

# ACTIVE APPAREL GROUP

AAG Holdco Pty Ltd - ACN 653537672  
Active Apparel Group Pty Ltd – ACN 011035313

## JOINT MODERN SLAVERY STATEMENT

UNDER THE *MODERN SLAVERY ACT 2018 (CTH)*

REPORTING PERIOD: 1 January 2022 – 31 December 2022

This Joint Modern Slavery Statement has been approved by the Board of Directors of AAG Holdco Pty Ltd and Active Apparel Group Pty Ltd in their capacity as the principal governing body on 30 June 2023.

Pursuant to the requirements of the Act, authorised persons have reviewed the contents of this Statement and confirmed its accuracy.

This statement is signed by Daniel Hawker in his role as Director of AAG Holdco Pty Ltd and Active Apparel Group Pty Ltd on 30 June 2023.

A handwritten signature in black ink, appearing to read 'Daniel Hawker', written over a horizontal line.

**Daniel Hawker**

**Chief Executive Officer & Director**

**30 June 2023**

## **PART ONE: Operations, supply chains and company structure**

The mandatory reporting entities for this joint statement under the *Modern Slavery Act 2018* (Cth) are AAG Holdco Pty Ltd and Active Apparel Group Pty Ltd.

This Statement also covers a number of subsidiaries that AAG Holdco Pty Ltd, as the parent entity, owns or controls, that are not, individually, mandatory reporting entities under the Act. These entities are registered in Australia, unless otherwise noted:

- AAG Investco Pty Ltd
- AAG Holdings Pty Ltd
- AAG Wearable Technologies Pty Ltd
- 2 Chillies Pty Ltd;
- Henmac Investments Pty Ltd;
- Huge Faith Group Limited (registered in Hong Kong);
- Jiujang Longson Active Apparel Co., Ltd (registered in China);
- Ningbo Longson Garments Co., Ltd (registered in China);
- Ningbo Active Sourcing and Consulting Co., Ltd (registered in China);
- Active Apparel Group (Hong Kong) Limited (registered in Hong Kong);
- Ningbo Active Apparel Co., Ltd (registered in China);
- AAG (US Holdco) LLC (registered in USA);
- Active Apparel Group (America) LLC (registered in USA);
- AAG Promotions LLC (registered in USA);
- ALWRLD LLC (formerly AAG SF LLC) (registered in USA);
- Active Apparel Group (Canada) Ltd (registered in Canada); and
- Active Apparel (Singapore) PTE Ltd (registered in Singapore).

Along with the reporting entities, AAG Holdco Pty Ltd and Active Apparel Group Pty Ltd, these entities are referred to throughout this Statement as the “AAG Group” or “the Group”.

The activities of the Group were, in effect, previously covered by a modern slavery statement lodged for the reporting entity - **AAG Holdings Pty Ltd**.

In September 2021, a new holding company arrangement was formed as a result of a process of corporate restructuring and investment. Consequently, the mandatory reporting entities under the Act are now AAG Holdco Pty Ltd, our new parent entity, and its wholly owned subsidiary, Active Apparel Group Pty Ltd, which both individually meet the reporting requirements.

This Statement describes the steps that AAG Group continued to take to identify, assess and address modern slavery risks during the reporting period for the calendar year ending on 31 December 2022.

AAG Group remains a leading manufacturer of activewear and swimwear for both the leisure/lifestyle and performance markets. The Group commenced business in 1987 as Eclipse Textiles selling stretch fabrics to Australian swim, dance and sportswear garment manufacturers. In 2003, AAG Group commenced manufacturing in China and in 2006, the Group's subsidiary Ningbo Longson Garments Co., Ltd was incorporated and leased its first factory in Jangbei (China). As previously reported, in 2012, the Group relocated to its new factory. The factories that we operate in China are located as follows:

- **Location one:** we operate facilities at a singular location, in the Jiale Industry Zone, Gulin Town, Haishu District Ningbo, in the Zhejiang Province (“**Ningbo site**”). Our Ningbo Site is our primary facility and is responsible for receiving the textile materials used in our apparel products.
- **Location two:** The Group also operated a smaller satellite factory, located at No. 48, Xinmiaohu Avenue, Furongshan Industrial Park, Duchang Jiangxi (“**Duchang factory**”). At the end of the 2022 reporting period, we wound down operations and finalised our exit from the Duchang factory and consolidated operations at our Ningbo site.

