

Australian Defence Apparel

Modern Slavery Statement

2022-2023

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November 2023

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A message from our CEO

At ADA, we understand that modern slavery is a complex and evolving challenge that requires our proactive engagement. This statement reflects the efforts we have made to prevent, identify, and mitigate the risks of modern slavery within our business and throughout our supply chain. It also highlights the areas we have identified where we can make improvements and have an impact within our industry.

The exploitation of human beings for financial gain continues to persist in various forms and across diverse industries. ADA recognise the risks within our industry and the significance of our role in combatting Modern Slavery. This Modern Slavery Statement is our fourth under the Australian Modern Slavery Act 2018 (Cth) and sets out the actions ADA has taken to understand and mitigate our modern slavery risks during our 2022 – 2023 financial year from 1st June 2022 to the 31st May 2023. It is a reflection of our dedication to addressing modern slavery risks within our operations and supply chains, as well as our commitment to fostering a society where every individual can live a life of freedom and dignity.

There has been little change to the company structure, our operations and our supply chains during this reporting period. These sections of this statement, therefore closely resemble those from the FY 21-22 Statement with updates to numbers and statistics as required.

In this Modern Slavery Statement, we have outlined the steps we have taken, the progress we have achieved, and our ambitions for the future. We commit to regularly reviewing and enhancing our strategies, practices, and outcomes as we continue to develop our ethical sourcing program and modern slavery framework to combat modern slavery within our supply chain.

There is still much work to be done.

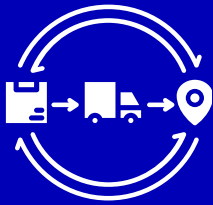


Chris Dixon
CEO, Australian Defence Apparel



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ADA's Structure, Operations and Supply Chain

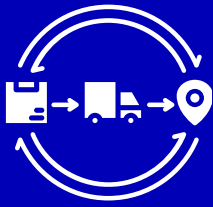
Structure

Australian Defence Apparel Pty Ltd (ADA) (ABN 67 006 898 906) 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 forms 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 globally.

ADA employs 350 people across Australia and New Zealand. Operations are head-quartered in Melbourne with manufacturing in Bendigo, warehousing in Melbourne and Canberra and satellite sales offices in NSW, QLD, SA and ACT.

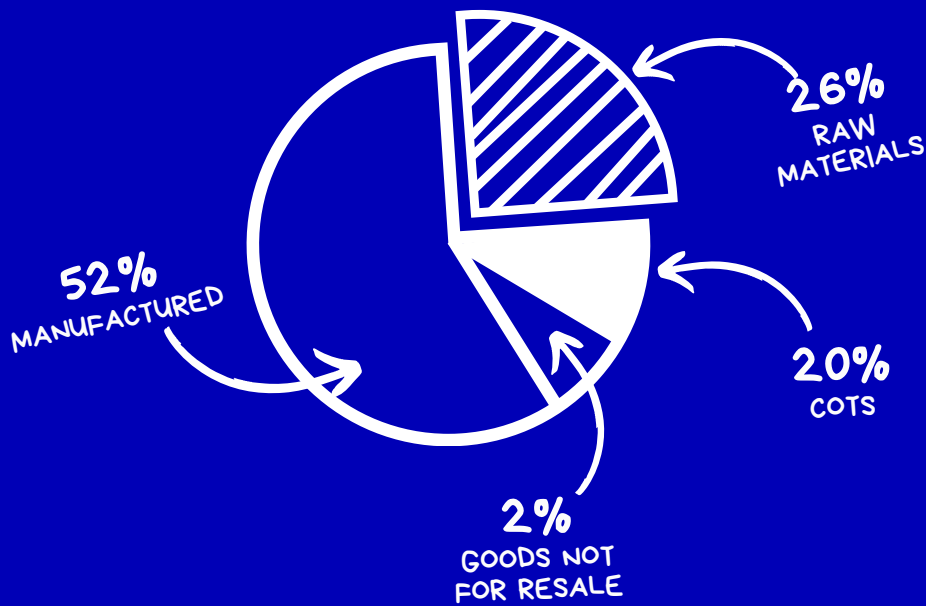


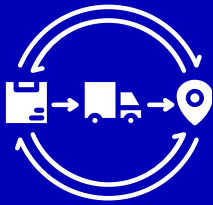


ADA's Structure, Operations and Supply Chain

Spend

During the 2022 - 2023 financial year, ADA manufactured garments from both local and offshore factories and supplied third-party commercial off the shelf (COTS) products to more than 450,000 military personnel, first responder, health and corporate personnel. Our manufacturing supply chain and our COTS supply combined account for 98% of ADA's total purchasing expenditure.





