

Australian Defence Apparel

Modern Slavery Statement

2020-2021

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A word from our CEO

Everyone has the right to be free from slavery. Slavery is not a thing of the past. The International Labour Organisation estimates that today there are approximately 40 million victims of slavery globally.

The issues and challenges around modern slavery are complex and ADA are developing a long-term approach to enable us to be part of this change. Slavery exists in different forms across the globe and is not a problem that should be ignored. At ADA, we are committed to utilizing our influence, driving change and improving people's lives. We know our responsibility does not end and we will continue taking steps to identify and eradicate the risk of modern slavery from our end-to-end Supply Chain.

The 2020 – 2021 financial year has been challenging as lockdowns and travel restrictions due to the pandemic limited our capacity to physically visit suppliers. We continue to develop and improve our approach to modern slavery. I am pleased to introduce our second Modern Slavery Statement which reflects our commitment to identifying and eliminating the risks of modern slavery within our supply chain.



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

Chris Dixon
CEO, Australian Defence Apparel



This is an interactive PDF designed to enhance your viewing experience. The best to view this statement is with Adobe Reader. Click on the links on the contents page or use the home button to navigate this document.

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 headquartered in Melbourne with manufacturing located in Bendigo, Vic and satellite sales offices in NSW, Qld, SA and the 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.

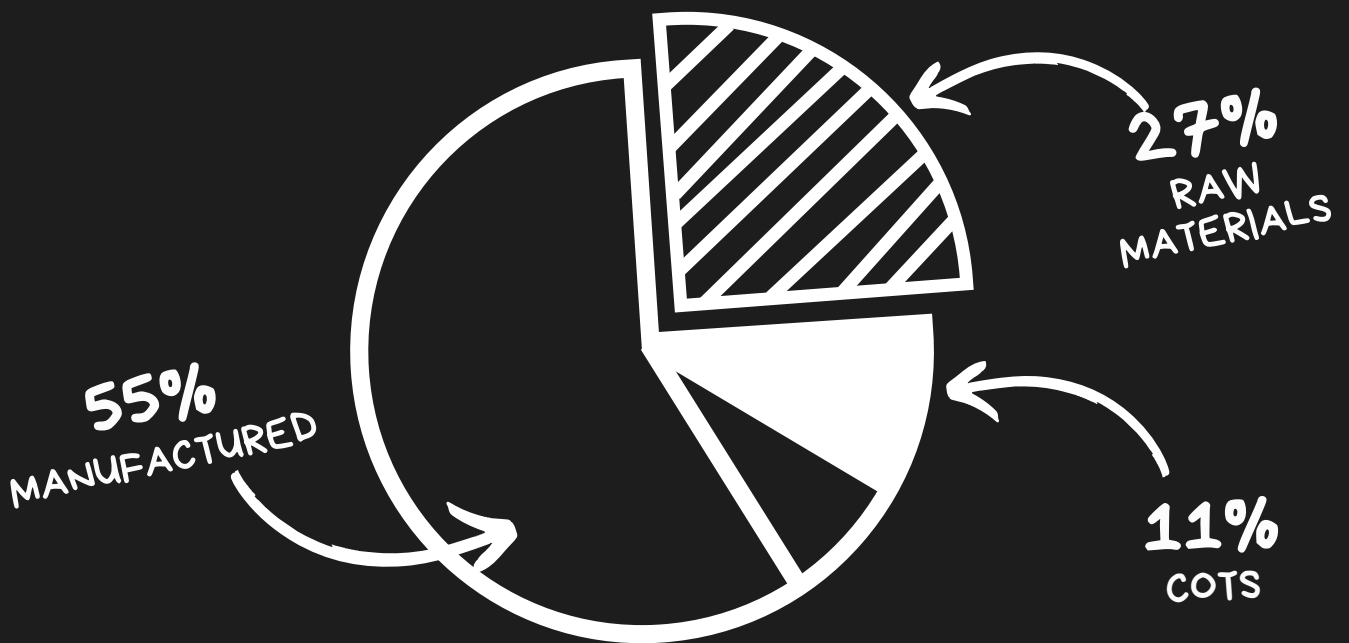


- 1 Townsville
- 2 Brisbane
- 3 Gold Coast
- 4 Sydney
- 5 Canberra
- 6 South Melbourne
- 7 Thomastown
- 8 Bendigo
- 9 Adelaide
- 10 Auckland
- 11 Palmerston North

ADA's Structure, Operations and Supply Chain

Spend

During the 2020 – 2021 financial year, ADA supplied manufactured garments from both local and offshore factories and supplied third-party commercial off the shelf (COTS) products to law enforcement, security and military personnel. Our manufacturing supply chain and our COTS supply combined account for 93% of ADA's total 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 a factory operated by Logistik in Vietnam.
- Additional local and offshore production needs are serviced through a network of subcontract manufacturers.

