

Modern Slavery Statement 2022





Disclosure Note

This Statement has been prepared to meet the mandatory reporting requirements of the Modern Slavery Act 2018 (Cth) (the **Act**) and addresses the risk of modern slavery in Modern Star Group's (**Modern Star** or the **Group**) supply chains and business operations. This statement has been made on behalf of Modern Star Pty Ltd and the following companies owned by Modern Star Pty Ltd:

- Modern Teaching Aids Pty Ltd
- Zart Art Pty Ltd
- Modern Teaching Aids (NZ) Limited
- Educating Kids Pty Ltd
- Modern Brands Pty Ltd
- Cleverpatch Pty Ltd
- Modern Brands (NZ) Limited
- Educational Vantage Pty Ltd
- Kesco Educational Pty Ltd
- Kangaroo Educational Pty Ltd
- Kesco Educational (NZ) Limited
- Tutor Warehouse (NZ) Limited

The following companies were acquired as part of the Group at the end of 2021 and are currently being integrated into the Modern Star Modern Slavery Program:

- R. E. Batger Pty Ltd
- Ross Haywood Sports Pty Ltd
- World of Sports Pty Ltd

As integration into our Modern Slavery programme was not completed by the end of the financial year the subject of the report, detailed data for the above companies is not included in this report. Detailed data for these companies will be included in our 2023 Modern Slavery Statement.

Acknowledgement of Country

Modern Star acknowledges the traditional owners of Country throughout Australia and their continuing connection to land and community. We pay our respects to them and their cultures, and to the Elders both past and present.



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Brief Statement from our CEO Mal McHutchison



Modern Star is pleased to release our 2022 Modern Slavery Statement - our third statement in accordance with the Australian Modern Slavery Act - demonstrating our ongoing commitment and work with suppliers to address the risk of modern slavery in our supply chains.



Modern Star Group is Australia's number one partner and supplier of educational resources to early childhood centres and primary schools and a leading supplier of educational toys to the Australian market.

We are committed to ethical sourcing and the end of modern slavery.

Our business has been operating since 1956 and since that time we have built strong, long-lasting relationships with our suppliers, a majority of which are based in Australia. Our aim is to partner with suppliers who share our strong ethical values including strict compliance with laws, respect for human rights and the environment and the sustainable use of resources.

We have dedicated category and compliance teams working closely together and with our suppliers to source ethical products including by conducting due diligence of new suppliers and ensuring commitment to our Ethical Sourcing Policy. Our compliance team also reviews audits of supplier sites and we have a dedicated compliance team member in China able to inspect and audit factories on the ground and to work with China-based suppliers to ensure they understand and comply with our requirements. Where concerns are identified, our compliance team works with suppliers on remediation actions to resolve any issues.

This past year, the COVID 19 pandemic continued to pose challenges for us and our suppliers, but we have adapted - increasing our use of the SEDEx platform for reviews, improving our processes and broadening our programme to educate our teams on modern slavery risks and mitigation.

This Modern Slavery Statement outlines the actions Modern Star has taken during the financial year ended 30 June 2022 to identify, manage and mitigate the risk of modern slavery in our supply chains and our goals for the coming year.

As CEO, I am proud of the progress we have made, and I am pleased to present the Modern Star 2022 Modern Slavery Statement."

A handwritten signature in black ink, appearing to read 'Mal McHutchison'.

Mal McHutchison
Chief Executive Officer
14 December 2022

This statement was approved by Modern Stars' Board at a Directors' meeting held on 14 December 2022.



Reporting Criteria 1 & 2: About Modern Star

About Us

From humble beginnings, Modern Star has evolved into Australia's number one partner and supplier of educational resources to early childhood centres, primary and high schools with a range of over 30,000 physical products as well as a suite of online learning programs for students and professional development courses for teachers.

Over the last 60 years, Modern Teaching Aids, Modern Brands, Zart, Kesco, Kangaroo, Educating Kids, Educational Vantage and CleverPatch have become entrenched in the fabric of the teaching community in both Australia and New Zealand. Each brand is renowned for its innovative product range, exceptional product quality, strong customer service and fast, reliable delivery.

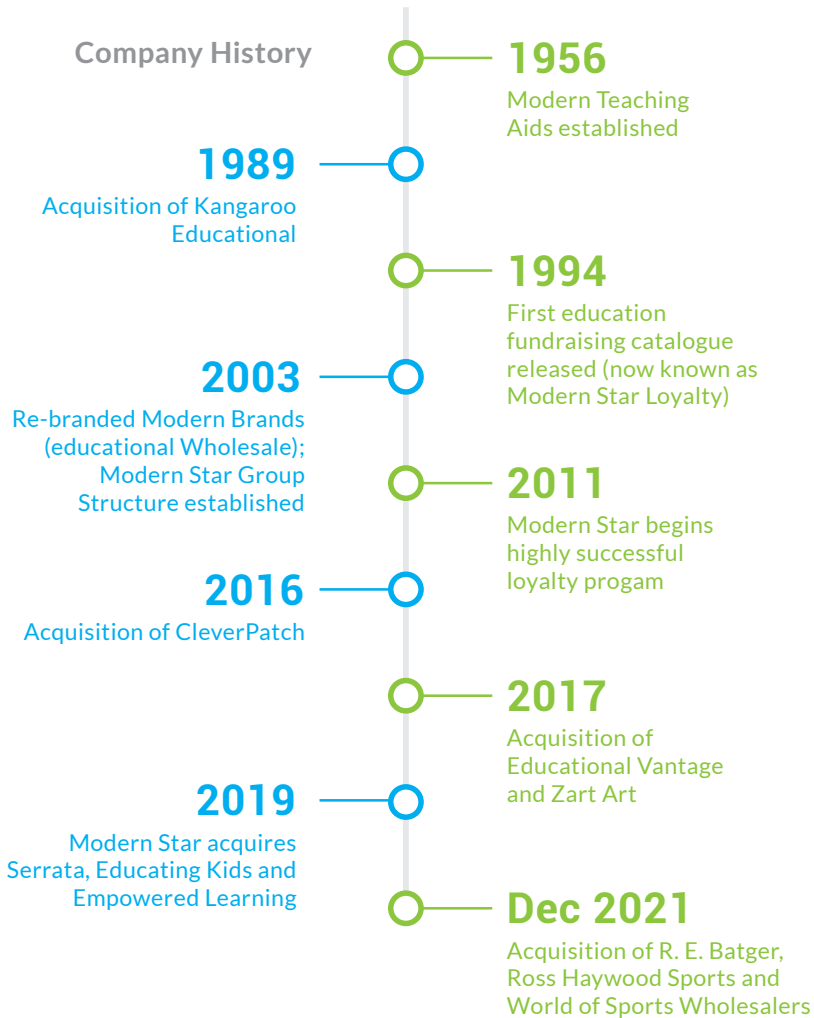
In the wake of COVID-19, Modern Star has put focus on building a stable of digital resources to complement its world class product range of physical resources, including its Wushka reading program.

**We exist
so everyone
can learn,
lead & play.**



Our Group History

Modern Star has evolved since 1956 from “the man in the van” selling educational resources into early childhood services to its position today as a trusted long-term partner in education and retail with unrivalled direct access to the teaching community. Below is a short overview of the history of Modern Star.



Our Company Structure and Operations

The Modern Star Group consists of a variety of companies, with offices in Sydney, Newcastle and Melbourne, and warehouses in Brendale and Hallam. Today the Modern Star Group is Australia’s number one partner and supplier of educational resources to early childhood centres, primary schools, high schools and before and after school care programs, and supplier of educational toys to retail shops. We sell products that encourage motivated, thoughtful and active children and are dedicated to the ethos of building knowledge.