Whilst the Group regrets not lodging our 2021 Statement in a timely fashion, we feel it is important to us to provide the firm assurance that, despite this unfortunate oversight in published reporting, our commitment to assessing and addressing modern slavery risks in our supply chains and operations has consistently continued (and, we believe, improved) since the Group’s last lodged statement.

Indeed, our corporate commitment to practical and effective modern slavery risk mitigation has been in place since well before the commencement of the *Modern Slavery Act 2018* (Cth).

As previously reported, for more than six years (since 2016), AAG Group has been certified under the vigorous and globally recognised Worldwide Responsible Accredited Production (**WRAP**). We have continued to maintain our WRAP certification since our last lodged Statement, with independent audits confirming, amongst other requirements, compliance with key anti-slavery measures occurring on 6 January 2022 and 14 February 2023.

Accordingly, whilst there may have been an unfortunate break in the formal reporting on our progress, the underlying activity to fulfill our long-term commitment against modern slavery and to continuously improve our overall response has been ongoing.

To rectify the lack of continuity in reporting and provide ease of comparison between the subject (CY22) and previous (CY21) reporting periods, various aspects of this Statement provide the relevant information for both reporting periods.

### ***Our operations***

AAG Group's corporate headquarters are located primarily at Level 2, 365 MacArthur Avenue, Hamilton, Queensland. We continue to have additional business operations support at locations in Los Angeles and New York.

The AAG Group had a total workforce of **2,681 employees** during the reporting period. This represented an approximately 10% increase in the overall size of our workforce from 2021 (2,481 employees).

During both the CY21 and CY22 reporting periods 90% of the Group’s workforce was employed at our Ningbo and Duchang sites. Following our exit from the Duchang factory, over 90% of our workforce remained employed by our respective Ningbo facilities.

The following Tables provide a more detailed breakdown of our workforce composition (breakdown by total employee numbers):

## Chinese Operations

Operational area	2021	2022
Production / Manufacturing, Production Support	2,221	2,424
Post-Production (including logistics and packing.)	52	52
Executive, Finance, Human Resources and IT services	57	59
Administration services	60	66

## Australian and US operations

Operational area	2021	2022
Product Development, Design, Graphics, Production Support	56	46
Executive, Finance, Human Resources and IT services	25	24
Administration and logistics services	10	10

More than 99% of our total workforce is employed on a full-time basis. This characteristic has remained unchanged across both the 2021 and 2022 reporting periods. For the less than 1% of non-full-time employees, the Group engages contract workers who are generally compensated on an hourly basis or set rate of pay.

## *Our Supply Chains*

We do not consider our inherent modern slavery risk profile of our supply chains to have materially changed since our last statement.

During both reporting periods, the AAG Group had a total of approximately **50** key direct suppliers, which represents approximately 80% of our total annual procurement spend. However, beyond these key direct suppliers, the AAG Group also had approximately **500** smaller 'one off' or 'tail end' suppliers during 2021 and approximately **450** 'tail end' suppliers in 2022 that have assisted all areas of our operations and services. We either had limited or non-ongoing commercial relationships with these 'tail end' suppliers, and together, they

accounted for our remaining annual procurement spend. The decrease in ‘tail end’ suppliers from 2021 to 2022 was not representative of any material changes in our overall supply chain characteristics (i.e. procurement categories or supplier location), and is simply due to our decision not to re-engage with various ‘one off’ suppliers used in 2021.