ADA's Structure, Operations and Supply Chain

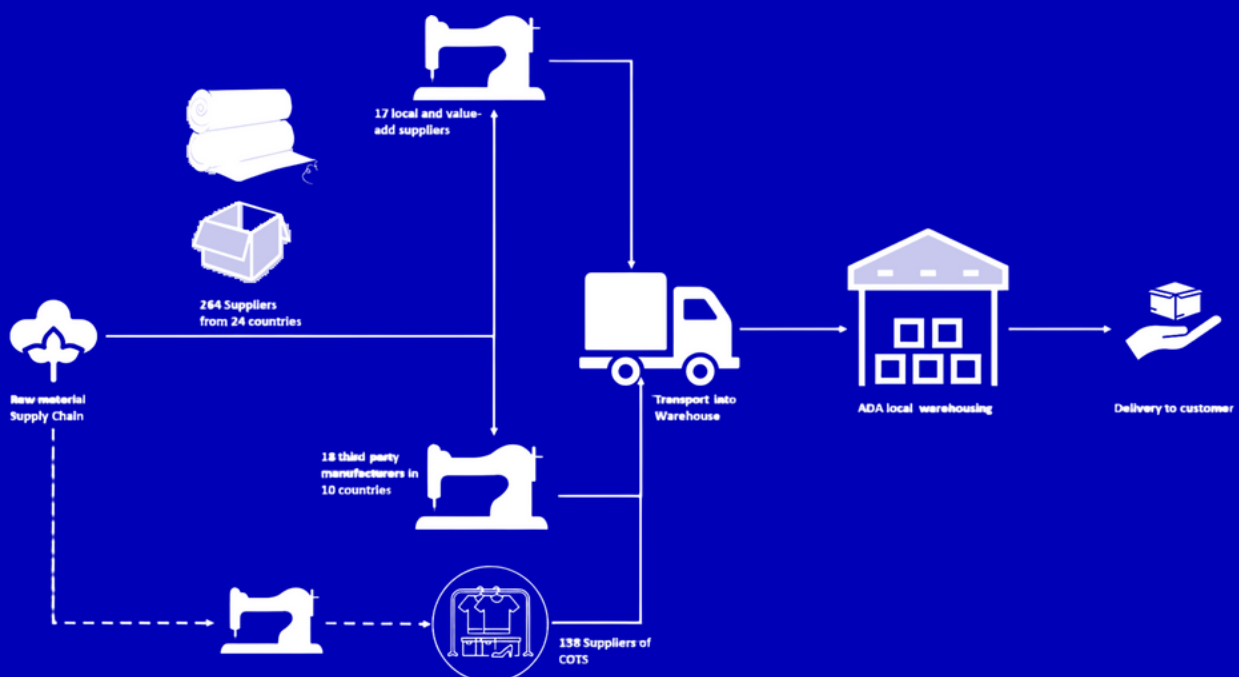
Operations

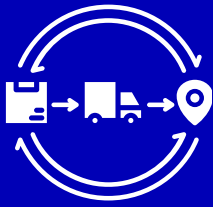
ADA manufactures garments through both local and offshore supply chains:

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

ADA operates a retail store under the LEGEAR brand located in Melbourne, alongside its online presence, it services military, law enforcement and security personnel.

