



Modern Slavery Statement 2020

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INTERNATIONAL LIMITED

Modern Slavery Statement

This is the first Modern Slavery Statement for Michael Hill International Limited and its subsidiaries (Michael Hill or Group) and covers the financial year ended 30 June 2020. It outlines the approach and actions to date the Group has taken to identify and mitigate risks in line with the Australian Modern Slavery Act 2018.

OUR STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Michael Hill is an international multi-channel jewellery chain retailer, providing customers with Michael Hill branded jewellery, other jewellery, related product care packages and repairs. The parent company, Michael Hill International Limited, headquartered in Brisbane Australia, is a public company listed on both the Australian Securities Exchange and the New Zealand Stock Exchange (ASX/NZX: MHJ). The Group operate through several wholly owned subsidiary entities, which are run by the same management and operational teams. For further information on Michael Hill refer to our investor website at investor.michaelhill.com

The Group operate 290 bricks and mortar stores (as at 28 June 2020) and various eCommerce channels. Our store network consists of 155 stores in Australia, 49 in New Zealand and 86 stores in Canada.

The Group employs approximately 2,300 permanent employees globally with the majority of these in retail operation roles. The remaining employees work in manufacturing, distribution and corporate service roles. The permanent team is supplemented with a casual workforce to cater for seasonal peaks in the retail calendar.

A breakdown of our employees is as follows:

- Total employees by gender – female: 85% and male: 15%
- Employees by region – Australia: 62%, Canada: 25%, New Zealand: 13%
- Employees by employment type – full time: 48%, part time: 39% and casual: 13%.

Many of the Michael Hill branded jewellery pieces we sell are crafted in-house by a team of master jewellers in our Brisbane manufacturing workshop. Our distribution centre is also located in Brisbane and serves to supply product across the entire store network and to our ecommerce customers.

Michael Hill's direct supply chain incorporates finished jewellery products, component parts (e.g. loose stones, ring shanks, precious metals etc.) and product packaging. We have well-established and long-standing relationships with vendors located throughout Asia, Europe, Australia and New Zealand. Our direct supply chain also includes suppliers whose services contribute to our operations and administrative functions, such as third-party jewellery

repairers, store fit-out services, security services and technology support providers.

Michael Hill's merchandise and procurement teams manage our supplier relationships. In 2020, we worked with 1,130 suppliers globally with a consolidated spend of \$330 million. Michael Hill spent \$145 million with the top 25 suppliers in our inventory supply chain and over 50% of our total supplier spend is through our inventory supply chain.

Indirectly, Michael Hill's supply chain also incorporates the mines from which raw materials used in jewellery products are sourced, as well as any intermediate parties these materials pass through prior to being purchased by us.

RISKS OF MODERN SLAVERY PRACTICES IN OUR OPERATIONS AND SUPPLY CHAINS

Entity risk

In the 2020 financial year Michael Hill conducted a holistic review of its exposure to and risk of modern slavery practices in the Group's operations and supply chain. This review was conducted at a whole-of-company level and included an assessment of all controls in place to mitigate the risk of modern slavery within the Group's operations and supply chain.

Outside of our inventory supply chain, most supplier spend relates to management of our lease portfolio, logistics and marketing.

Our employees are employed under employment awards and contracts within Australia, New Zealand and Canada. These countries have formal employment practices to protect employees' rights.

Therefore, our supply chain was deemed to be the primary area of focus for where modern slavery risks may exist.

Geographical and product risk

The 2018 Global Slavery Index shows that Michael Hill's three regions of operation (Australia, New Zealand and Canada) are all rated "low" in terms of prevalence of modern slavery and vulnerability of population. The Government response to modern slavery in all three regions is rated as "strong". The societal environments of these nations, coupled with the internal governance, control and reporting mechanisms in place mean that the risk that operations directly result in modern slavery is low.

However, our review identified other modern slavery risks within our supply chain.

As a member of the jewellery industry, Michael Hill's supply chain incorporates parts of the mining and extractives industry which is recognised as being high-risk for modern slavery globally. The International Labour Organization (ILO) estimates that one million of the 168 million children estimated to be subject to child labour are working in mining or quarrying in gold, tin, coal, diamonds, gems, stone and salt mines. It is estimated that almost all child miners work in artisanal, small-scale informal mines. While Michael Hill proactively and through formal processes seek to avoid using any materials sourced from such mines, it is difficult to gain complete transparency over the full upstream supply chain. Accordingly, the risk remains that Michael Hill may be indirectly linked with modern slavery by inadvertently accepting materials that were originally sourced from such mines.

