

# Modern Slavery Statement

FY20



## About this Modern Slavery Statement

This Modern Slavery Statement has been prepared in accordance with the requirements of the Modern Slavery Act 2018 (Cth). This is the first joint statement made on behalf of the reporting entities in the Virgin Australia Group of which there are 16 (please see appendix A for a full list of the entities covered in this statement, referred to collectively as Virgin Australia). As Virgin Australia uses the same policies and processes, operates in the same sector and shares many suppliers, this statement provides a single, consolidated description of the actions taken to assess and address the risk of modern slavery in the operations and supply chains of Virgin Australia for the period July 2019 to June 2020 (FY20).

Due to the devastating impacts of COVID-19 in FY20 on domestic and international travel, certain entities in the Virgin Australia group entered voluntary administration on 20 April 2020. The business has since exited administration, having been recapitalised and purchased by Bain Capital. Virgin Australia's operations and supply base have changed substantially during this period.

# Virgin Australia's structure, operations and supply chains

Virgin Australia's principal business is the operation of a domestic and international airline and loyalty program for our customer base. We offer a variety of aviation products and services to all key segments of the market, including corporate, government, leisure, low cost, regional and charter travellers and air freight customers. Our operations are conducted under the umbrella of the Virgin Australia brand, supported by additional brands including Tigerair Australia (operations now discontinued), Virgin Australia Cargo,

Virgin Australia Regional Airlines and Velocity Frequent Flyer.

Virgin Australia operates its network of domestic and international services from its main hub and headquarters in Brisbane. Additional hubs are located in Perth (regional and charter operations) and Sydney (Velocity Frequent Flyer). Previously, our low-cost carrier business Tigerair Australia was headquartered in Melbourne but has since been discontinued due to the impact of COVID-19.

## Pre-COVID-19 operations and supply chain

Virgin Australia operated a global virtual network of over 450 destinations through its domestic and international operations, strategic alliances, codeshare and interline agreements. Our own network extended to 15 international airports in 11 countries.

## FY20 Statistics<sup>1</sup>



**9049 direct employees**

across Australia, New Zealand and the United States of America



**5616 third party contractors**

across a number of countries including Hong Kong, Fiji, Indonesia, and the Philippines.



**167,512 tonnes**

of freight



**19.1 million**

passengers



**55 city and regional destinations in Australia**

and a range of international destinations including the United States of America, New Zealand, Indonesia, Hong Kong and the South Pacific Islands<sup>2</sup>

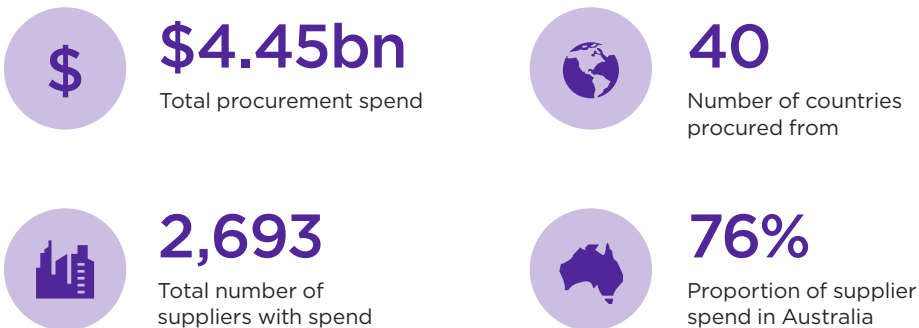
Virgin Australia has traditionally entered into stable longer-term relationships with its key suppliers. These relationships reflect the nature of aviation operational supply chains, where there can be a limited number of suppliers from which to procure, for example for aircraft manufacture and rentals, fuels, aircraft servicing, aircraft maintenance and airports.

Virgin Australia's commercial supply chains, which include suppliers supporting IT, finance and marketing functions, feature a higher proportion of short-term and changeable relationships, due to the task, project or campaign-based demands of the business and the greater degree of competition in those areas. When operating at full capacity, Virgin Australia sources a wide range of products and services from its third-party suppliers.

