



SAGE Modern Slavery Statement 2021

Reporting Period 1 July 2020 to 30 June 2021

SAGE people share the same commitment to making our world smarter, safer and more sustainable: for everybody, everywhere. In support of this mission, SAGE is committed to a better world where modern slavery has no place in its supply chain.

Introduction

This Modern Slavery Statement (**Statement**) is produced by SAGE Group Holdings Limited (ACN 093 581 330) (**SAGE**) to identify, assess and address the risks of modern slavery in its supply chain and operations as a reporting entity pursuant to the *Modern Slavery Act 2018 (Cth)* (**Act**). This Statement will also cover SAGE Automation Pty Ltd (ACN 104 119 833) (**SAGE Automation**), a wholly owned and controlled entity of SAGE, and reporting entity under the Act. SAGE submits this Statement as a joint statement on behalf of both reporting entities.

Structure and Operations

SAGE is an Australian public unlisted company incorporated in South Australia with its head office in Tonsley, South Australia. We are a global group with a workforce of more than 550 people across Australia and India. Our offices are located around the major cities of New South Wales, Northern Territory, Queensland, South Australia, Tasmania, Victoria, and Western Australia, as well as regional offices in Geelong, Whyalla and Alice Springs. Our offices in India are located in Mumbai and Pune.

SAGE is the parent entity of seven innovative and specialist companies within the sectors of defence, energy, transport, resources, utilities, and manufacturing. Together, these companies deliver services including end-to-end automation project delivery, Australian-based manufacturing, support and maintenance services, digitalisation consulting, resource capability and upskilling workforces with skills of the future.

SAGE undertakes its business activities under its subsidiaries, rather than under SAGE itself. Accordingly, this Statement covers the activities of all SAGE subsidiaries from 1 July 2020 to 30 June 2021 (**Reporting Period**). SAGE fully owns and controls all its subsidiaries except for Nukon, and SAGE Automation India PVT, which are controlled by SAGE but not wholly owned.

- SAGE Automation specialises in automation and control system engineering, delivery and support, providing total smart automation solutions. Its manufacturing operations assemble control cabinets and switchboard solutions.
- SAGE Automation India PVT is a subsidiary of SAGE providing the same specialist automation and control solutions as SAGE Automation.
- Nukon Pty Ltd specialises in software and systems engineering, developing products and delivering high-end digital solutions that increase operational efficiency, service level, quality and other business outcomes.
- Embedded Expertise Pty Ltd is a specialist consultancy labour hire business, matching the best technical specialists into businesses.
- Skills Lab Pty Ltd is a Registered Training Organisation in Australia where expert trainers, backed by SAGE's foundations in smart systems and technology, equip the workforce with current knowledge through hands-on learning in specialist areas of industrial automation and control, instrumentation, big data analytics and hazardous area electrical equipment management.
- Traffic Control Systems Pty Ltd supply, install and maintain traffic management systems.
- SAGE Capital Fund Pty Ltd is an investment company.-



SAGE has one manufacturing facility which is connected to the head office in Tonsley, South Australia. SAGE employees work in our offices, at various client sites in both metropolitan and rural areas and sometimes from their homes. SAGE's team in India is made up of engineers, finance administration and other technical experts who generally work in the office but during the Covid-19 pandemic have often worked from home.

Supply Chain

SAGE utilises an extensive supply chain of material suppliers, contractors, labour hire and offshore resources to deliver its products and services. Our over 500 suppliers comprise of mostly Australian companies or Australian-based subsidiaries. SAGE procures its primary and recurring goods and services from its preferred suppliers. These preferred supplier relationships are well established and long-term. SAGE also has many short-term supplier relationships that it will use on an ad hoc basis.

Suppliers are selected based on project specification, quality, risk, warranty, delivery times, price, after-sales support and compliance with SAGE's terms and policies.

The manufacturing, industrial automation, electronics, telecommunications, Information and Communication Technology (ICT), transport, and traffic management industries make up the majority of SAGE's supply chain. This supply chain can be divided into two categories of products and services as set out below.

Supply chain used in products and services that SAGE deliver:

Manufacturing electrical equipment and electronics such as switchboards, power supplies and cables; LED, protective coatings, telecommunications, industrial automation materials, Information and Communication Technology (ICT), pneumatics, timber packaging, traffic signal controllers, detection systems, industrial cleaning equipment, transport, freight, crantage and labour services via contractors.