Additionally, the Group sources several products and raw materials from countries that have an increased risk of modern slavery due to factors such as weaker governance structures and socioeconomic factors like poverty. Higher risk supplier countries include India, Thailand, Myanmar, China and Turkey. Particularly, gems sourced from India were listed in the US Department of Labor's 2018 List of Goods Produced by Child Labor and Forced Labor. Again, while Michael Hill conducts due diligence activities in relation to its suppliers, there are risks as a high volume of goods are purchased from suppliers who operate in these countries.

HOW WE ADDRESS MODERN SLAVERY RISKS

Governance and oversight

In addition to the oversight of the Group's strategy and execution of the business plan, the Board of Michael Hill are responsible for:

- Compliance with Michael Hill's Corporate Ethics Policy & Code of Conduct
- Progress in relation to Michael Hill's diversity objectives and compliance with the Diversity and Inclusion Policy
- Overseeing the management of modern slavery risks through the Group's compliance processes and risk management framework.

To effectively discharge its duties and responsibilities, the Board has established two committees:

- Audit & Risk Management Committee
- People Development & Remuneration Committee.

Day to day management of the Group's affairs and the implementation of the corporate strategy, policy initiatives and budgets are formally delegated by the Board, to the Chief Executive Officer and Group Executives. The Chief Executive Officer and Group Executives are accountable to the Board and provide information to the Board on those activities, in a form and of a quality required by the Board to enable it to discharge its duties.

Policies and education

The Board has established a Corporate Ethics Policy & Code of Conduct (Code) for its Directors, senior executives, and employees. The Code establishes the principles, standards and responsibilities to which Michael Hill is committed with respect to both its internal dealings with employees and consultants, and external dealings with shareholders and the community at large. In summary, the Code requires that Michael Hill personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Michael Hill policies. The Code also requires employees, Directors and contractors who are aware of unethical practices within the Group or breaches of the Code to report these to management (which can be done anonymously in accordance with Michael Hill's Whistleblower Policy).

Michael Hill has developed a Diversity and Inclusion Policy. This policy outlines Michael Hill's commitment to fostering a diverse and inclusive workplace and includes requirements for the Board to establish measurable objectives for achieving diversity and to review annually both the objectives, and Michael Hill's progress in achieving them.

FY20 saw the first Great Place to Work (GPTW) survey to measure team member experience across the key areas of: Trust, Engagement and Collaboration. Just over half of the global team responded to the survey and overall, Michael Hill scored 71% on the GPTW measurement scale. There is now a clear plan of action to lift engagement and to increase team member participation in the survey.

Our policies and procedures are the basis for how we operate, including identifying and addressing risks of modern slavery. Every year all employees are required to complete mandatory training on key policies and compliance areas.

Responsible Jewellery Council membership

Michael Hill is a certified member of the Responsible Jewellery Council (RJC). The RJC is a standards-setting organisation that has been established to advance responsible ethical, human rights, social and environmental practices throughout the diamond, gold



and platinum group metals jewellery supply chain. The RJC provides a clear set of standards – the RJC ‘Code of Practices’ for its members. Adherence with the Code of Practices is verified through a third party, independent, certification process.

Michael Hill accreditation is until 2022, where it will undergo recertification.

Supplier due diligence

In FY20, Michael Hill launched a supply chain transparency platform (via a third-party provider). This platform gathers information regarding the operational and procurement practices of direct suppliers via an online questionnaire. The information gathered is assessed and assigned a risk score which is combined with other risk factors, such as the geographic location of the supplier’s operations, to provide an overall risk rating for each participating supplier. If a resulting risk rating is medium or high, additional work is completed to further assess the associated risk of modern slavery. This may include additional desktop analysis of a supplier’s policies and processes, or an on-site audit of the supplier’s operations and facilities conducted by a qualified third-party.

The platform successfully launched with 65 of our largest finished jewellery, component, raw material and packaging suppliers representing approximately 60% of total company spend on inventory. The progress and development of this assessment process has been impacted by the COVID-19 crisis and its resulting effect on supplier and Michael Hill’s workforce. The platform is a tool that we will continue to develop to yield desired levels of supply chain transparency.