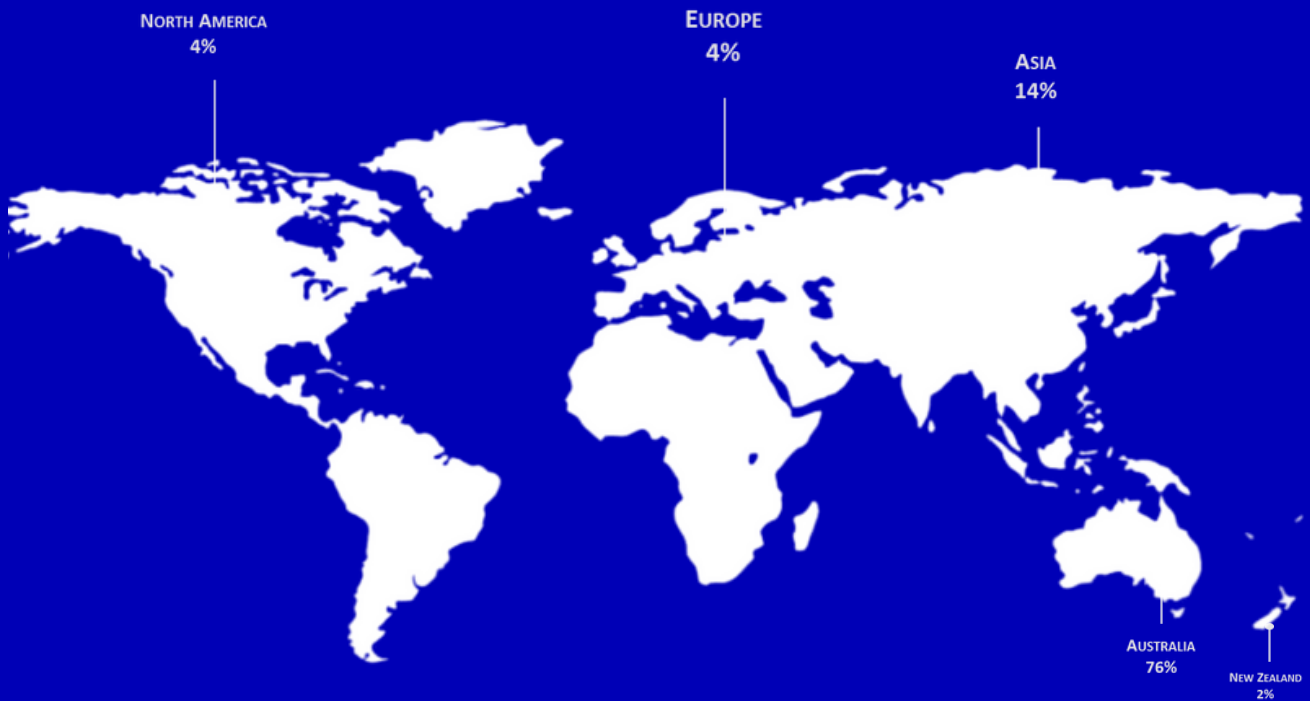
ADA's Supply Chain Map



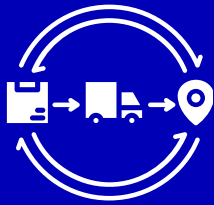


ADA's Structure, Operations and Supply Chain

ADA's Supply Chain Footprint



During the 2022 - 2023 reporting period, ADA directly sourced goods from 405 suppliers across 24 countries, predominantly located within Australia and Asia.



ADA's Structure, Operations and Supply Chain

Manufacturing Supply Chain

Local Manufacture

ADA is proud to continue its long-standing relationship with Ethical Clothing Australia¹(ECA). ADA was the first businesses to apply for accreditation when the ECA was formed in 2000.

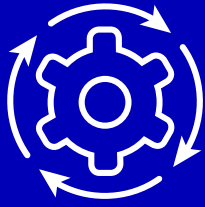
This accreditation includes all ADA's manufacturing and warehousing sites as well as our local subcontractors within our Supply Chain, including garment manufacturing and value add work such as embroidery. This year we added an additional three local subcontractors to our supply chain.

Accreditation by the ECA ensures that local textile workers throughout the supply chain receive their statutory entitlements and work in safe conditions.

