



## **Adairs Limited 2020 Modern Slavery Statement**

### **About Adairs**

Adairs Limited (the Company) is a publicly listed company and Australasia's largest omni channel specialty retailer of home furnishings and home decoration products. The company employs over 2,000 team members and owns and operates two businesses, Adairs and Mocka:

- Adairs is a leading specialty retailer of home furnishings in Australia and New Zealand with a national footprint of over 165 stores across a number of formats and a large and growing online channel.
- Mocka is pure-play online home and living products designer and retailer operating in Australia and New Zealand.

Both businesses are vertically integrated, design led, customer focused, and sell quality in-house designed product direct to customers in Australia and New Zealand. The Company operates out of a number of distribution centres (DC's) and contracts with third party logistic providers (3PL's) who assist in distribution as well as DC operations. Adairs Limited's head office is in Melbourne, Australia.

Unless stated otherwise, references to Adairs in the following sections of this Statement are a reference to Adairs Limited.

### **Modern Slavery**

Modern slavery describes situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom. Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, and the worst forms of child labour.

Adairs is pleased to provide this 2020 Modern Slavery Statement, which has been prepared by the Company and describes the steps taken by it to minimise the risk of modern slavery occurring throughout its business and supply chains.

### **The Risks**

Sourcing products is an important part of the Adair's business. The Company currently sources its products from a range of countries, the largest of which are China, India, Bangladesh, Vietnam and Indonesia. Adairs is always looking for new sourcing opportunities that meet its high standards and which allow it to continue to provide its customers with high quality products that both delight and inspire.

Adairs recognises the importance of ensuring that no modern slavery exists in its supply chain and across its business. This begins with a clear understanding of the risks that may be prevalent across its entire business operations including its sourcing model. In [2020] Adairs engaged industry experts with an ethical sourcing specialisation to undertake a Modern Slavery Risk Assessment across the Company's entire business, including sourcing markets and supply chain. This assessment is being used to identify and focus on areas requiring the greatest attention.

Adairs requires all of its Tier 1 factories to supply a current Social Compliance Audit, completed by an independent and appropriately qualified party. These audits involve worker interviews in both a group and individual settings by experienced specialists who have the knowledge and skill to identify any weaknesses or problem areas.

Adairs also undertakes in person factory visits across the supply chain. These are conducted by members of the Product, Management and Risk & Compliance teams and are an important step in the modern slavery investigation process. During COVID-19, the ability for Australian based teams to travel was significantly reduced and later stopped, requiring new strategies and processes to manage our supply chain and ensure our risk programs were maintained.

In addition to factory audits and visits, Adairs utilises tools such as Grievance Mechanisms and confidential Whistle-Blower hotlines. These tools enable the Company to further identify where it may inadvertently cause, contribute or be linked to potential risks of modern slavery across our business operations, including our supply chain.

Supply chains are complex structures, particularly when they cross country borders and involve multiple levels of suppliers and sub-contactors across the production process. These complexities raise the risk of modern slavery. To mitigate and protect against unethical practices in areas such as labour recruitment, unskilled labour and seasonal work, Adairs has developed a supplier Code of Conduct which all suppliers are required to sign up to and which includes strong governance requirements to protect against these risks.

A supplier will often be required to sub-contract production to other factories at arms-length to our operations for activities or finishes the supplier may not be able to provide. Given the practical limitations on Adairs having direct management of, or involvement in, the lower levels of its supply chain, the Company places the onus for managing subcontractors on all aspects of its Code of Conduct on its upstream suppliers. These suppliers have a direct relationship with the relevant sub-contractor and are expected to visit sub-contractor factories frequently to monitor and ensure compliance with the Adairs Code of Conduct and the Company's business expectations at all times. Adairs recognises that the risks of modern slavery increases the further downstream an operation exists within its supply chain. Regardless of where a sub-contractor sits in the Adairs supply chain the Company seeks to have all sub-contractors identified and approved by it before any sub-contracting work can commence.

