

Disclosure statement on modern slavery

Cobalt Fashion Holding Limited

Introduction




In 2017, the International Labour Organization (ILO) estimated that 40.3 million people are victims of modern slavery with 16.5 million victims in Asia-Pacific alone. Of the 24.9 million people trapped in forced labor, the majority (16 million) work in the private sector, including global supply chains.¹

Those figures are expected to rise dramatically owing to the impact of the Coronavirus pandemic. Based on the World Health Organization, 176 million confirmed cases have been identified and 3.8 million deaths have followed globally, as of June 15th, 2021. Meanwhile, 2187 million vaccine doses have been administered as of June 14th, 2021. The economic crisis and resulting disruptions to global supply chains presents unprecedented challenges for the world's most vulnerable workers. The coronavirus pandemic will act as a catalyst to reverse the trend of reduced poverty and may erase valuable progress. The World Bank estimates that as a direct consequence of the coronavirus, nearly half a billion people could be pushed below the poverty line.

Against this backdrop, it is likely that many more workers will find themselves trapped in situations of modern slavery. This is especially true in economies where work is scarce or wages low; workers may be forced into situations of debt, exploitation, or coercion. There have also been serious allegations made in connection to State Imposed Forced Labor (SIFL). This includes forced labor extracted by the military, compulsory participation in public works and forced unpaid or low-paid work in internment work camps or semi or fully privatized prisons.

In the global knitwear industry, there is a risk of being associated with this form of forced labor, especially in lower tiers of the supply chain where traceability and due diligence become more challenging. Given the complexity and pervasiveness of this issue, the successful abolition of all forms of modern slavery requires coordinated action between a range of actors, including governments, civil society, international organizations, and the private sector.

¹ Modern slavery covers a variety of legal concepts. It refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception and/or abuse of power. ILO Estimates of Modern Slavery, International Labour Office (2017) Geneva.

<p>5 GENDER EQUALITY</p> 	<p>SDG 5: Achieve gender equality and empower all women and girls</p> <p>Target 5.2: Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>SDG 8: Decent Work and Economic Growth</p> <p>Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.</p>
<p>10 REDUCED INEQUALITIES</p> 	<p>SDG 10: Reduced Inequality</p> <p>Target 10.7: Facilitate orderly, safe, and responsible migration and mobility of people, including through implementation of planned and well-managed migration policies.</p>

The Sustainable Development Goals (SDGs) were adopted in 2015 and include specific targets focused on the eradication of modern slavery and child labor². The SDGs, and in particular targets 5.2, 8.7 and 10.7, represent an opportunity for Cobalt to work in partnership with other key stakeholders, towards the shared objective of tackling complex and pervasive forms of modern slavery; to this end we are working to collaboratively enhance the due diligence efforts of our industry, ensuring effective identification and resolution to any modern slavery risks and to encourage a stronger labor market, enhanced migration governance and ultimately to put a stop to the supply and demand for modern slavery in the countries where we operate.

This is Cobalt's second edition of the Modern Slavery Statement, this statement has been published in accordance with Section 54 of the UK Modern Slavery Act (2015). The statement is fully supported and approved by our Board of Directors and signed by the Company CEO, Wai Ping Leung. It was reviewed externally by the Mekong Club, a Hong Kong-based, non-governmental organization committed to ending modern slavery within the private sector by raising awareness and providing practical tools to address the problem within supply chains. It covers activities undertaken during our financial reporting year from March 2020 – March 2021 and outlines future commitments. Further information on tracking KPIs and updates can be found under point 6.3 (page 14 and 15)

² The SDGs supplement the existing international framework on forced labor and child labor. Including: Child Labour Conventions and Recommendations (C138 and R46; C182 and R190); United National Convention on the Rights of the Child; Buenos Aires Declaration on Child Labour, Forced Labour and Youth Employment (2017); ILO Forced Labour Conventions, Recommendations and Protocols (C29, P29, R35 and R203; C105); and The Palermo Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children.

