



# **Disclosure statement on modern slavery**

**Cobalt Fashion Holding Limited**

**JUNE 2023- 4<sup>th</sup> Edition**

# CONTENTS

## Executive statement

### Section 1. Structure, business and supply chains

- 1.1- Business structure
- 1.2- Supply chain
- 1.3- Governance structure

### Section 2. Governance and policies in relation to modern slavery

- 2.1- Corporate policies
- 2.2- Supplier policies

### Section 3. Risk Assessment, prevention and mitigation

- 3.1- Mapping risks in the supply chain
- 3.2- Modern slavery risks in production markets

### Section 4. Due diligence process

- 4.1- Auditing and spot checks
- 4.2- Grievance channels

### Section 5. Training and capacity building

- 5.1- Partnering for change
- 5.2- Implementing technology for due diligence
- 5.3- Remediation

### Section 6. KPI review and setting

- 6.1- Progress against 2022-2023 KPIs
- 6.2- Cobalt's 2023-2024 Goals, Indicators and Targets




## Executive statement

This statement has been published in accordance with the UK Modern Slavery Act (2015) and the California Transparency in Supply Chains Act of 2010 (SB 657). It sets out the steps that Cobalt has taken from June 2022 to June 2023 to identify the risks of and prevent modern slavery and human trafficking occurring in its own business operations and supply chains.

Modern Slavery is a prominent human rights risk for Cobalt and all companies that rely on supply chain partnerships. It is estimated by the International Labour Organisation (ILO) that in 2021 49.9 million people were victims of modern slavery. 17.3 million of these people were in the private sector. The Asia-Pacific zone accounts for the highest number with 15.1 million victims of forced labour estimated. (source- ILO)

The Sustainable Development Goals (SDGs) are a set of seventeen goals that represent a universal call to action to end poverty and ensure prosperity. These were adopted in 2015 and include specific targets focused on the eradication of modern slavery and child labour. 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 labour market, enhanced migration governance and ultimately to put a stop to the supply and demand for modern slavery in the countries where we operate.

## SUSTAINABLE DEVELOPMENT GOALS

<p><b>5</b> GENDER EQUALITY</p> 	<p><b>SDG 5: Achieve gender equality and empower all women and girls</b></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><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>SDG 8: Decent Work and Economic Growth</b></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><b>10</b> REDUCED INEQUALITIES</p> 	<p><b>SDG 10: Reduced Inequality</b></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>

Under the UN Guiding principles on Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct (RBC), companies have a responsibility to undertake human rights due diligence to identify, prevent and mitigate modern slavery risks and impacts. As the momentum around human rights due diligence grows, many governments are embedding the EOCED's framework into legal requirements for companies. In 2022 and 2023, the European Commission presented its proposal for a Corporate Sustainability Due Diligence Directive. Both Norway's transparency act and Germany's Act on Corporate Due Diligence in Supply Chains came into force.

Trade-related legislation on forced labor is also on the rise. In June 2022, the Uyghur Forced Labor Prevention Act (UFLPA) became law in the United States. This is an extension to section 307 of the Tariff Act of 1930.

Cobalt's approach to tackling modern slavery within our supply chain has been updated to take into account any new and upcoming legislative requirements, the OECD Due Diligence Framework and the findings from the ILO Global Estimates. Our strategy remains risk based and proactive, identifying and preventing modern slavery risks before they materialise into actual harm.

This is Cobalt's fourth edition of the Modern Slavery Statement. The statement is fully supported and approved by our board directors and signed by the company CEO, Wai Ping Leung. It has been reviewed externally by the Mekong Club, a Hong Kong based, non-governmental organisation committed to ending modern slavery within the private sector by raising awareness and providing practical tools to address the problem within supply chains. This report covers activities undertaken from June 2022 to June 2023

Since we first published our statement in 2019, we have improved our governance structure and gained greater insights into modern slavery risks and trends through collaborating internally with our social compliance teams and externally with our supply chain partners as well as external organisations such as the Mekong Club and the Centre of Business for Children and Human Rights. This has enabled a strengthened approach to assessing and responding to potential risks.

Our focus points have been:

1. Enhancing governance on responsible recruitment
2. Improving our risk assessment approach
3. Conducting proactive monitoring, including lower tier suppliers
4. Training colleagues and suppliers on modern slavery

We will also be outlining our commitments and key point indicators for 2023-2024, including a focus on identifying and addressing risks in the upstream supply chain through stronger chain of custody controls and monitoring over high-risk locations and suppliers.