Our top procurement spend categories have not changed across the 2021 and 2022 reporting periods and continue to cover the following key industry groups (listed in order of highest to lowest):

- Fabrics & Garments (Raw Materials)
- Trims & Accessories (Raw Materials)
- Freight & Logistics
- IT & Service Providers.

Overall, our first-tier (direct) suppliers remained predominantly international across both reporting periods, with a minimal proportion of our total key supplier engagement involving Australian entities. The breakdown of our international suppliers by location is as follows (listed in order of highest proportion of direct supplier expenditure to lowest):

- China (approximately half of our procurement spend is based on fabric or trim suppliers based in this location);
- Italy; and
- USA.

We have also ascertained, particularly through supplier disclosure of organic cotton products (see further discussion in Part 3, below) that some organic cotton used in our products are grown or pass through manufacturing processes in the United States, Brazil, India and Vietnam.

## **PART TWO: Identified Modern Slavery Risk Areas in Supply Chains and Operations**

AAG Group did not identify or receive any reports of actual or suspected instances of modern slavery within our supply chain or operations either during the reporting period, or during 2021.

We acknowledge that an absence of reports does not mean that modern slavery risks are minimal or non-existent, nor does it diminish our ongoing responsibility to be actively assessing and addressing the risks of modern slavery.

We also recognise that, as an apparel manufacturer that primarily operates in China, we are part of a broader industry categorisation for which the overall level of potential modern slavery risks are considered to be relatively high.

### **Risks in our Supply Chains**

#### *Garment Manufacturing Industry in China – General Industry Risk Factors*

AAG Group understands there are numerous factors that drive industry-wide modern slavery risks including:

- Almost universal reliance on lower skilled workers
- Disproportionate use of vulnerable workers, including women and girls, and migrant labourers
- Location of production factories in higher risk areas
- Complex and hidden supply chains beyond end-stage manufacturing
- Common sector wide purchasing practices including:
  - i. Cost cutting measures and aggressive price per unit negotiations;
  - ii. Inaccurate forecasting of orders;
  - iii. Short lead times;
  - iv. Last-minute changes to orders
- Subcontracting labour practices by textiles suppliers

In addition to these risk factors, AAG Group also acknowledges the specific and long-lasting impact that COVID-19 has continued have in the textiles industry, including:

- Disruptions in the supply chain causing financial losses
- Increased difficulties in monitoring and auditing suppliers due to access restrictions
- Cancellations of orders and factory closures due to pandemic restrictions

#### *Risks relating to Uyghur forced labour in cotton supply chains*

We recognise that one of the most important issues confronting any apparel manufacturing company with significant international inputs of cotton is ensuring, to the fullest extent practicable, that these supply chains are not at an unacceptably high risk of being tainted by Uyghur forced labour through direct or indirect linkages from the Xinjiang region in China.

The due diligence measures that we are undertaking to trace, insofar as practicable, the origin of the cotton products that form a significant component of our key supply chains are discussed below in Part Three.

### *Risks in our Operations*

Whilst our primary focus is on identifying, assessing and addressing modern slavery risks associated with our Chinese factory operations and key product supply chains, AAG Group also understands that modern slavery risks are not limited to offshore manufacturing activities and supply chains. We recognise that modern slavery is a reality in Australia and the United States also, and the significant areas of potential risk include commercial cleaning and building maintenance services.



## **PART THREE: Addressing modern slavery risks**

Given the inherent risks relating to AAG Group's primary operating context, particularly in relation to geographical, industry category, and key raw material inputs, we recognise the importance of actively, holistically and continually addressing modern slavery risk. This Part provides an outline of key activities that we have engaged in to address these risks.

### **Chinese Cotton Supplier Due Diligence**

As noted above, one of the most important issues confronting any apparel manufacturing company with significant international inputs of cotton is ensuring, to the fullest extent practicable, that these supply chains are not at an unacceptably high risk of being tainted by Uyghur forced labour through direct or indirect linkages from the Xinjiang region in China.

