

The background of the entire page is a photograph of a peaceful outdoor scene at sunset. In the foreground, there is a campfire in a dark metal fire pit on the right, with bright orange and yellow flames. To the left of the fire, there are several cushions: a large orange one, a blue and white striped one, and a white one with a pattern. A small wooden stump holds a white mug. A patterned blanket is draped over a wooden stool on the far left. The middle ground is a lush green field, and the background is a dense line of trees under a sky with soft, golden light and scattered clouds.

adairs

MODERN SLAVERY STATEMENT

2022

This statement outlines the actions Adairs Limited has taken to identify and address the risks of Modern Slavery in our group business operations and supply chain for the 2022 financial year.

ABOUT US

Adairs Limited is a publicly listed company and Australasia's largest omnichannel specialty retailer of home furnishings, furniture and home decoration products.

We employ over 2,000 team members and own and operate three businesses; Adairs, Mocka, and Focus on Furniture

Our Businesses

adairs



Adairs is a leading specialty retailer of home furnishings in Australia and New Zealand, with a national footprint of over 170 stores across a number of formats and a large online channel.

mocka



Mocka is a pure-play online home and living products designer and retailer operating in Australia and New Zealand.

focuson
furniture & bedding



Focus on Furniture is a furniture and bedding retailer operating in Australia, with a national footprint of 23 stores and an online channel.

All three businesses are vertically integrated, design-led, customer-focused, and sell quality in-house designed products direct to customers.

We operate out of a number of distribution centres (DCs) and contract with third-party logistic providers (3PLs) who assist in distribution as well as DC operations. Adairs Limited's head office is in Melbourne, Australia.

Unless stated otherwise, references to 'Adairs', 'we', 'our', 'the Group' or 'the Company' 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.

In 2022 Adairs did not identify any modern slavery in its supply chain and is pleased to provide this 2022 Modern Slavery Statement, which has been prepared by the Company. This statement describes the steps taken to minimise the risk of modern slavery occurring throughout our business and supply chains.

UNDERSTANDING THE RISKS

Sourcing products is an important part of our business. We currently source our products from a range of countries, the largest of which are China, India, Bangladesh, Vietnam and Indonesia.

When selecting new suppliers, we actively seek suppliers that meet our high standards and allow us to continue to provide our customers with high-quality products that both delight and inspire.

We recognise the importance of making sure no modern slavery exists in our supply chain and across our business.

This begins with a clear understanding of the risks that may be prevalent across our entire business operations including our sourcing model.



Supplier Risks

We recognise our sourcing model - by its nature of suppliers and agents who act on our behalf - may present an increased risk of modern slavery and forced labour.

Product Risks

Textiles and homewares present a risk of modern slavery due to the many and varied stages of production required across the supply chain.

Supply Chain Risks

We recognise supply chains are complex, particularly when they cross country borders and involve multiple levels of suppliers and sub-contractors across the production process. These complexities raise the risk of modern slavery.



MANAGING THE RISK

To mitigate and protect against unethical practices throughout our supply chain in areas such as labour recruitment, unskilled labour and seasonal work, we developed a supplier Code of Conduct that all suppliers are required to sign and includes strong governance requirements to protect against these risks.

A supplier will often be required to sub-contract some or all of production to other factories (at arms-length to Adairs) for activities or finishes it 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 our upstream suppliers through our Code of Conduct.

These suppliers have a direct relationship with the relevant sub-contractor and are expected to visit sub-contracted factories frequently to monitor and ensure compliance with the Adairs Code of Conduct and meet our expectations at all times.

We recognise the risks of modern slavery increase the further downstream an operation exists within its supply chain, including sub-contractors or suppliers responsible for the supply of fabrics or materials.

Regardless of where a sub-contractor or supplier is in our supply chain, we seek to have all sub-contractors identified and approved by Adairs before any sub-contracting work can commence.

Through this process, we are continuing 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.

Through our work with industry experts, we have continued to supplement the internal ethical sourcing program.

This included the ongoing use and development of a bespoke supplier traceability database and the continuation of an independent social compliance auditing program.

Adairs requires all its existing 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 group and individual settings by experienced specialists, who have the knowledge and skill to identify any weaknesses or problem areas.

During 2022 we continued the requirement for lower-tier manufacturers to provide a current Social Compliance Audit as traceability of the supply chain expands.

Although our team have been restricted in undertaking in-person factory visits across the supply chain due to COVID-19, this work has continued through external ethical sourcing specialists that provide independent visibility.

In addition to factory audits and visits, we utilise tools such as formalised grievance processes and confidential internal and external whistleblower mechanisms:

Internal:
whistleblower@adairs.com.au
03 8888 4506

External:
FairCall [Operated by KPMG]
1800 500 965

www.kpmgfaircall.kpmg.com.au/adairs

These tools enable us to identify where it may inadvertently cause, contribute or be linked to potential risks of modern slavery across our business operations, including our supply chain.

OUR ACTIONS

Ongoing Monitoring

Our first step in taking action to eradicate potential modern slavery from our end-to-end supply chain was to identify and understand our modern slavery risks.

Following previous business-wide Modern Slavery Risk Assessments, supported by an external specialist, we have continued to assess the risk of Modern Slavery through internal resources overseen by Group Risk & Compliance - including a dedicated full-time Group Ethical Sourcing Coordinator.

Our risk assessments continue to look at our entire business operations, product categories and sourcing countries, to identify where the highest modern slavery risks exist.

We continue to monitor our supplier base across the Group to identify opportunities for consolidation, to further assist in reducing the risk to our business.