## 1. 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)

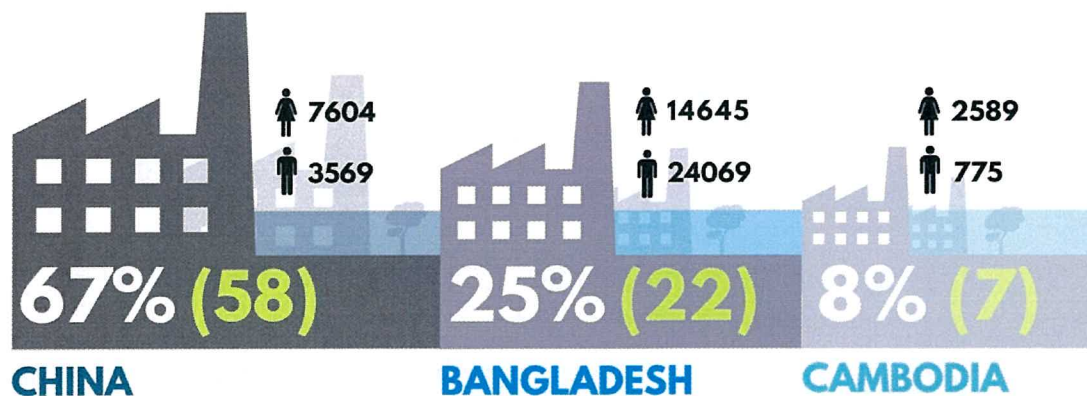


Cobalt is made up of four distinctive knitwear teams: Brilliant Global, Fenix Fashion Limited, Ralsey Group and South Ocean Knitwear Limited. With 608 people in 8 offices, the Cobalt team comprises product specialists who create trend-driven knitwear by utilizing an extensive knowledge of yarn, experienced 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

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 87 factories in 3 production countries, to customers globally as of June 30, 2023.



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 been increasing our use of recycled and organic certifications which require chain of custody certification. With this we have been able to gain further transparency of our supply chain and trace raw

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

### **1.3 Governance structure**

Engaging senior leadership across the company is crucial in driving effective corporate responses and policies to end modern slavery. Board-level oversight of forced labour prevention strategy indicates the importance of this subject.

At Cobalt, several departments contribute to the company's efforts to end modern slavery, with the involvement and oversight of Cobalt's senior leadership.

Cobalt's ESG committee was set up in 2022. This meeting is held with CEO, managing director, head of ESG (environmental, social and governance) and the heads of all Cobalt commercial business units. At this meeting our modern slavery related targets are reviewed and KPIs are updated in line with our partnerships with customers and suppliers. Our CEO will report this progress back to the board on a quarterly basis.

The Vendor Compliance and Sustainability (VCS) team is responsible for overseeing our vendor compliance operations and working with customers to strengthen compliance and sustainability performance. This includes overseeing risk assessment and due diligence measures to combat forced labour throughout the supply chain.

Our Human Resources (HR) team also plays an important role by raising awareness and rolling out our e-learning training on modern slavery for colleagues and by ensuring responsible recruitment within our own organisation.

## **2. Governance and Policies in Relation to Modern Slavery**

Our Key policies related to forced labour include:

- [Code of Conduct & Business Ethics](#)
- [Supplier Code of Conduct](#)
- [Combatting Forced Labor Policy](#)
- [Responsible Recruitment Policy](#)
- [Certification letter for compliance with global trade regulations](#)

### **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 suppliers must commit to adhering to these minimum standards as a condition of working with us. Suppliers are also responsible for ensuring Cobalt's minimum standards are



communicated to and respected by next-tier suppliers that contribute to Cobalt' supply chain.

**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 latest update of the code of conduct was completed in December 2019. this can be found on the Cobalt website as per link below. The new code of conduct is currently being reviewed and will be released this year (2023).

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.

All Suppliers and factories working with Cobalt are required to sign and return their commitment to the obligations under the updated Supplier Code. As of June 2023, 100% of Cobalt suppliers have completed this.

The supplier code of conduct contains the following provisions against forced labor:

- Responsible sourcing.
- Responsible recruitment.
- Responsible wages, benefits, working hour and termination practices.
- Responsible living and working conditions.

Cobalt's Combatting Forced Labor policy references the risk of state imposed forced labor and seeks explicit confirmation from suppliers that they do not engage in such practices. All suppliers must commit to adhering to this policy as a condition of doing business with us. As of June 2023, 100% of our tier 1 suppliers have signed this agreement.

The Responsible Recruitment Policy was launched in November 2020. This policy sets out requirements for suppliers on responsible recruitment in line with international standards and guidance and the American Apparel and Footwear Association (AAFA) Pledge on Responsible Recruitment. All suppliers must adhere to these principles and sign this policy as a condition of doing business with us. As of June 2023, 100% of Cobalt's tier 1 factory base have signed this policy.