At times the Adairs sourcing model requires our suppliers and sub-contractors to engage deeper levels of the supply chain for activities such as purchasing fabrics or materials. Adairs recognise this raises the potential risk of modern slavery as suppliers effectively act on the Company's behalf when undertaking these activities. To counter this risk the Company continues to build on work already done to achieve complete supply chain transparency, and therefore be able to provide the appropriate level of governance and support across all stages of production. It is only by achieving this transparency and governance framework that Adairs can protect workers at all levels of its supply chain against modern slavery.

#### **Actions Taken**

Adairs first step in taking action to eradicate potential modern slavery from its end-to-end supply chain was to identify and understand its modern slavery risks. Using external resources, Adairs undertook a business-wide Modern Slavery Risk Assessment. This assessment looked at the Company's entire business operations, its product categories and sourcing countries to identify where the highest modern slavery risks existed.

Ensuring suppliers and sub-contractors are aware of their obligations and expectations is key to eradicating modern slavery and as such, Adairs has aligned its expectations to industry and global standards through new supplier documents including an updated Supplier Contract, Code of Conduct and Supplier Policies including a business Modern Slavery Policy. The Risk & Compliance team has visited sourcing markets and met suppliers (including those considered high risk) face to face to roll out the updated Code of Conduct document. The Code of Conduct has been translated into local languages and follow up calls have been made to ensure there is complete understanding of the supplier expectations and responsibilities.

Through the risk assessment process, Adairs identified the need to strengthen our onboarding process and have since implemented a new robust onboarding program for all new suppliers and subcontractors. This now includes reviewing their current social compliance audit, a factory assessment including independently taken pictures and, where possible, a visit by a product team member before being approved. To further strengthen this process, the onboarding process is carried out and assessed by the Risk & Compliance team who operate at arm's length from the product team, allowing an additional independent assessment of the factory and risk factors before onboarding is approved.

Supply chain traceability, where a company is able to track the provenance and journey of its products and their inputs, from the very start of the supply chain through to end-use is a key element in managing modern slavery risk. Adairs has commenced its Traceability program with the goal of knowing 100% of all factories, facilities and inputs used in its supply chain. Currently, the Company know 100% of its Tier 1 factories and have commenced working to understand Tiers 2-4, however this is a longer-term program and will take several years to complete. To support this, Adairs has invested in additional resources within its Risk & Compliance team whose role is to manage this process as part of the greater social compliance program. Adairs is committed to tracing all stages of production across its supply chain and built into its Supplier Contracts the requirement that all suppliers disclose this information to it in a comprehensive and timely manner.

In addition to establishing clear governance and supplier expectations, Adairs has worked on a number of internal initiatives to further eradicate the risk of modern slavery from our supply chain. This includes a number of programs involving both internal

and external specialist providers to ensure that all elements of our approach are clearly understood by relevant team members. These initiatives include:

- Holding face to face internal training sessions on responsible sourcing and modern slavery risk identification (how to identify);
- Creating a Supplier Training Manual to assist suppliers and subcontractors understand our expectations;
- Holding regular (weekly/monthly) calls with suppliers to discuss matters including ethical risk mitigation

Over the last year, Adairs commenced consolidating its supplier base to assist in reducing the risk to our business. This decision was not taken lightly and where required, the Company has worked with impacted suppliers to ensure workers were protected. This consolidation program had regard to both risk and volume, allowing Adairs to become more important to a smaller number of suppliers, which in turn gives Adairs greater ability to drive and influence change across its supply chain.

Adairs has also continued to strengthen and improve its social compliance audit program over the last year. With focused resources now in place, the Company is in the process of developing a more robust program to independently assess our suppliers and their factories. Suppliers are required to submit an external audit report within their audit frequency window which is then assessed by the Risk & Compliance team. Adairs is committed to ensuring any required remediation identified by the audit is undertaken and works hard to support and maintain its business relationships during the remediation process where possible.

