



CSR LIMITED

Modern Slavery Statement 2021



CONTENTS

| | |
|----|---|
| 2 | SECTION 1: INTRODUCTION |
| 2 | SECTION 2: KEY MILESTONES DURING YEM21 |
| 3 | SECTION 3: ABOUT CSR |
| 5 | SECTION 4: BACKGROUND INFORMATION ON THIS STATEMENT |
| 5 | SECTION 5: CSR'S SUSTAINABILITY GOVERNANCE FRAMEWORK |
| 7 | SECTION 6: CSR OPERATIONS AND SUPPLY CHAINS |
| 9 | SECTION 7: IDENTIFYING MODERN SLAVERY RISKS |
| 12 | SECTION 8: ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS |
| 16 | SECTION 9: ASSESSING THE EFFECTIVENESS OF THESE ACTIONS |
| 17 | SECTION 10: OTHER RELEVANT INFORMATION |
| 17 | SECTION 11: APPROVAL OF THIS STATEMENT |
| 17 | CONTACT US |
| 18 | APPENDIX 1 |

SECTION 1: INTRODUCTION

CSR Limited (CSR) is pleased to submit its Modern Slavery Statement for the financial year ended 31 March 2021 (YEM21).

This joint statement is provided as required under the Modern Slavery Act 2018 (Commonwealth) and provides:

- Background information on the activities and operations of CSR;
- A summary of the main modern slavery risks that CSR faces and how these risks have been identified and assessed;
- Information on the actions being taken to mitigate those risks and how the effectiveness of these mitigating actions is assessed; and
- Any other information as required by the relevant legislation.

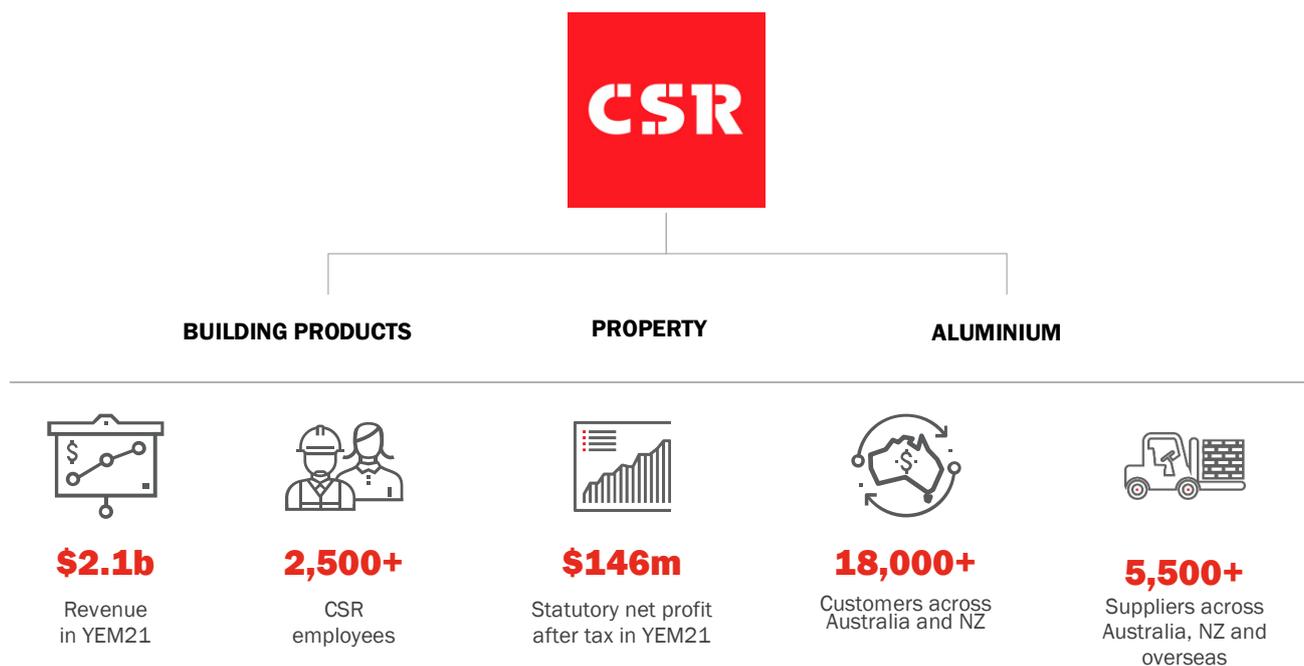
Section 4 of this statement contains details on the entities that are included in this joint statement and the reasons why a joint statement is appropriate for CSR.

SECTION 2: KEY MILESTONES DURING YEM21

CSR lodged its first Modern Slavery Statement in September 2020. Since that time, CSR has progressed a number of initiatives to assess and address modern slavery risks, including:

- Engaged independent experts to analyse CSR's supply chains beyond Tier 1 suppliers and provided a modern slavery risk profile for suppliers up to Tier 10 for each of CSR's suppliers which was mapped to country and industry ratings;
- Conducted an external review of vendors to provide a detailed analysis of crimes, infringements and sanctions across 95% of CSR's vendors (based on spend);
- Implemented a comprehensive vendor on-boarding process; and
- Inclusion of key statistics regarding the number of screened vendors, number of incidents reviewed, number of staff trained and suppliers risk assessed during the year.

SECTION 3: ABOUT CSR

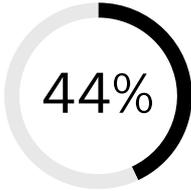


BUILDING PRODUCTS

CSR is a leading building products company in Australia and New Zealand and is the name behind some of the market's most trusted and recognised brand names including Gyprock plasterboard, Bradford insulation, Cemintel fibre cement, Hebel autoclaved aerated concrete panels, PGH Bricks, Monier rooftiles and AFS walling systems. Formed in 1855, CSR is one of Australia's oldest companies with over 2,500 employees across Australia and New Zealand.

The Building Products business supplies the residential and commercial construction industries in Australia and New Zealand with products manufactured and distributed from over 170 sites. In addition, CSR is a distributor of a range of building products imported into Australia and New Zealand which complement CSR's existing range of manufactured products. CSR has a range of domestic and international suppliers which provide materials and services for the manufacture and delivery of its products to its customers.

