



MODERN SLAVERY STATEMENT – 1 November 2019

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)

1. Introduction

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.

Austal has taken a keen interest in the development of the Act and supporting regulations, having consulted with industry leaders who conduct best practice in this area and also contributing to round table discussions with the Attorney-General's Department prior to the passage of the legislation.

Austal is pleased to publish its inaugural Modern Slavery Statement on a voluntary basis in response to the requirements of the Act. The information presented in this statement covers the actions and responses undertaken by Austal in the FY18/19 reporting period.

2. Austal's structure, business and supply chains

Austal's business

Austal (ASX:ASB) is an Australian shipbuilder, global defence prime contractor and marine technology partner of choice, designing, constructing and supporting revolutionary commercial and defence vessels for the world's leading operators. Specialising in high-speed aluminium monohull, catamaran and trimaran hull vessels, Austal now also offers (and is producing) steel vessels.

Established in 1988, Austal has grown to become the world's largest aluminium shipbuilder, having designed and constructed more than 300 vessels for over 100 operators in 54 countries, with ongoing sustainment contracts in place with many of these vessels.

An export award winning company, 80% of Austal's global vessel production has been delivered to overseas customers, from shipyards located in Australia, the United States of America, the Philippines and Vietnam. The company also has a joint venture operation in China that is designing and constructing commercial ferries for the domestic Chinese mainland market.

Unique among shipbuilders, Austal also develops value-adding, innovative maritime technology such as Motion Control and MARINELINK-SMART that enhances vessel performance, seakeeping and operations; as well as providing through-life capability management, vessel sustainment and in-service support to operators. This support is delivered through a growing network of service centres in Australia, the USA, Philippines, Vietnam, Singapore and the Middle East.

With more than 6,300 employees worldwide, Austal is a leader in advanced maritime design and construction, utilising ISO quality-certified processes in state-of-the-art, modular manufacturing facilities to produce ships of the highest quality.

Austal Group Structure

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

This 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 Philippines Pty Ltd (ACN 079 160 651)
Austal Holdings Vietnam Pty Ltd (ACN 624 726 674)

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 is also a minority participant in the Aulong joint venture in China; the supply chain operations of that joint venture are controlled and managed by Austal's local partner.

Austal's Tier One Suppliers

Austal's analysis and supply chain mapping to date has focused on what Austal terms as 'Tier One' suppliers. These 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.

3. Risks of modern slavery in Austal supply chains

With entities operating in different areas of the world, Austal has initiated its 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 will be assessed as a priority based on spend. Risk will be assessed on a geographical basis and then product risk. Austal will use publically 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

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

Austral 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 ¹ , 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

Austral 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.

¹ This threshold has been established by correlating reference information that supplements the Global Slavery Index. Austral will use this risk guidance to identify suppliers that warrant a deeper dive by Austral when examining those suppliers’ supply chain activities.

4. Actions taken by Austal to assess and address modern slavery risks

Austal recognises that the process of assessing and addressing modern slavery within all of its supply chains is a complex and ongoing task. Austal has consulted with industry leaders who conduct best practice in this area, as well as taken guidance from published materials by leading research organisations. There is a rapidly growing body of knowledge related to this area and Austal is actively engaged in keeping abreast of current information.

As a result of this research, Austal made the following improvements to its contracting, procurement and supply chain practices in the FY18/19 reporting period:

- Austal commenced a detailed mapping of its supply chain in Australia. Tier One suppliers have been identified and further mapping continues to take place.
- Austal standard purchase order terms and conditions for its Australia, Philippines and Vietnam entities have been updated to include warranties and commitments from suppliers in respect of modern slavery investigations in their own supply chain.
- Austal's supplier on-boarding processes have been improved to include queries to new suppliers in respect of the Act and their supply chain practices.
- Investigations into appropriate software and online tools to assist Austal in its ongoing assessment of suppliers and modern slavery activity has been undertaken, with the view to potential investment in an appropriate tool to fit the organisation's purposes, if identified.

Looking forward to 2020, Austal intends to undertake the following activities to bolster its assessment and remediation of modern slavery risks:

- The Australian supply chain mapping will continue. This also provides direct benefit to assessing the supply chains for the Philippines and Vietnam shipbuilding operations as there are common products and suppliers relevant to all three locations.
- Mapping and assessment of the supply chains in Philippines and Vietnam will commence for any differences due to regional supplier preferences and policies. This process will be guided by the experienced Australian procurement team.
- A bespoke risk assessment tool will be developed and embedded into the supplier risk assessment process.
- Targeted training will be delivered to Austal employees in Australia, the Philippines and Vietnam to raise awareness of this topic.
- Biannual procurement summits involving management from all areas of Austal operations and support will be held to facilitate the opportunity for stakeholders to share information and workshop risks.

5. How Austal is assessing the effectiveness of the actions it is taking

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 will also be conducted at the biannual procurement summits. Opportunities for improvement will be captured for action through the Company's HSE team.

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.

6. Consultation with subsidiary entities

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.

7. Conclusion

Austal recognises that tackling modern slavery requires a continuing commitment. In 2020 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 1 November 2019.

A handwritten signature in black ink, appearing to read "D Singleton".

David Singleton
Managing Director and CEO