1. Cobalt Fashion Holding Limited: structure, business and supply chains

1.1 Business Structure

Cobalt Fashion Holding Limited (Cobalt), a Hong Kong-headquartered private company, is at the forefront of the global knitwear industry, working as the go-to source for global retailers and brands. Cobalt was initially formed as a joint venture between the Fung Group (55% owned) and Hony Capital (45% owned)

Offices globally
9

Employees worldwide
607

Female
381

Male
226



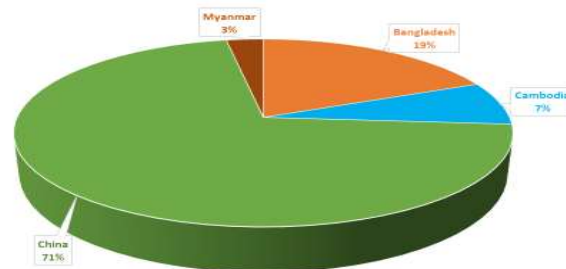
Cobalt is made up of four distinctive knitwear teams: Brilliant Global, Fenix Fashion Limited, Ralsey Group and South Ocean Knitwear Limited. With 607 people in 9 offices, the Cobalt team comprises product specialists who create trend-driven knitwear by utilizing an extensive knowledge of yarn, experienced technical and manufacturing know-how; leveraging market intelligence and competitive sourcing capabilities.

Cobalt uses the latest in digital technology and work processes to constantly redefine the knitwear industry and is focused on digitalizing our global supply chain to create an end-to-end stream of synchronized supply chain data, that will enable improved speed, cost, working capital, inventory, and improved sustainability and traceability for all partners in our ecosystem.

1.2 Supply Chain

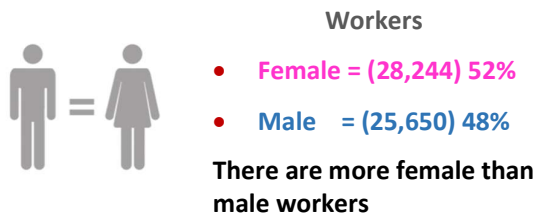
Key Figures: Tier-1

Country		Total no. of factory
China		76
Bangladesh		20
Cambodia		8
Myanmar		3
Total		107



Our diverse range of capabilities enables us to serve customers across a wide spectrum of segments and geographies. Together we strategize and innovate, design and make, envision and execute from a network of 107 suppliers in 4 production countries, to customers globally during April 2020 to March 2021.

Table 1: Worker Demographics in the Supply Chain (Tier-1)



100% of Cobalt's tier-1, finished product manufacturing facilities are mapped and approved according to our minimum onboarding standards. In addition, we have been increasingly collating data on suppliers further down our value chain in response to increased business and customer need. This includes mapping tier-2 facilities (such as laundries, printers and suppliers of branded fabrics and compartments) and tier-3 facilities (such as non-branded compartment and yarn suppliers) and auditing these sites when requested to do so by our customers.

As visibility below tier-1 is becoming increasingly important to both us and our stakeholders for effective supply chain due diligence, we will continue further mapping our supply chains for improved end-to-end traceability, including by sourcing an increased amount of certified raw materials.

With many of our customers looking for sustainable credentials we have also been looking at recycled and organic certifications which require chain of custody certification. With this we have

been able to trace raw materials from spinners through to final retailer, using scope and transaction certificates for verification.

1.3 Governance Structure

Engagement of senior leadership across the company is crucial to drive effective corporate responses and policies to end modern slavery. At Cobalt, several different departments contribute to the company's efforts to end modern slavery, with overall leadership from the company's Chief Operations Officer (COO).

Cobalt's Vendor Compliance & Sustainability team is responsible for overseeing our vendor compliance operations and working with key stakeholders to strengthen compliance and sustainability performance – including overseeing risk assessments and due diligence measures to end modern slavery.

The Fung Group's Vendor Compliance and Sustainability team that sits within the Group Chairman's Office, is responsible for governance, policy, internal audit and industry partnerships including the development and mainstreaming of the Fung Group's strategy and related KPIs on ending modern slavery.

Cobalt's Governance Committee, which includes representation from the COO, the Cobalt Vendor Compliance & Sustainability team and the Fung Group, meet quarterly to review progress on the modern slavery strategy and policy implementation, supply chain critical issue findings and factory improvement.

2. Policies in relation to slavery and human trafficking

2.1 Corporate Policies

Cobalt's Code of Conduct and Business Ethics (the Code) requires all employees to embed in business operations the ten principles of the UN Global Compact and the principles contained in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including the elimination of forced labor. All new employees learn about the Code during orientation, supported by additional training during their employment in the form of e-learning. Policies and guidelines for addressing the Code are implemented in the acquisition of new business and through our ongoing recruitment, training, performance assessment, disciplinary and grievance processes. The Code also requires all employees to work with suppliers to ensure human and labor rights are upheld throughout the supply chain, including the elimination of forced labor.