In June 2022 we sent out a letter to all of suppliers and asked them to sign the certification letter for compliance with global trade regulations. This helps our suppliers with understanding new and upcoming legislations on transparency and traceability. It requires suppliers to provide supply chain information and documentation and to keep good records which are accessible to Cobalt and our customers upon request. All suppliers must sign this policy as a condition of doing business with us. As of June 2023, 100% of Cobalt's tier 1 factories have signed this policy.

### **3. Risk Assessment, Prevention and Mitigation**

#### **3.1 mapping risks in the supply chain**


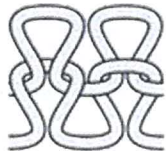
Rigorous factory onboarding is a crucial step in mitigating the risk of modern slavery. We provide onboarding training to new factories and our own business units to ensure they understand key principles in the Supplier Code and the consequences of non-compliance. To date, no cases of modern slavery 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 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 2023 Global Slavery Index](#)
- [Foreign Migrant Worker Risk Assessment Tool](#)



## 3.2- Modern Slavery risks in production markets

### Risks throughout the supply chain:

<p><b>Tier 1: Product + Finishing</b></p> 	<p>Salient risks in tier 1 include:</p> <ul style="list-style-type: none"><li>• Non-payment of minimum wages</li><li>• Payment of recruitment fees and other forms of debt-bondage</li><li>• Violence in the workplace</li><li>• Limitations on freedom of movement</li><li>• Forced overtime</li><li>• Contract substitution</li><li>• Document retention</li><li>• Exploitation and/or discrimination of migrant workers and other ethnic minorities</li></ul> <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><b>Tier 2: Textile Manufacturing - spinning, knitting, dyeing</b></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><b>Tier 3: Raw Materials and Processing</b></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> <p>Salient risks include:</p> <ul style="list-style-type: none"> <li>• Under-age seasonal harvest work (cotton)</li> <li>• Forced and trafficked labour, including that which is state imposed (cotton)</li> <li>• Modern slavery risks in conflict regions as well as in transport (polyester)</li> <li>• Issues listed above in tier 1 factories also remain a concern</li> </ul>
--	---

**Product Risks:**

<p><b>Cotton</b></p> 	<p>The 2022 TVPRA lists eight countries/regions as high risk for forced labor in cotton or cottonseed production. This includes alleged links with state-imposed labor.</p> <p>Cotton is also one of the commodities listed on the UFLPA high-risk commodities list.</p>
<p><b>Rayon/Viscose</b></p> 	<p>Viscose products often originate in China but may pass through multiple countries/regions before distribution. Evidence suggests that this material may be linked to forced labor.</p>

#### 4. Due Diligence Process

We recognise that end to end traceability from raw material to finished products is extremely complex and our goal is to educate suppliers and enhance their traceability skills through training and tracing exercises.

In 2023 Cobalt initiated a pilot program with a supply chain traceability platform which focuses on legislation on human rights due diligence and forced labor import bans. We held training with 31 Cobalt colleagues, 25 tier 1 suppliers and 23 tier 2 suppliers, over 2 sessions. So far in our on-going pilot, we have completed traceability mapping with a total of 48 suppliers and 40 purchase orders. We plan on extending this to 60 suppliers and 80 purchase orders in total by end of 2023. In addition to educating our suppliers on their responsibilities, we have also provided support to our customers as they begin to expand supply chain disclose policies beyond tier 1.



To help guide and plan our traceability activities and to ensure that learnings from the pilot are accurately being captured, Cobalt joined the Li & Fung Traceability Working Group that meets at least monthly. Members of the working group include senior management and representatives from different business units within Li & Fung. Representatives within the working group act as gatekeepers for all traceability projects within the group, and share customer/industry practices and traceability related product information.

## 4.1 Auditing and Spot Checks

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.

**In the reporting year June 2022 to June 2023, Cobalt conducted 10 unannounced spot checks within our supplier base.**

In 2020 Cobalt introduced a new system for order processing and tracking that can store an increased amount of data on factories in our supply chain. This system 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 Grievance Channels

At cobalt Fashion, we believe it is our responsibility to create a positive and healthy work environment for our people and to ensure fair treatment of our colleagues and supply chain partners. Within our operations, we encourage our employees to report actual or potential illegal or unethical behaviour or material violation of our Code of Conduct, including human rights violations and modern slavery concerns to appropriate senior management.

Our guidelines on grievances and whistleblowing specify that employees should report anything that they believe may be a violation of:

1. Cobalt's Code of Conduct and Business Ethics
2. Supplier Code of Conduct
3. Any policies or guidelines (such as anti-bribery or guidelines for gifts and entertainment)
4. Financial reporting, accounting, auditing, or internal procedures
5. Any law or regulation

## Section 5. Training and capacity building

### 5.1 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 is an active member of 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.