Overseas Manufacture

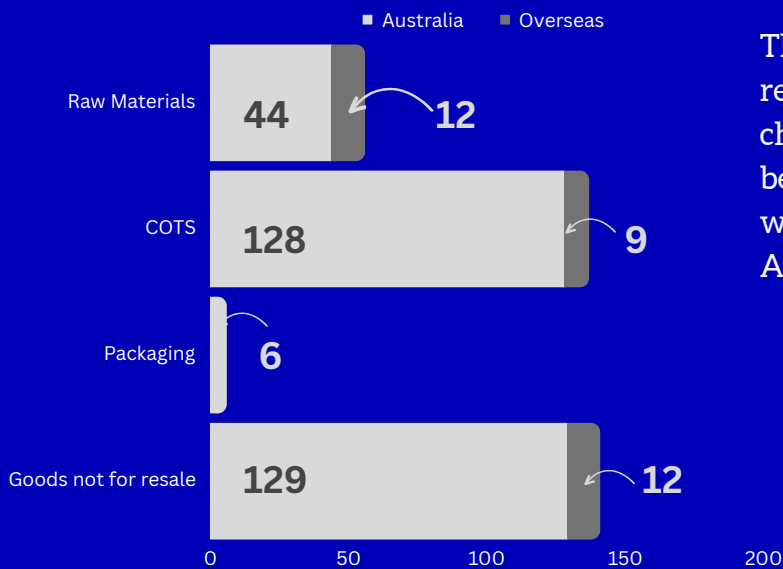
Overseas factories manufacturing on behalf of ADA must sign our Ethical Sourcing Policy. This has been based on the eight fundamental conventions of the ILO² and includes requirements around the various categories of modern slavery. They must also provide up-to-date ethical sourcing assessments of their facilities that are based on either SMETA (2 or 4 pillars), BSCI, WRAP or SA 8000.





ADA's Structure, Operations and Supply Chain

ADA's Supply Chain Footprint



This year's analysis of the data received revealed no geographical change to our second-tier suppliers being located across 24 countries, with the top three suppliers located in Australia, China and Vietnam.

Raw Materials and COTS

Previous reporting periods have established where our Tier 1 suppliers source their finished goods and raw materials. All new or potential suppliers are subject to our due diligence assessments to establish their modern slavery risk prior to on-boarding. During this reporting period we continued to work with our direct suppliers to provide further clarity and identify the locations and types of modern slavery further into our supply chain.

Items not for Resale

Review of non-stock items include goods and services not for re-sale to customers to support our operations such as packaging materials, IT equipment and services, stationary, transportation and cleaning. These industries are generally considered to be at high risk of modern slavery and exploitation and likely to have high numbers of migrant workers.

Our review indicated a very low risk of modern slavery within our local service providers with good controls by the suppliers of these items with the majority of these suppliers preparing their own modern slavery statements.



Risk Factors

ADA recognises the inherent modern slavery risks of operating within the textile industry. Modern slavery risks exist within our sub-contractors, raw material and finished goods suppliers as well as our value-add processes such as embroidery and badging.

Visibility of Tier 1 suppliers remains high, however, complex supply chains and a lack of transparency beyond Tier 2 suppliers, prevent identifying and remediating issues that may arise further down the supply chain.

Review of the risks within our supply chain included those that ADA may cause, risks that ADA may contribute to and risks that ADA may be directly linked to through our supply chain. Also considered within our assessments were:

- High risk countries and their geographic locations
- Higher risk business models (such as those using labour hire or outsourcing arrangements)
- Vulnerable groups – such as those using a high percentage of migrant labour.

Whilst Australia is generally considered to be a low-risk country, the risk of modern slavery still exists. Within Australia, outworkers are at an increased risk of exploitation.

Many are migrant workers who come from non-English speaking backgrounds and are not fully aware of their legal rights and entitlements. There is the potential that outworkers used by sub-contractors 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.

Country of manufacture and product sector all need to be considered in the assessment of modern slavery risk. Offshore workers may be impacted by inadequate or poorly enforced national laws, 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.

COVID-19 continues to add to the modern slavery risks faced by factory workers. Some facilities are struggling to find enough workers, which introduces the risk of migrant labour and excessive work hours in order to meet deadlines.