Supply chain not used in products and services that SAGE deliver:

Professional services, finance and banking, cleaning and facility management services, work uniforms, storage and waste disposal services, insurance, motor vehicle rental, kitchen supplies, branded merchandise, office materials, travel services, mobile phones and information technology equipment such as computers, monitors and drives.

The majority of SAGE's procurement is sourced in Australia. Through a supplier questionnaire to further understand our supply chain, we ascertained the source countries from which our suppliers procure their goods and/or services. The top 5 source countries listed by our suppliers were Australia, China, USA, Germany and the UK. Other source countries reported include Austria, Brazil, Denmark, Finland, Indonesia, India, Italy, Japan, Malaysia, Mexico, New Zealand, Poland, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand and Vietnam.

Risks of Modern Slavery

While SAGE does not directly cause modern slavery practices, we recognise that there are modern slavery risks that we may be linked to or contribute to due to how our procured goods and services are produced, provided or used; the characteristics of the industries that those goods and services are part of; and the prevalence of modern slavery in specific source countries. Importantly, modern

slavery risks refer to the risk of harm to people in our operations and supply chain rather than entity risk.

SAGE has identified the following risk areas:

Electronics

Several of SAGE's suppliers identify as belonging to the electronics industry and provide SAGE with electrical components. A handful of our other suppliers provide the business with its computers, laptops and mobile phones. Electronics is a high risk industry. Specifically, computers, laptops and mobile phones imported from China and Malaysia are at-risk products of modern slavery, where forced labour and child labour are associated with their manufacturing. As reported in the Global Slavery Index 2018¹, Australia imports over US\$6b of these electronics from China annually, making it Australia's highest-value at-risk import. Over thirty of our suppliers listed China as one of their source countries for electrical equipment and ICT. Additionally, SAGE's company mobiles are Apple iPhones. An investigative report by China Labour Watch uncovered some instances of exploitation and forced labour at some of Apple's largest suppliers in China².

Conflict Minerals

The mining of raw minerals used in electronics manufacturing occurs in many conflict-affected countries with governance issues. These factors significantly contribute to the prevalence of the worst forms of child labour, forced marriage, forced labour and slavery. SAGE recognises that although we have little to no visibility of such operations, this is a risk further upstream in our supply chain.

Clothing Industry / Cotton

Garments and textiles produced in China are at risk goods as forced labour, child labour and slavery are prevalent. Australia imports garments from China worth over US\$4b annually, making it Australia's second largest at-risk import. A large portion of the uniforms that SAGE purchase state they are made in China. Apart from that, we do not have visibility on where or how the uniforms are made. We recognise this is a risk.

Cleaning services

Cleaning is an industry considered at risk due to the nature of the work, lower wages and lack of transparency. Modern slavery risks of labour exploitation and worker vulnerability are present in the

¹ Walk Free Foundation 2018, Global Slavery Index 2018, Available from: <https://www.globalslaveryindex.org/resources/downloads/>

² China Labor Watch 2017, A Year of Regression in Apple's Supply Chain: Pursuing Profits at the Cost of Working Conditions. Available from: http://www.chinalaborwatch.org/upfile/2017_05_03/20170517.pdf. [19 December 2017].

cleaning industry in both Australia and overseas. Cleaning services support our Australian and Indian offices. SAGE recognises that this risk exists in our supply chain.

Labour Hire Arrangements

Workers in the labour hire industry are often exploited and underpaid. As one of SAGE's entities is a labour hire business, we acknowledge the potential risk. Embedded Expertise holds all labour hire licences as required under current State legislation. These laws aim to protect labour hire workers from exploitation. Embedded Expertise ensures that its clients are credible and compliant with all Australian Fair Work legislation³. The people we provide to our clients are technical experts in fields such as engineering and project management. We are not involved in the industries widely exposed to risk such as agriculture, meat-processing and construction. Subsequently, SAGE considers the risk in its labour hire operations to be very low.

Due Diligence

Most suppliers are engaged on SAGE's Terms and Conditions for Suppliers which were revised to require suppliers to comply with the with the Act and the Modern Slavery Act 2018 (NSW) if their business is conducted in NSW (although this legislation is yet to commence), and to take all reasonable steps to ensure that there is no modern slavery or human trafficking in its supply chain or in any part of the supplier's business.