Insofar as we are able to determine, none of our cotton originates from Xinjiang. We recognise the effect that import bans on cotton from Xinjiang under international mechanisms such as the US *Uyghur Forced Labour Prevention Act* may have in relation to the 'dumping' of product into other markets that are not subject to the same level of government restriction. We are continually monitoring and seeking the fullest practicable disclosure of information from our cotton supply chains to ensure our cotton is not produced through the exploitation of the Uyghur people or other Turkic minorities in that region of China.

AAG Group has four primary Chinese cotton suppliers. The following are some key features of those suppliers, which we consider to be relevant to an overall level of effective risk mitigation.

#### *Location*

All but one of these suppliers have their main corporate location within 80km of our primary facilities in Ningbo. The fourth supplier's headquarters is within 322kms (200 miles) of our Ningbo site.

#### *Length of contractual / procurement relationship*

All of these suppliers have been in long-term partnerships with the relevant Chinese subsidiaries of the AAG Group:

- The **shortest** period of time for which AAG Group has been engaged with these cotton suppliers is 5 years (60 months).
- The **longest** period of supplier engagement (which is ongoing) is 13 years (156 months)
- The two other suppliers have been engaged by the Group for 11 years.

#### *Adoption of Supplier Code of Conduct*

All of these suppliers have adopted our applicable Supplier Code of Conduct (see below for further details on the Longson Supplier Code of Conduct). Signed (and updated) agreements to be bound by the Code was provided by all suppliers during 2022.

#### *Third-party certification*

All four suppliers provide products that are third-party certified by OEKO-TEX. Additionally, one supplier is also certified by the Better Cotton Initiative (**BCI**) and the Global Organic Textiles Standard (**GOTS**). Another supplier is also certified under the Global Recycled Standard (**GRS**).

#### *Company ownership characteristics*

A final positive characteristic of these long-term cotton suppliers is that two out of the four companies are majority owned by women.

Whilst the production of certified organic cotton does not, of course, provide any kind of definitive assurance that the raw material phase is free from modern slavery, it has been the consistent findings of AAG Group that attempts at improving overall supply chain transparency are far more fruitful when dealing with organic versus non-organic cotton inputs.

For example, all purchases of GOTS products (including those where both the buyer and seller is a Chinese company) are accompanied by a Transaction Certificate that requires:

- a declaration that the product has been produced in accordance with the GOTS standards; and
- details of the origin (country and region – e.g Maharashtra, India) of the certified organic product.

As global awareness and opposition to Uyghur forced labour and similar concerns relating to modern slavery risk has increased, it has been AAG Group's experience that raw material suppliers are seeking to provide greater levels of disclosure and assurances relating to the source origin of their products. For example, a significant shipment of US-grown, BCI-certified cotton that ultimately formed part of AAG Group's direct supply chain in the reporting period included the express declaration / certification that:

“We hereby confirm that the raw cotton we have been using at our three companies is many from USA, Brazil and India and we have not and will not use XingJing [sic], Uzbekistan and Turkmenistan cotton.”

### **Living Wage Audit of our Factory**

In partnership with one of Australia's leading activewear providers (to whom we are long-term primary supplier), AAG Group has responded to the increasing call, particularly from human rights public interest groups, to actively promote the payment of living wages to workers. We recognise that to combat the vulnerabilities of workers in the industry, apparel manufacturers such as the Group have a key role to play in ensuring that employees are being remunerated in a manner that allows them to afford a decent standard of living.

We support the Global Living Wage Coalition's widely accepted definition of a living wage as referring to:

*“The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent*

*standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”*

We also recognise that the right to a living wage is supported by key international instruments including the *UN Declaration of Human Rights*, *ILO Preamble*, and the *Rules for ILO Constitution* and *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*.

Therefore, a key 2022 initiative was actively participating in a living wage audit for the Zhejiang province in China, which was conducted by external subject matter experts engaged by our key retail partner. The goal of the audit was to provide active assistance to our retail partner and the consultant to determine whether workers in our factory are being remunerated in accordance with the applicable living wage.