**Virgin Australia obtains the following key products from suppliers:**

Category	Products
Aircraft parts and rotables	Auxiliary Power Units, thrust reversers, fan cowls, landing gear, tyres and brake units
Fuels	Kerosene, engine oils, diesel and ULP
Food and beverage	Meat, fish, dairy products, fruit and vegetables, groceries, juices, bread, food containers, disposable cups and cutlery
Uniforms and accessories	Garments, footwear, suitcases
IT hardware and software	PCs and laptops, printers, boarding pass scanners, cabling, software, cellphones, self-serve kiosks
Office supplies	General office supplies, furniture
Customer product items	Headsets, amenity packs, blankets

**Key FY20 Data:**



**Virgin Australia procures the following key services from suppliers:**

Services
Catering
Aircraft servicing (cleaning, waste, potable water)
Ground handling
Air navigation
IT systems
Airports to facilitate the customer journey

**The impact of COVID- 19**

The COVID-19 pandemic has devastated many industries globally, with the travel industry particularly hard hit. Due to the impact on demand for both domestic and international air travel services, certain entities in the Virgin Australia group entered voluntary administration on 20 April 2020. The business has since exited administration, having been recapitalised and purchased by Bain Capital.

COVID-19 and Virgin Australia's voluntary administration had a depleting impact on our supply chain, necessitating the rationalisation of our supplier base and spend. Most notably, our operating fleet was significantly reduced, with the exit of the B777-300ER, A330-200, ATR72-500 aircrafts, along with a significant reduction in our B737 and A320 fleets. We also experienced suppliers' inability to fulfil their obligations under contract due to lockdowns or other disruptions caused by COVID-19, alongside the collapse of businesses that marketed and sold Virgin Australia's products and services such as travel agents and tour operators.



# Risks of modern slavery practices in Virgin Australia's operations and supply chains

Forced and compulsory labour, child labour and human trafficking remain unacceptably prevalent across many parts of the world. Virgin Australia strongly opposes modern slavery, human trafficking and forced or child labour in all forms. We strive to be part of the solution to address this challenging issue, and we're committed to doing all we can to ensure that such abhorrent practices do not occur in our business or in any segment of our supply chains.

Every day we take travellers to explore or to come home, connecting friends and families, businesses with opportunities, and cargo with markets across Australia and beyond. We recognise though, that connecting people can come with the risk of exploitation by human traffickers, which is why we are equipping our people with the knowledge and skills to identify this. The breadth of products and services Virgin Australia procures across its supply chain also may expose the business to modern slavery risk.

This first Modern Slavery Statement reflects the work undertaken across Virgin Australia to date to better understand the risks of modern slavery in our operations and supply chain. With its release, we recognise the need for continued, increasing effort and stakeholder collaboration to achieve the shared goal, and we are committed to reviewing and strengthening our program annually.

## Our approach during FY20

We have always opposed modern slavery, and during this year we started formalising our approach by undertaking an internal review of our operations and supply chains to identify the risks of modern slavery practices. This work will serve as a foundation for ongoing stakeholder engagement and the development of more targeted initiatives under our Modern Slavery Compliance Plan.

## Our operations

Virgin Australia recognises there is a risk of causing or contributing to modern slavery through the use of labour in vulnerable populations, higher risk geographies or through the engagement of international recruitment agencies. While Virgin Australia operated internationally in FY20, 99.89% of Virgin Australia direct employees were based in Australia resulting in decreased geographical risk. 39% of our third party contractors were based overseas, such as call centres and ground handling teams. Some of these indirect employees were based in higher risk jurisdictions. We are committed to ensuring that our risk management processes are robust within our organisation. Our workforce is covered by individual and collective agreements, and we foster a culture where all team members are entitled to work in an environment free from discrimination, bullying and harassment. Human slavery or abuse is not tolerated.

## Our supply chain

Virgin Australia has a complex global supply chain and we recognise that modern slavery is often prevalent within such structures.

In order to help us identify key areas of risk, a modern slavery self-assessment form was distributed to Virgin Australia's top 100 suppliers which provided an initial overview of exposure to modern slavery risks in our key supplier relationships. The focus on the top 100 suppliers allowed us to prioritise and concentrate our actions to best effect. Virgin Australia considered the industry, geographical locations and the types of products and services we procure.