The Group Structure

Modern Star Pty Ltd operates in two distinct market channels across Australia and New Zealand:

1. Education Resources; and
2. Educational Toys



The Modern Star operating companies include:

Education Resources

Modern Star’s core Education Resources business operates under the Modern Teaching Aids (MTA) brand. MTA is the largest supplier of educational ‘hands on’ resources to educational institutions across Australia and New Zealand. Appendix A provides more information about our entities, which are all 100% subsidiaries of Modern Star Pty Ltd.

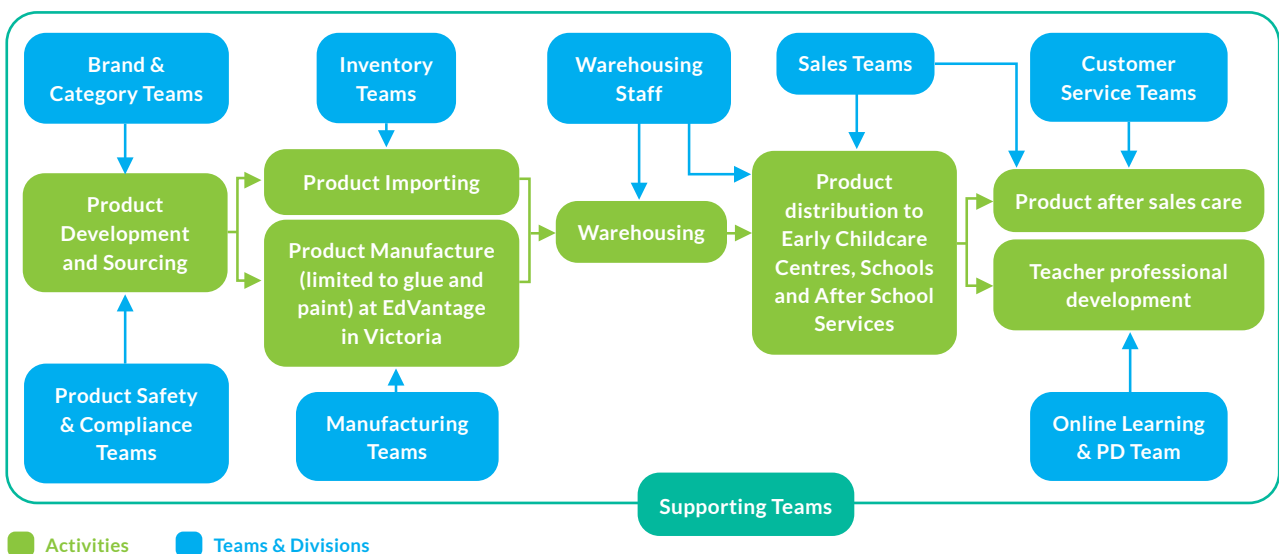
Educational Toy Distribution

Modern Brands, having distribution rights to many of the World’s Best Toy Brands, is the largest toy supplier to Specialty Toy Retailers in Australia and New Zealand.

The Modern Star’s Head Office is in Sydney, with our main distribution centres in Brendale, QLD and Hallam, VIC. We are continuing to seek new challenges, growth opportunities and better ways to ‘delight’ our customers.

Our Operations

Our operations include:



*Our core operations are supplemented by a range of typical support functions such as sales, marketing, operations, IT, finance, design team, etc.

Our Governance Framework

Responsibility for modern slavery risk management ultimately sits with the Senior Management Team, comprised of the CEO, CFO, CCO, COO, Head of HR, Head of Sales and Head of Modern Brands. The Senior Management Team delegates operational responsibility to our General Counsel who oversees legal compliance and ESG and the Head of Compliance who achieves compliance through due diligence and documented supplier on-boarding processes, monitoring, auditing and review of suppliers and remediation plans to address any issues identified. This includes ensuring suppliers understand and sign the Modern Star Ethical Sourcing Policy (ESP), getting suppliers to sign-up to the SEDEX Platform and provide us details of their SEDEX membership, requiring suppliers to provide copies of factory audits undertaken and ensuring suppliers undertake factory audits where there are none.

Our Head of Compliance works closely with the Group's China-based Sourcing and Project Manager who follows up directly with suppliers to ensure corrective action plans are documented and implemented. With day-to-day contact with our Suppliers handled by our Category and Brand Managers, these team members also play a key role in our compliance framework following up with Suppliers to obtain required information and documents.

Our Modern Slavery Working Group – co-ordinated by General Counsel and made up of members of our Senior Leadership team, Category and Brand Managers and our Compliance team - meets on a quarterly basis to review progress against our Modern Slavery Goals and implementation of our Modern Slavery Programme. Our Board of Directors receives regular monthly reports on our Modern Slavery Program and progress against our Modern Slavery Statement Goals.

Our People

Modern Star recognises the importance of fostering a strong team of committed, enthusiastic and talented people who work hard together to deliver quality products, outstanding service and dynamic business results.

Our culture supports and rewards those who excel in their field, take responsibility for their own actions, cultivate a can-do attitude, communicate openly, act with integrity in everything they do and celebrate the success of the team as a whole.

By June 2022, Modern Star employed 593 staff members. Of these, four are based in New Zealand and the rest are in Australia.





Our Policies



We have a comprehensive set of policies and procedures, reviewed regularly, which detail our values, ways of working and the expectations we have for our team and suppliers. This policy framework ensures that our team members and suppliers clearly understand our expectations, can recognise when they are being acting or being treated in a manner inconsistent with these expectations and understand how to raise a grievance or make a complaint.

The following policies are those that are most relevant to preventing modern slavery among our team members and workers in our supply chains.



Policy/Procedure – Operations

Policy/Procedure	Purpose
 <p>Ethical Sourcing Policy</p>	<p>Suppliers must comply with the legal requirements of the countries in which they operate and ensure that they meet their contractual obligations to Modern Star.</p> <p>The policy includes specific requirements about forced/bonded labour, child labour, illegal labour, wages and benefits, working hours, freedom of association, working conditions, discrimination, regular employment, harsh or inhumane treatment, business integrity, sub-contracting, responsible sourcing of raw materials and environmental management.</p> <p>Suppliers are required to demonstrate commitment to compliance with this policy and undergo regular audits conducted by recognised compliance bodies.</p>
 <p>Timber, Pulp and Paper Sourcing and Due Diligence Policy</p>	<p>This policy aims to ensure that Modern Star eliminates timber, which is illegally harvested or traded, from its supply chain. The Policy aligns to the ESP and requires that suppliers understand the origin of the timber used in Timber Products and retain sufficient documentation to verify that the wood was not illegally logged. For products specifically covered by the Anti-Logging Laws 2012, suppliers are required to conduct additional due diligence.</p>

Policy/Procedure	Purpose
 <p>Code of Conduct</p>	<p>The Code of Conduct sets out the types of behaviours and conduct which are required to support the company’s legal, moral and ethical standards and those behaviours and conduct which are not tolerated and establishes procedures for addressing unacceptable behaviour or conduct. It is a contractual requirement that suppliers read and adhere to our Code of Conduct, in addition to our ESP.</p> <p>It ensures compliance with Australian and New Zealand’s workplace legislative framework including employment, human rights and anti-discrimination legislation. The Australian and New Zealand workplace legislative framework incorporates elements of global best practice that can be applied to Modern Star’s locations internationally, such as Singapore in conjunction with local and relevant legislation.</p>
 <p>Whistleblower Policy</p>	<p>Modern Star encourages the reporting of any instances of suspected wrongdoing; unethical, illegal, fraudulent or undesirable conduct involving Modern Stars’ businesses (including reporting of modern slavery in the supply chain), and will ensure that those persons who make a report shall do so without fear of intimidation, disadvantage or reprisal.</p> <p>This policy ensures compliance with Australian and New Zealand’s workplace legislative framework including corporate governance, whistleblower, work, health & safety and employment legislation. It sets out the types of behaviours and conduct which will be taken to constitute wrongdoing and ‘Reportable Conduct,’ how to make a disclosure, to whom disclosures may be made and how Modern Star will address and manage disclosure reports.</p> <p>This policy is not intended to replace other reporting procedures, such as those for personal grievances, equal opportunity, discrimination, harassment or bullying; except where the issue is of a serious nature and where existing reporting systems have failed to process the issue or have processed it in an inappropriate, unfair or biased manner.</p>