The living wage for the region was calculated using the following types of expenses, which related specifically to Ningbo (where possible):

- Food costs per month for a single worker.
- Rent for an acceptable house
- Utilities
- Minor repairs
- Clothing & footwear
- Education
- Healthcare
- Transport
- Communications
- Recreation and culture
- Emergency funds
- Additional funds for family assistance

The audit made the following findings:

- **All workers** in the factory are being paid at an applicable rate that **slightly exceeds** the calculated living wage for the region. The calculated excess margin between the applicable living wage and the amount being paid is approximately 5 Yuan per hour (calculated on an hourly rate basis).
- The applicable (legally-mandated) minimum wage for workers in our factory is lower than the calculated living wage. Accordingly, we have committed to ensuring that our entire workforce is also paid, and continues to be paid, a living wage.

The following areas in relation to remuneration practices at our factory are subject to ongoing assessment and monitoring:

- Fixed compensation is achievable without the need to work an excessive number of hours;
- Payroll processes deliver employees' full pay correctly and on time, every time and
- No issues of unequal pay between workers based on gender.

The Group is committed to ongoing monitoring of the wages of our workers. We are currently in the process of arranging our first standalone living wage audit of our Ningbo site, to build on the earlier progress of our retail partner. We anticipate being in a position to report on the results of this subsequent living wage audit in our next Statement.

Further information on the methodology for the living wage audit of our factory is set out in the Appendix to this Statement.

### **Operational Due Diligence - Annual Factory Audit**

During the reporting period, our Ningbo manufacturing facilities were subject to the periodic WRAP-auditing process by an approved social compliance program addressing the key Ethical Trade Initiative (ETI) principles.

This audit process involved on-site inspections of the factory and interviews with workers, comparing the working standards against the 12 core principles of social compliance organisation Worldwide Responsible Accredited Production Certification (WRAP):

1. Compliance with laws and workplace regulations.
2. Prohibition of forced labour.
3. Prohibition of child labour.
4. Prohibition of harassment and abuse.
5. Compensation and benefit.
6. Hours of work.
7. Prohibition of discrimination.
8. Health and safety.
9. Freedom of association and collective bargaining.
10. Environment.
11. Customs compliance.
12. Security.

The following table outlines the key issues identified by the audit, benchmarked against the key WRAP principles:

<b>WRAP Principle</b>	<b>Audit issue identified and corrective action taken</b>
Workplace regulations and laws	The factory had not informed security guard sub-contractors about local labour law obligations.  The facility has rectified this issue following the audit.
Hours of work	Based on random employee interviews, reports indicated that a segment of workforce may have exceeded the maximum permissible amount of overtime hours under local labour laws.  Corrective action plan issued and supplier subject to monitoring by WRAP auditor.
Customs compliance	Based on observation of the auditors, the facility did not update their machine inventory annually.

	This finding was corrected, with the machine inventory updated prior to the follow up audit.
--	--

We implemented corrective action plans to remedy the issues identified through the WRAP audit process and satisfactory outcomes have been achieved in all areas.

**Internal Governance and Policies**

At AAG Group, we believe that the value of policies lies only in the ability to bring about positive changes ‘on the ground’ in our operations, supply chains and, particularly, the most vulnerable members of these workforces. Our focus is on practical impact, not ‘pretty’ rhetoric and symbolism.

Our cornerstone policy document from a modern slavery risk mitigation perspective is the Longson Supplier Code of Conduct (the **Code**).

The Code:

- expressly prohibits the direct and indirect use of all forms of child and forced labour;
- requires suppliers to ensure their businesses are free from all recognised forms of modern slavery including prison labour, bonded labour and deceptive recruitment practices; and
- requires suppliers to respect full freedom of association for all employees and not engage in any form of employee harassment, abuse or intimidation.

All of our key suppliers are required to, and have, provide written confirmation that they agree to bound by the Code.

The WRAP Management Manual also contains relevant and applicable policies and procedures relating to addressing modern slavery issues. To maintain our ongoing WRAP certification, strict adherence to these policies and procedures is required.