ADA operates 3 retail stores under the LEGEAR brand located in Melbourne, Canberra and Auckland NZ to service military, law enforcement and security personnel.

ADA's Structure, Operations and Supply Chain

Manufacturing Supply Chain

All overseas factories that manufacture on behalf of ADA must sign our Ethical Sourcing Policy. This has been based on the eight fundamental conventions of the ILO* and includes requirements around the various categories of modern slavery.

Local sub-contractors are included in ADA's local garment manufacturing which is accredited to Ethical Clothing Australia (ECA).¹ Accreditation by the ECA ensures that local textile workers throughout the supply chain receive their statutory entitlements and work in safe conditions.

ADA's Supply Chain Footprint

During the 2020 - 2021 reporting period, ADA directly sourced goods from almost 400 suppliers across 15 different countries, predominantly being located within Australia and Asia. The top 4 sourcing countries by spend were:

Australia	49%
China	16%
USA	10%
Vietnam	6%
Others	19%

The analysis of the responses revealed that our second-tier suppliers are located across 23 countries, with the top 5 suppliers located in the following countries:

China	29%
Australia	13%
Taiwan	10%
USA	9%
South Korea	7%
Other	32%

This reporting period, ADA's goal was to broaden the visibility of our supply chain. Tier 1 suppliers were asked to indicate where their finished goods and raw materials were sourced.

ADA will continue to work with direct suppliers to provide further clarity and identify location and type of modern slavery risks within our supply chain.

Risk Factors

Modern slavery refers to situations of exploitation where a person cannot refuse work or leave because of threats, violence, coercion, deception, and/or abuse of power. ADA acknowledges that the potential for modern slavery exists in both local and offshore supply chains.

Modern slavery is a mostly unseen crime that affects every country and has been found in many industries across the globe. Garment manufacturing is among those industries where workers are considered to be at high-risk.

ADA recognises the inherent modern slavery risks of operating within the textile industry. Additional modern slavery risk factors considered in our assessment are:

- High risk countries and 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.

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.

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.

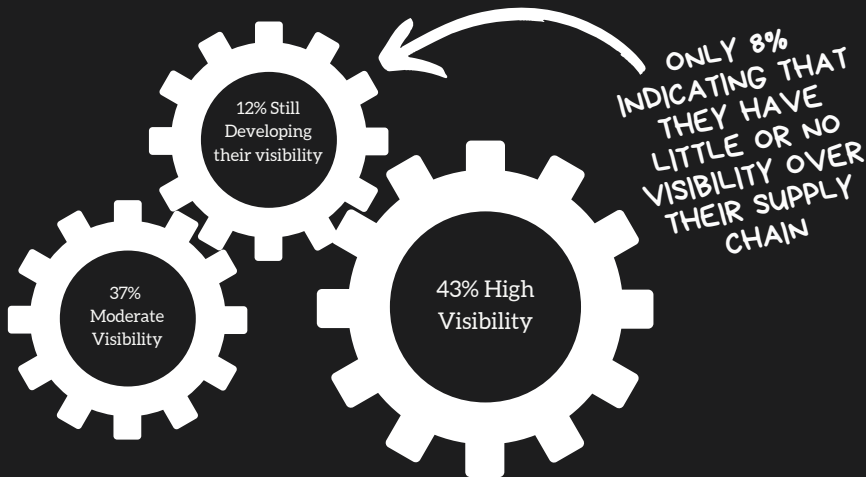
Risk Factors

Identified modern slavery risks by main sourcing countries:

Country	Modern Slavery Risk ²	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
South Korea	Forced labour	N/A	Finished garments, fabric, trims	Ethical Sourcing Policy, Supplier Agreement, Ethical Audits

During this reporting period, Tier 1 suppliers were asked what oversight they had of modern slavery within their own supply chain, with 80% reporting that they have a high or moderate visibility.

Tier 1 Suppliers' Oversight of their 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 as internal capabilities improve 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) ³
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 where required. 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. Visits are expected to resume in 2021-2022; third-party representatives will continue to act on ADA's behalf until ADA's own personnel are able to travel safely.