Utilising the Global Slavery Index, Virgin Australia identified that:

- 76.2% of Virgin Australia's direct supplier spend was with suppliers located in Australia, a country with low vulnerability to and prevalence of modern slavery according to the Global Slavery Index 2018.
- A further 22.8% spend was with direct suppliers located in Belgium, Canada, Switzerland, Cook Islands, New Zealand, Denmark, Spain, Fiji, France, United Kingdom, Hong Kong, Ireland, Japan, Netherlands, New Zealand, Solomon Islands, Singapore, Tonga, United States and Vanuatu, which are also low risk countries.
- 0.88% of spend was with suppliers in medium risk countries: United Arab Emirates, Barbados, Brazil, Indonesia, Israel, India, Italy, South Korea, Sri Lanka, Malaysia, Papua New Guinea, Philippines and South Africa.
- A further 0.13% are in high risk countries, including China, Thailand and Turkey.

Beyond geographical risk areas, Virgin Australia also assessed the risk associated with procuring certain products and services (directly and indirectly) such as catering and third-party contractors abroad.

As this review and assessment process was concluding, COVID-19 impacted the business, and Virgin Australia entered into voluntary administration. This resulted in substantial changes to our supplier base, business operations, and internal processes. With a change in activities across the supply chain, FY21 presents an opportunity to undertake a refreshed approach to supplier due diligence and engagement to further understand the risks of modern slavery practices within Virgin Australia’s supply chain.

Medium to high risk countries	Examples of products and services sourced directly
1. China	Catering, Sales Agents, Aircraft Maintenance
2. South Korea	Aircraft Maintenance
3. Thailand	Aircraft Maintenance
4. Turkey	Technology
5. United Arab Emirates	Aircraft Maintenance
6. Barbados	Catering
7. Brazil	Aircraft Maintenance
8. Indonesia	Aircraft Cabin Cleaning, Fuel, Catering, Ground Operations, Aircraft Maintenance

Medium to high risk countries	Examples of products and services sourced directly
9. Israel	Marketing, Technology
10. India	Marketing, Technology
11. Italy	Aircraft Equipment, Software
12. Sri Lanka	Aircraft Equipment
13. Malaysia	Aircraft Equipment
14. Papua New Guinea	Fuel, Ground Operations
15. Philippines	Aircraft Maintenance
16. South Africa	Technology



# Actions taken by Virgin Australia to assess and address risks

## Governance and oversight

Virgin Australia's Boards, including through the Audit, Risk and Compliance Committee (ARCC), oversee our response to modern slavery risks. The Boards approves the Ethics and Compliance Framework and Modern Slavery Compliance Program, through which we identify, consider and action modern slavery risks. The ARCC receives regular reporting on the modern slavery compliance response plan.

At the executive level, Virgin Australia's Executive Leadership Team (ELT) reviews emerging risks and opportunities, leads stakeholder engagement and facilitates the sharing of best practice throughout Virgin Australia. Each ELT member, together with their divisional team, has responsibility for identifying and managing any material risks in accordance with the Risk Management and Compliance Frameworks.

## Working group

Virgin Australia established a Modern Slavery working group to ensure compliance with its reporting requirements, under the Modern Slavery Act. The Working Group members are from Sustainability, Legal and Compliance, Procurement, Security and People. This group is responsible for the implementation of the Modern Slavery Compliance Response Plan. Key members of our Modern Slavery Working Group participated in research on corporate leadership in Modern Slavery, attended seminars and networking groups and have joined with other non-retail sector companies to share knowledge, learnings and challenges around the new legislation.

## Raising awareness and building knowledge

### Operational training

We aim to give our crew the confidence to act when they have concerns about human trafficking and to know how to report their observations quickly and effectively so appropriate action can be taken. In line with Anti-Slavery Australia best practice and guidance provided by ICAO and IATA, Virgin Australia front line team members (flight crew, cabin crew and ground crew) are being provided training in relation to key indicators of modern slavery and escalation options during security awareness training. Training commenced in March 2020 and is incrementally rolling out as team members conduct their two-yearly security training renewal. This training may be provided face to face or online. Training material provides frontline team members information about potential indicators of modern slavery, including human trafficking, slavery, forced labour and forced marriage.

### Procurement training

Virgin Australia continues to raise awareness of modern slavery with training and e-Learning on the Code of Conduct together with ongoing consultation on modern slavery with the Procurement team. In FY20, customised training was provided to the Procurement team to identify the relevant risks arising in relation to Virgin Australia and outline their role in addressing these risks.