As previously reported, our Modern Slavery Policy was adopted by AAG’s Board of Directors in June 2021.

**Worker grievance and complaint procedures**

Our Ningbo factory facilities feature an operational, site-specific, worker grievance mechanism. This mechanism allows all supply chain workers at the factory to make anonymous complaints using a QR code. Posters with the details of the QR code are displayed throughout the factory and, including at the entrance.

The mechanism has received a total of 87 complaints as of 31 December 2022. None of these complaints concern issues relating to modern slavery risks but instead related to more general workplace issues, such as food selection at the on-site canteen, department allocations for

certain workers, management styles, complexity of assigned sewing tasks and quality of sewing machinery. This demonstrates that the grievance mechanism is accessible and useable for workers and there does not appear to be any internal or external impediments (such as undue pressure from supervisors) preventing its free use.

### **Internal Training and employee awareness**

AAG Group's standard employee handbook specifically addresses a range of issues relating to modern slavery risks.

Training on modern slavery issues occurs as part of the induction process for new employees.

### **Industry Collaboration on Addressing Modern Slavery**

As noted above, a focus of modern slavery due diligence during the reporting period was collaborating with one of Australia's leading activewear providers (to whom we are long-term primary supplier) for various onsite audit activities. In connection with this focused, on-the-ground, due diligence of our Chinese facilities, this procurement partner, in turn, engaged with the leading global human rights advocacy group, Oxfam, in furtherance of the joint commitment to wage review of our factory workers (described above).

This key procurement partner was top-ranked on the Oxfam Naughty or Nice list for upholding the commitment to conducting and publishing the wage gap analysis in relation to our Ningbo factory facilities.

**PART FOUR: Measuring the effectiveness of our response, consultation with controlled entities & other relevant information**

AAG Group frankly acknowledges that the development of a formal ‘measuring effectiveness’ framework is an area of our formal modern slavery response that is currently lacking and remains under development.

However, in practical terms, AAG Group is to continually ensure that our modern slavery risk mitigation framework remains active and up-to-date as part of maintaining ongoing WRAP certification on a year-on-year basis.

With the exception of operationalising a formal ‘key performance indicator’ framework, the foreshadowed measures in our previously lodged modern slavery statement have all been (and continue to be) fully implemented, including:

- Strengthening our due diligence assessment of identified high risk areas, particularly textiles supply chains
- Building expertise among our employees to better identify and respond to modern slavery risk indicators
- Ongoing review and updating of our policies and procedures to further embed management of modern slavery aspects in our standard form documents

AAG Group has consulted with its subsidiaries and controlled entities in the preparation of this statement, and throughout the reporting period, to ensure that our modern slavery risks are being assessed and addressed across the entire Group entities.

AAG Group is currently well-advanced in the process of seeking to attain B-Corp certification, in addition to our existing (and longstanding) WRAP Certification. We expect to be in a position to report on the final outcome of this initiative in our next Statement.

## **APPENDIX**

### **Living Wage Audit Methodology of workers at our Ningbo Factory Facilities**

As we reported above at Part Three, we welcomed the living wage audit that was carried out on our primary factory in Ningbo, Zhejiang province, China in June 2022 by one of our key retail partners.

The below additional information outlines the methodology of this audit:

- The living wage was calculated on the assumption of a single worker living and working in the specific city.
- In determining the type (and associated cost) of foods eaten, a standard healthy diet was selected based on a combination of the World Health Organization's sample adult diet and the Chinese Nutrition Society.<sup>1</sup> The recommended standard diet (and associated cost) was based upon a single adult worker.
- Dietary information was also cross-referenced with information from China's *National Bureau of Statistics* relating to household consumption of certain food groups in an effort to represent the selected food groups in a manner that is broadly consistent with general food consumption habits throughout China. The quantities attributed to each food category was also cross-referenced with a peer-reviewed study on the living wage in Shenzhen, China.
- In terms of calculation of overall expected food costs, 30 days (rather than the 20.8 working days/month) was selected as workers must eat every day of the month, including outside of working hours. No variation was allowed for in relation to potential differences in caloric intake on working versus non-working days.
- The cost of beans, cooking oil, sugar and tea was regional. No publicly available data for the specific region was available.
- The subject factory has a program of providing on-site food for all of its workers. A deduction in the necessary funds required by workers to reflect this program was applied.
- Housing costs were based on publicly available rental data for Ningbo city. The sample house for this purpose was a one-bedroom apartment located a reasonable distance outside of the city centre (as this is relatively cheaper than apartments in the city centre). These dwelling characteristics were also selected based on the assumption that the sample worker is living alone.
- Utility costs were also based on publicly available data for Ningbo.
- A five per cent (5%) margin was allocated to represent the ongoing expense of minor repairs. This was calculated from the utilities cost as publicly available data on utilities only included the cost of electricity, cooling, water, heating and garbage.

---

<sup>1</sup> <https://www.fao.org/nutrition/education/food-dietary-guidelines/regions/countries/China/en>;  
<https://www.who.int/news-room/fact-sheets/detail/healthy-diet>



- There was minimal publicly available data on the average cost of basic clothing and footwear required for a single worker. Instead, per capita annual expenditure of private households in China (2020) was used. According to this data, approximately 1,703 yuan was spent on clothing and footwear in the Zhejiang region.
- Employee healthcare contributions are also part of social insurance in China and has been accounted for with a 2% deduction for calculating the net living wage figure.
- For transport, it was assumed that workers do not live within walking distance of the factory, but rather travelled to and from work each day via public transport. The figure for transport was set at the cost of a monthly pass in Ningbo.
- Estimated monthly communication costs were derived in relation to internet usage, without allowance for the upfront costs of device/handset acquisition.
- Internet messaging apps that are popular in China include WeChat, QQ and Momo. Accordingly, internet connection costs were prioritised as the likely main form of communication (and associated expense).
- In determining the share to attribute to recreation and culture, data was used from the Chinese National Bureau of Statistics. The Per Capita Consumption Expenditure of Households by Region (2020) provides a breakdown per region of relative consumption of such activities.<sup>2</sup> The expenditure for ‘education, culture and recreation’ was then divided in half (50%) to account for the fact that only ‘recreation and culture’ was the focus.
- An additional 5% of the total net living wage has been added to account for Additional Funds for Emergency.
- Family ties in China are culturally significant, including the provision of material assistance to parents, (including those living in a different city/region). An additional 5% figure was attributed for this aspect of the living wage.
- National taxation rates on personal income were used to estimate the amount of monthly tax payable.
- Annual taxable income in China is set at 3% for annual taxable income between 0 to 36,000 yuan and 10% for between 36,000 and 144,000.<sup>3</sup>
- The key social insurance rates for China focused on in calculating the gross living wage were pension (8%), medical (2%) and unemployment insurances (0.5%).<sup>4</sup>
- Mandatory deductions for tax and insurances (pension, medical, and unemployment) were applied to determine the applicable figure for ‘net’ living wage, initially calculated on a monthly basis.
- The following fixed parameters were applied, including applicable Chinese labour and workplace regulations:

---

<sup>2</sup> <http://www.stats.gov.cn/tjsj/ndsj/2021/indexeh.htm>

<sup>3</sup> <https://taxsummaries.pwc.com/peoples-republic-of-china/individual/taxes-on-personal-income>

<sup>4</sup> <https://taxsummaries.pwc.com/peoples-republic-of-china/individual/other-taxes>

- Average number of working days per month in China is 20.8.
  - Standard work day in China is 8 hours, with a standard work week of 40 hours
  - For the purposes of the living wage, overtime is not considered as workers need to receive a living wage in standard work hours rather than overtime.
- 
- The estimated living wage as an hourly rate was calculated. The calculated monthly living wage was determined by simply dividing the average working days per month (20.8), further divided by the average hours of work per day (8 hours).