

A woman with glasses and a dark zip-up jacket is smiling in a factory. The background shows industrial machinery and bright lights.

MODERN SLAVERY STATEMENT

2019—2020

ADAN™

1.

A MESSAGE FROM OUR CEO

I am pleased to share our first Modern Slavery Statement. At Australian Defence Apparel (ADA), we support the right for all individuals to live and work freely and are committed to ensuring we source our materials and products sustainably, responsibly and ethically.

Our mission is to provide a solution-focused experience from design to delivery that enhances our customer experience and through this, recognise that the decisions we make through our supply chain can significantly affect the livelihood of people and communities throughout the world.

Modern slavery is the exploitation of people through means of recruitment and any form of slavery practice, including human trafficking, forced labour, debt bondage, child labour and other abuses of fundamental human rights, that are unacceptable and have no place in our supply chain.

This statement outlines the steps we are taking to tackle the issue of modern slavery. The International Labour Organisation (ILO) estimated that more than 40 million people were victims of modern slavery in 2016, including almost 25 million workers trapped into forced labour.

We recognise that we have a responsibility to play our part in the efforts to eradicate modern slavery. Our approach focuses on understanding the complexities of modern slavery and continually improving our processes to prevent its occurrence. We work in partnership with our suppliers and their business partners, our customers and other stakeholders to work to eliminate modern slavery from our supply chains.

We are continuing to assess and address the risk of modern slavery and recognise it is up to all of us to work together to create change in global supply chains.

This, our first Modern Slavery Statement has been developed in accordance with the Commonwealth *Modern Slavery Act (Cth) 2018* and outlines the actions we have taken and the commitments we have made throughout the reporting period for the year ended 31 May 2020.



Chris Dixon
Chief Executive Officer,
Australian Defence Apparel Pty Limited

This Modern Slavery Statement 2019-2020 was approved by ADA's Board of Directors on 23rd February 2021.



2.

STRUCTURE OPERATIONS & SUPPLY CHAIN

ADA is a leader in the development, manufacture, distribution and on-going management of bespoke uniforms, load carriage and protective personal equipment solutions for Defence, government entities and corporates.

ADA is also a re-seller of third-party, commercial off the shelf (COTS) products to law enforcement, security and military personnel.

ADA employs 285 people across Australia and New Zealand. Operations are headquartered in Melbourne, with satellite sales offices in New South Wales, Queensland, South Australia, and the ACT.

ADA is a key part of the Logistik Unicorp group (Logistik), a Canada-based operation which provides uniform management services to both commercial and defence industries and employs around 1,200 people worldwide.

ADA manufactures garments through both local and offshore supply chains:

- Local production is sourced from ADA's clothing factory in Bendigo, producing combat uniforms and firefighting ensembles.
- Offshore production is sourced from a factory operated by Logistik in Vietnam.
- Additional local and offshore production needs are serviced through a network of subcontract manufacturers.

ADA worked with a total of 315 suppliers of finished goods (FG), raw materials (RM) and services with a total spend of almost \$100 million over the reporting period. Whilst the supply of all goods and services has a risk of modern slavery, there are some industries and countries where the risks to basic human rights are greater¹.