During YEM21, CSR re-structured its building products brands into three new business units.

| MASONRY & INSULATION | INTERIOR SYSTEMS | CONSTRUCTION SYSTEMS |
|---|--|--|
| <div style="text-align: center;">  <p>44%</p> </div> <div style="text-align: center;">  </div> <ul style="list-style-type: none"> ▪ YEM21 revenue \$593m (3% below YEM20) ▪ These brands share many residential customers providing great design and functionality. PGH Bricks and Monier Roofing are key areas for selection of external colours and design integrating with Bradford's insulation and ventilation systems. | <div style="text-align: center;">  <p>38%</p> </div> <div style="text-align: center;">  </div> <ul style="list-style-type: none"> ▪ YEM21 revenue \$667m (4% below YEM20) ▪ Builds on Gyprock's leading brand position in gypsum based products including plasterboard, cornice and compounds for residential and commercial markets. ▪ Martini and Himmel provides an integrated commercial offering to the CSR interior systems portfolio. | <div style="text-align: center;">  <p>18%</p> </div> <div style="text-align: center;">  </div> <ul style="list-style-type: none"> ▪ YEM21 revenue \$275m (3% below YEM20) ▪ Targeting a number of new markets in structural systems and cladding with a range of new products. ▪ Cemintel is already a key partner of the AFS business and this brings further opportunities to expand its external cladding offering. |

PROPERTY

CSR Property focuses on maximising financial returns by developing surplus former manufacturing sites and industrial land for sale. CSR has an in-house property team which is responsible for advancing the sites through various stages of the development cycle. The Property team has extensive experience in managing large scale property projects including:

- Site rezoning
- Remediation
- Biodiversity
- Civil earthworks
- Road construction
- Infrastructure and services

CSR Property also provides the CSR businesses with strategic property advice on future impacts of urban expansion on key CSR sites as well as managing CSR's extensive leased and owned property portfolio across Australia and New Zealand.

ALUMINIUM

Through its 70% shareholding in Gove Aluminium Finance Limited, CSR holds an effective 25.2% interest in the Tomago aluminium smelter, located in New South Wales. Tomago produces around 590,000 tonnes of aluminium annually, some 25% of Australia's primary aluminium production. Tomago employs 950 people (full time equivalent) as well as 190 contractors.

Further details on CSR's structure are set out in **Section 3**, with details relating to supply chains & operations are set out in **Section 6**.

CSR'S APPROACH TO RISK MANAGEMENT AND SUSTAINABILITY

At CSR, we care for and protect each other, our business, our customers, the community and our environment with the aim of building a sustainable, profitable and growing enterprise. The workplace health and safety of our people and the preservation of the environment in which we operate, are core values at CSR.

Further details on CSR's approach to sustainability over the past year are included in the **2020 CSR Sustainability Report** which was published in December 2020.

RISK MANAGEMENT

CSR's Risk Management Framework (RMF) sets out the framework for risk management, internal compliance and control systems.

Risk management is sponsored by the board and is a priority for senior managers, starting with the managing director. The board approves CSR's risk appetites statements and RMF, oversees the risk profile of CSR and ensures that business developments are consistent with the goals of CSR. The board receives periodic assurances that significant risks are managed appropriately. The RMF covers business risk, financial risk, financial integrity, legal compliance and sustainability risk, and requires risks across the businesses to be identified, evaluated, monitored and controlled. Risks are classified as either strategic, operational, financial or compliance.

There are several layers that assist the board in ensuring the appropriate focus is placed on the RMF:

- Risk & Audit Committee – reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems and the internal and external audit functions;
- Workplace Health, Safety & Environment Committee – reviews and reports to the board on the management of the company's safety, health and environment strategic and operational approach; and legal responsibilities, as well as the company's involvement in the communities in which it operates;
- Executive leadership team – manages and reports to the board on all risks and overall compliance.

SECTION 4: BACKGROUND INFORMATION ON THIS STATEMENT

CSR Limited is a publicly listed company on the Australian Securities Exchange (ASX) incorporated in Australia.

This joint statement covers CSR Limited's reporting period 1 April 2020 to 31 March 2021.

This joint statement covers the entities as set out in **Appendix 1** and includes:

- All wholly owned subsidiaries of CSR Limited; and
- All joint ventures that CSR holds a majority share in, including Gove Aluminium Finance Limited of which CSR owns 70%.

CONSULTATION WITH ENTITIES COVERED IN THIS STATEMENT

The following steps have been undertaken to consult with the entities covered by this statement:

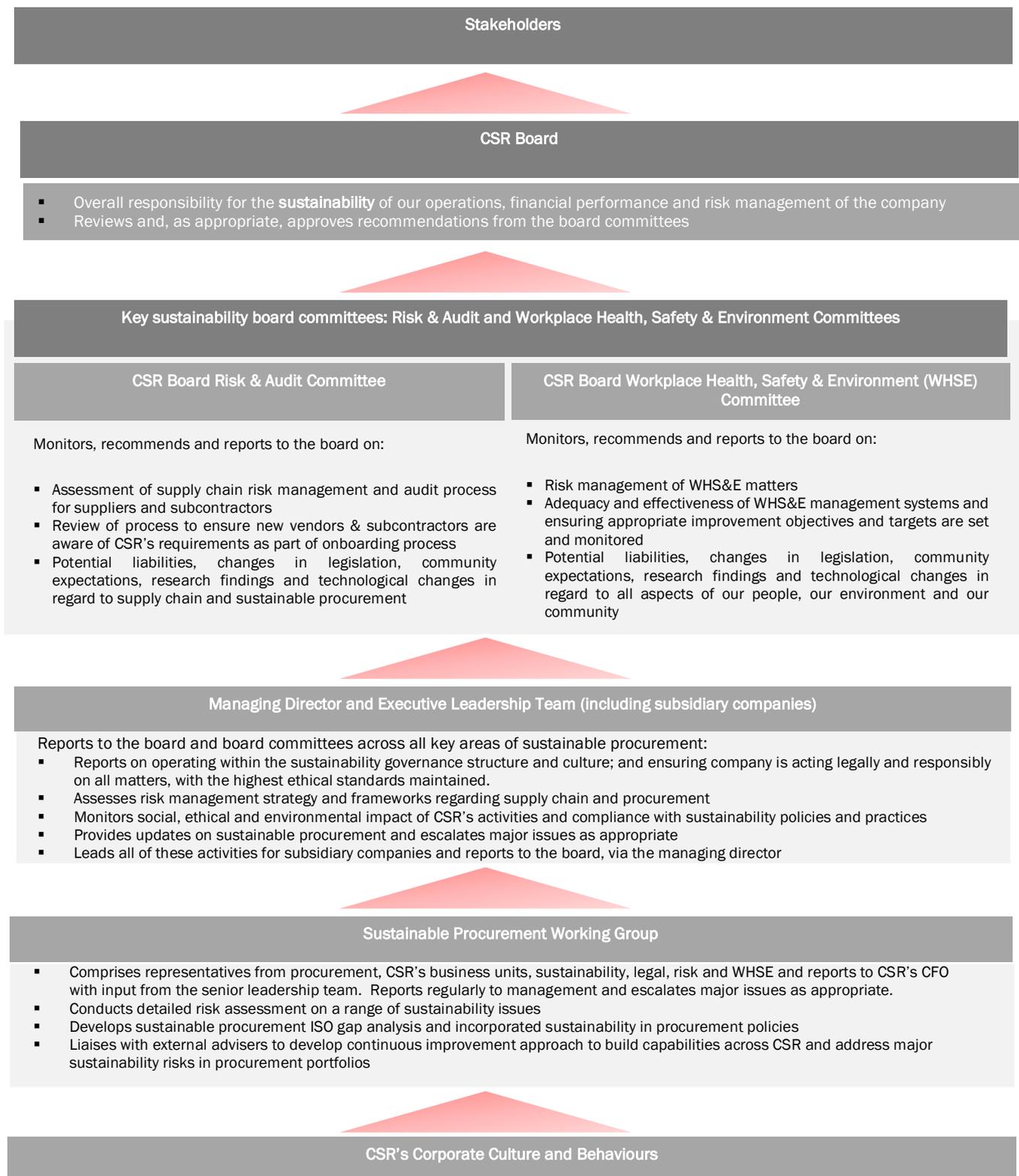
- There is commonality of directors across the executive leadership team and the subsidiary companies.
- This statement was reviewed and approved by the executive leadership team.
- The directors of the relevant subsidiary companies have had the opportunity to review this statement and provide feedback.
- This statement does not include entities that CSR does not control or has less than a 50% shareholding.

