



Austal Limited

Joint Modern Slavery Statement

2021



Introduction

This joint statement on modern slavery is presented by Austal Limited and its subsidiary entities as identified in this statement (together 'Austal') in accordance with s16 of the Modern Slavery Act 2018 (Cth).

The term 'modern slavery' covers a range of exploitative practices including human trafficking, slavery, forced labour, child labour, removal of organs and slavery-like practices.

The Australian Federal Government's passing of the Modern Slavery Act 2018 (Cth) (The Act) requires Austal to report annually from 2020 on the risks of modern slavery in its operations and supply chains, the actions Austal has taken to assess and address those risks, and the effectiveness of Austal's response.

The information presented in this statement covers the actions and responses undertaken by Austal in the FY21 reporting period.



Austal's structure, business and suppliers

Austal's Business

Austal is a global shipbuilder, defence prime contractor and maritime technology partner of choice.

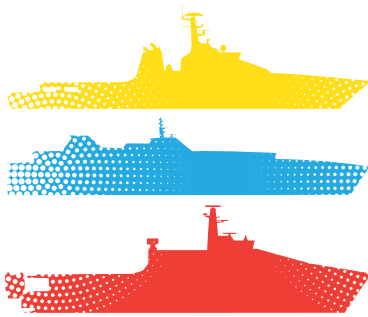
For more than 30 years, Austal has designed, constructed, and supported defence and commercial vessels for the world's leading operators.

Austal's global headquarters are in Henderson, Western Australia, where we began operations in 1988. The Company is listed on the Australian Stock Exchange and trades under the ASX code "ASB".

From shipyards in Australia, the USA, the Philippines, Vietnam, and China – and service centres around the world – Austal offers naval, government and commercial operators the highest quality ships, systems and support.

Since 1988, Austal has contracted more than 340 vessels for more than 121 operators in 51 countries and employs more than 5,500 staff worldwide.

Austal has grown to become the world's leading integrated designer-builders of naval and commercial vessels, in both steel and aluminium. Austal has successfully designed, constructed and delivered of monohull, catamaran, and trimaran commercial vessel platforms, including the world's largest trimaran ferry and multiple defence programs, such as the Littoral Combat Ship and Expeditionary Fast Transport for the United States Navy.



SHIPBUILDING

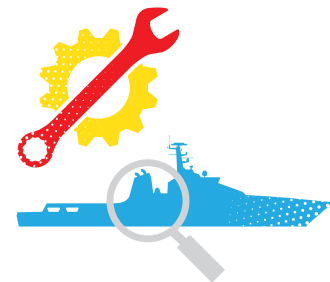
Development of defence and commercial vessel platforms.

Product range includes vehicle-passenger ferries, patrol boats, high speed support vessels, surface combatants and revolutionary, multi-role vessels.



SYSTEMS

Development and integration of vessel control and information management systems, such as MARINELINK, MARINELINK-Smart, Austal Motion Control and LUSI (Lifecycle Upkeep Sustainment Intelligence).



SUPPORT

Maritime support services, including crew training and instruction, vessels support and servicing, logistics support and information management systems support.

Austal and its Operational Subsidiaries

Austal Limited (ACN 009 250 266) is a publicly listed company on the Australian Stock Exchange (ASX). Austal Limited is the parent company of subsidiaries which operate around the world.

Australasia

This joint modern slavery statement is presented by Austal Limited and the following 100% owned operational subsidiaries of Austal:

- [Austal Ships Pty Ltd \(ACN 079 160 679\)](#)
- [Austal Cairns Pty Ltd \(ACN 153 468 627\)](#)
- [Austal Brisbane Pty Ltd \(104 531 991\)](#)
- [Austal Philippines Pty Ltd \(ACN 079 160 651\)](#)
- [Austal Holdings Vietnam Pty Ltd \(ACN 624 726 674\)](#)

(together 'Austal Australasia')

Each of the above-mentioned entities meet are classed as reporting entities in their own right under the Act.

Austal Cairns Pty Ltd and Austal Brisbane Pty Ltd are the operational entities associated with an acquisition by Austal in November 2020 of the BSE Maritime Solutions Group in Queensland.

The acquisition aligns with Austal's strategy of continuing to build the Company's key support business in the North East region of Australia.

United States of America

This modern slavery statement is not intended to cover any of Austal's USA operations, as those entities are subject to separate reporting requirements and the USA supply chain is controlled and operated by Austal USA LLC (Austal USA).