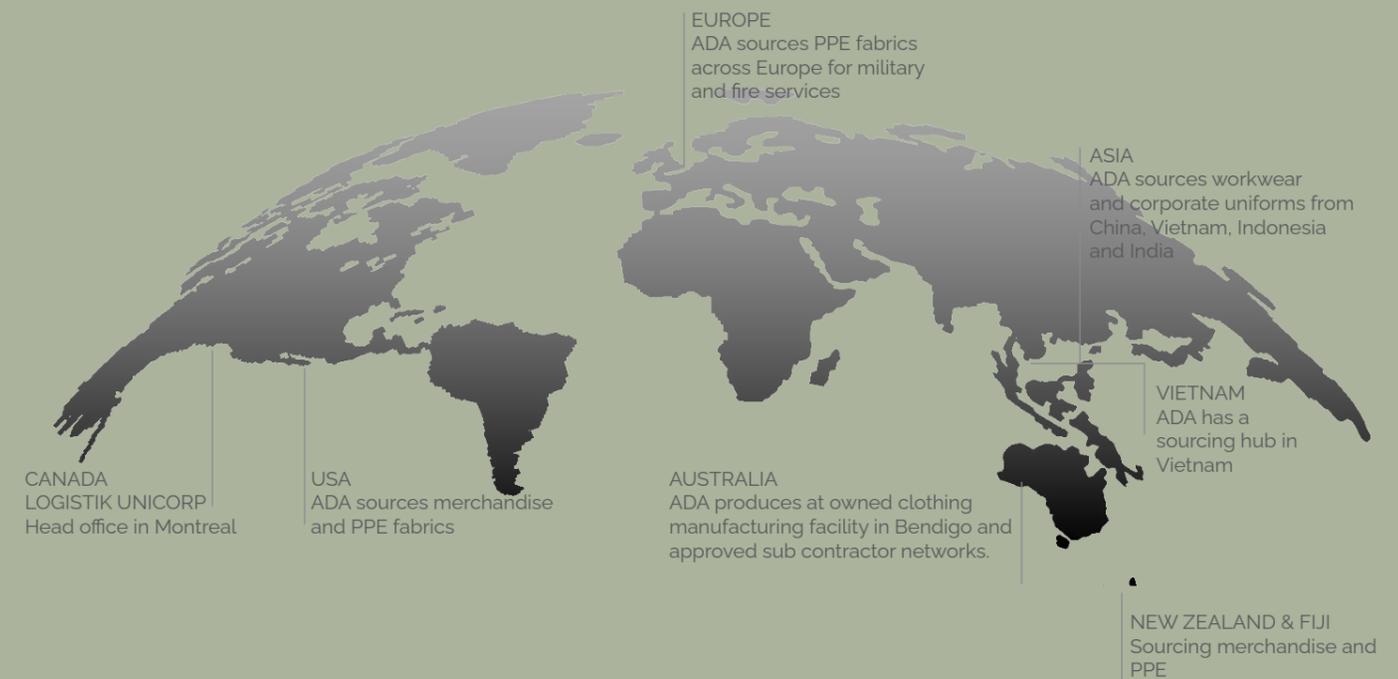
During the reporting period, ADA conducted a risk review of suppliers and identified that two substantial categories in our procurement spending carry the largest risk to modern slavery within ADA's supply chain, those being the supply of finished goods and raw materials which make up 58% of our total suppliers (by number) and 96% of ADA's total inventory spend. For this reporting period, this is where our due diligence has been focused.



Global supply chain

Our network of Tier 1 suppliers is located within Australia and offshore, predominantly in Asia, but also in Europe and America. Offshore suppliers include garment manufacturers, fabric and trim producers, and accessories.

ADA's Tier 1 suppliers of finished goods and raw materials are located across Australia, Asia, North America, Europe and New Zealand. 32 percent of suppliers (by spend) are in Asia, which poses a higher potential risk¹, and we prioritised these suppliers for review during the reporting period.



Supplier spend by geographical region



1. As identified by the Global Slavery Index - <https://www.globallslaveryindex.org/2018/data/maps/#prevalence>

3.

RISKS

ADA recognises that the potential for modern slavery exists in both our local and offshore supply chains.

Country of manufacture and product sector all need to be considered in the assessment of modern slavery risk. Contributing factors such as weak protections for workers' rights, political conflict and instability combined with socio-economic factors such as widespread poverty and non-ratification of conventions prohibiting forced labour can increase a worker's vulnerability to modern slavery.

Within Australia, outworkers are at an increased risk of exploitation. Many are migrant women who come from non-English speaking backgrounds and are not fully aware of their legal rights and entitlements. There is the potential that these outworkers will work long hours and not receive the legal award rate of pay superannuation or personal leave.

They may also be more susceptible to work-related injuries due to poor working conditions that are not adequately regulated by occupational health and safety standards.

Offshore workers may be located in areas where the national laws to protect them are inadequate or poorly enforced, with corruption hindering any improvements of workers' rights and conditions. Forced labour is an issue in many regions where individuals are held in debt bondage, and the potential for child labour exists in areas of high poverty.

4.

RESPONDING TO THE RISKS OF MODERN SLAVERY

ADA has developed a risk-based process to prevent and mitigate modern slavery risks across the supply chain. ADA has addressed these risks by building internal capability and due diligence.

