

Australian Defence Apparel

Modern Slavery Statement

2021-2022

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A word from our CEO

The term “Modern Slavery” is used to denote human trafficking, forced labour and slavery-like practices such as debt bondage, forced marriage and the sale or exploitation of children. All of these crimes involve one person depriving another person of their freedom in order to exploit them for personal or commercial gain. The 2021 Global Estimates of Modern Slavery have indicated there are 50 million people in situations of modern slavery.

Australian Defence Apparel (ADA) is committed to supporting every individual’s right to live and work freely through ethical, sustainable, and socially responsible procurement. People are central to our business and success and we continue to invest in our people, processes and systems to further improve our governance and controls to ensure we are effectively managing the modern slavery risks within our supply chain.

Following the publication of our first statement in 2020 we have continued to strengthen our knowledge for the potential of modern slavery risks within our industry. This is ADA’s third Modern Slavery statement. We remain committed to addressing modern slavery, building greater visibility of our global supply network and look to global best practice to ensure we continue to strive for the best outcome for all our stakeholders.

This Modern Slavery Statement is made in accordance with the Australian Modern Slavery Act 2018 (Cth) (The Act). It applies to and describes the steps taken by ADA during the company’s financial year 1st June 2021 – 31st May 2022, to identify and mitigate the modern slavery risks within the business and throughout ADA’s supply chain.



A handwritten signature in white ink, appearing to read 'Chris Dixon'.

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 collectively employs 296 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.

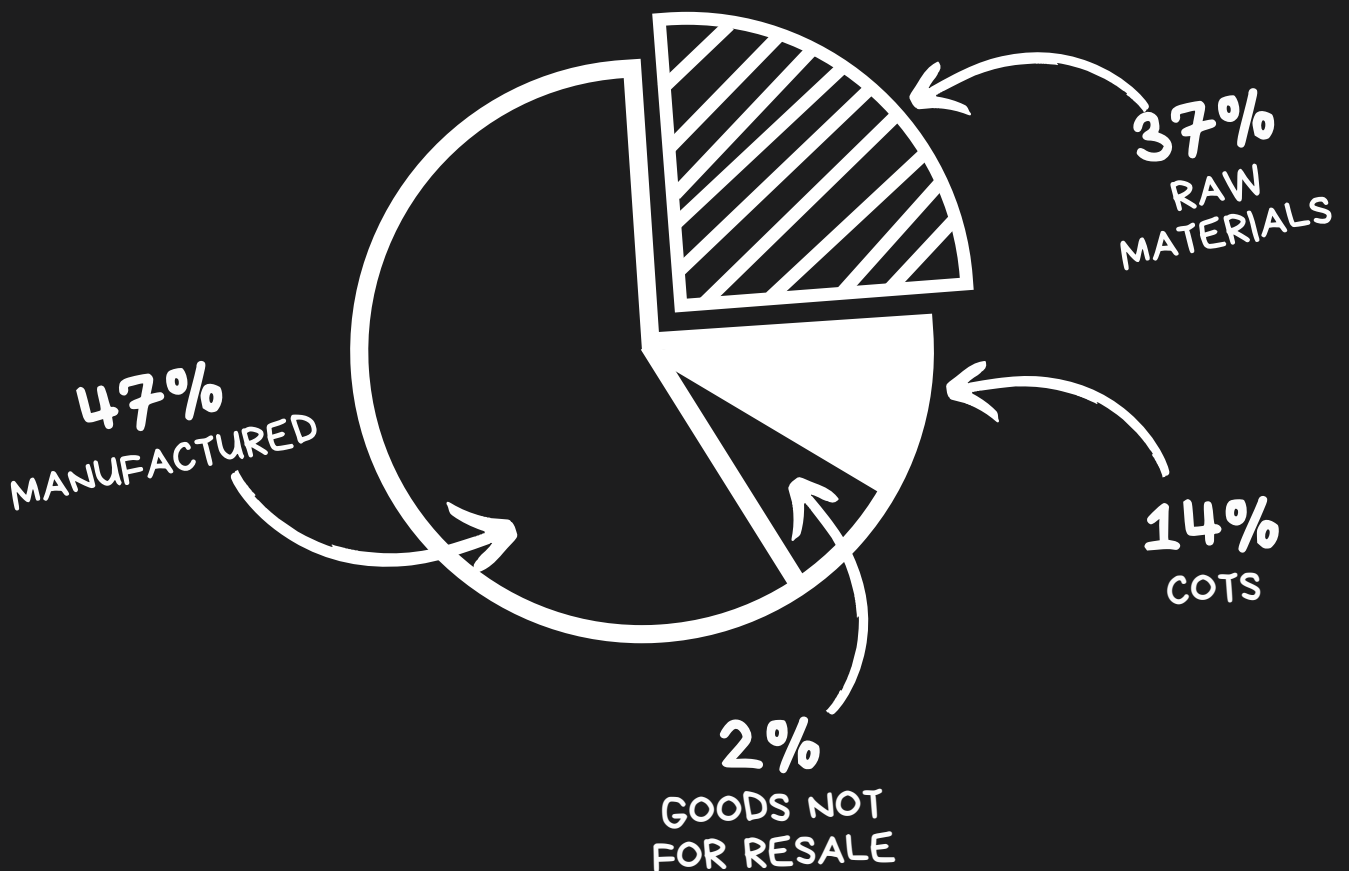
ADA forms a key part of the Logistik Unicorp group (Logistik), a Canada-based operation which provides uniform management services to both commercial and defence industries and employs around 1,200 people globally.