SECTION 5: CSR'S SUSTAINABILITY GOVERNANCE FRAMEWORK

CSR's governance framework is a set of rules, relationships, systems and processes underpinning the company's values and behaviours; the way it does business and how the CSR board of directors is accountable to all stakeholders for the performance and growth of the company, as well as the identification and management of business risks. The governance framework ensures, amongst other things, that sustainable procurement risks are effectively identified and managed. These risks include modern slavery risks.

A key part of this framework is the **Supplier Code of Conduct** which formalises CSR's sustainable procurement policies, the minimum requirements we expect and the aspirations CSR would like our suppliers to achieve. It is a fundamental document to build CSR's sustainable procurement culture and provides an opportunity to engage with suppliers before and while we do business with them. This document includes explicit statements about human rights.

Figure 1: CSR's sustainability governance framework



In July 2021, CSR formed the Sustainability Steering Committee to ensure that CSR executes on its strategic foundation that sustainability is at the forefront of our decision making and actions. This committee includes the CSR executive leadership team with the scope of work including:

- Building a shared understanding (including external influences) of sustainability
- Developing priorities and targets to achieve CSR's sustainability ambitions
- Developing a company-wide sustainability roadmap
- Identifying, co-ordinating and reporting progress of initiatives
- Prioritising and resourcing initiatives including capital expenditure allocation
- Cross-functional and cross-business unit alignment and decision-making.

For YEM22, the work previously undertaken by the Sustainable Procurement Working Group will be incorporated into the Sustainability Steering Committee.

SECTION 6: CSR OPERATIONS AND SUPPLY CHAINS

Through YEM21, CSR re-structured its building products business units. CSR's major businesses, operations and supply chains are set out below. The Inclose business unit was wound-up during YEM21.

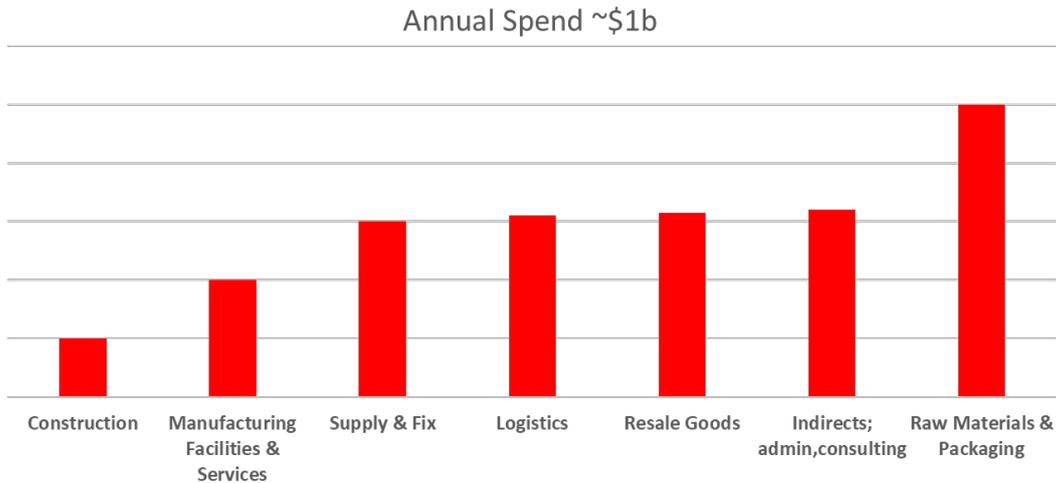
| AREA | OPERATIONS | SUPPLY CHAINS |
|---|--|---|
| INTERIOR SYSTEMS | | |
|  <p>Gyprock is Australia's leading manufacturer of gypsum-based products including plasterboard, cornice and compounds</p> | <ul style="list-style-type: none"> ▪ <i>Manufacturing Gyprock plasterboard, cornice, jointing compounds and adhesives, ceiling systems</i> ▪ <i>Purchasing goods for resale; steel track and channel, hand and power tools, ceiling systems components etc</i> ▪ <i>Supply and Installation of plasterboard and fibre cement systems</i> ▪ <i>Quarrying gypsum at Jurien Bay, WA</i> | <ul style="list-style-type: none"> ▪ Raw materials and packaging for manufacturing from local and overseas suppliers ▪ Quarrying of clays, shales and gypsum as input raw materials for bricks, roof tiles and plasterboard |
|  <p>Himmel offers a complete range of interior systems. Features ceilings, wall, aluminium & hardware products such as ceiling grid & custom ceiling lights & sensors</p> | <ul style="list-style-type: none"> ▪ <i>Manufacturing ceiling grid systems</i> ▪ <i>Purchasing goods for resale; ceiling panels, hardware, lights etc.</i> | <ul style="list-style-type: none"> ▪ Resale goods from local and import ▪ Distribution: logistics, transport, delivery providers including large, SME's and owner drivers. Customs and shipping companies |
|  <p>Martini manufactures environmentally sustainable, high-quality thermal and acoustic polyester fibre products for a variety of industries</p> | <ul style="list-style-type: none"> ▪ <i>Manufacturing polyester fibre products such as cushioning, pin-boards etc.</i> | <ul style="list-style-type: none"> ▪ Manufacturing facilities & services; including spare parts, capital equipment, maintenance contractors, professional consultants, waste disposal, etc. |
|  <p>Potter Interior Systems is the leading supplier of materials, including ceiling tiles & aluminium partitioning, for the commercial wall & ceiling industries in New Zealand. Also supplies thermal & acoustic insulation, whiteboards, chalkboards and fabric boards</p> | <ul style="list-style-type: none"> ▪ <i>Manufactures products including ceiling & partitioning systems, whiteboards, chalkboards & fabric boards</i> ▪ <i>Purchases goods for resale including panels, cladding, insulation, coatings etc.</i> | <ul style="list-style-type: none"> ▪ Indirect goods & services, e.g. office supplies, professional consultancy, marketing, advertising, security, clothing etc. |
| CONSTRUCTION SYSTEMS | | |
|  <p>AFS is a leader in load bearing permanent formwork walling solutions to deliver faster, lower cost construction</p> | <ul style="list-style-type: none"> ▪ <i>Manufacture of in-situ reinforced concrete formwork systems</i> ▪ <i>Resale of associated goods such as fittings, steelwork etc.</i> | <ul style="list-style-type: none"> ▪ Supply and Install; use of sub-contractors for installing, plasterboard, insulation, roofs, AAC, bricks, PV systems etc. |
|  <p>Cemintel provides engineered fibre cement systems and internal lining products</p> | <ul style="list-style-type: none"> ▪ <i>Manufacturing fibre cement board</i> ▪ <i>Purchasing goods for resale; specialty fibre cement boards and components</i> | |