### Code of conduct and key conduct policies

Virgin Australia's Code of Conduct sets out what we believe is the right way of doing business. It provides a practical guide about the behavioural standards we expect of all team members in all business activities and when dealing with each other, customers, suppliers and other external stakeholders. It also sets out the responsibilities and proper practices for team members during their course of employment or work with Virgin Australia and applies to everyone who works for Virgin Australia including directors, officers, employees, contractors, consultants and third parties.

Our culture is supported through a number of governance documents and policies, including:

- Code of Conduct
- Whistleblower Policy
- Diversity and Inclusion Policy
- Mental Health and Well Being Policy
- Equal Employment Opportunity Policy
- Procurement Policy
- Sustainable Procurement Policy

The day-to-day responsibility for developing these policies and overseeing compliance is assigned to relevant departments including Legal & Compliance, Security and Procurement.

### Grievance mechanism

Virgin Australia is committed to ensuring responsible corporate governance and that all team members, contractors and their employees act with integrity. We support a 'speak up' culture and our Ethics Hotline enables anyone to anonymously report improper, unethical or illegal conduct, including concerns relating to labour practices, human rights and modern slavery. We are committed to ensuring everyone can raise concerns freely, without fear of reprisal or intimidation, and that any concerns are dealt with fairly, thoroughly, confidentially and in a timely manner.

We have published our Whistleblower Policy internally as well as on our external website. Our whistleblowing ethics hotline service provides two avenues (an internal service as well as a third-party service) for both our own team members as well as external parties to safely and securely communicate concerns in an anonymous format should they wish to do so.

### Supplier commitments and supplier code of conduct

Virgin Australia has a set of Supplier Commitments, which are designed to support the business in negotiating strategic supply contracts and require various commitments including compliance with laws in respect of modern slavery and audit rights to review compliance.

Virgin Australia launched its Supplier Code of Conduct in June 2020, which sets out the behaviours Virgin Australia expects from its suppliers. This includes the expectation that suppliers will act with respect and comply with applicable employment and workplace laws and regulations, including labour and child labour laws.

Specifically, suppliers must ensure no use of forced, compulsory or child labour, human trafficking, slavery or servitude; and that work activities are undertaken voluntarily, without threat of penalty or sanction and not based on deception. The Supplier Code reserves our right to request information from suppliers, including supplier and subcontractor names and locations, factory locations, sources of raw materials, and results of historic audits.

Our expectations of our suppliers include that they:

- Participate in Virgin Australia's Supply Chain Risk Management activities
- Be transparent, providing honest, accurate and comprehensive information when requested
- Commit to working with Virgin Australia on supply chain improvements where risks are identified
- Retain and make available documentation demonstrating compliance with the Supplier Code

Doing the right thing is a part of our DNA. If a potential risk of modern slavery is identified, we will initially discuss the issue with the supplier and request a formal response and, if required, the provision of further information. Where it is appropriate to do so, Virgin Australia is prepared to work with our suppliers to determine the appropriate corrective actions and to monitor those actions until both parties agree that the risk of modern slavery is being appropriately mitigated.

## Assessing effectiveness

We recognise the importance of monitoring and measuring our efforts in order to adapt, improve and communicate progress. In the coming year, we will review our internal processes and continue to assess the impact of our modern slavery compliance program.

Our relevant internal processes and procedures designed to mitigate the risks of modern slavery and understand the effectiveness of our processes include, but are not limited to the following:

- Quarterly reporting to the ARCC on progress with respect to the key initiatives under the Modern Slavery Compliance program
- Roll out of the Supplier Code of Conduct and Supplier Commitments
- Rates of completion of training within Operations and Procurement teams
- Consideration of modern slavery related risks when developing our internal audit program to support embedding these activities in our internal governance mechanisms
- Regular review of operational reporting and whistleblower grievance mechanisms statistics, reports, investigations and responses to identify and address systemic issues and increase its effectiveness

## Next steps

At Virgin Australia we acknowledge our role and responsibility in seeking to eliminate slavery and human trafficking, and we understand and recognise that our own circumstances and those of our suppliers are constantly evolving. As our program matures we aim to continue to revise and develop our approach to Modern Slavery Compliance to build capacity within the business to monitor and act on modern slavery risks in our operations and supply chains.

