



## **Adairs Limited 2021 Modern Slavery Statement**

### **About Adairs**

Adairs Limited (the Company) is a publicly listed company and Australasia's largest omni channel specialty retailer of home furnishings and home decoration products. The company employs over 2,000 team members and owns and operates two businesses, Adairs and Mocka:

- Adairs is a leading specialty retailer of home furnishings in Australia and New Zealand with a national footprint of approximately 170 stores across a number of formats and a large and growing online channel.
- Mocka is a pure-play online home and living products designer and retailer operating in Australia and New Zealand.

Both businesses are vertically integrated, design led, customer focused, and sell quality in-house designed product direct to customers in Australia and New Zealand. The Company operates out of a number of distribution centres (DC's) and contracts with third party logistic providers (3PL's) who assist in distribution as well as DC operations. Adairs Limited's head office is in Melbourne, Australia.

Unless stated otherwise, references to Adairs 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 FY21 Adairs did not identify any modern slavery in its supply chain and is pleased to provide this 2021 Modern Slavery Statement, which has been prepared by the Company and describes the steps taken by it to minimise the risk of modern slavery occurring throughout its business and supply chains.

### **The Risks**

Sourcing products is an important part of the Adair's business. The Company currently sources its products from a range of countries, the largest of which are China, India, Bangladesh, Vietnam and Indonesia. Adairs is always looking for new sourcing opportunities that meet its high standards and which allow it to continue to provide its customers with high quality products that both delight and inspire.

Adairs recognises the importance of ensuring that no modern slavery exists in its supply chain and across its business. This begins with a clear understanding of the risks that may be prevalent across its entire business operations including its sourcing model. In 2021 Adairs continued to work with industry experts to supplement the internal ethical sourcing program. This included the implementation of a bespoke supplier traceability database and the commencement of an independent social compliance auditing program. Adairs continues to require all of 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 a group and individual settings by experienced specialists who have the knowledge and skill to identify any weaknesses or problem areas.

During 2021 Adairs expanded this requirement to lower tiers of manufacturing as traceability of the supply chain expands.

Although Adairs has been restricted in undertaking in person factory visits across the supply chain due to COVID-19, this work was outsourced to external ethical sourcing specialists to continue to provide independent visibility.

In addition to factory audits and visits, Adairs utilises tools such as Grievance Mechanisms and confidential Whistle-Blower hotlines. These tools enable the Company to further identify where it may inadvertently cause, contribute or be linked to potential risks of modern slavery across its business operations, including its supply chain.

Supply chains are complex structures, 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. To mitigate and protect against unethical practices in areas such as labour recruitment, unskilled labour and seasonal work, Adairs has developed a supplier Code of Conduct which all suppliers are required to sign up to and which includes strong governance requirements to protect against these risks. A supplier will often be required to sub-contract production to other factories at arms-length to Adairs operations for activities or finishes the supplier 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 all aspects of its Code of Conduct on its upstream suppliers. These suppliers have a direct relationship with the relevant sub-contractor and are expected to visit sub-contractor factories frequently to monitor and ensure compliance with the Adairs Code of Conduct and the Company's business expectations at all times. Adairs recognises that the risks of modern slavery increases the further downstream an operation exists within its supply chain. Regardless of where a sub-contractor sits in the Adairs supply chain the Company seeks to have all sub-contractors identified and approved by it before any sub-contracting work can commence.

At times the Adairs sourcing model requires its suppliers and sub-contractors to engage deeper levels of the supply chain for activities such as purchasing fabrics or materials. Adairs recognise this raises the potential risk of modern slavery as suppliers effectively act on the Company's behalf when undertaking these activities. To counter this risk the Company continues 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.

### **Actions Taken**

Adairs first step in taking action to eradicate potential modern slavery from its end-to-end supply chain was to identify and understand its modern slavery risks. Following on from previous business-wide Modern Slavery Risk Assessments conducted by an external specialist, Adairs has continued to assess the risk of Modern Slavery through internal resources, including the appointment of an additional full-time resource. Risk assessments continue to look at the Company's entire business operations, its product categories and sourcing countries to identify where the highest modern slavery risks exist.

Ensuring suppliers and sub-contractors are aware of their obligations and expectations is key to eradicating modern slavery and as such, Adairs has aligned its expectations to industry and global standards through new supplier documents including an updated Supplier Contract, Code of Conduct and Supplier Policies including a business Modern Slavery Policy. Although the 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.

Through the risk assessment process, Adairs strengthened its onboarding process which continues to be in place for all new suppliers and subcontractors. This process includes reviewing their current social compliance audit and a factory assessment with detailed information and pictures of the supplier's operations. To further strengthen this process, the onboarding process is carried out and assessed by the 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.