| AREA | OPERATIONS | SUPPLY CHAINS |
|--|--|--|
|  <p>Hebel is Australia's only manufacturer of autoclaved, aerated concrete (AAC) used in residential, commercial and infrastructure applications</p> | <ul style="list-style-type: none"> Manufacturer of autoclaved aerated concrete (AAC) Resale of associated goods such as jointing compounds, sealants, etc. Supply and Installation of AAC systems | <ul style="list-style-type: none"> Raw materials and packaging for manufacturing from local and overseas suppliers Quarrying of clays, shales and gypsum as input raw materials for bricks, roof tiles and plasterboard |
| MASONRY & INSULATION | | |
|  <p>Bradford supplies a full range of thermal, acoustic and fire insulation and energy saving products for homes and commercial buildings</p> | <ul style="list-style-type: none"> Manufacturing and importing glass-wool, rockwool, and other insulation types Manufacture of ventilation systems Supply and Installation of Insulation and ventilation systems Supply and Installation of Photo-voltaic systems | <ul style="list-style-type: none"> Resale goods from local and import Distribution: logistics, transport, delivery providers including large, SME's and owner drivers. Customs and shipping companies |
|  <p>Monier is one of Australia's leading roofing experts, with over 100 years of manufacturing quality roofing products underpinned by its commitment to innovation</p> | <ul style="list-style-type: none"> Manufacturing concrete and terracotta roof tiles and associated products Purchasing goods for resale; lintels, roofing accessories, fittings etc. Supply and Installation of complete roofs | <ul style="list-style-type: none"> Manufacturing facilities & services; including spare parts, capital equipment, maintenance contractors, professional consultants, waste disposal, etc. Indirect goods & services, e.g. office supplies, professional consultancy, marketing, advertising, security, clothing etc. |
|  <p>PGH is one of Australia's largest manufacturers, innovators and marketers of clay bricks, walling systems and façade solutions for homes and commercial applications</p> | <ul style="list-style-type: none"> Sourcing clay and shale from CSR owned and other quarries Manufacturing clay bricks and pavers Purchasing goods for resale; masonry blocks, bricks, brick walling systems | <ul style="list-style-type: none"> Supply and Install; use of sub-contractors for installing, plasterboard, insulation, roofs, AAC, bricks, PV systems etc. |
| PROPERTY | | |
|  <p>CSR's Property division focuses on maximising financial returns by developing former manufacturing sites and industrial land for sale</p> | <ul style="list-style-type: none"> Marketing and construction of industrial, commercial and residential land developments Site rehabilitation Partnering with other construction projects, e.g. Metro rail line – accepting tunnelling fill. Leasing properties | <ul style="list-style-type: none"> Use of contractors, civil engineering, construction companies and bulk transport providers |
| GOVE ALUMINIUM | | |
|  <p>Gove Aluminium Finance Limited (70% CSR)</p> | <ul style="list-style-type: none"> Purchase of alumina Distribution, logistics, shipping operations of both alumina and aluminium Sales of Aluminium ingot <p>The operation of the Tomago aluminium smelter is not in scope for Gove Aluminium Finance (GAF), with GAF holding a 25.2% interest in Tomago</p> | <ul style="list-style-type: none"> CSR has operational control of GAF GAF procures alumina as the input material to aluminium smelting Inbound shipping and freight for alumina Outbound shipping and freight for aluminium ingot |

CSR'S SUPPLIERS

CSR uses over 5,500 suppliers across a range of procurement categories, as set out in Figure 2 below.

Figure 2. CSR procurement portfolios



SECTION 7: IDENTIFYING MODERN SLAVERY RISKS

This section sets out the steps that CSR has taken to identify any modern slavery risks, as well as a summary of those risks.

CSR'S RISK MANAGEMENT FRAMEWORK AND RISK APPETITE

The governance of sustainable procurement aligns with CSR's Risk Management Framework (RMF). CSR's RMF establishes a framework for identifying, assessing, controlling, reviewing and reporting on risk. The format and structure of the RMF has regard to all relevant regulations, standards and guidelines. The RMF applies to CSR, and its subsidiaries, and covers both corporate functions and operations in Australia and New Zealand, long term liabilities, majority owned joint ventures and other financial interests.

CSR's RMF and Risk Appetite Statements were last reviewed and updated in October 2020. CSR's Risk Appetite Statements seek to define (within practical boundaries) the amount of risk the organisation is willing to accept in pursuing its strategic objectives, and address strategic and commercial risk, operational risk, financial risk and compliance risk. The Risk Appetite Statements relevant for Modern Slavery are:

Raw Materials and Supply Chain:

*"The Board expects CSR to procure a secure supply of fit for purpose materials, utilising appropriate channels. The board has **no** appetite for receiving contaminated materials, or for engaging with suppliers that breach modern slavery, or other laws & a **low** appetite for having a supply chain that does not provide a secure supply of the materials it requires. The Board expects management to have processes in place which ensures a secure supply of fit for purpose materials, that are produced in accordance with the law."*

Regulatory and Compliance:

*"The Board has **no** appetite for material breaches of the law, and a **low** appetite for significant or material failure to manage compliance and social-political obligations that result in reputational damage & financial consequences."*

STEPS CSR HAS TAKEN TO IDENTIFY ITS MODERN SLAVERY RISKS

CSR continues to build on previous year's work and to integrate sustainability within CSR's procurement activities in line with ISO 20400 Sustainable Procurement Guidance (see Figure 3) and to ensure CSR has access to best practice in this area. This continuous improvement approach consists of two workstreams.