Note that we previously had two Ethical Sourcing Policies, one for low-risk countries and another for potential high-risk countries. We have moved to a single policy which includes robust rights of audit and a deed poll which commits suppliers to legal compliance with our Ethical Sourcing Policy requirements. For existing suppliers who have signed one of our ‘old’ Ethical Sourcing Policies we are asking them to commit to the new Ethical Sourcing Policy including right to audit going forward. For the most up-to-date policies, please visit www.modernstar.com/compliance

Our Contracts

As part of our contracting requirements, suppliers agree to be legally accountable for compliance with our Ethical Sourcing Policy. Suppliers have specific obligations under our Supply and Distribution Agreement to comply with our Ethical Sourcing Policy and Code of Conduct and are also required to sign a separate Deed Poll which enables Modern Star to take legal action against suppliers who breach our Ethical Sourcing Policy. Where our suppliers obtain materials or labour from sub-contractors, they are required to ensure the sub-contractors have an ethical sourcing program which aligns with our Ethical Sourcing Policy.

Our Supply Chain

The Modern Star Group has a complex supply chain, working with 1490 direct suppliers across 34 countries. In 2022, we sold over 55,000 different products.

What we buy

Modern Star Group's supply chain extends to over 30 major categories of educational products, teaching materials and teacher and classroom resources and educational toys. Major categories of stock items we procure include:

- Puzzles and games
- Toys and gifts
- Construction sets
- Health, hygiene and safety goods such as cleaning chemicals and PPE
- Learning environments and classroom furniture such as tables, chairs, soft furniture and storage
- ICT based learning materials including interactive audio-visual products and robotics
- Books and audio resources
- Learning environments and classroom furniture such as tables, chairs, soft furniture and storage
- ICT based learning materials including interactive products and robotics
- Art and craft materials including paint, paper, brushes, drawing and wood craft.

Modern Star also procures a range of non-stock items to support our growing operations in Australia and New Zealand, including ICT equipment, software, utilities, transport, office and warehousing equipment, advertising, consultants etc.

Where we buy from

In 2022 we had nearly 1500 active suppliers and over \$183 million (AUD) in procurement spend with Tier 1 (direct) suppliers. We have established long term relationships with most of our suppliers, 70% of who are in Australia.

The full list of countries we procure from is included in the table below:

Australia	Canada	Nepal
China	Israel	Singapore
United States of America	Netherlands	South Korea
Hong Kong	Denmark	Austria
Taiwan	Poland	Great Britain
United Kingdom	Sweden	Ireland
India	Czech Republic	Korea
Germany	France	Philippines
Thailand	Indonesia	Portugal
Italy	Japan	Sri Lanka
New Zealand	Malaysia	Turkey
Spain		

Modern Star is committed to managing modern slavery risks in our supply chain. Our focus on modern slavery aligns with our core value of being respectful to people. People are the core of our business – our customers, team members and suppliers and the workers in our global supply chain.

As we strive to develop quality resources that will be suited to educate future generations, we are taking steps to ensure that these resources have been manufactured in a responsible, safe and sustainable manner.



Reporting Criteria 3:

Modern slavery risks in
operations and supply chain

Overview

Modern Star recognises that there is a risk of modern slavery in our supply chain, both locally and overseas. We take modern slavery in our operations and supply chain very seriously.

In 2022, we have continued to build on the modern slavery framework we have built in the previous years (which was developed in collaboration with and analysed by our external consultants in 2020 and 2021). This year we have prepared our report in-house. While we consider the level of modern slavery risk in our own operations to be low, we acknowledge the potential for us to inadvertently contribute to or be indirectly linked to modern slavery practices through our supply chains which, like any modern business, are complex and global in nature. Our risk management and due diligence processes thus focuses largely on our supply chain risks.

Operational Risks

Modern Star directly employs most of the people in its operations in Australia, with some employees in New Zealand. This means that we have direct visibility of the terms and conditions of employment, which are outlined in our employment contracts and are regulated by Australian and New Zealand employment laws. Modern Star has a range of policies in place to protect its workers. We consider that the risk of modern slavery in our own operations is very low/nonexistent.

Our main business and operations are ISO 9001 and ISO 14001 certified and we continue to manage operational risk in our business through ISO 9001 and ISO 14001 compliance and we have a comprehensive Integrated Management Plan and supporting Business Unit Management Plans. We review and manage operating KPI's such as health and safety statistics and customer delivery times regularly, with regular reporting to Senior Management and to the Modern Star Board monthly.

Supply Chain Risks

We have analysed the modern slavery risks in our supply chain by taking the outcomes from the risk assessments completed by external consultants in 2020 and 2021 and applying this risk assessment approach to our Tier 1 supply chain in 2022. This has provided a comprehensive baseline for our modern slavery risk management program and informs ongoing risk assessments and supplier due diligence and audit initiatives for our year-on-year suppliers.

The risk assessments of spend categories and suppliers are based on four globally recognised risk factors for modern slavery:

Geographic location

Based on estimated prevalence of modern slavery and the government responses as outlined in the 2018 GSI and our external advisor's detailed country risk matrix. While many of our suppliers are based in Australia or have head offices here, our supply chain extends to many overseas countries, several of them considered higher risk of modern slavery by the GSI and other human right indices.

Industry sector

Specific industry sectors deemed as high risk in international and national guidance documentation, academic studies and reports.

Commodity product

Specific products and commodities deemed as high risk by the US Department of Labor's 2018 List of Goods Produced by Child and Forced Labor, the Global Slavery Index (GSI) and other international guidance materials.

Workforce profile

In undertaking our supplier analysis we considered the type of labour involved in the production of our goods and services, particularly where low skilled, vulnerable or migrant labour is used, or where the work is deemed as '4D' work (dirty, dull, degrading or dangerous).

We recognise that there is a risk of modern slavery risk in our supply chain given the diversity of regions we procure from. A review of the Global Slavery Index and other publicly available information indicates that the following forms of modern slavery and worker exploitation may be present in our supply chain:



The steps we have taken to protect the rights and freedoms of workers in our supply chain are discussed under Reporting Criteria 4.

Potential risk of modern slavery based on location

To assess the potential risk of modern slavery in our supply chain by geographic location, we have adopted and build on the risk model implemented in our 2021 analysis.

Supplier countries considered higher risk for modern slavery based on the Global Slavery Index metrics include (but are not limited to):

- China
- Hong Kong (HKSAR)
- India
- Indonesia
- Laos
- Philippines
- Thailand
- Vietnam

Countries with a lower risk for modern slavery based on the Global Slavery Index metrics include (but are not limited to):

- Australia
- United Kingdom
- Italy
- Denmark
- Netherlands
- New Zealand

Several of our major suppliers have co-manufacturing arrangements in countries with varying levels of modern slavery risks. For example, a Tier 1 supplier may source goods from manufacturers in China, Denmark, Laos, Indonesia and Czechia.

