



# AUDITING TIER 2

Tier 2 facilities in garment supply chains are the fabric mills, dye houses and laundries that are involved in processing our fabrics.

However, HGH do not have any direct relationship with these facilities. Requesting an audit is complicated as we are a small customer in the global textile market and are reliant on our Tier 1 suppliers to facilitate and get agreement from the facility managers. This is another reason why building long term relationships with suppliers is essential to gaining greater visibility into Tier 2.

## Audit 1 – Fabric Knitting Mill / Zhejiang Province, China.

Audited: 5th August 2024 / Smeta audit

3

Non-compliances  
– all corrected

10

Total workers

## Audit 2 – Fabric Mill / Guangdong Province, China.

Audited: 22nd May 2025 / Qualspec audit

7

Non-compliances  
– 5 closed, 2 continual  
improvement

43

Total workers

## Audit 3 – Fabric Dyeing / Guangdong Province, China.

Audited: 23rd May 2025 / Qualspec audit

13

Non-compliances  
– continual  
improvement

70

Total workers

## Audit 4 – Fabric Mill (denim) / Guangdong Province, China.

Audited: 29th May 2025 / Qualspec audit

9

Non-compliances  
– 7 closed, 2 continual  
improvement

275

Total workers



The same audit document that is used for Tier 1 audits, is also used for Tier 2.

All audits were carried out in Chinese facilities

3

Fabric mills

1

Dye house

10

Workers at the smallest facility

275

Workers at the largest facility

190

Total female workers

208

Total male workers

Zero

Workers living onsite  
in dormitories

3/4

3 out of 4 facilities are working  
under 60 hours week.

**Democratically elected Worker Reps:** All 4 facilities have elected worker reps. No facility belonged to unions.



# AUDITING TIER 1 — REMEDIATION



## How are our suppliers doing?

### Audit, assessment and remediation

We run a Social & Ethical Compliance Auditing programme across all our Tier 1 suppliers, which includes regular 'ethical factory' audits.

These audits are carried out by our independent, globally accredited audit partner, Qualspec SgT (ISO 9001 certified), who have now been reporting to us for 10 years. Their role is to ensure that our suppliers are meeting the standards set out in our Supplier Code of Conduct.

Qualspec SgT provides clear and honest reports on each factory's processes, policies, and worker conditions. Their insights give us a deeper understanding of what's happening on the ground – covering everything from worker numbers, wages and hours, to health and safety, union participation, environmental conditions, and housing for migrant workers.

### Modern Slavery Statement

In 2020, we published our first Modern Slavery Statement, prepared in line with the Australian Modern Slavery Act 2018. This statement outlines how we identify, manage and reduce the risk of modern slavery within our operations and supply chain.

In 2025, our commitment hasn't changed. We continue to act ethically in all areas of our business, and we take clear, decisive steps to eliminate any practices linked to modern slavery.

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## The numbers in Tier 1 (FY25)

HGH managers visited all our Tier 1 suppliers, and we monitor all those factories to measure compliance against our HGH Code of Conduct.

<b>29</b>	<b>7.6</b>	<b>131</b>
Independent audits (2 new audits, 27 annual audits)	Average number of non-compliances	Compliances checked in each audit

### Most common non-compliances

- **Wages and working hours:** Factory not paying all mandatory social benefits (China specific): This is a complicated issue. There are five types of social insurance: accident, unemployment, medical, maternity and retirement. Many workers opt out of some or all of these insurances. The factory then pays the worker directly what they would have contributed to the government scheme to cover the insurance.
- **Monthly overtime exceeding legal limit:** Another complex issue. Most workers choose to do extra overtime, with the majority doing 40-65 overtime hours a month. We're trying to minimise pressure on factory working hours through our Responsible Purchasing Practices.
- **Safe and healthy workplace**
- **Machinery or tools missing safety guards**

## How we handle breaches – remediation process

In case of breaches or non-compliance with our Code of Conduct, our first response involves:

### 1. *Engagement with supplier and factory management*

Our first step is to promptly engage with the relevant supplier and factory management. We initiate open and constructive dialogue to understand the issue and build mutual trust for effective resolution.

### 2. *Assessment of the issues*

Together with the supplier, we conduct a thorough evaluation to identify the root causes, scope, and impact of the breach. This helps ensure a well-informed response.

### 3. *Follow a Corrective Action Plan (CAP)*

The plan not only addresses the immediate non-compliance but also incorporates preventive measures to avoid recurrence.

### 4. *Documentation and reporting*

Throughout the remediation process, we maintain comprehensive documentation of all actions, decisions, and outcomes. This ensures transparency and provides a reliable record for internal reviews or external audits.



### Code of Conduct

To continue to manufacture for HGH, our suppliers must demonstrate:

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there is no child labour

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there is no discrimination in the workplace

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the work environment is safe and healthy

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wages, working hours and benefits comply with local industry requirements

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there is no excessive overtime

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there is no harsh or inhumane treatment

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workers have freedom of association and the right to collective bargaining

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compliance with all environmental laws.

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