

# Modern Slavery Statement 2021

## Hexion Pty Ltd

This modern slavery statement under the *Modern Slavery Act 2018* (Cth) covers the activities of Hexion Pty Ltd (ACN 004 271 827) (**Hexion AU**) and its owned and controlled entities during the year ended 31 December 2021.

### About us

At Hexion AU, we recognise that respecting the human rights of those affected by our business activities is of the utmost importance. Hexion AU, as part of a global company group, takes seriously its responsibilities regarding international labour and human rights standards.

### Our structure

Hexion AU is a company incorporated in Australia and our registered office is located at Caroline Springs, Victoria.

Hexion AU is a subsidiary of Hexion Holding B.V., a company organised in the Netherlands, which is a subsidiary of the ultimate parent company Hexion Inc., a corporation organised in New Jersey, U.S.A. Hexion Inc. and its subsidiaries (collectively, **Hexion**) conduct a range of business activities in the specialised chemicals manufacturing industry across global commercial, financial and procurement teams, with local leads in each country.

Hexion AU has one fully owned subsidiary, Hexion (N.Z.) Limited (**Hexion NZ**), which is organised and operates in New Zealand.

During 2021, Hexion underwent a number of business changes as outlined below:

- In April 2021, Hexion completed the sale of its Phenolic Specialty Resin, Hexamine and European-based Forest Products Resins businesses for approximately USD 425 million to Black Diamond and Investindustrial.
- In September 2021, Hexion announced its plan to split into two separate companies. The two companies composed of Hexion's (a) Adhesives and Versatics Acids and Derivatives product lines, and (b) epoxy-based Coatings and Composites product lines.
- In October 2021, Hexion announced a definitive agreement to sell its epoxy-based Coatings and Composite businesses, which includes the epoxy specialty resins and base epoxy resins and intermediates product lines (together, the **Epoxy Business**) to Westlake Chemical Corporation.
- The Epoxy Business includes approximately 1,300 associates and eight manufacturing facilities globally where epoxy-based Coatings and Composite products are produced for highly diversified growing end-markets, such as wind energy, non-residential construction, industrial, electrical, automotive and aerospace. Post-sale of the Epoxy Business, the remaining Hexion business will continue to be a global producer of adhesives and performance materials that enable the production of engineered wood products and other growing specialty materials. The sale of the Epoxy Business was completed in early 2022.
- In December 2021, Hexion announced that it had entered into a definitive agreement to be acquired by affiliates of American Securities LLC. That acquisition was also completed in early 2022, after the completion of the sale of the Epoxy Business.

## ***Our operations***

Hexion is a manufacturer and distributor of a broad portfolio of specialty chemicals and materials for the industrial and consumer markets. Hexion products are used in everything from cars and trucks to wind turbines, electronics, aircraft and buildings.

Hexion AU's manufacturing facilities are located in Brisbane, Queensland and Brimbank, Victoria. Hexion AU's main office is in Caroline Springs, Victoria. We directly engage 88 full-time employees and 20 contractors across our national locations in various roles within our commercial, financial and procurement teams, as well as for the operation and maintenance of our facilities.

Hexion NZ's manufacturing facilities are located in Christchurch and Tauranga which are operated by local employees and contractors. Hexion NZ directly engages 59 full-time employees and 2315 contractors across its NZ locations in various roles within its commercial, financial and procurement teams, as well as for the operation and maintenance of its facilities.

Hexion AU holds a 50% interest in an incorporated joint venture with Laminex Pty Ltd, Hexion Australia Pty Ltd (ACN 009 111 264) (**Hexion JV**). Hexion JV's manufacturing facility is located in Bunbury, Western Australia, and is operated by 24 local employees. Hexion AU provides support for Hexion JV's supply chain and procurement activities, including procurement of raw materials.

Hexion AU conducts research and development activities primarily at the Tauranga and Brimbank sites. This R&D is carried out by Hexion AU in relation to the specialty products that Hexion AU supplies.