2.2 Supplier Policies

Cobalt's principal means for addressing modern slavery in the supply chain is the Supplier Code of Conduct (the Supplier Code). The Supplier Code, accessible via Cobalt's corporate website and available in multiple languages, is built upon key international standards, including the International Labour Organization (ILO)'s 1998 Declaration on Fundamental Principles and Rights at Work (including the Supplementary Protocol to C. 29), and local law. The Supplier Code incorporates guidelines on social, environmental and security standards as well as practical resources for implementing standards within factory operations and recommendations for best practice.

All forms of modern slavery and child labor are considered zero-tolerance issues which require full remediation and may result in termination of business.

The Supplier Code is updated every three years, with the latest update completed in December 2019. The updates incorporate emerging requirements, including strengthened standards related to

safe workplaces, labor, human rights and environmental resilience. New provisions were also added in line with the adoption of ILO General Principles and Operational Guidelines for Fair Recruitment and Convention No. 190 and Recommendation No. 206 on combatting violence and harassment at work.

Link to Supplier Code of Conduct can be found here:

https://www.cobaltknitwear.com/en/assets/pdf/Cobalt_Code_Of_Conduct_July_2020_word_for_Supplier_final.pdf

To introduce the updated Supplier Code, 15 facilities in Bangladesh (89%) attended training sessions in 2019, with more training for both suppliers and colleagues in 2020 and 2021 including the development and deployment of an e-learning program. The e-learning highlights all key changes to the Supplier Code, their potential impact and requirements for adherence to the updated Supplier Code. As of end of April 2021, 51% of members of cobalt staff have completed the Supplier Code e-learning. 78% of the factories in our supply chain have registered for this e-learning. We are aiming to reach 100% completion for all internal staff and supplier by end of 2022.

We require an understanding of, and compliance with, the Supplier Code as a minimum condition of doing business with Cobalt. Each supplier must therefore sign a copy and participate in the onboarding process before production may begin. Suppliers must sign their commitment to the obligations under the updated Supplier Code before the deadline of 31 May 2020 to continue business with Cobalt. As of May 31, 2021, 100% of the factories in our supply chain have signed the updated Supplier Code.

Cobalt's Supplier Code prohibits the employment of children younger than 15 years of age, or younger than the age of completion of compulsory education, or legal employment age of the relevant country, depending on which is higher. The Supplier Code also prohibits the Worst Forms of Child Labor as defined by the ILO Convention No. 182. In 2018, a specialized Standard Operating Procedure (SOP) was developed to improve and standardize internal processes for identifying and remediating cases of child labor.

2.3 Responsible Recruitment Policies

*Workers have
paid US\$ 4,200
– 6,000 and
even higher for
a job.*

One of the greatest drivers of modern slavery in all economic sectors is the exploitation of migrant workers occurring at the hands of unscrupulous recruitment agencies and/or labor brokers. Abusive recruitment practices, including a worker's payment of excessive recruitment fees and related costs, are the most common entry point for modern slavery.

Even fees authorized by law can amount to over US\$6,000, burdening a worker and his or her family with high loan and interest payments. Migrant workers are most at risk of excessive fees as they often pay twice – both at the home country and destination country.³ Costs go to multiple intermediaries, which are typically not regulated by local authorities.

³ Destination country refers to the country where the migrant worker secures employment.

Workers who fall into debt may become trapped in abusive working conditions with little or no wages.

The International Labour (ILO) Organization, in its *Recommendations of Supplementary Measures for the Effective Suppression of Forced Labor*, calls out the corporate responsibility of “protecting persons, particularly migrant workers, from possible abusive and fraudulent practices during the recruitment and placement process” in combating forced labor. Additionally, the ILO issued *General Principles and Operational Guidelines for Fair Recruitment* stating that companies should include “human rights due diligence assessments of recruitment procedures and should address adverse human rights impacts with which they are involved.”

In line with those commitments, Cobalt has now launched a policy to ensure Responsible Recruitment is implemented across our Company and in our supply chain. The Responsible Recruitment Policy (RRP) for Cobalt and its supply chain, was externally reviewed by the Mekong Club and was launched on March 12th, 2020. We have asked our factory base to review and sign, and aim to have our entire factory base complete this by end of 2021.