1

Building internal capability

ADA has developed policies and processes, supported by the delivery of training to build significant internal capability in managing the risks of modern slavery.

Policies and processes:

ADA has documented policies and procedures that establish controls and a framework for managing broader human rights and the risk of modern slavery within our business and supply chain.

Policy	Purpose
Code of Conduct	To provide guidance of the behaviours ADA expects of its Directors and employees
Ethical Sourcing Policy	To emphasise the importance placed on building long term relationships with suppliers that promote and support ethical practices within Australia and offshore. It outlines our expectations to Tier 1 suppliers (both local and overseas) of ADA's requirement that they meet the eight fundamental human rights conventions identified by the International Labour Organisation (ILO) ²
Anti-bribery and Corruption Policy	To ensure neither ADA, nor its employees or agents, engage in any corrupt business practices within Australia or overseas.
Whistleblower Protection Policy	To provide a mechanism for the reporting of any instances of suspected illegal, immoral, or fraudulent practices involving ADA business processes, whilst providing protection and measures so that anyone making a report can do so confidentially, without fear of reprisal.
Conflict of Interest Policy	To ensure employees and others acting on ADA's behalf understand the requirement that they must be free from conflicts of interest that could adversely influence their judgment, objectivity, or loyalty to the company in conducting ADA business activities.

Training and capability:

Training of ADA personnel was a priority to raise awareness of modern slavery risks. All members of the Compliance and Procurement teams underwent training to assist them to:

- Understand the risks of modern slavery
- Identify any indicators of modern slavery when dealing with their supply contacts
- Develop responses in instances where any identified or increased risks were reported.

Increasing employee awareness and providing tools to enable risks to be reported encourages proactive liaison with suppliers to address modern slavery risks.

Our capability to manage modern slavery was enhanced by:

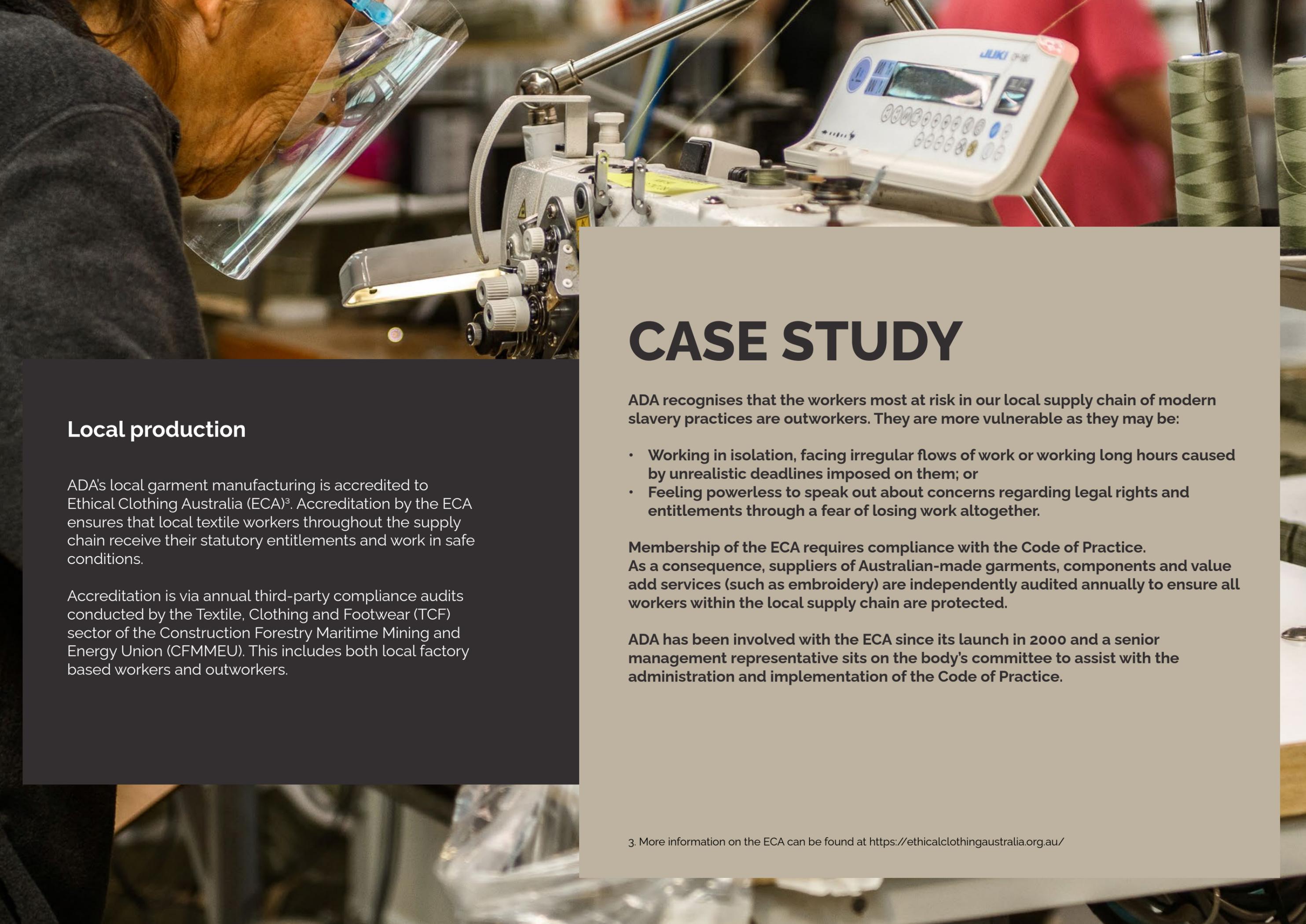
- Improving resources of our Compliance team to give additional focus on supplier responses and any issues raised through the ethical audit process.
- Collaborating with industry peers and non-government organisations to understand leading practices and explore future opportunities for improvement within our own practices.
- Assisting suppliers with operations in high-risk countries to work towards and achieve ethical certification.