Supply chain traceability, where a company is able to 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 modern slavery risk. Adairs continues its Traceability program with the goal of knowing 100% of all factories, facilities and inputs used in its supply chain. Currently, the Company know 100% of its Tier 1 factories and continues to work to understand Tiers 2-4, however this is a longer-term program and will take several years to complete. Adairs is committed to tracing all stages of production across its supply chain and has built into its Supplier Contracts the requirement that all suppliers disclose this information to it in a comprehensive and timely manner.

In addition to establishing clear governance and supplier expectations, Adairs continues work on a number of internal initiatives to further eradicate the risk of modern slavery from its supply chain. This includes a number of programs involving both internal and external specialist providers to ensure that all elements of its approach are clearly understood by relevant team members. These initiatives include:

- Utilising external services to provide independent social compliance audits.
- Communicating with suppliers regularly to ensure they understand their obligations.
- Working with peers within the retail industry to establish best practice and alignment.

Over the last year, Adairs continued to monitor its supplier base to identify opportunities for consolidation to further assist in reducing the risk to its business. This consolidation program had regard to both risk and volume, allowing Adairs to become more important to a smaller number of suppliers, which in turn gives Adairs greater ability to drive and influence change across its supply chain.

Adairs has also continued to strengthen and improve its social compliance audit program over the last year. With focused resources now in place, the Company commenced a more robust program to independently assess its suppliers and their factories. Suppliers are required to submit an external audit report within their audit frequency window which is then assessed by the Risk & Compliance team. Adairs is committed to ensuring any required remediation identified by the audit is undertaken and works hard to support and maintain its business relationships during the remediation process where possible.

COVID-19 had a significant impact on Adairs social compliance program in 2021 with factory closures and auditors not able to access factories to undertake the required audits for a period of time. As a result, the Company has extended some social compliance audit due dates. The Company has however continued to maintain a regular dialogue with its suppliers to ensure adherence to both Adairs and local government 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.

Adairs believes every worker must have the right to freedom of association and so has worked with its suppliers to implement a number of expectations to protect workers in this area, including that every factory must have an internal workers representative group or committee, elected by the factory workers and with a majority of workers on the committee. These committees must be independently elected and managed.

Adairs believes that having a voice and being able to raise concerns should not be limited to workers, and actively encourages its suppliers to also provide open and honest feedback back to Adairs when the behaviour of Adairs or a team member does not meet its own standards or expectations. While suppliers may be hesitant to speak up, Adairs works hard to provide safe opportunities for this dialogue to ensure its team member behaviours align to its Ethical Sourcing Policy.

In the year ahead Adairs aims to further reduce its business risk by lowering the number of independent Tier 2-4 facilities used in the production of its products. The Company is also looking at how it reports on its social compliance program both internally and externally to better share its social compliance efforts and outcomes.

Adairs takes the management of its Social Compliance and Modern Slavery governance programs very seriously. The Risk & Compliance Manager who carries overall responsibility for both programs reports directly to the Board on a quarterly basis. If any case of potential modern slavery is identified there is a requirement that it be raised both with 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.

### **Assesses Effectiveness**

To ensure the measures and governance that Adairs has implemented to eradicate the risk of modern slavery in its supply chain are effective, the Company utilises a number of tools to assess and where required, make adjustments to its program. This includes reviewing areas such as the entire auditing program, its risk assessment framework and the social compliance auditing results. Adairs also undertakes a detailed review of its audit report to look at specific modern slavery and freedom of association outcomes as well as worker interviews and auditor feedback. Ultimately, given the extensive policy and procedural safeguards the Company has sought to put in place, it is the number of cases identified that is the best indicator as to whether its strategies to eradicate the risk of modern slavery are working or not.

### **Consultation**

This Modern Slavery statement has been developed after extensive collaboration and ongoing discussions with the senior management team of both the Adairs and Mocka businesses. This included the business wide Modern Slavery Risk Assessment on both businesses and working together to assess and gauge the risk of modern slavery. Both businesses operate under the one Code of Conduct document and so are aligned with suppliers.

### **Other matters (COVID-19)**

COVID-19 continued to have a significant impact across the world and Adairs has not been immune to the challenges that COVID-19 produced. The Company has followed all state and federal government requirements to protect its employees and customers during the lockdowns, however it also recognised that its responsibilities didn't end there. Understanding the impact of COVID-19 on its suppliers and their subcontractors was also very important as the Company sought to ensure it protected the team health and well-being of these key business partners during this time.

Adairs continued to work with its suppliers to ensure they also adhered to all government requirements and paid their workers the required wages on time during the period of impact. Continued review of product orders was an important step in managing stock flow and while the Company did phase some orders to later in the year, it did not cancel any orders where production had already commenced. At all times, Adairs collaborated with its 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/](http://www.adairs.com.au/corporate/covid-19-adairs-response/)

#### **Approval**

This Modern Slavery Statement was approved by the board of Adairs Limited on 31/12/2021

Brett Chenoweth

A handwritten signature in black ink, appearing to read 'Brett Chenoweth', with a stylized flourish at the end.

Chairman

31/12/2021

**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/](http://www.investors.adairs.com.au/Investors/)