Austal USA has adopted the US Government's prohibition against trafficking in persons as set forth in FAR 52.222-50 as its Anti-Trafficking Policy.

The Anti-Trafficking Policy, along with the Anti-Trafficking Compliance Plan, ensures that:

- Austal employees are aware of the US Government's anti-trafficking prohibitions under applicable laws and regulations;
- the consequences which may result from engaging in trafficking-related activities;
- Austal's fair recruitment, wage, and housing practices; and
- Austal's procedures for preventing employees, agents, subcontractors, subcontractor employees, and their agents from engaging in trafficking-related activities.

Austal's Tier One Suppliers

Austal's 'Tier One' suppliers are suppliers who provide the materials and highly specialised equipment to be incorporated into Austal's vessels, including aluminium, engines and waterjets.

Most of Austal's Tier One suppliers have head offices in countries where national laws and internationally accepted principles in respect of human rights, labour, anti-corruption and the environment are recognised and adhered to.

Most of Austal's major equipment (highly engineered & specialized) is procured through Australian distributors for whom the original equipment manufacturers (OEMs) are located or based in European countries who have ratified the International Labour Organisation's Protocol of 2014 to the Forced Labour Convention, 1930.

Those Tier One suppliers are also required to report on their own supply chains under relevant thresholds of the Australian and UK Modern Slavery legislation.



Risks of Modern Slavery in Austal's Supply Chain

Austal's supply chain operations are structured to provide efficient and centralised purchasing services to Austal Australasia.

The Austal Australasia supply chain is led by the Australian procurement department operating under Austal Ships Pty Ltd. In addition to being charged with the procurement of goods from Tier One Suppliers, the Australian operations provide guidance and support to the localised procurement departments in both the Philippines and Vietnam.

With entities operating in different areas of the world, Austal initiates the assessment of the risks of modern slavery within its supply chains to focus on risks on a geographic basis, as well as a product basis.

Modern Slavery risks are assessed as a priority based on spend. Risk is assessed on a geographical basis and then product basis.

Austal uses publicly available research and reports to determine high risk areas within its supply chain.

Product risk will be assessed individually if the product is considered to be a possible high health or environmental risk.

Geographical Risk Assessment

Austal's operations in the Philippines and Vietnam have a higher risk exposure to those in Australia and China, with data from the Global Slavery Index indicating that there is an estimated prevalence of 7.7 modern slavery victims per 1,000 people in the Philippines, and 4.5 victims per 1,000 in Vietnam.

Whilst Austal takes steps to ensure that its direct employees and suppliers are not affected by modern slavery practices, Austal is cognisant of the possible existence of forced labour practices by local suppliers in these regions.

Austal assesses the location of direct suppliers (i.e. the contracting entity) and the location of the significant manufacturing activity in accordance with the following matrix:

Low	Suppliers/manufacturers registered and operating in countries that have legislative requirements enforcing minimum standards to prevent modern slavery shall be considered Low Risk.
Medium	Suppliers/manufacturers registered and operating in countries that have legislative requirements pending and have demonstrated a social awareness to prohibit modern slavery shall be considered Medium Risk
High	Suppliers/manufacturers registered and operating in countries that do not have legislative requirements pending shall be considered High Risk
Critical	Suppliers/manufacturers registered and operating in countries that have no legislative requirements and have more than 8 modern slavery victims per 1,000 , based on the Global Slavery Index shall be considered Critical Risk

Product Risk Assessment

Product risk assessment is undertaken in accordance with the following matrix:

Low	Highly engineered products requiring complex processes and/or production skill shall be considered Low Risk.
Medium	Products that are simple to produce, but not from known high risk supply chains shall be considered Medium Risk
High	Products from known high risk supply chains such as textiles and global produce shall be considered High Risk

Austal will continue to refine the criteria for both geographical and product risk assessment as its knowledge of suppliers and the risks in these areas develops.

Austal remains conscious that there may be some areas of Austal's supply chain that are low spend but may also be very high risk (for example, the textiles industry).

Austal remains cognisant that a level of intuitive oversight should be applied when undertaking the risk assessments and that there can be other factors which influence whether inherent risks in particular areas of Austal's supply chain exist. To bolster Austal's supplier risk assessment, Austal has developed an in-house supplier on-boarding tool.