2 Due diligence

Diligent appraisal of suppliers and their practices is key to managing modern slavery risks. A supplier assessment questionnaire was rolled out to 100 Tier 1 suppliers during the reporting period to enable assessment of modern slavery risks in the supply chain.

The process is continually refined as we learn more about our supply chain, and the key drivers and root causes of modern slavery.

2. <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/>



Local production

ADA's local garment manufacturing is accredited to Ethical Clothing Australia (ECA)³. Accreditation by the ECA ensures that local textile workers throughout the supply chain receive their statutory entitlements and work in safe conditions.

Accreditation is via annual third-party compliance audits conducted by the Textile, Clothing and Footwear (TCF) sector of the Construction Forestry Maritime Mining and Energy Union (CFMMEU). This includes both local factory based workers and outworkers.

CASE STUDY

ADA recognises that the workers most at risk in our local supply chain of modern slavery practices are outworkers. They are more vulnerable as they may be:

- Working in isolation, facing irregular flows of work or working long hours caused by unrealistic deadlines imposed on them; or
- Feeling powerless to speak out about concerns regarding legal rights and entitlements through a fear of losing work altogether.

Membership of the ECA requires compliance with the Code of Practice.

As a consequence, suppliers of Australian-made garments, components and value add services (such as embroidery) are independently audited annually to ensure all workers within the local supply chain are protected.

ADA has been involved with the ECA since its launch in 2000 and a senior management representative sits on the body's committee to assist with the administration and implementation of the Code of Practice.

3. More information on the ECA can be found at <https://ethicalclothingaustralia.org.au/>



Offshore production

Offshore factories are evaluated for certification to ethical standards (e.g. SA8000 or WRAP). Where suppliers have undergone third-party ethical audits (e.g. SMETA or BSCI), audit reports are requested and reviewed for any non-conformances or concerns raised.

If suppliers do not have ethical audit reports available, their risk profile is assessed based on the country where they are located and their responses to a supplier assessment questionnaire, focused on the ethical requirements of SA8000.

Depending on the risk level determined, a request may be made for additional information and/or a visit from an ADA representative to ensure that the requirements of ADA's Ethical Sourcing Policy are being met.

If a case of modern slavery is suspected (either locally or offshore) ADA will work with the factory concerned to improve the areas of non-compliance. Local industry bodies, trade unions or law enforcement agencies may also be contacted to reach an outcome that would be the safest for the victim concerned. If the response is inadequate and/or the supplier refuses to address the issue, ADA will seek an alternative supplier as a last resort.