2.4 Key Highlights – Cobalt Responsible Recruitment Policy



Employer Pays Principle: Suppliers shall take steps to ensure workers do not pay recruitment fees or related costs to get a job. Suppliers shall ensure that where employees have paid recruitment fees or related costs, that workers are reimbursed. In the first year of implementation the focus is on illegal recruitment fees and costs with the goal to progressively cover all fees and costs. The progressive implementation gives suppliers time to prepare for the changes and to put the systems in place to recruit responsibly.



Due Diligence: Prior to selection, suppliers shall undertake a formal screening of labor recruiters to assess commitment and capacity to meet the requirements set forth in the policy. Suppliers shall also have a written contract with labor recruiters incorporating all principles of responsible recruitment and shall conduct ongoing risk assessments and audits, including interviews with migrant workers to evaluate adherence to the contract.



Dialogue and Training: The policy was developed based on dialogue with workers, management and industry partners. In-person consultations took place in Taiwan, Thailand and Malaysia to better understand the different stakeholder perspectives on responsible recruitment. The policy is being coupled with in-person training and e-learning for colleagues and suppliers to better understand how to implement the policy.

3. Risk assessment, prevention and mitigation

Rigorous factory onboarding is a crucial step in mitigating the risk of modern slavery. We provide onboarding training to new factories and our own business units to ensure they understand key principles in the Supplier Code and the consequences of non-compliance.


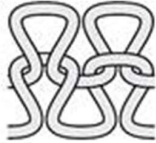
To date, no cases of modern slavery have been identified in Cobalt’s business or supply chains, however we understand that non-identification of cases does not equate to low risk. We acknowledge that there are modern slavery risks that exist in the sectors and markets where we operate. The challenge is to proactively identify and dissect modern slavery risks at various levels (country, region, product, facility, worker) so they can be effectively mitigated or otherwise addressed.


Risk assessment cannot be a static exercise. As modern slavery risks evolve and emerge in response to changing social, economic and political trends, it is important that we use knowledge from our industry partnerships together with own supply chain insights to actively stay on top of developments. Our risk assessment included the following key sources of information

- Mekong Club’s Risk Assessment Matrix, Quarterly Working Group and Knowledge Hub
- Centre for Child Rights and Corporate Social Responsibility’s (CCR CSR) Quarterly Working Group
- US Department of Labor’s List of Goods Produced by Child Labor or Forced Labor
- ILO Global Estimates on Modern Slavery
- Walk Free Foundation 2018 Global Slavery Index
- Foreign Migrant Worker Risk Assessment Tools
- Business and Human Rights Resource Centre – COVID-19 Outbreak: Supply Chain Workers

Link for the Mekong Club’s Risk Assessment Matrix can be found [HERE](#).

3.1 Map of the Apparel Supply Chain Highlighting Key Modern Slavery Risks, Prevention and Mitigation Measures

<p>Tier 1: Product + Finishing</p> 	<p>Salient risks in tier 1 include:</p> <ul style="list-style-type: none"> • Non-payment of minimum wages • Payment of recruitment fees and other forms of debt-bondage • Violence in the workplace • Limitations on freedom of movement • Forced overtime • Contract substitution • Document retention • Exploitation and/or discrimination of migrant workers and other ethnic minorities <p>We take a comprehensive approach to monitoring and building the capacity of tier 1 factories. For more information, please see section on due diligence and remediation.</p>
<p>Tier 2: Textile Manufacturing - spinning, knitting, dyeing</p> 	<p>In countries with weaker labor market governance, there are risks of the worst forms of child labor owing to the large amount of chemicals used to dye and finish fabrics. The other issues listed above in tier 1 factories also remain a concern.</p> <p>As many spinning mills are still labor intensive – young women or migrant workers may experience delayed-payment schemes and/or limited freedom of movement.</p> <p>We are starting to build stronger relationships with wet processing units (dyeing houses) and spinning mills including under-taking environmental and social assessments.</p>

<p>Tier 3: Raw Materials and Processing</p> 	<p>Traceability to the raw material level is difficult as both the cotton and polyester supply chains are highly fragmented and opaque.</p> <p>While the Cobalt audit and remediation program does not extend to tier-3 suppliers, Cobalt is aiming to increase its percentage of bio and recycled materials. Certifications offer greater traceability at the raw material level and assurance on compliance with social and/or environmental standards.</p> <ul style="list-style-type: none"> • Under-age seasonal harvest work (cotton) • Forced and trafficked labour, including that which is state imposed (cotton) • Modern slavery risks in conflict regions as well as in transport (polyester)
--	--