Responding to Risk Factors:

Manufactured Goods:

Suppliers of our manufactured goods are located in 7 different countries, with more than 50% of these suppliers located within Australia:

Australia	52%
USA	7%
Vietnam	12%
Thailand	2%
China	23%
Cambodia	2%
Laos	2%

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).

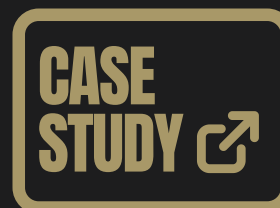
Accreditation by the ECA ensures that local textile workers throughout the supply chain receive their statutory entitlements and work in safe conditions.

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.

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.



Click here to view Case Study
(1) : Impacts of COVID-19



Impacts of COVID-19

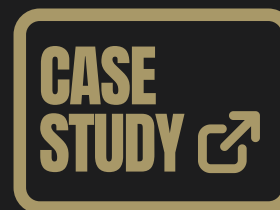
The COVID-19 pandemic continued to have an impact on our operations both locally and overseas during this reporting period.

Locally, all office employees were able to work from home and the Thomastown warehouse and Bendigo factory maintained their operations under their COVID-safe plan,⁴ ensuring uninterrupted uniform supplies to our frontline and essential services customers.

Modern slavery awareness training was delivered online to ensure that risk factors were understood by procurement and operational employees, including the management group.

Border and travel restrictions prevented factory visits to suppliers located overseas by ADA personnel. In addition to the ethical audits conducted by third-parties, assessments and reviews this year were based on questionnaires developed using ethical audit self-assessment questionnaires and resources available on the Modern Slavery Statements website as a guide.

Results identified some potential areas of concern regarding safety requirements and excessive working hours. A third-party organisation with a significant presence in Asia has been appointed to assist with conducting independent ethical audits on our behalf. These are expected to begin in the first half of 2021-2022; ADA remain optimistic that business travel will enable ADA employees to visit suppliers in the second half of the next reporting period.



[Click here to view Case Study \(1\) : Impacts of COVID-19](#)



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. Our initial reporting period was focused on establishing a baseline for reporting through measuring:

- The number of supplier assessment questionnaires returned
- The numbers of suppliers with ethical audits conducted
- The number of identified risks and mitigating controls in place
- The number of employees trained in modern slavery risks
- Review of audit reports received

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
- 43% of Tier 1 suppliers reported a high visibility and awareness of their supply chain

Ethical Audits or Certifications:



Assessment 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 2021 - 2022

Results from the current reporting period have shaped our planned activities for the 2021-2022 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.

- Develop an Ethical Sourcing Policy specifically for COTS suppliers
- 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.
- Extending the supplier assessment review to include suppliers of services such as cleaning, labour hire and logistics services
- Review and refresh training requirements for existing and new employees
- Increased volume of third-party audits on factories considered to have a higher risk of modern slavery within their workforce, as borders re-open.

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 2021.

This statement is signed by Chris Dixon in his role as Chief Executive Officer of Australian Defence Apparel Pty Ltd on 19th November 2021.

Reference Index

1. More information on the ECA can be found at <https://ethicalclothingaustralia.org.au/>
2. Walk free foundation -Global Slavery Index <https://www.globalslaveryindex.org/>
3. <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.html>
- 4.As required by the Victorian State Government

Case Study (1)

Impacts of COVID-19

Our manufacturing facility in Vietnam was impacted by the Vietnam Government's regulations imposed as a result of COVID-19, requiring factories close unless they were able to provide adequate facilities for their workers.

Working with our Melbourne Operations Team to ensure that Modern Slavery Risks were addressed, factory management implemented working bubbles for the factory and warehouse enabling them to maintain up to 80% of their operations with merchandising and the local technical team working from home.

This enabled workers to continue to earn a living wage, whereas a significant number of other factories closed with workers not receiving their normal wages.



Case Study (2)

Risk Factors

Ethical audits continued to be reviewed as part of our supplier assessments throughout the reporting period. There were no instances of modern slavery identified, however excessive overtime continues to be noted throughout the audit reports.

Reviewing the second tier of our supply chain revealed that a number of these have not had ethical audits conducted.

ADA is working with our direct suppliers and third-party auditors to ensure assessments are conducted in the coming year as travel restrictions ease.





Modern Slavery Statement 2020-2021