CASE STUDY

Ethical audits for overseas suppliers were received and reviewed by the Compliance and Purchasing teams. In each instance there were no cases of modern slavery identified.

Responses to a limited number of supplier audits noted instances of excessive overtime worked by factory workers. It was established that all overtime worked was paid at the correct rate and the suppliers were required to implement a process to ensure additional overtime hours were not required on a regular basis.

ADA has also reviewed its own processes to ensure that it does not have an adverse impact on supplier's labour management practices.

5.

IMPACTS OF COVID-19

ADA has been monitoring how the risks of modern slavery have been affected by the response to the COVID-19 pandemic. Border closures and travel restrictions have impacted migrant workers both locally and overseas, leaving people displaced and without the government assistance provided to residents. Locally we have been able to monitor this through our certification with Ethical Clothing Australia, ensuring that any outworkers used by our sub-contractors are compensated appropriately.

Due to the pandemic, plans to travel to and audit additional overseas suppliers by our purchasing team were curtailed after February 2020. However, we were still able to work with key suppliers to complete our supplier assessment questionnaires and identify any key areas of concern. Ethical audits conducted by local auditing bodies were still able to take place, allowing for any local government restrictions.

Locally, our office-based employees were able to work from home, whilst our warehouse and Bendigo factory were able to operate uninterrupted under a COVID-safe plan and maintain supply to our customers⁴.

During the extraordinary circumstances related to COVID-19, we remained focused on providing critical customer requirements to those on the frontlines in healthcare and other essential services, while taking measures to keep workers – both in our operations and supply chain – safe.

Our experience during COVID-19 has highlighted the value of having robust business continuity plans. In the event COVID-19 continues to disrupt our audit plans, the use of virtual audits will be considered. ADA will continue to evaluate guidance and tools, such as SEDEX and governing bodies initiatives such as Better Factories Cambodia⁵ or Better Work Bangladesh⁵, to manage the impact of COVID-19 on workers in our operations and supply chain and implement as appropriate.

4. As required by the Victorian State Government

5. Better Factories Cambodia and Better Work Bangladesh are partnerships between the ILO and the Internal Finance Corporation (IFC) <https://betterwork.org/where-we-work/cambodia/>

6.

EFFECTIVENESS OF OUR ACTIONS

During the current reporting period ADA worked to develop a baseline assessment of our current response to modern slavery risks. This will be established through a range of methods to track the effectiveness of our controls and will be monitored through the measurement of:

- ✓ The number of supplier assessment questionnaires returned
- ✓ The numbers of suppliers with ethical audits conducted
- ✓ The number of identified risks and mitigating controls in place
- ✓ The number of employees trained in modern slavery risks
- ✓ Review of audit reports received

Summary of results:



All Tier 1 Suppliers for FG and RM were assessed during the reporting period

All key senior management, compliance and purchasing personnel trained in modern slavery awareness



Remediation plans are agreed with suppliers where risks are identified. These measures are reported through to key senior management.



ADA will work together with suppliers to ensure positive outcomes for workers. Changing suppliers will only be considered as a last resort.

7.

PLANNED ACTIVITIES 2020 – 2021

ADA is committed to building strong and collaborative relationships with all suppliers. By supporting our suppliers to grow and value human rights we will be enabling the development of productive and efficient partnerships.

Activities

- ✔ Identifying key suppliers of goods and services not for resale and services (such as stationery supplies and cleaning services) and conducting a risk assessment of their activities
- ✔ Extending the use of third-party and business partner audits and site inspections to monitor the management of risks more effectively within our supply chain.
- ✔ Extending the review of risks to Tier 2 suppliers of key Tier 1 suppliers to develop an understanding of risks further into our supply chain.
- ✔ Developing and delivering a broader training program for employees to ensure that all those dealing with suppliers of goods and services are aware of the risks of modern slavery and are able to identify key indicators.
- ✔ Continuing to develop the performance metrics used to measure and monitor the effectiveness of our actions.

ADA expects suppliers to communicate the requirements of our Ethical Sourcing Policy to their related entities, suppliers and subcontractors who support them in supplying goods and services to ADA, so that they are aware of, understand and comply with our policy.



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