1. Building up overall capabilities across CSR; and
2. Addressing major sustainability risks in specific procurement portfolios. CSR's initial focus has been on tier one suppliers but is now moving to further tiers.

Figure 3. ISO 20400 Sustainable Procurement Guidance



KEY PARTNERSHIPS TO IDENTIFY MODERN SLAVERY RISKS

As part of CSR’s integrated approach to identify modern slavery risks, CSR has established partnerships with specialists in this area to assist with data analysis and risk identification across its suppliers. Independent experts, in addition to industry benchmarking, provided analytics tools to navigate data analysis and drive CSR’s decisions in its supply chains. Independent experts also provided screening of vendors of any crimes, regulatory infringements or sanctions.

RISK ASSESSMENT PROCESS

Detailed risk assessment – in YEM20, CSR conducted workshops with its internal procurement stakeholders to risk score a range of sustainability threats and opportunities, using spend, category, vendor, and country data. The deliverable was a Heatmap of threats and opportunities, not only in relation to modern slavery risks. CSR continued to use this Heatmap throughout YEM21.

Supply Chain Risk Assessment - In 2020, CSR engaged FairSupply.com.au Pty Ltd (FairSupply) to analyse CSR’s supply chains beyond Tier 1 suppliers. The results will be used to update the Heatmap of risk areas.

Using CSR’s spend data, FairSupply traced the economic inputs required to produce products and services sourced from Tier 1 suppliers through to Tier 10 suppliers of any supply chain. FairSupply then utilised publicly available risk data and licensed trade information and provided a modern slavery risk profile to Tier 10 for each of CSR’s suppliers. The risk assessment was mapped according to country and industry ratings. The supplier risk data is available via intranet dashboards.

The FairSupply method does not involve interrogating actual suppliers and tracing suppliers, instead it uses generic product classifications and country industry data (e.g., Australian Bureau of Statistics). This method prioritises risk across over 5,000 suppliers, without the intensive work of questioning suppliers. It is an additional tool to the internal risk workshops CSR previously conducted.

CSR then engaged FairSupply to do a further deep dive of the top product-based modern slavery risks for materials/products that CSR uses, and a summary of this analysis is below.

- a. **Synthetic resins and fibre from Indonesia** - are a potential risk. Indonesia’s Prevalence Index Rank is 74 of 167 countries. Indonesia has known forced labour in the textiles and mining industries.
- b. **Glass wool insulation from Malaysia** – Malaysia’s Prevalence Index Rank is 42 of 167 countries. Foreign workers make up over 20% of Malaysia’s workforce. Such workers are themselves often migrating from higher risk countries. Linked to the risk in migrant worker exploitation is the high prevalence of recruitment agencies that can use coercive tactics, exorbitant recruitment fees, debts and restrictions on movement (e.g., passport confiscation).
- c. **Rockwool Insulation from Malaysia** – similar risks to glass wool insulation described above.
- d. **Polyester fibre from Thailand** – Thailand’s Prevalence Index Rank is 23 of 167 countries.

- e. **Cement** – Where sourced from local Australian producers the risk is low. The Modern Slavery Statements of these producers support this low risk.
- f. **Clay products** – CSR sources clays locally for brick and terracotta tile manufacture. There is low risk with domestic supply. CSR does not import raw clay for brick or tile manufacture. CSR did previously import a small quantity of clay roofing products from Malaysia with last purchases ending in November 2019.
- g. **Fabricated metal products** - Steel-related products may have a potentially elevated risk for modern slavery. The supply chains for these products are highly dependent on the mining, quarrying and basic metal products manufacturing industries. This is a diverse and generic category grouping, both in terms of the range of 'end-user products' that come within its scope, and the various inputs of materials and component parts (and their countries of origin) that may go into the production of those products. Consequently, it is marked by a significant lack of supply chain visibility into the deeper tiers.
- h. **Solar panel products** - CSR imports solar panels. The core raw material input into solar products is silicon. Solar products with an elevated risk of modern slavery include polysilicon, particularly when sourced from countries such as China, which provides at least 80% of global polysilicon supplies. Some of the global supply of polysilicon is said to be traceable to the Xinjiang region of China, where there is international consensus about the prevalence of forced labour and other modern-slavery-related human rights abuses. China's Prevalence Index Rank is 111 of 167 countries.
- i. **Metal Parts** - FairSupply investigated one supplier in this industry category, which has published a modern slavery statement pursuant to the UK modern slavery legislation. The supplier has outlined its policy commitments relating to modern slavery, which includes ensuring that employees receive adequate training on modern slavery. Considering the substantive efforts the supplier is engaged in for its own modern slavery due diligence and remediation under the UK modern slavery legislation, it is not considered the most appropriate area for further due diligence focus by CSR.

SUMMARY OF KEY RISKS

Set out below is a summary of the key risks that were identified during the processes and analysis set out above.

1. **Imported Goods** - raw material inputs to manufactured products, such as industrial minerals, poly-fibre and chemicals etc. and goods for resale, such as adhesives, solar PV panels, fibre cement and insulation may be imported from at risk countries listed in the Global Slavery Index. There is a risk that modern slavery exists in these supply chains. The risk varies depending on the country and the product type. The work done by FairSupply described above, has prioritised directing further efforts to examine these supply chains.
2. **Installation of Products and Systems** - CSR uses contractors for installation of products. In some cases, further subcontracting may be allowed. There is a risk that these sub-contractors, in managing their own workforce and their sub-contractors, may not comply with Australian or New Zealand labour laws. There is a risk that modern slavery may exist in this supply chain, e.g., forced labour, debt bondage etc.
3. **Facilities management** - CSR operates many manufacturing sites which require, machinery and process maintenance, waste disposal, and cleaning services. CSR uses contractors for many of these services. There is a risk that these contractors, in managing their own workforce, may not comply with Australian or New Zealand labour laws. There is a risk that modern slavery exists in this supply chain, e.g. forced labour, debt bondage etc.
4. **Logistics** – distribution, transport and delivery. CSR uses road, air, and sea freight companies for inbound or outbound deliveries. There is a risk that some of these contractors, in managing their own workforce, may not comply with Australian or New Zealand labour laws. In addition to modern slavery risks, this area is continuously reviewed for compliance to Chain of Responsibility (CoR) and Heavy Vehicle National Laws (HVNL). There is a risk that modern slavery exists in these supply chains.
5. **Construction** – Property Development. CSR normally uses large construction companies to assist with property developments. These construction companies may in turn sub-contract the work. There is a risk that these contractors, in managing their own workforce, may not comply with Australian or New Zealand labour laws. There is a risk that modern slavery exists in this supply chain, e.g. forced labour, debt bondage etc.
6. **Marketing materials** (from the Indirect spend category) - CSR purchases a small quantity of marketing and promotional items. These would normally be sourced from local Australian companies; however, the goods may have been manufactured in countries listed in the Global Slavery Index. There is a risk that modern slavery exists in these supply chains. The risk varies depending on the country and the product type.