ADA's Structure, Operations and Supply Chain

Spend

During the 2021 - 2022 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.

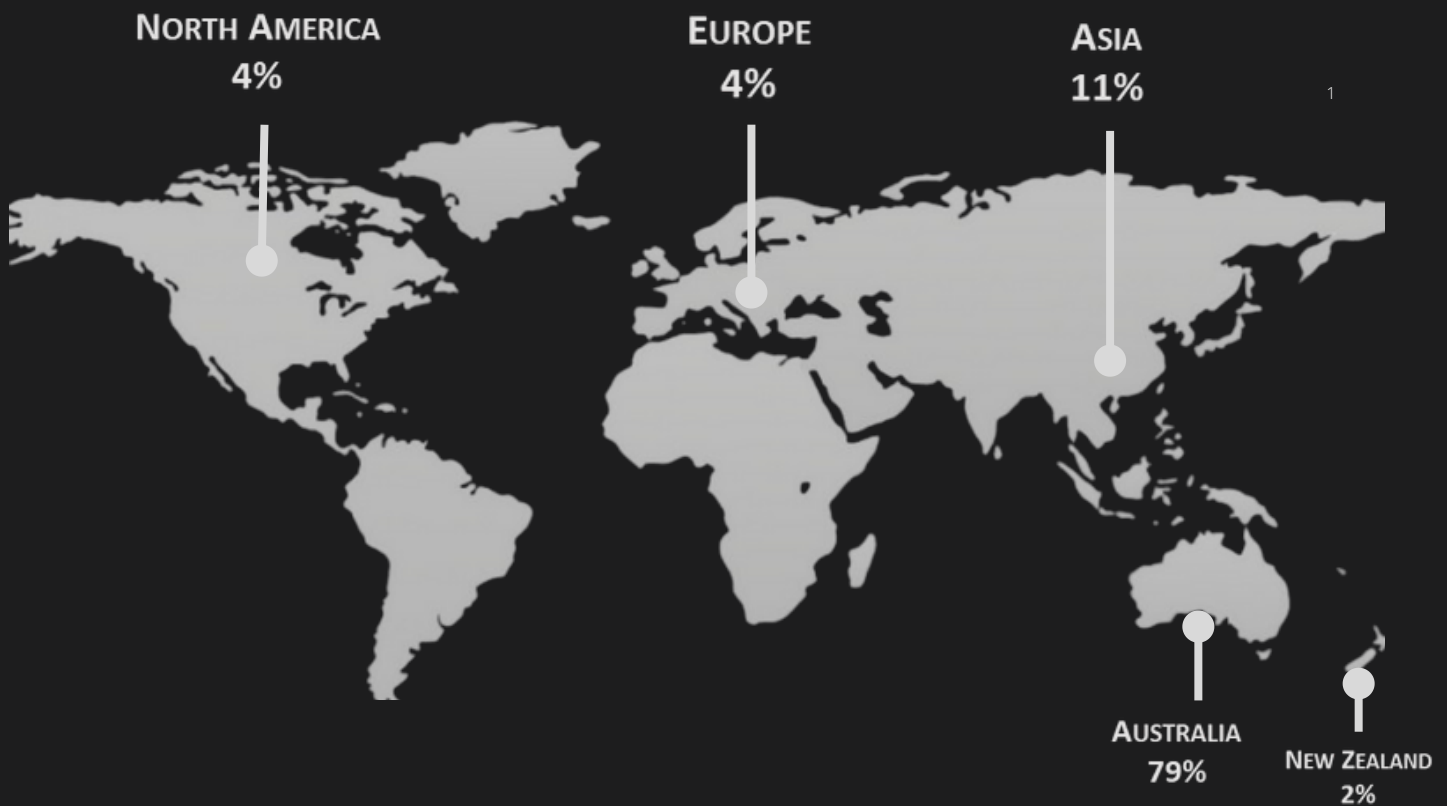
ADA operates a retail store under the LEGEAR brand located in Melbourne, alongside its online presence, it services military, law enforcement and security personnel.