Actions taken to assess and address risks

Austal recognises that the process of assessing and addressing modern slavery within all of its supply chains is a complex and ongoing task.

Actions undertaken during FY21

In FY21, Austal's ongoing approach to managing the risk of modern slavery included:

- completing the development of a bespoke risk assessment tool and embedding it into the supplier risk assessment process;
- continuing training for the Australasia business unit, new employees, contractors and suppliers; and
- undertaking robust assessment and evaluation of suppliers and contractors who supply the Company with products assessed in the 'High' category of our Product Risk Assessment matrix.

Due to completing modern slavery in house awareness training, coupled with our effective risk score calculation methodology of combining product and country risk, Austal identified the likely prospect of modern slavery existing in the proposed supply chain for particular goods nominated for supply in a government tender.

Austal engaged with the supplier to identify country of origin and if alternative goods could be sourced without modern slavery. Austal also informed the relevant government entity of the potential issue by including details in its tender response and accompanying risk assessment.

CASE STUDY

Deep Dive Assessment of Suppliers in FY21

Austal conducted 'deep dive' assessment and evaluation of two suppliers and contractors who supply Austal with electrical components and textiles – both are Products identified within the High category of our Product Risk Assessment matrix.

Electrical: A leading global electrical supplier was assessed due to known high risk product (automation and electrical equipment) and high geographical location risk (South East Asia).

Textiles: A West-Australian based supplier was investigated due to known high risk product (textile) and possible high country risk. Austal concluded that Austal will provide further modern slavery awareness training to that supplier in order to increase the supplier's awareness of modern slavery, as well as to assist to improve the quality of that supplier's responses. Training will be provided in the second half of FY22.

Focus for FY22

Looking forward to FY22, Austal intends to undertake the following activities to enhance its assessment and remediation of modern slavery risks:

- Continue to monitor the effectiveness of the risk assessment tool that has been embedded into the supplier risk assessment process.
- Continue with training for the wider business
- In both the Philippines and Vietnam, Austal will commence a robust assessment and evaluation of suppliers and contractors who supply Austal with Products in the High category of our Product Risk Assessment matrix. The first area of focus will be on local suppliers to whom both companies subcontract fabrication work from time to time, ensuring a dive into both the labour and materials components of those supplier.
- In Australia, Austal will start to probe into Tier Two and Tier Three suppliers, having identified two Australian-based Tier Two and Three suppliers who source goods from suppliers in Asia.
- Austal will aim to identify conduct an onsite assessment and evaluation of the abovementioned suppliers in Australia, the Philippines and Vietnam by the completion of FY22.

How Austal is assessing the effectiveness of actions taken

Austal has introduced a regular supplier review process where it is able to analyse trend data for any patterns of increased risk. Peer to peer reviews are conducted at the biannual procurement summits for the Austal Australasia entities.

In the regular assessment of staff competency, an assessment of modern slavery understanding will be included. Observation of the effectiveness of training will occur through this process.

It is Austal's aim to implement a standalone policy on modern slavery which will clearly document how Austal will respond to a modern slavery exposure, including actions that can be taken by our employees and associates if they detect evidence of modern slavery in Austal's immediate resources and wider supply chain.

Consultation with subsidiary entities

Austal Australasia (the subsidiary entities to which this joint statement applies) have been consulted and informed of the reporting requirements of the Act. The Australian supply chain (operated by Austal Ships Pty Ltd) performs and supports the majority of the procurement in Australia, the Philippines and Vietnam, particularly in respect of the engagement of Tier One suppliers.

The Australian supply chain will continue to support and guide the operations in the Philippines and Vietnam. The actions undertaken by Austal outlined at Section 4 of this statement demonstrate the consultation that has been undertaken between relevant subsidiaries.



Conclusion

Austal recognises that tackling modern slavery requires a continuing commitment. In FY22 Austal will continue to collaborate with internal and external stakeholders to address modern slavery risks, as well as strengthening the group's ability to ensure modern slavery risks are notified and acted upon.

This modern slavery statement was approved and endorsed by the Austal Limited Board of Directors on 10 December 2021.



John Rothwell AO

Chairman and Director of Austal Limited

Director of Austal Ships Pty Ltd

Director of Austal Cairns Pty Ltd

Director of Austal Brisbane Pty Ltd

Director of Austal Philippines Pty Ltd

Director of Austal Holdings Vietnam Pty Ltd





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