3.2 Modern Slavery Risks, Mitigation and Prevention Measures in Production Markets

We use the Mekong Club Risk Assessment Matrix (RAM), which combines a series of standardized indicators to better understand our risk associated with raw materials and supply chain processes by product, process and region. The RAM aggregates multiple sources of audit data associated with specific materials and processes from different companies gathered in different formats. The matrix is currently based on the analysis of 70,000 data points and the latest dataset available.⁴

Below we have provided an example of regional and product Modern Slavery risks in two production countries as identified in the RAM tool. Red indicates states/regions where indicators and/or cases of modern slavery have been identified. Blue indicates where there is insufficient information to conclude whether modern slavery has been identified in the region, but audit data is available. Areas uncolored indicate that the RAM does not hold data on that region.

China



High-Risk Products:⁵ Garments and Cotton

Indicators (from most to least prevalent):

- Overtime issues
- Payment issues
- Contract issues
- Accommodation issues
- Child labor issues
- Migrant labor issues
- Deprivation of liberty

Bangladesh



High-Risk Products: Garments and textiles

Indicators (from most to least prevalent):

- Overtime issues
- Payment issues
- Deprivation of liberty

⁴ Latest dataset is from March 2021

⁵ Products extracted from United States Department of Labor (USDOL) List of Goods Produced by Child and Forced Labor

Completed Actions:

- Unannounced spot checks in factories to detect forced labor
- Fung Group Modern Slavery training

Completed Actions:

- Unannounced spot checks in factories to detect forced labor
- Code of Conduct training attended by 15 facilities (89% completion rate)

4. Due diligence process

4.1 Auditing

Compliance with the Supplier Code is assessed by a designated third-party audit firm or through acceptance of audits from twelve recognized social compliance standards that meet our requirements, as part of our audit “Equivalency” program (EQ). This mutual recognition program has drastically reduced audit duplication and allows supplier resources to be reallocated to the sustainable improvement of critical issues. We also accept audit reports from our customer-specific programs. All our direct suppliers (tier-1) are audited according to a timeline, which varies according to their level of risk (higher-risk suppliers are audited more frequently). The performance of our third-party audit firms is monitored by a robust system of key performance indicators covering areas such as integrity, performance and accuracy. We also rotate audit firms who conduct our onsite audits to maximize the various strengths of each firm and to reduce the risk of corruption.

As part of our assurance program on factories audited against industry and customer standards, Cobalt’s auditors or designated third-party audit firms conduct unannounced spot checks on factories, with a particular focus on factories in countries where there are increased risk factors, such as a lack of transparency, or presence of vulnerable groups of workers. When a spot check focuses particularly on forced labor, we use specialized third parties with a focus on worker interviews to illuminate the real conditions faced by workers throughout the continuum of the supply chain. Where data from a spot check suggests a critical compliance issue has been systemically missed by an industry standard, we share that information with the industry standard for improvement.

During 2020, Fung Group and Cobalt conducted unannounced spot checks in 7 and 5 factories respectively from Cobalt sourced facilities.

This year Cobalt has implemented a new system that can store an increased amount of data on factories in our supply chain. Our new system to capture orders and related factory details is now in place and fully functional. Any order raised in the system must be assigned to a factory and all factories must have a full valid audit based on the Cobalt Supplier Code. This system allows for better supply chain transparency and ensures that we do not use any factories which have not been through the proper checks and approvals.

In addition to approval audits, Cobalt’s Vendor Compliance & Sustainability team conduct factory audits and pre-assessments to identify weakness, produce Corrective Action Plans (CAPs) and support the factory to make continuous improvements.

4.2 Partnering for Change

Modern slavery is a global challenge that requires the collaborative efforts of governments, civil society and business. Despite Cobalt’s expertise in supply chain management, we accept we cannot solve this problem alone. We believe that participating in partnerships that join key stakeholders in the fight against modern slavery, will lead to increased success in building the required leverage and

impact to address the issue. To this end, Cobalt has recently joined the Mekong Club, a membership-based organization focused on working with companies that have an active passion for eradicating modern slavery. Through industry-specific networks and expert training, the club is a catalyst for change – engaging, inspiring and supporting the private sector to lead in the fight against modern slavery. As a member, we have joined the Mekong Club’s Apparel and Footwear Working Group, allowing us to leverage the organization’s expertise, platform, tools and strategies to improve our due diligence and risk assessment process, providing additional support that we can use in educating key stakeholders on how to address the root causes of modern slavery.