ADA's Supply Chain Map



ADA's Structure, Operations and Supply Chain

ADA's Supply Chain Footprint



During the 2021 - 2022 reporting period, ADA directly sourced goods from 366 suppliers across 22 countries, predominantly located within Australia and Asia.

ADA's Structure, Operations and Supply Chain

Manufacturing Supply Chain

Local Manufacture

ADA is proud to have been one of the original businesses certified by Ethical Clothing Australia (ECA) ² at its inception in 2000. This includes all local Sub-contractors within our Supply Chain, including garment manufacturing and value add work such as embroidery.

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



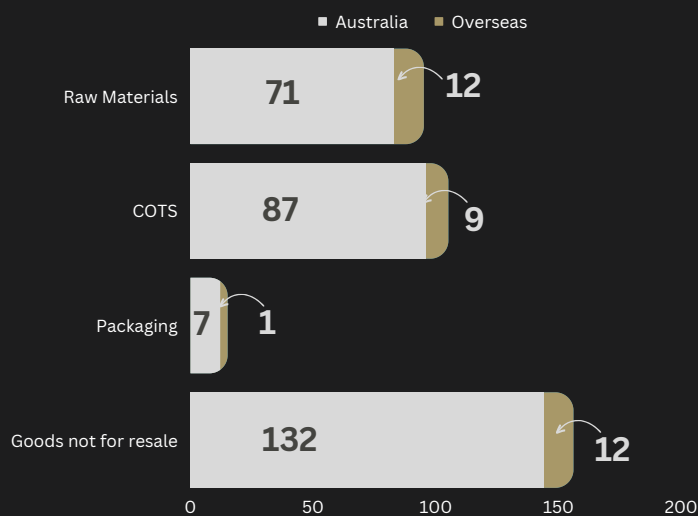
Overseas Manufacture

Overseas factories manufacturing on behalf of ADA must sign our Ethical Sourcing Policy. This has been based on the eight fundamental conventions of the ILO⁴ 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 or SA 8000.



ADA's Structure, Operations and Supply Chain

ADA's Supply Chain Footprint



Raw Materials and COTS

In our previous reporting period, ADA requested Tier 1 suppliers to indicate where their finished goods and raw materials were sourced. 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.

This year's analysis of the data received revealed no geographical change to our second-tier suppliers being located across 23 countries, with the top 3 suppliers located in Australia, China and Vietnam.

Items not for Resale

In this reporting period we extended our review to include non-stock items. These 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 and good controls by the suppliers of these items with many 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.

Whilst our visibility of Tier 1 suppliers is high, 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 country³, 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.

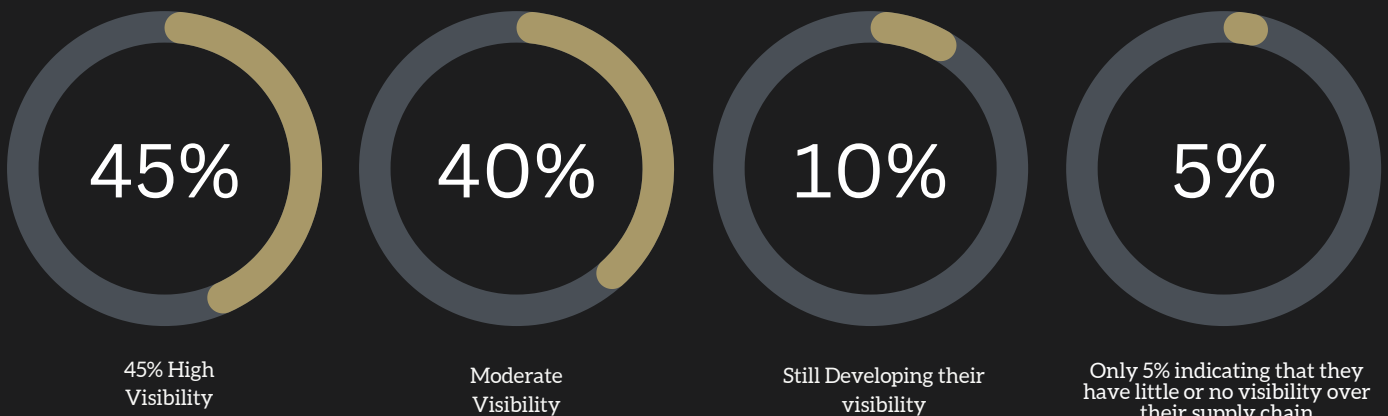
The COVID-19 pandemic added additional challenges to monitoring modern slavery risks as some manufacturers used in the production of our goods had issues meeting the compliance windows due to state imposed COVID lockdowns and restrictions.