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. Workers can scan a QR code posted in the factory or be sent a link directly to their mobile phones to answer the questions. Cobalt uses Apprise both in virtual format and during factory spot checks. Apprise interviews help us to identify potential risk factors.

## 5.2 Implementing 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.

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.

As of June 2023, Cobalt has used this audit platform to conduct interviews with 311 workers in Bangladesh and China. We have conducted audits using Apprise in 5 factories in China and 6 factories in Bangladesh in the last year (June 2022 to June 2023). Apprise interviews help us identify potential risk factors.

Interviews conducted with workers flagged no new indicators of forced labor risks. Cobalt will however be continuously monitoring and working with these factories to ensure any future potential risks are promptly identified and remediated.

**As of June 30<sup>th</sup>, 2023, 100% of Cobalt employees have received training on modern slavery via our e-platform. This training has also been rolled out to Cobalt's tier 1 supply base. 100% of Cobalt suppliers have completed this e-learning. Over the next year our focus will extend to suppliers beyond tier 1.**



## 5.3 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, if it was, our third-party partners would offer 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.

## Section 6. KPI review and setting

### 6.1- Progress Against 2022-2023 KPIs

As we advance our agenda to abolish modern slavery, we will monitor our progress against our targets and report on our progress in our next modern slavery statement. Below is our progress against our 2022-2023 targets:

Key Performance Indicators		
Goal	KPI Description	June 2022 ~ June 2023 Performance
1. Committed to Responsible Recruitment and the Employer Pays Principal	Suppliers implementing the Responsible Recruitment Policy (PPR)	<b>All new and on-boarding factories have signed and returned RRP</b>
2. Informed and Empowered Employees	Cobalt staff completed Modern Slavery e-learning	<b>100 %</b>
3. Increased Supply Chain Transparency	Investigations on modern slavery conducted, taking into account new risks arising from COVID-19	<b>10 spot checks across our sourcing countries (5 in China and 5 in Bangladesh) were conducted</b>
4. Worker Voice for Risk Identification	Factories in which Apprise Audit app piloted	<b>Selected 10 factories (5 in China and 5 in Bangladesh) completed Apprise audit. 275 workers were interviewed</b>
5. Victim Centric Remediation	Modern slavery cases remediated in line with remediation guidance	<b>Based on all audit reports from 3<sup>rd</sup> party audit firms and Cobalt spot checks, no cases of forced labor were detected</b>

## 6.2- Cobalt's 2023-2024 Goals, Indicators and Targets

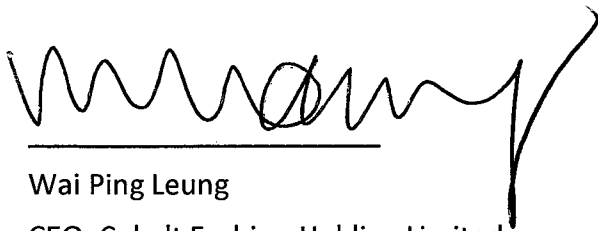
Cobalt's focus for 2023-2024 will be on actively monitoring our supply chain to identify and reduce modern slavery risk, whilst collaborating with partners for sector-level change and ensuring victim-centric remediation, should any forms of modern slavery be detected.

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.

Key Performance Indicators		
Goal	Indicator	Target
1. Commit to Responsible Recruitment Policy	Number of suppliers implementing the Responsible Recruitment Policy (PPR)	All new and on-boarding factories to sign and returned RRP
2. Update Cobalt Supplier Code of Conduct	Number of suppliers accepting the Code of Conduct	Update and strengthen the Code, ask all suppliers to sign and return
3. Increase Supply Chain Transparency	Number of investigations on modern slavery, on an unannounced basis	Complete 10 spot checks across our sourcing countries (5 in China and 5 in Bangladesh)
4. Increase quality and scope of risk assessment and data collection using new technology	Number of factories monitored through supply chain platform	20 factories monitored, 20 POs traced back to source level

5. Victim Centric Remediation	Modern slavery cases remediated in line with remediation guidance	<b>Continuous monitoring of supply base. Training and support provided where needed from Cobalt team and 3<sup>rd</sup> party audit partners.</b>
6. Informed and Empowered Employees	Number of Cobalt staff received training	<b>100% of Cobalt employees to receive training</b>
7. Worker Voice for Risk Identification	Number of factories in which Apprise Audit has been piloted	<b>Select 10 factories to complete Apprise Audit app.</b>



Wai Ping Leung

CEO, Cobalt Fashion Holding Limited