### Due diligence and risk assessment

Given the substantial change to our supply base and business structure during COVID-19 and the period of voluntary administration, Virgin Australia is looking to re-assess modern slavery risk areas within our refreshed supply chain, work with our suppliers to cascade this important dialogue into the supply chain and support ongoing actions and measures to address risk areas.

Virgin Australia is:

- Continuing to develop our approach to identifying risk factors from available information sources and determining effective mitigation steps, including implementing a tool to allow Virgin Australia to undertake comprehensive due diligence of third parties
- Reviewing our risk assessment and mitigation measures with respect to modern slavery
- Exploring better ways to identify and act on risks further down our supply chains

### Increase awareness

Virgin Australia will continue to enhance knowledge through targeted Modern Slavery training and awareness sessions for team members who work with suppliers, so they can better identify and act on any indications of modern slavery.

## Consultation and Approval

This statement is jointly submitted on behalf of the reporting entities in the Virgin Australia Group, outlining the steps taken during FY20, in compliance with the Modern Slavery Act 2018 (Cth). Virgin Australia also includes Virgin Australia International Holdings Pty Ltd and its subsidiaries. While these entities are not subsidiaries of Virgin Australia Holdings Pty Ltd, their processes are aligned with, and they are functionally part of, the Virgin Australia Group. The Virgin Australia Group (including all reporting entities and other entities they own or control) use the same policies and processes, operates in the same sector and share many suppliers. The Virgin Australia Group is supported by functional teams that work across all entities. Consultation between reporting entities, and entities that reporting entities own or control, to prepare this statement has occurred through engagement with the Sustainability, People and Culture, Procurement and Legal and Compliance functions that operate across the Group.

This statement was approved by the Virgin Australia Holdings Pty Ltd Board on 24 March 2021 on its own behalf and as the parent entity on behalf of the following reporting entities:

1. Virgin Australia Airlines Holdings Pty Ltd
2. Virgin Australia Airlines Pty Ltd
3. Virgin Australia Regional Airlines Pty Ltd
4. VAH Newco No1 Pty Ltd
5. VAH Newco No2 Pty Ltd
6. VB Leaseco Pty Ltd
7. Velocity Frequent Flyer Holdco Pty Ltd
8. Velocity Frequent Flyer Pty Ltd
9. Velocity Frequent Flyer 1 Pty Ltd
10. Velocity Frequent Flyer 2 Pty Ltd
11. Tiger Airways Australia Pty Ltd
12. A.C.N. 098 904 262 Pty Ltd



Jayne Hrdlicka  
CEO and Managing Director, and Director  
of Virgin Australia Holdings Pty Ltd

30 March 2021

This statement was approved by the Virgin Australia International Holdings Pty Ltd board on 29 March 2021 on its own behalf and as the parent entity on behalf of the following reporting entities:

1. Virgin Australia International Airlines Pty Ltd
2. Virgin Australia Airlines (SE Asia) Pty Ltd



Graham Bradley  
Chair: Virgin Australia International Holdings Pty Ltd

30 March 2021

## Appendix A

Virgin Australia Holdings Pty Ltd ACN 100 686 226  
Virgin Australia Airlines Holdings Pty Ltd ACN 093 924 675  
Virgin Australia Airlines Pty Ltd ACN 090 670 965  
Virgin Australia Regional Airlines Pty Ltd ACN 008 997 662  
Virgin Australia Airlines (SE Asia) Pty Ltd ACN 097 892 389  
Virgin Australia International Airlines Pty Ltd ACN 125 580 823  
Virgin Australia International Holdings Pty Ltd ACN 155 860 021  
VAH Newco No1 Pty Ltd ACN160 881 345  
VAH Newco No2 Pty Ltd ACN 160 881 354  
VB Leaseco Pty Ltd ACN 134 268 741  
Velocity Frequent Flyer Pty Ltd ACN 601 408 824  
Velocity Frequent Flyer 1 Pty Ltd ACN 601 273 072  
Velocity Frequent Flyer 2 Pty Ltd ACN 601 273 527  
Velocity Frequent Flyer Holdco Pty Ltd ACN 169 684 093  
Tiger Airways Australia Pty Ltd ACN 124 369 008  
A.C.N. 098 904 262 Pty Ltd  
(collectively, Virgin Australia)

The Virgin Australia Group also includes a number of entities that are owned or controlled by a reporting entity, that supported the operation of the airline business and loyalty program, and are located largely in Australia, with some in New Zealand and Singapore.