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	N/A	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



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 and supply evidence of previous ethical audits.

Suppliers accounting for 95% of ADA's Tier 1 spend were assessed during the reporting period and information regarding their own supply chain was requested to enable more detailed assessment and improved understanding of modern slavery risks within ADA's supply chain.

Factory Visits

Due to travel restrictions imposed as a result of COVID, it was not possible for ADA personnel to visit overseas suppliers' factories and conduct inspections for the current reporting period. ADA have assessed suppliers based on their responses to questionnaires and third-party ethical audit reports. Third-party representatives continue to play an important part in our response to our modern slavery risks by acting on ADA's behalf.

Visits to overseas suppliers recommenced in July 2022 and results will be addressed in the next reporting period.

Responding to Risk Factors

Manufactured Goods:

Suppliers of our manufactured goods are located in 12 countries, with more than 50% of these suppliers located within Australia:

Australia	51%
USA	7%
Vietnam	11%
Thailand	3%
China	17%
Sri Lanka	3%

With more than half of ADA's manufactured goods suppliers located in Australia, all our 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.

The majority of offshore factories are in countries with low to moderate risks of modern slavery, with only 4% of our total production located in countries considered to have high 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, suppliers located within countries identified as having a high risk for modern slavery have had ethical audits conducted with no incidents of modern slavery reported. However, analysis of the data collected indicated some potential areas of concern regarding safety requirements and excessive working hours. ADA will work with these suppliers throughout the next reporting period and identify any further mitigation measures that can be undertaken.

Impacts of COVID-19

The COVID-19 pandemic continued to cause disruptions and challenges to our overseas operations during this reporting period.

Locally, all office employees were able to return to the office and the Melbourne warehouse and Bendigo factory continued their operations as they had during the pandemic under their COVID-safe plans.

Modern slavery awareness training was delivered early in the reporting period online to ensure risk factors were understood by procurement and operational employees, including the management group. This was also extended to those procuring non-stock items.

Continued border and travel restrictions prevented ADA personnel to visit our manufacturing suppliers located overseas. Assessments and reviews this year were based on responses to questionnaires developed in previous years and ethical audits conducted by third parties.

ADA continues 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

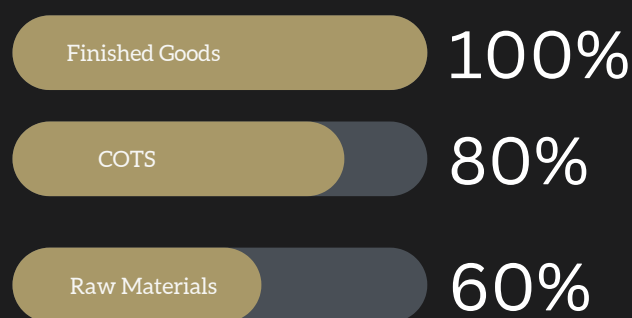
ADA are committed to monitoring the effectiveness of our actions and improving our approach to modern slavery risk management. Through our ethical sourcing process, we continue to review:

- 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.
- 45% of Tier 1 suppliers reported a high visibility and awareness of their supply chain.

Ethical Audits or Certifications:



Review of our questionnaires and audit reports received did not identify any modern slavery risks as defined under the Modern Slavery Act (Cth) 2018.

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 2022 - 2023

Results from previous reporting periods have shaped our planned activities for the 2022-2023 financial year.

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.

Additional actions for future reporting periods will include:

- Assist COTS and local suppliers who may not fall under the mandatory reporting requirements of the Modern Slavery Act 2018 to understand modern slavery risks within their own supply chain.
- Develop modern slavery training risks as part of employee on-boarding. Improve and increase supply chain activities.
- Resume visits to overseas factories
- Focus on continuous improvement activities.



Statement of Approval

This statement was approved by the Board of Directors of ADA in their capacity as the principle governing body on 30th of November 2022.

This statement is signed by Chris Dixon in his role as Chief Executive Officer of Australian Defence Apparel Pty Ltd on 16th November 2022.

Reference Index

1. Global Estimates of Modern Slavery - Forced labour and Forced Marriage (Executive Summary) September 2022 - Global Estimates of Modern Slavery 2022 | Walk Free
2. More information on the ECA can be found at <https://ethicalclothingaustralia.org.au/>
3. Walk free foundation -Global Slavery Index <https://www.globalslaveryindex.org/>
4. <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.html>



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