The continued lockdowns due to COVID 19 have resulted in a limited ability to visit factories for inspections and audits – for example in 2021/2022 significant parts of China were subject to strict Covid 19 restrictions which prohibited visits to factories in this country. The inability to visit factories has inhibited our ability to monitor factories for potential modern slavery in the Chinese supply chain. To address this we have sought to increase our supplier’s participation and use of the SEDEX platform, which includes for example assessment and certification tools which allow us to review audits and documentation on a ‘desk-top’ basis.

Potential risk of modern slavery based on category

The highest potential risk categories by spend are:



Consumer goods for sale

Modern Star stock regarded as consumer goods (for example toys) are mostly manufactured overseas in countries with a potentially high or medium risk for modern slavery.



Packaging materials

Packaging and associated raw commodities (paper, fibre, plastic, timber and steel) have been classified as having a higher risk of modern slavery if sourced from at-risk countries.



ICT equipment, components and consumables

Exploitation of workers and modern slavery in the ICT manufacturing sector has been widely documented, particularly in South-east Asia and China. Workers on assembly lines (particularly women, young workers and children) in low skilled, low paid, repetitious jobs are particularly vulnerable.



Raw materials

Materials used in our products such as timber, paint, plastic, chemicals used in paint and numerous other products are produced by industry sectors in some countries known to be high risk for modern slavery such as forestry, manufacturing, refining and mining.



Risk Assessment Findings

In 2022 we repeated the high-level modern slavery risk assessment, assessing nearly 1500 Tier 1 suppliers across 35 countries.

The following Modern Star entities were included in our in our risk assessment data:

- Modern Teaching Aids
- Modern Brands, Educating Kids
- Educational Advantage
- Zart Art
- CleverPatch.
- Kesco
- Kangaroo
- Educating Kids

The companies R.E Batger Pty, Ross Harwood Sports Pty Ltd and World of Sports Wholesalers Pty Ltd were acquired in December 2021 and are still being integrated into our Modern Slavery Programme. For this reason, their data has not been included in our 2022 risk assessment. However, we have included these businesses in our 2023 goals.

The assessment provided a clear snapshot of potential modern slavery risk posed by our Tier 1 suppliers. In this assessment, we have included our Tier 1 suppliers with whom we spend more than \$5000 AUD. These suppliers cover 99.6% of all our purchases.

Over 71% of our Tier 1 suppliers are located in Australia, the UK and Northern Europe. While we acknowledge that there may be increased risk of human rights and labour rights abuse in our extended supply chain (beyond our direct suppliers), we accept that most of our Tier 1 suppliers are subject to stringent labour rights and human rights compliance regimes (including modern slavery in Australia, the UK and US). As such, the risk posed by these suppliers is lower than that posed by our direct and indirect suppliers located in jurisdictions where legislation may not exist, or where it is not effectively enforced.

Notwithstanding this fact, we recognise that there are risks of modern slavery no matter where suppliers are located and suppliers in these jurisdictions are still required to comply with our Ethical Sourcing Policy or provide a comparable policy and modern slavery compliance regime they comply with.

Based on the four modern slavery risk indicators outlined previously (geography, industry, commodity, workforce profile), we acknowledge there is potential risk of modern slavery in our extended supply chain – this is largely as a based on the geographical location of the suppliers, the shipping port for the products and nature of the industry and commodity.

The findings of our risk assessment can be found in the table below.

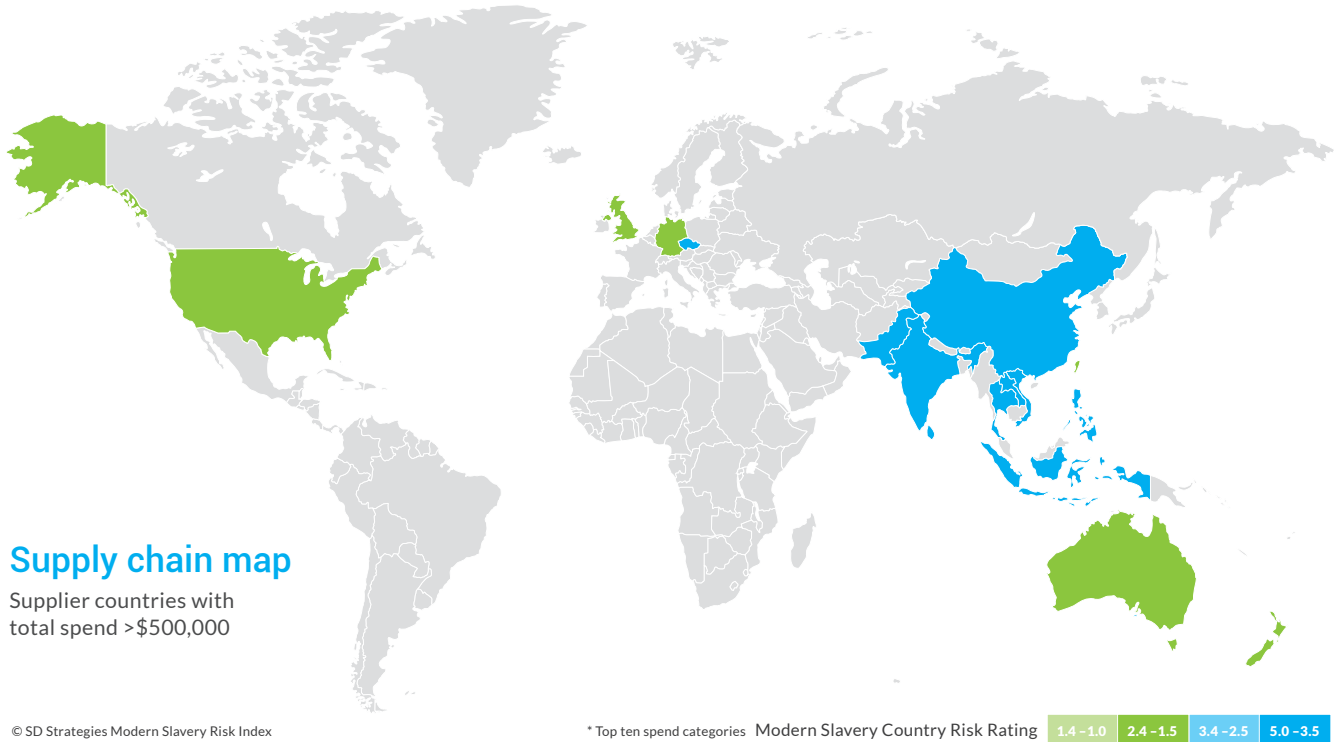
	Potential high risk	Potential medium risk	Potential low risk	Total
Suppliers (no.)	189	294	466	949
Supplier Purchases of total spend	20%	42%	38%	100%
Suppliers (no.) represented in top 80% of spend	40	72	49	161
Supplier Purchases of the top 80% spend	21%	43%	35%	100%

Table 2. High level findings (based on potential risk)

Overview of findings based on potential risk

Based on the four modern slavery risk indicators outlined previously (geography, industry, commodity, workforce profile), we acknowledge there is significant potential risk of modern slavery in our extended supply chain.

The map below shows an overview of the main countries we purchase goods from, the number of suppliers per country, and the potential risk to modern slavery per country.