SAGE has a Whistleblower Policy available for all people who work for or with SAGE, including our suppliers and employees. This is publicly available on our website and on our internal company portal. The policy outlines a clear process on how to make a protected disclosure, which can be made anonymously. SAGE encourages the reporting of any concerns regarding unethical or illegal conduct, including in relation to modern slavery. SAGE will investigate any grievances or concerns raised and address them appropriately, including by engaging with customers, suppliers and other stakeholders. Where necessary, we will report matters to the appropriate authorities.

SAGE has a Code of Conduct which requires all employees and contractors to ensure that the risks of modern slavery within our business are adequately assessed and addressed to comply with the Act.

SAGE has commenced providing awareness training to key SAGE personnel in relation to modern slavery. The training program will be expanded to a broader group of SAGE personnel in the 2022 reporting period.

³ The Fair Work Act 2009 and the Fair Work Regulations 2009.

SAGE sent out a modern slavery self-assessment questionnaire to its suppliers to assist in assessing the risks in SAGE's supply chain, as we did in the last reporting period. We use the survey to consider the industries, locations of business operations, the goods and services procured by our suppliers and the source countries for those goods and services that correspond with modern slavery risk. We can assess whether a supplier is a reporting entity, provides training to employees, has any modern slavery specific policies and processes in place, or established actions if modern slavery is known or suspected. All information gathered helps to determine what further actions could be taken to address modern slavery risks in our supply chain, and whether some supplier arrangements need evaluating if their response aligns with risk. SAGE will continue to send out a modern slavery self-assessment questionnaire annually.

SAGE prepared a Corporate Responsibility Charter (**Charter**) in 2020 which was sent to our major suppliers within the Reporting Period. For the purpose of this Charter, suppliers include suppliers, sub-contractors, contractors, distributors and resellers to any member of the SAGE Group. The suppliers are required to agree to comply with the Charter which includes compliance with the laws of the countries in which they operate including laws designed to prohibit human trafficking and protect human rights, the fight against corruption, money laundering, terrorism, data protection, privacy, international trade compliance, workplace health and safety and the protection of the environment.

The Charter also requires that the supplier:

- ensures that their own suppliers, contractors and sub-contractors comply with the requirements of the Charter;
- agrees to notify SAGE promptly of any actual or suspected breach of this Charter whether committed or allegedly committed by SAGE staff or supplier's staff, subcontractors or suppliers;
- must provide their staff with mechanisms for raising legal or ethical issues or concerns with management without fear of retribution; and
- acknowledges that their non-compliance with this Charter may constitute a breach of their contractual obligations to SAGE which may involve, depending on the severity of the breach, the termination of their contract with SAGE.

SAGE targeted the Charter towards not only its major suppliers, but suppliers that were identified as belonging to one or more of our modern slavery risk areas as identified above. This included requiring our work uniform supplier, mobile and laptop suppliers and cleaning suppliers at each Australian office to agree to comply with the Charter.

In relation to contractors, SAGE's compliance management program now requires each contractor to agree to comply with both the SAGE Code of Conduct and the Charter before the contractor undertakes work for SAGE.

Not limiting any other actions that SAGE may undertake in the next reporting period, SAGE has determined that conducting responsible sourcing audits with its key suppliers will be required.

Remediation

SAGE has a high level remediation plan that will be progressively developed into a more detailed process. If an incident of modern slavery occurs or is suspected, SAGE will initially hold an internal meeting at the Manager and Executive level. Subsequently, SAGE will co-operate and discuss the incident with the supplier directly to assist them to properly identify and address the issue. SAGE's key objective will be to ensure that the incident has been effectively dealt with to remove any modern slavery from our operations whilst maintaining the relationship with that supplier if possible. If the supplier fails to take appropriate corrective action to eliminate the instance of modern slavery within a reasonable period of time or the supplier takes the appropriate corrective measures, but those measures do not mitigate or eliminate the instance of modern slavery, SAGE will again raise this with the supplier and may terminate the relationship.