SECTION 8: ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

This section describes the mitigating factors that CSR has put into place to manage the identified, and any emerging, supply chain risks.

GOVERNANCE & OVERSIGHT

To ensure that the risks are effectively identified and managed, CSR has a governance framework in place, including key stakeholders as outlined in **Section 5**.

CSR'S CODE OF BUSINESS CONDUCT & ETHICS

CSR's **Code of business conduct and ethics** (updated March 2021) (**the Code**) sets out the standards of behaviours expected by all CSR people, including employees, suppliers and contractors. The Code is accessible on CSR's website and all employees and contractors are required to be aware of it and comply with it. All breaches of the Code are encouraged to be reported via a link on CSR's external website (see **Incident reporting**). CSR conducts an annual survey of all employees to confirm knowledge of, and compliance with the Code. Suppliers and contractors are made aware of the Code, however they are not currently surveyed for compliance against it.

CONTINUOUS IMPROVEMENT OF PROCUREMENT PROCESSES

A risk-based approach was developed to manage sustainability issues across the procurement process.

The procurement process:



Elements of the continuous improvement of procurement processes include:

3rd Party Monitoring Service

During YEM21, CSR started using an external monitoring service, Refinitiv Australia Pty Ltd for monitoring crimes, regulatory infringements, and sanctions of its suppliers, contractors, and other relevant entities. The service also highlights alleged adverse media articles. 95% of CSR vendors (based on spend) are continuously screened on an ongoing basis using this service.

Vendor Onboarding

All new vendors are screened using the service when onboarded with CSR, along with relevant due diligence checks that include a risk assessment, insurance cover, work health, safety and environmental systems, tax compliance, and payment of applicable national minimum wages.

Assessment of Supply Chain

Whilst no egregious modern slavery has been uncovered within CSR's supply chain, incidences of labour rights infringements and other incidences have been identified. See below for details.

If a supplier issue is identified, the issue is risk rated based on the seriousness of the issue, the likelihood of recurrence and consequence. Low to moderate risks may warrant continued monitoring, moderate to high risks may require follow up with the supplier, requesting corrective action to prevent recurrence. If satisfactory progress is not made, termination is considered. Performance over the last three years is assessed as part of the process.

Use of this monitoring service has identified several issues which CSR has followed up.

CASE STUDIES: Supplier risk assessment and supplier management

In March 2018, a number of franchisees of a **bulk diesel supplier** were found to have underpaid employees, by the Fair Work Ombudsman (FWO). Although the supplier to the franchisee network was not liable, the supplier established an assistance fund for franchisee employees. According to the supplier's annual report in December 2020, they had practically completed transitioning from franchisee to company operated stores. CSR imposed no requirements on the supplier.

In September 2019 a **safety eyewear distributor** entered a Court Enforceable Undertaking (EU) with FWO for underpaying staff (AUD\$2.3m). The distributor must engage external auditors to check pay and conditions for workers until 2022 and rectify any underpayments and make a contribution of AUD\$50,000 to the National Association of Community Legal Centres. The underpayments related to their sunglass retail operations. The distributor confirmed it was fulfilling the EU requirements and the on-going robustness of the revised procedures has been confirmed by audit. CSR imposed no additional requirements on the distributor and continues to procure safety glasses from them. CSR continues to monitor the supplier for infringements.

CSR uses a **web service provider** based in the USA. The provider also operates a driver delivery service. In June 2021 the company agreed to pay USD\$61.7m to settle charges that it failed to pay its drivers all the tips they received from customers over a two-and-a-half-year period. CSR imposed no additional requirements on the service provider. CSR continues to monitor the provider for infringements.

CSR had previously used the **conference facilities** of a casino and resort operator; value and frequency were minor. In October 2020, investigations were commenced by AUSTRAC for potential money laundering breaches. Adverse media also alleged links to organised crime. In March 2021 the company was under investigation by FWO as part of an ongoing wage theft. The company reportedly underpaid more than 200 workers around AUD\$2m. CSR placed a stop on using the company in October 2020 and has blocked future use. CSR continues to monitor the supplier.

One of the **airlines** CSR uses, entered an EU with FWO and will back pay workers for the period 2011 to 2019. CSR continues to monitor this airline.

The use of the 3rd party monitoring service has highlighted the failure of some **Australian Banks** to comply with Anti-Money Laundering (AML) and Counter Terrorism Finance (CTF) regulations. AML/CTF issues are significant as there is often a link between organised crime and modern slavery/labour rights abuses. Whilst CSR continues to monitor Australian banking performance in this area, it is limited in its choice of financial services.

CSR utilises financial services of **International Banks** where similar services are not available from domestic banks. There are a limited number of transactions where this is required. Several international banks have also failed to meet AML/CTF requirements, been convicted of tax evasion or alleged complicity in crimes against humanity. CSR will seriously consider the choice of international banks when their services are necessary. CSR continues to monitor international banks performance in this area.

Supplier Code of Conduct

CSR's Supplier Code of Conduct (the Code) specifies CSR's expectations of suppliers regarding: Fair operating practices, workplace health and safety, environment, human rights, diversity and inclusion.

CSR is committed to upholding human rights and understands that operations and supply chains are complex. CSR expect its suppliers to identify any potential or actual adverse impacts their operations may have on human rights and to implement prevention, mitigation, and remediation processes. Suppliers should maintain a complete set of records to trace the supply chain of all goods and services provided to CSR. In addition, CSR values suppliers that seek to contribute to the social, economic, and environmental improvement of communities around CSR sites.

The Code has been communicated to staff and is published on the CSR website: **CSR Supplier Code of Conduct**. The code was reviewed and updated in March 2021.

The Code is referenced in CSR's Standard Purchasing Terms and Conditions and includes a grievance reporting mechanism. The Code has been incorporated into the vendor onboarding process; all new vendors receive and acknowledge the Code before their account is created in CSR's business system.

The Code aligns with CSR's values as found in CSR's **Code of business conduct and ethics**. Both the Supplier Code and Business Code include a reporting process including a Whistle Blower policy, see **Incident reporting**.

Risk Assessment Tool

This tool is used in pre-qualifying a supplier or reviewing existing suppliers. This tool aligns with CSR's risk management process, Risk Policy and risk rating. The risks evaluated are end-user issues, workplace health and safety, labour and human rights, and environmental threats. The assessment is done by a team with experience of the product, supplier, and risk assessment. The tool records controls and monitoring processes.