This consolidation program has regard to both risk and volume, allowing us to become more important to a smaller number of suppliers, which in turn gives us greater ability to drive and influence positive change across our supply chain.

Our suppliers are required to submit an external audit report within their audit frequency window, which is then assessed by the Group Risk & Compliance team.

We are committed to ensuring any required remediation identified by the audit is undertaken and work hard to support and maintain our business relationships during the remediation process where possible.

Our Suppliers

We work closely with our suppliers and sub-contractors to make sure they are aware of, understand, and properly implement Adairs' modern slavery policy requirements.

To achieve this we have aligned our practices to industry and global standards, by continually reviewing supplier documents including our Supplier Agreement, Code of Conduct and Supplier Policies, including a business Modern Slavery Policy.

Although our Group Risk & Compliance team have been unable to visit sourcing markets and meet with suppliers (including those considered high-risk) face-to-face over the reporting period, they continue to engage directly with new and existing suppliers and utilise external local support where possible.

We continue to strengthen our onboarding due diligence processes which are in place for all new suppliers and subcontractors.

These processes include reviewing the current social compliance audit and requiring a factory self-assessment with detailed information and pictures of the supplier's operations.

To further strengthen this process, the onboarding process is carried out and assessed for all brands by our Group 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.

OUR ACTIONS (CONTINUED)

Traceability

Supply chain traceability - where a company can 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 our modern slavery risk.

Our Traceability program aims to identify 100% of all factories, facilities and inputs used in our supply chain.

Currently, we know 100% of our Tier 1 factories (those we deal with directly) and are working to understand our Tier 2-4 (downstream) factories.

The Tier 2-4 work is a longer-term ongoing program and will take several years to complete.

We are committed to tracing all stages of production across our supply chain and have built into our Supplier Agreement the requirement that all suppliers disclose this information in a comprehensive and timely manner.



Driving Industry Wide Conversation

In addition to establishing clear governance and supplier expectations, we continue to work on a number of initiatives to further eradicate the risk of modern slavery from our supply chain.

This includes 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:

- Utilising external service providers to undertake independent social compliance audits;
- Communicating with suppliers regularly to ensure they understand their obligations; and
- Working with peers within the retail industry to agree on best practices and establish alignment of policies and procedures where possible.

COVID-19 Impact

COVID-19 continued to significantly impact our social compliance program in 2022, with factory closures and auditors not being able to access factories to undertake the required audits for some time.

As a result, we have extended some social compliance audit due dates. However, we have maintained a regular dialogue with our suppliers to ensure adherence to both Adairs and local regulatory 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.

OUR ACTIONS (CONTINUED)

Additional Measures

We believe every worker must have the right to freedom of association – so, we have worked with our suppliers to implement a number of expectations to protect workers in this area.

Our Suppliers are obligated to have an internal workers' representative group or committee for every factory, which adheres to the following governance requirements:

- Members are independently elected by the factory workers;
- Members are comprised of a majority of workers;
- The committee or worker representative groups are independently managed.

We believe having a voice and being able to raise concerns should not be limited to workers, and we actively encourage our suppliers to provide open and honest feedback when the behaviour of Adairs or a team member does not meet our own standards or expectations.

While suppliers may be hesitant to speak up, we work hard to provide safe opportunities for this dialogue to ensure our teams' behaviours align with our Ethical Sourcing Policy.

In 2023 we aim to further reduce our business risk by reducing the number of independent Tier 2-4 facilities used in the production of our products.

We are also looking at how we report on our social compliance program both internally and externally to better share its social compliance efforts and outcomes.

We take the management of our Social Compliance and Modern Slavery governance programs very seriously.

The Group Head of Risk & Compliance, who carries overall responsibility for both programs, reports directly to the Board on a quarterly basis.

If a case of potential modern slavery is identified there is a requirement that it be raised in a timely manner with both 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.

ASSESSING EFFECTIVENESS

To ensure the measures and governance practices we have implemented to eradicate the risk of modern slavery in our supply chain are effective, we utilise a number of tools to assess and, where required, make adjustments to our program.

This includes reviewing areas such as the entire auditing program, our risk assessment framework and our social compliance auditing results.

We also undertake a detailed review of our audit reports to look at specific modern slavery and freedom of association outcomes, as well as worker interviews and auditor feedback.

Ultimately, given our extensive policy and the 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.

Consultation

This Modern Slavery statement has been developed after extensive collaboration and ongoing discussions with the senior management team of the Adairs, Mocka and Focus on Furniture businesses.

This included our business-wide Modern Slavery Risk Assessment of all our businesses, and working together to assess and gauge the risk of modern slavery.

All businesses operate under one Code of Conduct document and are aligned with suppliers as a result.

Other Matters (COVID-19)

COVID-19 continued to have a significant impact across the world in 2022 and Adairs has not been immune to the challenges that COVID-19 produced.

We have followed all state and federal government requirements to protect our employees and customers during the restrictions, including lockdowns - however, we also recognised that our responsibilities didn't end there.

Understanding the impact of COVID-19 on our suppliers and their subcontractors was also very important. We sought to ensure that the health and well-being of all team members within these key business partners were protected during this time.

We worked with our suppliers to make sure they adhered to all government and other regulatory requirements and paid their workers the required wages on time during the period of impact.

At all times, we collaborated with our suppliers to achieve mutually beneficial outcomes for both parties.

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

www.adairs.com.au/corporate/covid-19-adairs-response/

APPROVAL

This Modern Slavery Statement was approved
by the board of Adairs Limited on 15/12/2022.

Brett Chenoweth

A handwritten signature in black ink, appearing to be 'Brett Chenoweth', written in a cursive style.

Chairman
15/12/2022

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/