Using New Technology for Due Diligence

As a member of the Mekong Club’s Apparel and Footwear Working Group, we leverage its expertise, platform, tools and strategies to improve due diligence and risk assessment and educate key stakeholders on how to address the root causes of modern slavery.

The Apprise platform, developed by the Mekong Club and the United Nations University Institute in Macau (UNU) is an innovative voice app that enables more workers to be engaged during an audit in a safe, effective and anonymous way. During a typical factory audit, the auditor has limited time to interview workers, there may also be confidentiality concerns from workers, or there may be a language barrier. This is even more challenging in the engagement of migrant workers, who are often more vulnerable to exploitation and coercion and at risk of being trapped in forced labor. Apprise uses a mobile app to ask workers questions in their local language via a headset, which have been specially developed to uncover any red flags for forced labor in line with the ILO indicators.

In 2019, the app was enhanced to include additional data analysis features and four more languages. The Apprise team also conducted a baseline survey conducted with 200 auditors to understand challenges faced during worker interviews and looked at lessons learned from a four-month pilot.⁶

5. Training and Capacity Building



Using headphones, workers start their interviews by selecting their language.

Using New Technology for Due Diligence

As a member of the Mekong Club’s Manufacturing & Retail Working Group, we leverage its expertise, platform, tools and strategies to improve due diligence and risk assessment and educate key stakeholders on how to address the root causes of modern slavery.

⁶ Unmasking Labor Exploitation Across Supply Chains, United Nations University Institute on Computing and Society (2019) Macau, SAR available at <https://www.apprise.solutions/post/report-launch-unmasking-labor-exploitation-across-supply-chains>

The Apprise platform, developed by the Mekong Club and the United Nations University Institute in Macau (UNU) is an innovative platform that enables more workers to be engaged during an audit in a safe, effective and anonymous way. During a typical factory audit, the auditor has limited time to interview workers, there may also be confidentiality concerns from workers, or there may be a language barrier. This is even more challenging in the engagement of migrant workers, who are often more vulnerable to exploitation and coercion and at risk of being trapped in forced labor. Apprise uses a mobile app to ask workers questions in their local language via a headset, which have been specially developed to uncover any red flags for forced labor in line with the ILO indicators.

After COVID-19 hit in 2020, Apprise also adopted a remote feature to be utilized during remote audits or situations where physically reaching factories becomes challenging. Workers can scan a QR code that takes them to a URL version of the app's interface and answer the very same questionnaire in their own language via a headset. This has allowed users of the platform to reach workers where they otherwise would have been unable and continue to collect valuable worker voice driven data in a time of particular need.

Apprise Audit is now available in 15+ languages and has reached thousands of workers globally. Cobalt has used Apprise Audit to interview 215 workers in 1 country (Bangladesh), and is committed to using the app to continue to interview workers in the year to come- covering 2 countries (China and Bangladesh) and interviewing 220 workers.

As of March 2020, 38% of Cobalt colleagues globally have completed the Modern Slavery e-learning. In September 2020, we reached 97% completion of e-learning course by our internal staff. The training will be rolled out to Cobalt's supply base, with an anticipated 100% completion rate by core facilities, by March 2021. As of March 2021, total 78% of our total factory base (including all our 20 core factories) completed the e-learning.



1. **Supplier Code of Conduct e-learning:** presents an overview of our updated Supplier Code and how to ensure compliance. This training was rolled out in April 2020 to all of Cobalt's sourcing colleagues and suppliers. As of March 2021, 78% of our total factory base and 51% of internal Cobalt staff respectively completed the Supplier Code of Conduct e-learning.

6. Effectiveness, measured against appropriate KPIs

6.1 Our Strategy (March 2021 – March 2022)

Looking toward 2022, we recognize there will continue to be massive health and financial challenges related to the coronavirus pandemic that cause untold disruptions to our business and supply chain and stand in the way of progress. Yet, we cannot pause our work in this important area when the need for action has never been greater, and we will need to be innovative on how make progress despite travel restrictions and physical distancing.