Assessing Effectiveness

We assess the effectiveness of the Charter, in part based on the number of responses received. In addition to the suppliers and contractors who agreed to comply with the Charter through SAGE's contractor management system, the Charter was also sent to a further 71 key and high-risk suppliers. We received 45 signed Charters from this group, equalling a 63% response rate. We consider this a successful response rate, especially in combination with the acceptance of the Charter by those suppliers verified in the SAGE contractor management system. The signed Charters comprised 8 out of 9 cleaning suppliers, SAGE's uniform and mobile phone supplier, as well as many suppliers from the electrical, manufacturing and industrial automation industries. Disappointingly, five of our key preferred suppliers, one cleaning supplier and our laptop supplier did not return a signed Charter. Accordingly, the Charter has been a reasonably effective tool to measure supplier compliance with the modern slavery commitments that SAGE expects. It is also effective by raising awareness of modern slavery with our suppliers, especially those who are not required to report. In future reporting periods, the method of distributing and requesting compliance with the Charter will be revised to target a greater number of suppliers and increase the response rate overall.

SAGE's grievance mechanism through our Whistleblower Policy tracks the number of concerns disclosed, investigated and resolved. There have been no reports of modern slavery through this

mechanism during the Reporting Period. We recognise that this does not indicate an absence of modern slavery in our supply chain as there may exist modern slavery practices further upstream in our supply chain which is less likely to result in a disclosure through SAGE's Whistleblower Policy.

SAGE assesses the effectiveness of the self-assessment questionnaire sent to suppliers based on the trends captured from the responses received. The responses from both the Reporting Period and the last reporting period show that 42% have at least a modern slavery statement or a modern slavery policy, illustrating awareness and action. Although 75% are not required to comply with the Act, 46% have said that they will opt-in to the law which was a positive insight. The effectiveness of the questionnaire will be better ascertained over future years as certain trends are not yet clear from only two years of data.

The questionnaire was amended to examine compliance with local laws on the maximum number of working hours and consecutive working days, records of such hours and days, minimum wage and compensation, and records of such wage and compensation payments. Each supplier responded that they complied with all such laws and kept the appropriate records.

SAGE is aware that the questionnaire has its limitations. There was a slightly reduced response rate from the last reporting period. We strongly encourage our suppliers to complete the questionnaire, however, many suppliers do not provide a response as it is voluntary. If we received a greater response, the overall data trends may change. The survey also relies on the candour of suppliers. These factors could partly reduce the effectiveness of the questionnaire. Regardless, we are confident that valuable insights into our supply chain and operations are gained and that supplier response rates are likely to increase in future reporting periods as modern slavery awareness rises. We recognise the need to potentially revise the information we are requesting, and the manner in which we request the information.

We acknowledge the importance of measuring the effectiveness of our actions to properly mitigate and eliminate modern slavery within our business, albeit it the task of measuring effectiveness is challenging in the early stages of assessing and addressing risk. As with the previous reporting period, SAGE's focus this period was to improve due diligence. Over the course of future reporting periods, SAGE will continue to explore and implement further measures to help adequately track the performance of our actions through a combination of internal and external mechanisms.

We will look to assess the effectiveness of our actions against the following in future reporting periods:

- Engagement with suppliers on modern slavery risks;
- Employee and management training;

- Internal and external audits;
- Supplier pre-qualification requirements;
- Targeted supply chain audits;
- Policy and process review;
- Board oversight;
- Key personnel meetings; and
- Contracts with modern slavery obligations.

Impact of COVID-19

During the 2020 and 2021 reporting periods, SAGE noticed an impact on lead times, delivery times, and the cost of goods and freight costs on all sources outside of Australia as result of the COVID-19 pandemic. Notwithstanding this, SAGE maintained its collaborative supplier relationships and did not terminate any supply contracts. We frequently took on additional costs related to freight in order to receive material on time.

SAGE is in regular contact with its top 40 suppliers to determine any potential issues or delays in the supply of material based on the last two years of sales. Responses are being documented and reviewed weekly. SAGE recognises that supply chains were further exposed to modern slavery risks as a result of the COVID-19 pandemic. This is something that SAGE will give more consideration to moving forward. We will continue to foster open communication with our suppliers, specifically to address modern slavery risks caused by the COVID-19 pandemic.

Consultation

The entities owned or controlled by SAGE, including SAGE Automation, all report to the SAGE Board and at least one SAGE Board member sits on the Board of each SAGE subsidiary. In addition, all entities adhere to the same company policies and procedures. The entire Executive group of the SAGE group of companies meets at least quarterly to ensure alignment of processes, policies and procedures across all businesses. As a result, each entity under the SAGE group has been made aware of and consulted in the preparation and approval of this Statement through meetings and discussions between various units of the business.

This Statement was approved by the Board of SAGE on 10 December 2021.

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Adrian Fahey

Managing Director and Chief Executive Officer