CASE STUDY: Interior Systems – new source of raw material

Following the risk assessment process, CSR decided not to source a raw material from a moderate risk Global Slavery country, based on potential labour rights risks. Existing supply of the material continues from a low-risk country.

CASE STUDY: Masonry & Insulation - new product

Following the risk assessment process, CSR decided not to source new finished goods from a high-risk Global Slavery country. Site visits, product testing as well as risk assessments were conducted. There were concerns for both product quality and labour risks.

Supplier Questionnaires

Questionnaires have been developed for suppliers, including a version for installation contractors. The responses provide insights into the supplier/contractors' ability to manage sustainability issues including modern slavery, labour rights, working conditions, freedom of association and supply chain transparency.

Strengthening Contractual Obligations with Suppliers

CSR's contract templates have been updated to include clauses which set out CSR's expectations of suppliers; including complying with law, maintaining policies and procedures to ensure compliance; complying with CSR requests (including audits) and notifying CSR as soon as a supplier becomes aware of any actual or suspected occurrence of human right's violation in its operations and/or supply chain. All major raw material contracts have been amended to include the new clauses, as well as many indirect goods and services contracts. All new supply contracts use these included clauses. These contracts also include a reference to the **CSR Supplier Code of Conduct**.

Suppliers and Customers Modern Slavery Statements

CSR proudly supports local Australian businesses. Many of our local suppliers are also diligently working to reduce the risks of modern slavery. Many of CSR's major suppliers are required to report under the Modern Slavery Act 2018, and a growing number of suppliers also voluntarily report; hence a growing portion of CSR's supply chain is being scrutinised.

CSR's Australian business spend is approx. AUD\$1b. 80% of CSR's spend is with ~350 suppliers (individual spend ranges from \$500k to >\$20m per vendor).

Nearly **250 of CSR's suppliers have lodged Australian, UK or Californian Modern Slavery Statements, representing over \$420m of spend.**

Future plan - Supply Chain Risk Management solutions

CSR is currently evaluating several cloud-based supply chain risk management solutions with a business case expected to be presented in YEM22.

CSR currently uses several tools and techniques to identify and assess modern slavery risks. A challenge is to systemically incorporate these assessments into CSR's ongoing operations. CSR's supplier base is constantly changing as are the suppliers' supply chains. With over 5,500 Tier 1 suppliers, and significantly more in the Tiers below, solutions such as these will assist in identifying, assessing and mitigating risk as well as providing an enterprise-wide management platform.

Remediation Process

When a supplier does not meet CSR's requirements, corrective action plans shall be established, and progress will be monitored. CSR may support suppliers with the development of their capabilities. CSR will terminate the relationship with suppliers that repeatedly and knowingly violate CSR's Supplier Code of Conduct.

CASE STUDY: Remediation

Following a detailed assessment, trading with one vendor has been terminated. For a further two suppliers, action plans were requested and received and deemed satisfactory. An additional eleven suppliers are being closely monitored for labor rights/payments or other serious issues.

A confidential hotline is available for anonymous reporting.

Training and Responsibilities

CSR continues to use the training module developed with Action Sustainability, covering; Modern Slavery, labour rights, how to perform a risk assessment, remediation options, and reporting. Position description templated responsibilities have been drafted for procurement practitioners, managers, and senior leaders with planned roll out during YEM22. Due to travel restrictions and social distancing as a result of the COVID-19 pandemic, training sessions have been delayed.

Installer Agreements

CSR's template agreements include requirements for sub-contractors. The templates were updated in YEM20 and further improved through YEM21; simplified the agreements ensuring they are fit for purpose and ensured Work Health and Safety requirements are fully covered. The new templates are ready for roll-out through YEM22.

Supporting subcontractors & installers

In some cases, CSR will provide resources to help sub-contractors understand their obligations and ensure compliance. This usually takes the form of directing sub-contractors to the relevant website, which sets out the requirements, answering questions on CSR's requirements, and additional information sessions, if needed.

Auditing

CSR currently conducts audits of sub-contractors to ensure compliance with relevant workplace health & safety laws whilst on sites. This audit program is being reviewed with a view to including audits on subcontractor/installer compliance with relevant modern slavery laws.

SUMMARY OF MITIGATING ACTIONS

Table 1 below sets out the risks (as listed above) and the mitigating actions that are designed to address them.

Table 1

| Categories where Modern Slavery Risks may occur | Mitigating actions |
|--|---|
| Imported goods | <ul style="list-style-type: none"> ▪ Procurement processes including <ul style="list-style-type: none"> – Supplier Code of Conduct – Risk assessment – Supplier contracts – Questionnaires and supplier engagement ▪ Assessment of modern slavery risks included in CSR's assessment of any new product |
| Installation of products & systems | <ul style="list-style-type: none"> ▪ Installer agreement ▪ Support provided for subcontractors and installers ▪ Increased supervision and auditing (in process) |
| Facilities management | <ul style="list-style-type: none"> ▪ Procurement processes including <ul style="list-style-type: none"> – Supplier Code of Conduct – Risk assessment – Supplier contracts – Questionnaires and supplier engagement ▪ CSR Way Manufacturing standards and processes to incorporate modern slavery practices (in process) ▪ Contractor management processes including pre-qualification, induction, and reviews |
| Logistics contractors | <ul style="list-style-type: none"> ▪ Procurement processes including <ul style="list-style-type: none"> – Supplier Code of Conduct – Risk assessment – Supplier contracts – Questionnaires and supplier engagement ▪ Chain of Responsibility management groups ▪ Contractor management processes including pre-qualification, induction, and reviews |
| Construction – property development contractors | <ul style="list-style-type: none"> ▪ Procurement processes including <ul style="list-style-type: none"> – Supplier Code of Conduct – Risk assessment – Supplier contracts – Questionnaires and supplier engagement ▪ Contractor management processes including pre-qualification, induction, and reviews |
| Marketing materials | <ul style="list-style-type: none"> ▪ Procurement processes including <ul style="list-style-type: none"> – Supplier Code of Conduct – Risk assessment – Supplier contracts – Questionnaires and supplier engagement |

Other Actions taken

Coverage for Gove Aluminium Finance (GAF) – the employees who work in the GAF business are employees of CSR Limited, and are seconded into the GAF business. As a result, these employees have access to CSR's resources including training, contract clauses, risk assessments and legal support.

The Supplier Code of Conduct has been sent to all GAF's relevant suppliers. Supply contracts were reviewed to include Modern Slavery and Human rights clauses. A review of GAF's supplier base occurred throughout YEM21. All relevant GAF employees received Modern Slavery and risk assessment training. All of GAF's major shipping, alumina and financial swap vendors were reviewed using the Risk Assessment Tool.