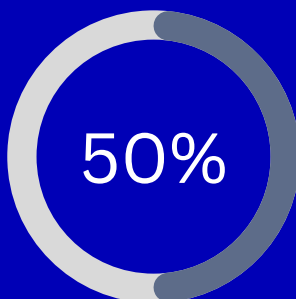


Risk Factors

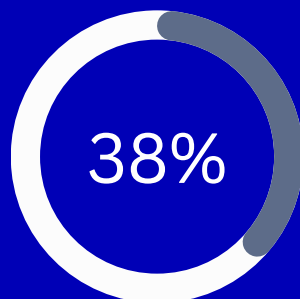
Identified modern slavery risks by main sourcing countries:

Country	Modern Slavery Risk ³	Tier 1 Supplier	Tier 2 Supplier	ADA Risk Mitigation
Australia	Forced labour, debt bondage	Finished garments, fabric	Finished garments	ECA membership, Ethical Sourcing Policy
China	Freedom of association, forced labour, excessive hours	Finished garments, fabric, trims	Finished garments, fabric, trims, footwear manufacture	Ethical Sourcing Policy, supplier agreement, ethical audits
Vietnam	Forced overtime	Finished garments	Fabrics, Trims	Ethical Sourcing Policy, supplier agreement, ethical audits
Taiwan	Forced labour, forced overtime, migrant labour, bonded labour	Fabrics, Trims	Fabrics, Trims	Ethical Sourcing Policy, supplier agreement, ethical audits
USA	Forced labour, migrant labour, debt bondage	Finished garments	Finished garments, trims	Ethical Sourcing Policy, supplier agreement, ethical audits
India	Forced labour, forced overtime, child labour, forced marriage	Fabric	Fabric	Ethical Sourcing Policy, supplier agreement, ethical audits

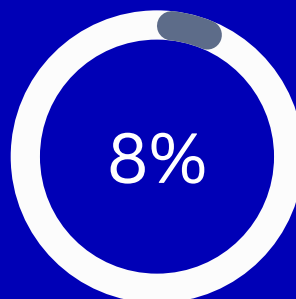
Tier 1 Suppliers' estimate of their Oversight of their own Supply Chain



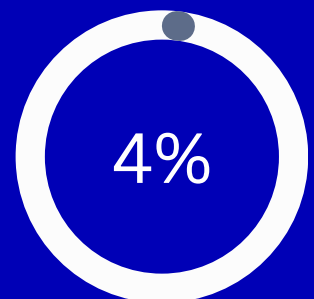
50% High Visibility



38% Moderate Visibility



8% Still Developing their visibility



Only 4% indicating that they have little or no visibility over their supply chain



Responding to Risk Factors

ADA has developed a risk-based approach to addressing the modern slavery risks within our supply chain. Considerable progress has been made through training employees to ensure good governance and due diligence are followed.

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. All employees are provided with training on these policies during their induction to ADA and through annual refresher training.

Policies

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) ⁴
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.
Fraud and Corruption Control Plan	This Plan sets out the standards for accountability that ADA expects from our Employees and sub-contractors. It is a proactive approach to enable the business to manage fraud and corruption risks in an environment that is becoming increasingly complex.



Responding to Risk Factors

Training and Internal Capability improvement

Training of ADA personnel is a priority to raise awareness of modern slavery risks. Through this reporting period, 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.

Training was conducted with the management group to raise awareness of modern slavery risks within all areas of ADA's supply chain, including services.

ADA's capability to manage modern slavery has been enhanced by:

- 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.
- Assisting suppliers to improve their factories to enable them to operate in a "COVID-safe" environment.



Responding to Risk Factors

Due Diligence

A key factor in managing modern slavery risks has been ADA's continued and diligent approach to assessing our Tier 1 suppliers. Prior to on-boarding, all potential suppliers must sign our Ethical Sourcing Policy, supply evidence of previous ethical audits and complete our supplier assessment by identifying the countries where they source their finished goods and/ or raw materials.

Suppliers accounting for 95% of ADA's Tier 1 spend were requested to provide updated ethical sourcing assessments if current reports were 2 years old.



Factory Visits

This reporting period saw most travel restrictions as a result of COVID, lifted. ADA personnel were able to visit overseas suppliers' factories and conduct inspections at key suppliers' factories. These visit reports, in conjunction with third-party ethical audit reports were used to assess our suppliers for the current reporting period. Third-party representatives continue to play an important part in our response to our modern slavery risks by acting on ADA's behalf.





Responding to Risk Factors

Manufactured Goods:

Suppliers of our manufactured goods are located in 7 countries, with almost 50% of these suppliers located within Australia:

Australia	48%
China	23%
Vietnam	14%
Indonesia	6%
Laos	3%
New Zealand	3%
Cambodia	3%

All of ADA's local garment manufacturing is accredited to Ethical Clothing Australia (ECA). 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 within the supply chain.