Reporting Criteria 4:

Actions taken to assess
and address risk

Actions taken to address risk

To address and mitigate the risk of modern slavery in our supply chain, Modern Star has a range of policies and procedures in place. Since 2014 we have regularly reviewed and updated several key policies and procedures to enhance our approach to modern slavery risk management. This has included:

- Updating our Ethical Sourcing Policy and contractual terms for suppliers to include the right to audit and strengthen provisions on compliance.
- Continuously targeting our existing range of suppliers who have yet to sign our Ethical Sourcing Policy
- Increasing the number of suppliers which have undertaken a factory audit
- Increasing the number of suppliers with an active SEDEX membership
- Undertaking significant work on supplier risk prioritisation
- Developing a supplier risk profile and dashboard to allow us to better understand the risks in our supply chains and identify potential high-risk suppliers to target for further analysis and action.
- Continuing development and implementation of pre-screening due diligence and modern slavery risk assessments for new suppliers.
- Educating our employees and contractors around modern slavery risks
- Regular meetings of our Modern Slavery Working Group and Modern Star Leadership groups to review progress, share learnings and provide updates

We have a comprehensive suite of policies and processes which set out our ways of working and spell out the high expectations of conduct which our team members and suppliers must meet (see the “About Modern Star” section above for further details).

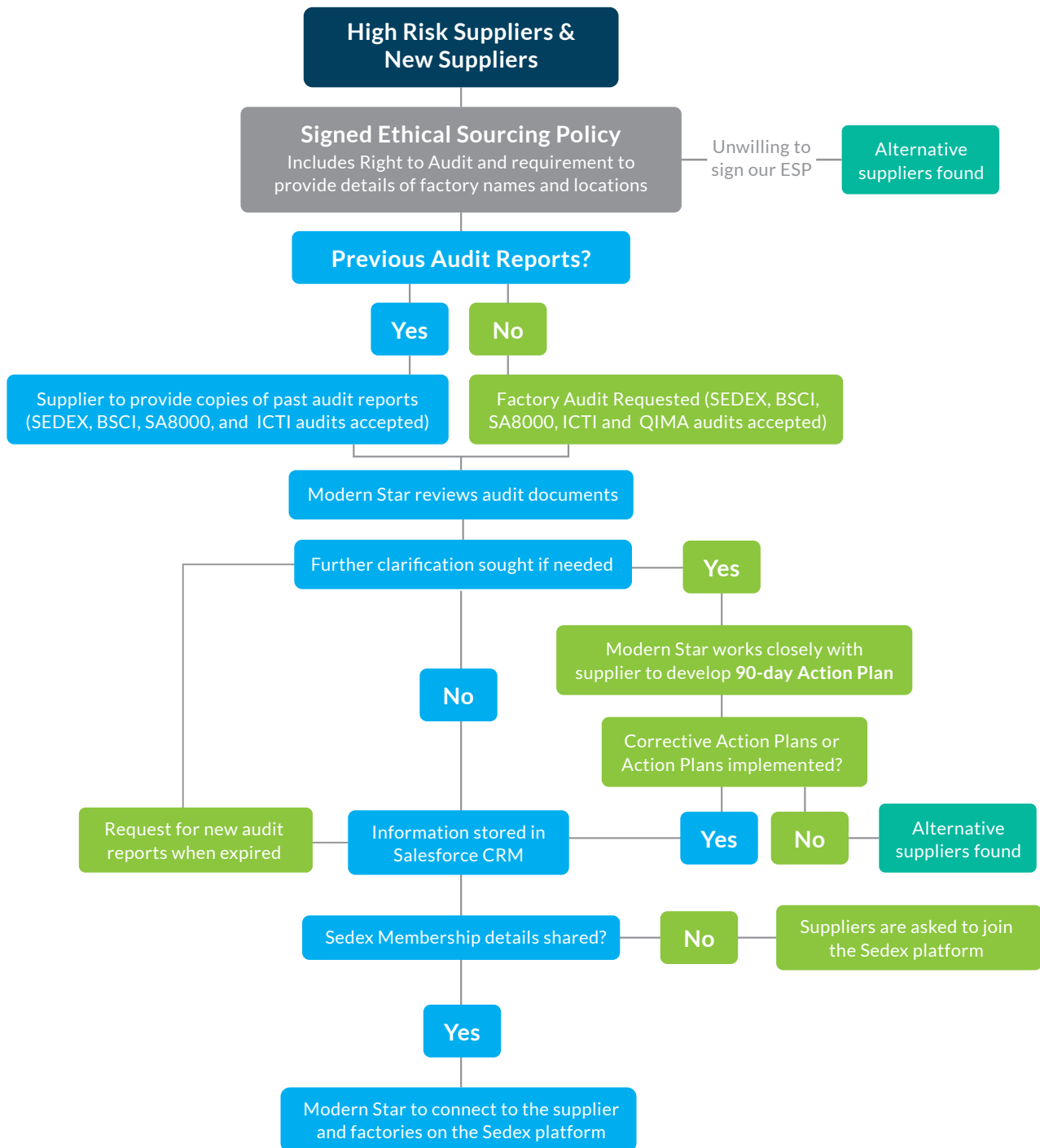
We have a specialist and highly experienced compliance team (including our Australian-based Head of Compliance and China-based China Sourcing and Head of Compliance) whose work includes implementation of our modern slavery programme. Our Category Managers, Brand Managers and members of our Senior Management Team have received specialist training on modern slavery risks and mitigation. As detailed further below we have expanded our training programme on modern slavery this year.

Our reporting cadence includes monthly reporting to the Modern Star Board on the progress of our modern slavery compliance programme and a quarterly review of progress on modern slavery goals by members of our Senior Management Team and Modern Slavery Working Group.



Processes

The following processes have been implemented to ensure we minimise the risk of modern slavery in our supply chain. The process is applied to our high-risk suppliers and all new suppliers any Modern Star entity is planning to trade with. The process consists of three parts: The Ethical Sourcing Policy, the availability of audit reports and the Sedex membership.



Ethical Sourcing Policy

Our Ethical Sourcing Policy clearly states the levels of ethical behaviour we require in our supply chain and specifically, that we will not tolerate slavery, child or forced labour in the factories that we work with.

In the past we implemented an Ethical Sourcing Policy for suppliers in low-risk countries and a second Ethical Sourcing Policy for suppliers in potential high-risk countries. However, recognising the risk of modern slavery is everywhere, we have moved to a single Ethical Sourcing Policy used across suppliers in all countries. This Ethical Sourcing Policy includes a robust right to audit against the policy requirements for all suppliers. We also have mandated that suppliers provide details of all factory names and addresses and copies of recent audit reports that have been undertaken at each of these locations. For existing suppliers who have signed one of our 'old' Ethical Sourcing Policies we continue to target them to sign-up to the new Ethical Sourcing Policy.

Factory Audit Framework

Under our Ethical Sourcing Policy, suppliers are asked to provide factory names and locations and supply any SMETA, BSCI, SA8000, ICTI or WRAP compliance audits that undertaken in the past 2 years. Audit documentation is reviewed by our Head of Compliance and/ or our China-based Compliance Resource to ensure that the factory conditions are adequate. Where necessary, a 90-day corrective action plan is created for the factory.

Audit reports and documentation are saved onto our Salesforce CRM tool which auto generates requests for updated audit reports for the relevant Category Manager 2 months out from the audit expiry date.

Suppliers with factories in potential high-risk countries who are not able to provide a recent audit report are required to undertake a factory compliance audit at their cost. These suppliers are provided contact details of our preferred auditing company, along with the relative costs of BSCI, SEDEX and SA8000 audits.

Our China-based Compliance Resource liaises with our suppliers and works with them to confirm the audit timeline and to develop any corrective action plans and monitoring programs as required. Whilst our internal resource is qualified to audit factories,

The Modern Star Ethical Sourcing Policy and Code of Conduct have been embedded as a requirement in the Supply and Distribution Agreement we use for suppliers. Since April 2019, we have rolled out this supplier contract to over 300 larger suppliers which contractually commits suppliers to our Ethical Sourcing Policy and audit program. These signed contracts and Ethical Sourcing Policy Deed Poll are loaded into Salesforce (our CRM system) as files on the supplier account. Every supplier has a check box in Salesforce to say whether the signed Ethical Sourcing Policy has been received and the date of receipt.

