Global Recycling Standard and meeting our July 2021 goal of sourcing more sustainable fibres for 100% of our products. Beyond materiality, Piping Hot has also implemented an Environmental Code of Practice which all Tier 1 and Tier 2 suppliers must sign and adhere to.

Environment Actions

Environmental Sourcing and Compliance

- Piping Hot has developed an Environmental Code of Practice which outlines best practices in sourcing and manufacturing to reduce environmental impact and the minimum requirements we expect our suppliers to meet.
- This has been translated into the local language to ensure that suppliers can comprehend the requirements. All Tier 1 and Tier 2 suppliers have signed the Piping Hot Environmental Code of Practice.
- From July 2021, 100% of Piping Hot products are made from more sustainable fibres. We prioritise low impact materials for all our products and have been steadily removing conventional fibres from our portfolio. We have now eliminated use of virgin polyester from our supply chain.
- Piping Hot utilises material and fibre life-cycle assessments (LCA) in the development of new fabrics and products. We also refer to industry tools such as the HIGG Material Standards Index to determine the environmental impact of materials.
- Piping Hot implemented a Forest Policy to protect ancient growth forests. The policy has been published on the Piping Hot website and outlines our commitment to the responsible sourcing of wood fibre, which is relevant for viscose materials and paper packaging.
- Bloom, an innovative biomaterial derived from Algae, was introduced into our footwear products in August 2021, further reducing our use of finite resources. Use of this biomaterial also contributes to clean air and water.

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Industry Participation

- We have joined industry wide initiatives such as Textile Exchange and the Better Cotton Initiative to contribute to progressing environmental practices and operations.
- All Piping Hot suppliers have been audited against the Global Recycling Standard which includes environmental practices.
- Piping Hot became a brand partner with Canopy, a non-profit working to protect old growth and endangered forests.

Innovation and Research

- An internal Textile Waste and Recycling Report was completed alongside the development of a Textile Recycling Scheme which launched in May 2020.
- In 2020 we engaged in a multi-stakeholder microplastic study with the University of New South Wales to develop conclusive data on the microfibre issue. The research includes an independent study of existing washing machine filter solutions to determine their effectiveness. The research results will inform scientists and consumers about the performance of available devices to reduce microfibre shedding during the wash cycle. The study is currently being peer reviewed and will be published by the end of 2021.

Design

- Team training has been completed on best environmental practices in design and operations this includes workshops on circular design principles, best practices for dyes, washes and treatments and education on environmental certifications and standards.

Marketing

- We have actively provided information to consumers and stakeholders about potential environmental risks and the impact of the fashion industry.
- All Piping Hot swing tickets have been updated to provide more detailed information on the sustainable benefits for each fibre. All claims have been evidenced by clear data.

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Anti-Corruption Overview

At Piping Hot we do not tolerate corruption or bribery. We value long term supplier partnerships to build trust and transparency. Our key suppliers have been working with us for over four years and we believe these strong relationships reduce the risk of bribery and corruption.

Good governance is important to our business to ensure integrity in our supply chain and material portfolio. The Piping Hot Responsible Sourcing Policy was developed to reduce the risk of corruption and bribery. Steps to reduce this risk include a focus on reputable third-party accreditors for audits and compliance requirements, as well as implementing a grievance mechanism in the form of a Worker's Survey. We believe utilizing third-party audits can reduce the risk of corruption especially in the mismanagement of tracing fibre sources.

Suppliers are required to provide documentation throughout the chain of custody of our products which gives us visibility and further reduces the risk of bribery.

We believe greater transparency is important to fight bribery and corruption. At Piping Hot we acknowledge that we must improve our systems and are in the process of strengthening our policies around corruption and bribery.

Anti-Corruption Actions

Transparency

- A SWOT analysis has been completed on the risks of corruption and bribery throughout the business operation and supply chain, especially in areas with low visibility.
- Supply chain traceability has improved visibility and reduced the risk of corruption in the supply chain.
- Transparency of costs, quantities and terms of trade reduce the risk of corruption and bribery. Our product orders require detailed documentation including QA checklists, invoices and shipping documentation. Clear visibility of these transactions are recorded by both Piping Hot and the licensee company.

Auditing

- Piping Hot has implemented third-party auditing under the Global Recycling Standard. The audit process requires detailed evidentiary reporting as the standard does not tolerate corruption.
- The Piping Hot Responsible Sourcing Policy includes requirements for all auditors to be APSCA (Association of Professional Social Compliance Auditors) members that undergo significant training on anti-corruption and bribery.

Grievance Mechanisms

- Piping Hot is focused on implementing a grievance mechanism such as a worker's survey, to help identify corruption and bribery or breaches of Modern Slavery regulations.

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Measurement of Outcomes

Internal Assessment

- A three year sustainability plan that specifically outlines incremental growth using the SMART (Specific, Measured, Actionable, Realistic, Timebound) in design, materials, processes, social impact and business operations has been completed and is reviewed bi-annually to ensure outcomes are achieved.
- Completion of annual review of social and labour audits.
- Bi-annually, all fibre use has been measured to ensure targets are achieved and goals are being met.

External Assessment

- We have achieved GRS (Global Recycled Standard) certification which includes auditing of environmental and social practices across the entire supply chain and within the Piping Hot business.
- Annual Participation in the Textile Exchange Corporate Fibre Benchmark, which involves measuring and publishing Piping Hot's annual fibre use in detail. The benchmark provides an assessment of our sustainable material sourcing in comparison to industry peers.