This also includes sub-contractors who provide value-add services such as embroidery, badging and alterations.

The majority of offshore factories are in countries with low to moderate risks of modern slavery.

Offshore factories are evaluated for certification to ethical standards such as SA8000 or WRAP. Factories that have undergone third-party ethical audits such as BSCI or SMETA are required to provide the audit reports so that any incidents of non-conformances can be reviewed and followed-up where required.

For this reporting period, there were no instances identified for child labour, or any type of forced labour. However, analysis of the data collected indicated three instances of excessive working hours and showed overtime had increased substantially from an average of 36 hours a month, which is the legal requirement, to anywhere between 70 - 80 hours a month. Whilst it was established that all overtime performed was voluntary, risks to the welfare and safety of the workers must be considered. ADA have begun working with these suppliers so that they can understand the risks to their employees.



Impacts of Covid-19

Border and travel restrictions relating to the COVID-19 pandemic were lifted during this financial year, enabling Operations personnel to travel to our manufacturing suppliers located overseas. Assessments and reviews this year were based on updated responses to questionnaires and ethical audits as well as on-site audits conducted by ADA team members.

As previously highlighted, there were no identified instances of modern slavery in relation to child labour or any types of forced labour. There were however three instances where excessive overtime had been recorded. It was established that the overtime was voluntary and appropriate rates of pay were given. When speaking with the factories, ADA personnel were told that the factories were struggling to find workers as people were choosing to stay close to their home provinces after the lockdown had been lifted. Workers wanted the additional pay to compensate for lost wages they suffered through the pandemic shutdowns.

It was explained to factory management that they are breaching their own local labour laws and introducing safety risks to their workers allowing them to work so many additional hours.

ADA is continuing to work with our suppliers, encouraging ongoing and open dialogue in relation to challenges and disruptions that they are facing in their operations to ensure that our ethical sourcing and modern slavery requirements continue to be met throughout our supply chain.



Reviewing the Effectiveness of our Actions

ADA are committed to monitoring the effectiveness of our actions and improving our approach to modern slavery risk management.

Through our ethical sourcing process, we continue to review:

- The number of supplier assessment questionnaires returned
- The numbers of suppliers with ethical audits conducted within the last 2 years
- The number of identified risks and mitigating controls in place
- The number of employees trained in modern slavery risks
- Audit reports received
- The level of oversight Tier 1 suppliers have over their supply chain.

Summary of Results:

- All Tier 1 suppliers were reviewed during the reporting period, either through ethical audit reports, supplier questionnaires or the supplier's own modern slavery statements.
- 50% of Tier 1 suppliers reported a high visibility and awareness of their supply chain.

Ethical Audits or Certifications:



On-boarding new suppliers requires all Tier 1 manufacturers to agree to and sign our supply agreement and Ethical Sourcing Policy. Our supply agreement stipulates that the use of sub-contractors must be disclosed and approved, and no unapproved sub-contractors were identified as part of the review.



Consultation

During the reporting period ADA did not own or control any other entities and therefore this criteria is not applicable.