For all new suppliers and new items, our new product development workflow requires a signed contract and Ethical Sourcing Policy to be received from a supplier before an order can be placed.

our preference is to maintain independence by using third party organisations for the audits, with our in-house resource supporting factories post-audit by undertaking site visits and assisting with 90-day corrective action plans.

Given the breadth of our product range, we have several small, unsophisticated suppliers who are not familiar with compliance audits. Many of these suppliers are not able to produce sufficient documentation to meet our strict due diligence requirements. Where suppliers get a low audit score due to inadequate documentation, our China-based Sourcing and Project Manager will work closely with the factories to develop a 90-day action plan to ensure they meet our requirements.

Where suppliers receive a low score because they are non-compliant or due to lack of documentation and are reluctant to take corrective action, we cease all future purchase orders to that supplier and find an alternative source of supply for those products.

Our COVID-19 Response

Our COVID-19 response team established at the outset of the pandemic in 2019 continued to meet to discuss the evolving COVID-19 situation and make appropriate decisions regarding our supply chain, customers, employees and revenue initiatives. Throughout this reporting period, we maintained contact with our suppliers directly to ascertain the impact of COVID-19 on their production. We continued to pay our suppliers on time, we did not ask for additional discounts or shortened production timelines and we did not cancel any orders on short notice.

Our COVID-19 response team carefully monitored Public Health Orders and Restrictions to ensure compliance with work from home restrictions, our COVID-19 safety plan and check-in requirements. Our Working from Home Policy and Work from Home Agreements for our employees continued into this reporting period and we ensured all employees were kept informed of travel restrictions and self-isolation requirements throughout the pandemic.

In our warehouse we continued with initiatives to improve employee segregation, including splitting shifts, implementing distinct operating zones, closing the retail shop to prevent third party access the warehouse site, commencing temperature checks of employees and requiring warehouse employees to continue to wear protective facemasks in line with public health requirements.



We emphasised hygienic practices at all sites by displaying WHO posters, providing hand sanitiser in all offices, checking our contract cleaning to ensure the use of hospital grade disinfectant and disinfecting high frequency touch points.

The COVID-19 ongoing pandemic continued to challenge progress against our own targets for managing modern slavery risk including access to supplier factories continued to be limited during 2022 for health and safety reasons and due to prolonged lockdowns and restriction on movement in potential high-risk countries such as China. As a result of this, our on-site supplier audit program was again paused during much of this reporting period. However we continued to adapt and implement the use of tools such as the SEDEX platform including its use of self-assessment questionnaire.



Our achievements in 2022

Suppliers with a signed Ethical Sourcing Policy

Consistent with the goals we set in our statement last year, our focus over the past 12 months has been on engaging our Modern Star suppliers within the top 80% of our total spend to ensure they have signed up to our Ethical Sourcing Policy. This is recognising that many of our suppliers are long term, historical suppliers and given our Modern Slavery Program has only been in place for a comparatively short time we need to go back to existing suppliers to integrate them into our Modern Slavery program requirements – including having them commit to compliance with our Ethical Sourcing Policy.

We have identified 82 suppliers as highest potential risk suppliers within the top 80% of spend. Of these 82 suppliers, 79 suppliers (96%) have signed our Ethical Sourcing Policy.

Sedex Memberships

In 2022, we have increased our efforts to get our suppliers signed up to the Sedex platform. All suppliers have been asked if they have an active membership on the Sedex platform, and if not, if they were willing to sign up. Although we have not made this a mandatory requirement, we have seen an uptake in active memberships to 57% of our suppliers and/or factories in our top 80% of total spend.

Rolling out our Modern Slavery Program to Acquired Businesses

This year we continued the roll out of the Modern Slavery Program to our acquired businesses. Our acquired businesses Educating Kids, Serrata and Empowered Learning now follow the same processes and implement the same policies as the rest of the Modern Star group. We have also commenced integrating our most recently acquired businesses – R.E. Batger, Ross Haywood Sports and World of Sports Wholesalers into our Modern Slavery Program with requirements that all new suppliers are signed up to our Ethical Sourcing Policy. These businesses will be fully integrated into our Modern Slavery Program in the coming year.

Increased Education around Modern Slavery Risks

Recognising that our employees and contractors would benefit from increased education around modern slavery risks, particularly in relation to supply chain and procurement practices, we continued to roll out a series of modern slavery eLearning courses. Our Leadership Team actively supported our modern slavery risk management program and participated in our training initiatives.

We understand that to recognise and address modern slavery risks in our supply chains our people need to know what modern slavery looks like, the red flags to identify modern slavery and how to address modern slavery risks. We know that a well-trained team will make a major difference in implementing our anti-modern slavery stance.

In 2022, we expanded our investment in Modern Slavery Training. As well as compulsory training for our Senior Management/ Leadership Teams, Product Support including Category and Brand Managers and Assessment, the Compliance team, and Safety team we offered training to selected members of our finance and warehouse teams. This means that Modern Slavery Training was provided to 84 Modern Star employees with 93% have completed the training and related assessments

Targeted training for Senior Management was also presented by our General Counsel at our annual “off-site” management workshop.

Our additional investment in training introduced in 2022 was the inclusion of modern slavery training as part of new employee induction program. This will ensure that all staff in our business understand the concept of modern slavery and the risks of modern slavery in our supply chain from the outset of their careers with us. It is a demonstration of our strong commitment to education as a fundamental in recognising and addressing modern slavery risks.



Case Study

Dealing with the COVID-19 Pandemic - Adapting our Approach for China-Based Factories

Modern Star has exceptionally long tenure (> 10 years) with many of our suppliers which leads to high supplier engagement. Category Managers/Buyers have for many years visited our supplier factories across Asia to meet suppliers directly, review quality processes and ensure product development ideals are met. In addition to this, our internal compliance team also visits our factories from time to time as part of a broader business development and factory evaluation process.

Unfortunately, due to the global COVID-19 pandemic, border closures and lock-down restrictions, our ability to visit factories over the last 24 months has been severely restricted. Despite the challenges during this period, we have continued to focus on audit requirements for existing suppliers, due diligence of new suppliers and our on-boarding processes, including ensuring that our new suppliers commit to our Ethical Sourcing Policy and supplier terms which include audit obligations and right to audit.

While visiting factories in person may not have been possible for many of our China-based factories, we have continuously worked on increasing the number of factory audits being completed. Our China-based compliance resource, who is a certified auditor, has helped over 50 factories to connect to recognised auditing providers.

The outcome of the audit reports can be difficult to understand for some of the smaller factories, and it might be overwhelming to understand how to improve their overall score after the factory audit has been conducted. Our team member in China has worked closely with those factories to understand the non-compliances in their reports and identify potential improvements to be implemented by the factories. By breaking down the non-compliances into understandable and easy-to-digest steps of improvement, we have improved the working environment of those factories. The ability to talk to a qualified auditor in their own language has proven to be a successful step in eliminating non-compliances and improving the corrective action plans.

Modern Slavery Roadmap

Minimising the risk to modern slavery in our supply chain continues to be important for our business and for all Modern Star Group companies. Over the coming years, we will continue to work closely with our suppliers to identify, assess and mitigate modern slavery risks and ensure compliance with labour right laws as well as our supplier policies, code of conduct and contract clauses. We will continue to require all new suppliers to sign and comply with our Ethical Sourcing Policy and provide copies of audit reports where these are undertaken.

We will target for factory audits to be up to date, and where possible we will visit selected factories, or, where factory access is not granted, require that high-risk suppliers provide us with an annual declaration (or access to social factory audit reports) that their ethical sourcing process meets our requirements.