All shipping lines used by GAF to ship alumina have signed the Neptune Declaration, which aims to improve the health and wellbeing of seafarers during the COVID-19 pandemic. See [The Neptune Declaration](#) for details.

CASE STUDY: COVID-19 and Small Business – payment terms

COVID-19 has placed pressure on all business, especially small businesses. COVID-19 also has the potential to impact vulnerable workers due to supply chain disruptions. CSR is required to report according to the Payment Times Reporting Act 2020. CSR has refined its payment policy to pay more small businesses sooner. Many of CSR's small business supplier's payment terms were shortened, and payments have occurred earlier.

Mitigation action – next steps

CSR has developed an action plan to continue monitoring CSR's modern slavery risks and to continuously improve CSR's management systems. This plan includes:

- Continuing to work with Supply and Install operations and engaging with installer contractors
- Aligning sustainability policies and plans via the Sustainability Steering Committee and engaging with CSR support functions including the procurement sourcing community
- Engaging with suppliers based on procurement category risk assessments (the Heatmap and FairSupply risk assessments)
- Reviewing available software platforms and implementing the preferred platform to help manage CSR's suppliers
- Reviewing available technologies and services to map CSR's supply chains, including Supply Chain Risk Management solutions
- Continue networking with other Australian manufacturing companies to learn from their experiences.

SECTION 9: ASSESSING THE EFFECTIVENESS OF THESE ACTIONS

The following is in place to assess the effectiveness of the above actions:

1. The CSR Limited Board, via the Risk & Audit Committee receives regular updates on the above actions and how the company is tracking against them.
2. The executive leadership team, via the CEO, is regularly updated on the progress of the above.
3. There is ongoing communication between CSR and its suppliers on the Supplier Code of Conduct, including discussions on any issues identified, and how to address them. CSR aids suppliers with low experience in this area.
4. CSR is working with key supply and install contractors to ensure any new requirements are clearly understood and they are meeting their obligations.
5. CSR's sustainability performance is reported via **CSR Sustainability Reports**.
6. Monitoring incident reports and whistle-blower lines to identify whether any grievances relating to modern slavery have been reported.
7. CSR continually accesses best practice via external consultants and networks.

CSR tracks its delivery of key measures. For Sustainable Procurement including work on modern slavery, several aspects are measured as shown in Table 2.

Table 2 – Measures to date

| Area of measurement | Quantity |
|--|------------------|
| Staff trained in Modern Slavery | 65 staff |
| Suppliers issued the Supplier Code of Conduct | +5,500 suppliers |
| Suppliers risk assessed (modern slavery) | >30 suppliers |
| Contracts including Modern Slavery clauses (amended and new contracts) | >90 contracts |
| Modern slavery or labour rights violations logged via Confidential hotline | Nil |
| No. of suppliers screened, once off using the 3 rd party monitoring service | 2,751 |
| No. of suppliers ongoing screened using the 3 rd party monitoring service (represents 96% of CSR spend) | 2,529 |
| No. of suppliers with significant issues identified by the 3 rd party monitoring service | 13 |

(All issues were either addressed or suppliers are continued to be monitored.)

SECTION 10: OTHER RELEVANT INFORMATION

There is no additional relevant information to be disclosed.

SECTION 11: APPROVAL OF THIS STATEMENT

This statement was approved on the 24 August 2021 by the Board of CSR Limited, following a consultation process with the other entities covered in this statement.



Signed by Julie Coates
Managing Director, CSR Limited
9 September 2021

CONTACT US

We value your suggestions and comments.

If you have any queries, please contact us:

CSR LIMITED
Triniti 3
39 Delhi Road
North Ryde NSW 2113 Australia
Locked Bag 1345
North Ryde BC NSW 1670

Telephone (02) 9235 8000
International +61 2 9235 8000
E-mail investorrelations@csr.com.au

ABN 90 000 001 276

csr.com.au

APPENDIX 1

WHOLLY OWNED AND MAJORITY SHAREHOLDING SUBSIDIARIES OF CSR LIMITED AS AT 31 MARCH 2021

| Entity | 2021 % ownership | Entity | 2021 % ownership |
|---|---------------------|---|---------------------|
| Incorporated in Australia | | Incorporated in Australia (continued) | |
| A-Jacks Hardwall Plaster Pty Ltd | 100 | CSR Subsidiary Holdings Limited | 100 |
| A-Jacks Unit Trust | 100 | CSR-ER Nominees Pty Limited | 100 |
| AFS Systems Pty Limited | 100 | Gove Aluminium Finance Limited | 70 |
| AFS Unit Trust | 100 | High Road Capital Pty Limited | 100 |
| BI (Contracting) Pty Limited | 100 | Midalco Pty Limited | 100 |
| Bradford Insulation Industries Pty Limited | 100 | Monier PGH Superannuation Pty Limited | 100 |
| Bradford Insulation (S.A.) Pty Limited ¹ | 100 | PASS Pty Limited | 100 |
| Bricks Australia Services Pty Limited | 100 | PGH Bricks & Pavers Pty Limited | 100 |
| Buchanan Borehole Collieries Pty Ltd | 100 | Rediwall Unit Trust | 100 |
| CSR Building Products Limited | 100 | Rivarol Pty Limited | 100 |
| CSR Developments Pty Ltd | 100 | Seltsam Pty Limited | 100 |
| CSR Erskine Park Trust | 100 | Softwood Holdings Limited ¹ | 100 |
| CSR Finance Limited | 100 | Softwood Plantations Pty Limited ¹ | 100 |
| CSR Industrial Property Trust | 100 | Softwoods Queensland Pty Limited ¹ | 100 |
| CSR Industrial Property Nominees No. 1 Pty Limited | 100 | Thiess Bros Pty Limited | 100 |
| CSR Industrial Property Nominees No. 2 Pty Limited | 100 | Thiess Holdings Pty Limited | 100 |
| CSR International Pty Ltd | 100 | | |
| CSR Investments Pty Limited | 100 | Incorporated in New Zealand | |
| CSR Investments (Asia) Pty Limited | 100 | CSR Building Products (NZ) Ltd | 100 |
| CSR Investments (Indonesia) Pty Limited | 100 | | |
| CSR Martini Pty Limited | 100 | Incorporated in other countries | |
| CSR Share Plan Pty Limited | 100 | CSR Guangdong Glasswool Co., Ltd (China) | 79 |
| CSR Structural Systems Pty Limited | 100 | CSR Insurance Pte Limited (Singapore) | 100 |
| CSR Subsidiary Finance Pty Limited | 100 | PT Prima Karya Plasterboard (Indonesia) | 100 |

1 In members voluntary liquidation.