Planned Activities 2023 - 2024

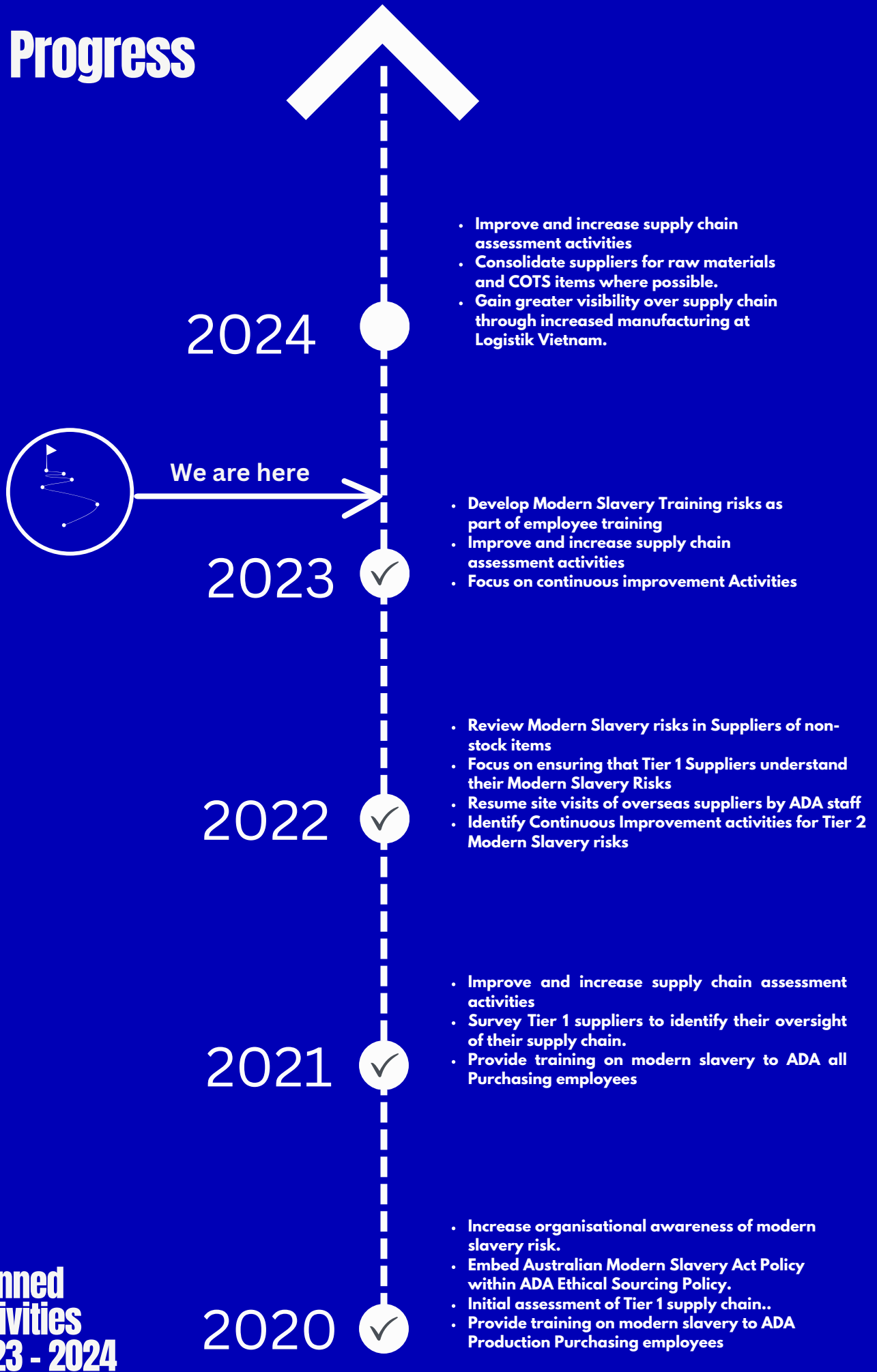
We know that through supporting and encouraging our Tier 1 suppliers to understand the modern slavery risks within their own supply chain we can improve the outcomes for workers across our entire supply chain. Requirements for ethical sourcing and supply for on-boarding new suppliers is now firmly embedded in our operational processes.

We have identified the challenges in managing the modern slavery risks when having a large number of suppliers, who also supply to other companies that may not be as focused on managing their modern slavery risks. Our next reporting period will see us working towards consolidating our supply chain and moving our offshore manufacturing to factories where we have greater oversight of the entire supply chain.

Additional actions for the 2023-2024 reporting period will include:

- Continue visits to overseas factories.
- Consolidate Suppliers of raw materials and COTS where possible to better able manage modern slavery risks.
- Move overseas production to the Logistik factory in Vietnam to improve oversight of supply chain.

Our Progress





Statement of Approval

This statement was approved by the Board of Directors of ADA in their capacity as the principle governing body on 29th of November 2023.

This statement is signed by Chris Dixon in his role as Chief Executive Officer of Australian Defence Apparel Pty Ltd on 17th November 2023.



Reference Index

1. More information on the ECA can be found at <https://ethicalclothingaustralia.org.au/>
2. <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.html>
3. Walk free foundation –Global Slavery Index <https://www.globalslaveryindex.org/>



Modern Slavery Statement 2022-2023