The supplier transparency platform complements and extends on existing practices to assess and respond to supply chain risk and to communicate the Group’s position on modern slavery and other social and environmental issues. These practices include:

Obtaining supplier agreement to comply with Michael Hill’s Code of Business Ethics and Code of Conduct for Suppliers: this document, which is publicly available on Michael Hill’s Investor Relations website, forms part of the supply contract for all suppliers of jewellery, component parts and raw materials. It clearly establishes Michael Hill’s expectations and minimum standards of suppliers in relation to ethical matters, including modern slavery. Additionally, it identifies actions that may be taken if any breach of the Code is identified.

Review number of suppliers who actively sign and return Michael Hill’s Code of Business Ethics and Code of Conduct for Suppliers: the number of signed documents received back is reviewed to understand the level of supplier acknowledgement

and acceptance of Michael Hill’s operational expectations. This review process was formally instituted in the FY20 year and will be performed on an annual basis moving forward.

Working with certified members of the RJC: most of our major suppliers are certified members of the RJC. By working with suppliers who are certified members of the RJC, Michael Hill reduces the risk of unethical business practices existing in its supply chain.

Establishing strong, long-standing relationships with suppliers: we work to establish strong, transparent relationships with suppliers. Most of our top suppliers have supplied goods and services to Michael Hill for several years, and in some cases decades. Michael Hill’s supplier strategy is found on producing design-led premium quality jewellery, in partnerships that deliver a balanced approach to quality, price and reliability of supply.

Pre COVID-19, Michael Hill has had the opportunity to visit local production facilities to understand how they manage modern slavery risks.

To date, no instances of modern slavery have been identified within Michael Hill’s supply chain. If a modern slavery practice were to be identified that Michael Hill had caused or contributed to, immediate focus would be given to ceasing and remediating the impact of the practice. Further, Michael Hill would use its full purchasing leverage to work with the entity that caused the impact to prevent or mitigate the harm and its reoccurrence. If such efforts were to be unsuccessful, Michael Hill has the right to immediately terminate its relationship with the supplier.

HOW WE ASSESS THE EFFECTIVENESS OF OUR ACTIONS

As this is the first year of reporting we continue to improve our oversight of modern slavery risks and effectiveness of actions. Through our Group Executive and Audit and Risk Management Committee we monitor modern slavery risk and actions to remediate. This monitoring includes output from our supplier transparency platform, supplier visits and responding to matters arising from our whistleblowing platforms.

Our improvement actions highlighted in this statement demonstrate ongoing maturing of controls and processes.



IMPACT OF COVID-19

The health, safety and wellbeing of our customers and teams was a critical area of focus during the COVID-19 pandemic. COVID-19 resulted in an unprecedented temporary closure of our entire store network severely impacting our operations, sales and profit. Michael Hill were the first major Australian retailer to act in terms of closing stores. As many of our team members across all areas of the business were stood down, we accessed available government wage subsidies in all three countries. Additionally, we rapidly transitioned to flexible working arrangements as many of our working team members took on additional family responsibilities such as home schooling. The mental health of our staff continued to be a priority and our Employee Assistance Program was a key offering over this period.

As our retail business resumed trading, we took (and continue to take) a consultative response to restarting stores and transitioning team members back to our support office, whilst keeping our team safe. Across our network, we have implemented robust protocols to keep our people and customers safe. Managed retail entry, health screens, personal protection, and intensified daily cleaning, along with staged shifts in our support centre, and working from home, were quickly mobilised.

While the effect of the pandemic on our business is material, throughout the crisis we adapted and embraced learnings to remain strong and well positioned to support our colleagues, customers, and the communities we serve. As the crisis continues to unfold, we are accelerating a range of digital engagement platforms, such as virtual selling, enabling our customers to connect with our brand and sales professionals even when they can't visit us in person.

Throughout this pandemic we continue to work with landlords and suppliers to create a positive outcome.

HOW WE CONTINUE TO IMPROVE

Michael Hill recognises that modern slavery risks continue to evolve, and so must the Group's activities and responses. Areas of focus for the coming years include:

- Onboarding of more suppliers onto the supplier transparency program
- Revising the process for selection of new suppliers to include completion of a more detailed questionnaire around how they manage modern slavery, visits to the facilities to understand working conditions and appropriate revisions to the supplier code of conduct if required
- Restarting, when possible, the regularity of supplier visits to high risk production facilities
- Preparing for recertification with the RJC
- Reviewing of substantial supplier contracts to ensure they are fit for purpose.

APPROVAL

This statement has been approved by the Board of Michael Hill International Limited.



Daniel Bracken

Chief Executive Officer





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