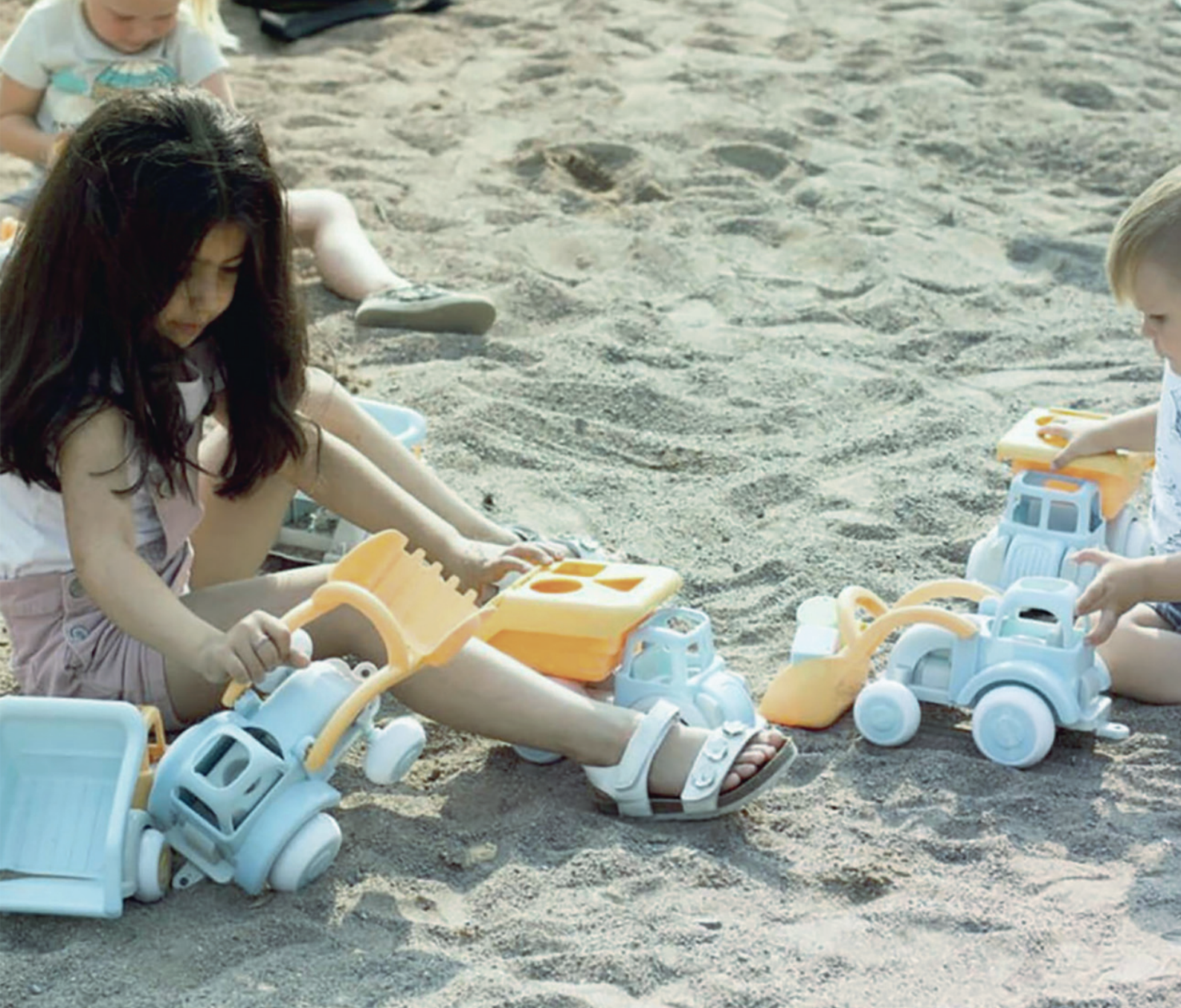
Our modern slavery roadmap of the previous two years and the year(s) to come is included below.

2020/2021 Establish Framework and Implement Actions	2021/2022 Undertake Further Supplier Due Diligence	2022/2023 Review, Extend, Evaluate & Improve
<p>Focused on the 57 potentially high-risk suppliers in the top 80% of spend and increased the % of high-risk suppliers who have signed the new ESP with right of audit from >60% to 94% (Modern Star core suppliers) ✔</p>	<p>Maintain % of high-risk stock suppliers who have signed the new ESP with the right to audit ✔</p>	<p>Fully integrate the Modern Star Modern Slavery Program into our newly acquired businesses R.E. Batger, Ross Haywood Sports and World of Sports Wholesalers ⋯</p>
<p>Circulated our 2020 Modern Slavery Statement to our suppliers ✔</p>	<p>Increase the % of high-risk stock suppliers that have undertaken a factory audit ✔</p>	<p>Develop plain-language, easy-to-understand “explainer” for new suppliers outlining our Modern Slavery Program requirements for on-boarding as a new supplier ⋯</p>
<p>Expanded requirement to sign an ESP and undertake audits to high-risk non-stock suppliers ✔</p>	<p>Embed staff training on modern slavery into staff induction and learning and development programs ✔</p>	<p>Continue to focus on our potentially high-risk suppliers in the top 80% of spend identified in our risk assessment findings, with target to review the top 80% on a quarterly basis. ⋯</p>
<p>Translated our high-risk Ethical Sourcing Policy into Chinese to assist with supplier engagement ✔</p>	<p>Develop and implement further targeted training for our brand & category managers and for our compliance and safety teams ✔</p>	<p>Continue to include the modern slavery training module to staff induction and learning and development programs ⋯</p>
<p>Delivered internal modern slavery risks training modules to brand and category managers ✔</p>		<p>Improve our reporting methods including by developing software for easy of use across our businesses and to allow more regular, accurate and meaningful reporting ⋯</p>
<p>Improved our monthly reporting and monitoring of ESP and audit status at senior management level ✔</p>		<p>Continue to improve our policies and procedures, including review of our Ethical Sourcing Policy. ⋯</p>

In 2023, our targets for our modern slavery program are outlined below in more detail:

- For all existing suppliers:
 - Ensure our suppliers in the top 80% of spend have signed our Ethical Sourcing Policy with right to audit.
 - Increase the number of potential high-risk suppliers who have undertaken a factory audit or category team site inspection with ongoing careful review of available audit reports and preparing tailored remediation action plans to implement where required.
 - Increase the number of potential high-risk suppliers who have an active membership on the Sedex platform and are linked to Modern Star on the platform and further assess their risk profile including review of SEDEX's build-in risk assessment tool.
- For all new suppliers:
 - Ensure all new suppliers sign up to our Modern Slavery Program by signing our ethical sourcing policy. Modern Star will not trade with any new suppliers who have not signed our Ethical Sourcing Policies.
 - Encourage our new suppliers to become Sedex members.
 - without a factory audit, request an audit in the first three months of trading with us.
- Increase the number of smaller suppliers outside our top 80% of total spend that sign our Ethical Sourcing Policy, provide factory audit reports, to join the SEDEX platform and link to our account on SEDEX.





Reporting Criteria 5: Effectiveness Assessment

By improving transparency about modern slavery there will be increased business awareness of modern slavery risks, providing us with the ability to improve overall workplace practices. We have implemented a comprehensive modern slavery program review framework comprised of monthly, quarterly and annual review processes and ongoing development of KPIs.