COVID-19 had a significant impact on Adairs social compliance program in 2020 with factory closures and auditors not able to access factories to undertake the required audits for a period of time. As a result, the Company has extended some social compliance audit due dates. The Company has however continued to maintain a regular dialogue with its suppliers through daily/weekly conference calls to ensure adherence to both Adairs and local government requirements regarding workers, hours, payments and any potential production issues as they occurred so that these could be resolved in a timely and collective manner.

Adairs believes every worker must have the right to freedom of association and so has worked with its suppliers to implement a number of expectations to protect workers in this area, including that every factory must have an internal workers representative group or committee, elected by the factory workers and with a majority of workers on the committee. These committees must be independently elected and managed.

Adairs believes that having a voice and being able to raise concerns should not be limited to workers, and actively encourages its suppliers to also provide open and honest feedback back to Adairs when the behaviour of Adairs or a team members does not meet its own standards or expectations. While suppliers may be hesitant to speak up, Adairs works hard to provide safe opportunities for this dialogue to ensure our team member behaviours align to our Ethical Sourcing Policy.

In the year ahead Adairs aims to further reduce its business risk by lowering the number of independent Tier 2-4 facilities used in the production of its products. The Company is also looking at how it reports on its social compliance program both internally and externally to better share our social compliance efforts and outcomes.

Adairs takes the management of its Social Compliance and Modern Slavery governance programs very seriously. The Risk & Compliance Manager who carries overall responsibility for both programs reports directly to the Board on a quarterly basis. If any case of potential modern slavery is identified there is a requirement that it be raised both with senior management and the Board. Where a potential case is identified, the Modern Slavery Policy is immediately followed which includes a clearly defined remediation program that always places the worker as the primary stakeholder.

### **Assesses Effectiveness**

To ensure the measures and governance that Adairs has implemented to eradicate the risk of modern slavery in our supply chain are effective, the Company utilises a number of tools to assess and where required, make adjustments to its program. This includes reviewing areas such as the entire auditing program, its risk assessment framework and the social compliance auditing results. Adairs also undertakes a detailed review of its audit report to look at specific modern slavery and freedom of association outcomes as well as worker interviews and auditor feedback. Ultimately, given the extensive policy and procedural safeguards we have sought to put in place, it is the number of cases identified that is the best indicator as to whether our strategies to eradicate the risk of modern slavery are working or not.

## **Consultation**

This Modern Slavery statement has been developed after extensive collaboration and ongoing discussions with the senior management team of both the Adairs and Mocka businesses. This included the business wide Modern Slavery Risk Assessment on both businesses and working together to assess and gauge the risk of modern slavery. Both businesses operate under the one Code of Conduct document and so are aligned with suppliers.

## **Other (COVID-19)**

COVID-19 has had a significant impact across the world and Adairs has not been immune to the challenges that COVID-19 produced. The Company has followed all state and federal government requirements to protect our employees and customers during the lockdowns, however it also recognised that its responsibilities didn't end there. Understanding the impact of COVID-19 on its suppliers and their subcontractors was also very important as the Company sought to ensure it protected the team health and well-being of these key business partners during this time.

Adairs worked with its suppliers to ensure they also adhered to all government requirements and paid their workers the required wages on time during the period of impact. Reviewing product orders was an important step in managing our stock flow and while the Company did phase some orders to later in the year, it did not cancel any orders where production had already commenced. At all times, Adairs collaborated with our suppliers to achieve mutually beneficial outcomes for both parties.

Further details on our full COVID-19 response can be found here:

[www.adairs.com.au/corporate/covid-19-adairs-response/](http://www.adairs.com.au/corporate/covid-19-adairs-response/)

## **Approval**

This Modern Slavery Statement was approved by the board of Adairs Limited on the 23<sup>rd</sup> of February 2021.

A handwritten signature in black ink, appearing to read 'Brett Chenoweth', with a stylized flourish at the end.

Brett Chenoweth

Chairman

This Statement and all other publicly available Corporate Governance documents relating to Adairs may be found on the company's investor relations website as follows:

[www.investors.adairs.com.au/Investors/](http://www.investors.adairs.com.au/Investors/)