Cobalt's focus for this coming financial year is on actively monitoring our supply chain to identify and reduce modern slavery risk, whilst collaborating with partners for sector-level change and ensuring victim-centric remediation, should any forms of modern slavery be detected. Particular attention will be paid to ensuring new risks and vulnerabilities in the supply chain, arising from COVID-19, are addressed.

We aim to achieve this through:

1. The effective implementation of our Responsible Recruitment Policy (RRP).
2. Creating an informed and empowered cohort of employees and supply chain partners.
3. Increased transparency in high-risk areas of the supply chain through proactive investigation.
4. Front-line responders equipped with tools to screen potential victims of exploitation at the facility level.
5. All cases of modern slavery managed in compliance with our Remediation Program.

6.2 Remediation

To date, Cobalt has not identified any instances of modern slavery either in our own operations or supply chains, however all red flags for forced labor that were found were remediated in line with the Remediation Program and supporting Guidance. Launched in 2017, the Remediation Program ensures continuously improved performance in our supply chains and actively managed remediation of critical violations against our Supplier Code. When there is no immediate threat to workers or other concerned parties, non-compliances are discussed with the factory, the factory develops a Corrective Action Plan (CAP) with a focus on root-cause analysis and prevention, with progress monitored by Cobalt Vendor Compliance team, who audit suppliers and will work with the supply chain on corrective action plans and remediation processes.

Cobalt has developed remediation guidance on modern slavery in line with the UN Guiding Principles on Business and Human Rights and the Mekong Club Remediation Toolkit. Remediation guidance includes:

- Information on **immediate corrective action** to be taken in cases of non-compliance, including the provision of assistance to victims and paying back any outstanding wages or fees (where relevant).
- **Preventative action**, including the use of third-party experts to assist the factory to change management systems or policies that may have contributed to the violation.
- **Business consequences** as needed related to both the non-compliance and any failure to remediate.

Complex cases are handled by a specialist third-party, working collaboratively with Cobalt. Although this process has not yet needed to be used, our third-party partners would support in discussing the case with the factory to develop an action plan, providing capacity building and victim assistance, and assistance in monitoring the victim support and factory improvement process. If the violations cannot be confirmed as systematically remediated, business would be discontinued after agreeing on a responsible exit plan. For example, if child workers are found in our supply chain, Cobalt would work in partnership with the Centre for Child Rights and Corporate Social Responsibility, who would develop a responsible solution that is in the best long-term interests of the children. Remediation would follow available best practice and seek to meet the educational, social and economic needs of the children concerned.

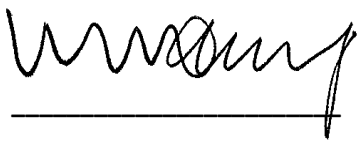
6.3 Tracking Progress

As we advance our agenda to abolish modern slavery, we will monitor our progress against the following targets and report on our progress in our next modern slavery statement.

Key Performance Indicators			
Goal	KPI Description	2020 ~ June 2021 performance	June 2021 ~ June 2022 Planning
1. Committed to Responsible Recruitment and the Employer Pays Principal	Suppliers implementing the Responsible Recruitment Policy (PPR)	100 % our current factory base already signed and returned its commitment	All new and on-boarding factories must sign and return commitment
2. Informed and Empowered Employees	Cobalt staff completed Modern Slavery e-learning	97 %	100 %
3. Increased Supply Chain Transparency	Investigations on modern slavery conducted, taking into account new risks arising from COVID-19	Fung Group and Cobalt conducted unannounced 7 and 5 spot checks respectively from Cobalt sourced.	5 spot checks will be arranged

4. Worker Voice for Risk Identification	Factories in which Apprise Audit app piloted	9 factories in Bangladesh completed pilot run of Apprise Audit app. 215 workers were interviewed.	Select another 10 factories to complete Apprise Audit app. Target 220 workers to be interviewed
5. Victim Centric Remediation	Modern slavery cases remediated in line with remediation guidance	No case being found in our Supply chain based on all 3 rd party audit reports, customer audit reports and our spot check reports.	Continuous monitoring

Cobalt will continue to evaluate the effectiveness of our efforts to eradicate modern slavery. We are committed to expand and look for new industry collaboration and to equip factories in our supply chain with the necessary tools that help them identify and prevent all forms of modern slavery.



Wai Ping Leung

CEO, Cobalt Fashion Holding Limited