Annual Review	Quarterly Review	Monthly Report
Our annual Modern Slavery Statement is reviewed and signed off by the Board	Modern slavery progress vs. KPIs reviewed by Modern Slavery Working Group quarterly as part of a quarterly compliance update.	Modern Slavery progress is reported to our Board of Directors monthly

Effectiveness Indicators 2020/2021

In FY21 we assessed the effectiveness of our actions against the following measures:

Focus area	Example activity	Effectiveness Assessment
Risk and governance	<ul style="list-style-type: none"> - Board and ELT engagement - Updated customer relationship management database with modern slavery data 	<ul style="list-style-type: none"> - Regular oversight on progress against modern slavery risk management program and legal/compliance function - Quarterly Modern Slavery Working Group meetings to review data and compliance with goals - Regular reports to executive and monthly reports to the Modern Star Board
Procurement and supply chain	<ul style="list-style-type: none"> - Reviewed Tier 1 suppliers and updated supplier risk prioritisation - Mapped supplier risks across spend, supply category and supplier/ shipping location - Supplier engagement through circulating our 2021 Modern Slavery Statement - Improved supplier engagement in China with use of Ethical Sourcing Policy in the Chinese language (Mandarin) 	<ul style="list-style-type: none"> - Update of supplier risk profile year on year - Building greater understanding of potential modern slavery risks in our supply chain - Percentage of suppliers who have signed ESP - Percentage of supplier factory audits completed

Focus area	Example activity	Effectiveness Assessment
<p>Awareness and Training</p>	<ul style="list-style-type: none"> - Modern slavery training needs analysis - Awareness raising communications - Training on modern slavery for all brand and category managers, compliance & safety team, y senior management leadership team, selected finance and warehouse team - Targeted training on Modern Slavery for Senior Leadership team - Modern Slavery Training module included as part of induction training for new starters 	<ul style="list-style-type: none"> - Percentage of workforce completing modern slavery training - New starters completed modern slavery training - Increased awareness and training across workforce and management

Continuous Improvement

Addressing modern slavery risk is complex and challenging. This Statement builds on our 2021 Modern Slavery Statement and describes our ongoing initiatives to assess, address and mitigate our operational and supply chain modern slavery risks.

We are taking a ‘continuous improvement’ approach to our modern slavery risk management program which we expect to evolve over time as we and the business community learn more about the risks of modern slavery in operations and global supply chains.



Reporting Criteria 6:

Process of consultation with entities owned or controlled

We continue to integrate our modern slavery risk management program into company-wide systems and processes and ensure that personnel from all entities we own or control, are engaged and educated about our approach. Our Modern Slavery Working Group includes Senior Managers and Compliance Professionals from all our Group businesses.

We are in the process of integrating businesses recently acquired by Modern Star. As these businesses were below the required thresholds for Modern Slavery Act compliance and did not submit voluntary statements, there is still work to be done on this.

We are working to develop consistent compliance programs, risks assessment and analysis of supply chains and roll-out of the Modern Star Ethical Sourcing Policy, supplier terms and supplier due diligence processes to acquired businesses where they do not have existing systems in place to ensure that all entities owned or controlled by Modern Star Group adopt a consistent approach.



Reporting Criteria 7:

Other

Memberships and Certifications



Modern Star is ISO 9001 and ISO 14001 certified and a member of the Australian Toy Association (ATA) Sustainability Committee which meets regularly to discuss ideas and projects around recyclability and sustainability for toys at end of life.



Modern Star has been a member of the Australian Packaging Covenant Organisation (APCO) since its inception in 1999.



Modern Teaching Aids (MTA) and Modern Brands (MB) are both signatories to the International Child Protection Agency (ICTI).

Modern Star is continually sourcing the best quality, sustainably produced products and meets the requirements of the Australian Illegal Logging prohibition Act 2012 for all our timber and paper pulp products. This ensures the regulated use of plantation and sustainable forestry and bans the use of illegally logged materials.



The mark of responsible forestry
FSC® N002195

A large number of Modern Star's products are Forest Stewardship Council (FSC) certified which sets best practice standards for responsible forest management ensuring social, environmental and financial indicators are met. We are continually working towards sourcing more FSC products and have developed our own range of exclusive FSC certified educational equipment and resources.



Close to 2000 of our resources have been identified as Green Choice, meaning sustainable and environmentally conscious materials are being used in the manufacturing process. These are items that we know are using recycled materials, using materials like timber from plantations that are sustainably replanting.

STATEMENT ANNEXURE

Principal Governing Body Approval

This modern slavery statement was approved by the principal governing body of

Modern Star

as defined by the Modern Slavery Act 2018 (Cth) (“the Act”) on 14 December 2022.

Signature of Responsible Member

This modern slavery statement is signed by a responsible member of **The Board of Directors**

as defined by the Act



Mal McHutchison
(CEO and Director)

Mandatory Criteria

Please indicate the page number/s of your statement that addresses each of the mandatory criteria in section 16 of the Act:

Focus area	Page number/s
a) Identify the reporting entity	6
b) Describe the reporting entity's structure, operations and supply chains.	7
c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	13
d) Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	19
e) Describe how the reporting entity assesses the effectiveness of these actions.	28
f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	31
g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.	32

Appendix A

The following companies are part of the Modern Star Group:

Education Resources



Modern Teaching Aids (MTA) Pty Ltd – teaching.com.au & teaching.co.nz

A leading supplier of quality educational resources to schools, early learning centres and school programs across Australia and New Zealand.



Zart Art Pty Ltd – zartart.com.au

Zart Art is a supplier of art and craft materials, stationery and educational products. The comprehensive range can be found in the online store. Zart Art also provides professional learning opportunities for educators and individuals.



Educating Kids Pty Ltd – educatingkids.com.au

Educating Kids is an Australian owned business dedicated to education for Early Years. It offers quality resources that create a natural, relaxed foundation in which educators and children can add their own passions and personality.



Educational Vantage Pty Ltd – educationalvantage.com

A manufacturer of paint and glue based in Melbourne. Educational Vantage wholesales the paint and glue, together with other products that it imports into large retailers such as Officeworks, Office Max, Aldi, and Big W.



CleverPatch Pty Ltd – cleverpatch.com.au

An Australian educational provider independently operated from its Newcastle base, CleverPatch specialises in art and craft solutions to Schools, Event Organisers, Holiday Programs and Libraries across Australia with an emphasis on quality and everyday value.



Kangaroo Educational Pty Ltd – hop.com.au & tutorwarehouse.com.au

An online only business that sells educational resources to early childcare and schools.



KESCO Educational Pty Ltd – kesco.com.au & kesco.co.nz

An Australian educational resource provider to schools and early learning with an emphasis on quality and everyday value.



Empowered Learning Pty Ltd

Empowered Learning is an audio-visual specialist providing interactive screens, projectors, and sound systems to primary and high schools across NSW & ACT.



R.E. Batger – batger.com.au

Batger is one of Australia's largest educational and commercial furniture manufacturers and suppliers. Established in 1953, we are proudly Australian owned. We manufacture from our factory in Sydney and believe that Australian-made quality and world-class standards should be affordable.



Ross Haywood Sports – rhsports.com.au

RHSports is the largest wholesale supplier of sports equipment in Australia, supplying the education sector, clubs, government organisations and corporate entities with sporting equipment and clothing solution. In addition to wholesale supply networks, the extensive range of products is available to the general public via the easy to use online store.



World of Sports – wos.com.au

World of Sport has over a period of 30 years built up an unsurpassed range of sporting equipment and sports clothing with the capability to brand products to individual customer needs in a broad range of the products.



Modern Brands Pty Ltd – modernbrands.com.au & modernbrands.co.nz

The exclusive distributor for Australia and New Zealand of over 5,000 products from 30+ world leading retail toy and entertainment brands.

For a consolidated view of our organisation or for a list of our contact numbers, please visit modernstar.com



Modern Slavery Statement 2022