Hexion AU leases four liquid bulk storage facilities in Melbourne, Brisbane, Christchurch and Tauranga and utilises four third-party warehouses in Australia and two third-party warehouses in New Zealand for the storage and distribution of packaged products.

## ***Our supply chain***

Our supply chain includes procurement of the raw materials for our products (which accounts for the vast majority of our supply chain) and procurement for our broader business operations.

### Raw materials

Hexion AU's primary supply chain is the raw materials acquisition for our products, directly from manufacturers and through distributors, accounting for 70% of our total procurement spend for 2021. We classify our raw materials and products as tier 1, being the primary materials Methanol, Urea, Melamine and Phenol which account for 90% of the raw material spend, and tier 2, being the other materials we procure which account for the remaining 10%.

Our tier 1 raw material suppliers are typically engaged on a combination of contracts (one to three years) and we generally work with our suppliers on a long-term basis. These established supplier relationships allow us to have direct oversight over the goods procured. For materials procured through a distributor, Hexion AU will approve the product from the manufacturer prior to procurement.

Our tier 2 raw material suppliers are predominately also suppliers with whom we have long term, established supplier relationships. In some cases, suppliers are engaged on the basis of approval from the global Hexion team.

Hexion AU works with about 40 suppliers from a number of countries including Australia, New Zealand, China, Japan, Qatar, USA, UK, Europe, Saudi Arabia, Japan, Singapore, Indonesia and South Korea. In the 2021 reporting period, there was some increased Melamine volume procured from China, however approximately 90% of the total raw material spend for tier 1 and tier 2 materials for Hexion AU and Hexion NZ remains with suppliers from low-risk geographies including Australia and New Zealand.

The tier 1 raw materials that we procure for our manufacturing of products, the supplier level and the geographic source of those goods are set out in the table below:

<b>Product</b>	<b>Supplier</b>	<b>Source</b>
Methanol	Direct (contract)	New Zealand
Urea	Distributor (contract)	Qatar, Saudi Arabia

Melamine	Direct/Distributor (spot pricing)	China, Japan
Phenol	Direct/Distributor (contract/spot pricing)	Japan, Singapore and South Korea

### Business operations

The main types of goods and services that Hexion AU procures for our broader business operations (ie for the operation of our offices and facilities) are:

- **Manufacturing equipment:** The equipment used in our facilities for the manufacturing of our products, including resin reactors, storage tanks and silos, process support compressors, pumps, boilers, heaters, plant control systems, forklifts and pipe and fittings.
- **Safety and other attire:** This includes personal protective equipment, including safety glasses, gloves, work boots, hard hats, and high-visibility vests, used by our facilities operators.
- **Corporate/building services:** The services that we use to maintain our offices and facilities, including office maintenance services, cleaning and security.
- **Information and communications technology:** This includes computer hardware and software, printers, audio/visual equipment, data room services, desk phones and mobile phones used by our employees.
- **Professional services:** The professional services we procure externally include financial services, taxation, external legal counsel, insurance, consulting and professional and personal development.
- **Site and office consumables:** The site/facility and office consumables for employees, including stationery, amenities and kitchen consumables.

Hexion AU procures the majority of these goods and services directly from local contractors, suppliers and service providers within Australia and New Zealand respectively. The procurement of these goods and services is site based for each facility and our head office procurement is coordinated through the Brimbank facility.

We procure our financial services through the global Hexion finance group, which is an outsourced service through a global initiative employing labour in India to provide accounts payable, processing, master data, and SAP processing services.

We also procure other parts of our corporate services through the global Hexion group, including Information Technology services, Human Resources services and Environment, Health & Safety related services.

The spend on procurement for operations during 2021 is significantly smaller than our raw materials acquisition spend, accounting for 30% of our total procurement spend.

### **Modern slavery risks**

We are cognisant of the potential for modern slavery to impact Hexion AU's business activities.

#### ***Risk assessment methodology***

We utilised the same risk assessment methodology we used for the 2020 reporting period, which considers a number of indicators of modern slavery risks including sector and industry, the type of products and services, geographical location and specific entity risk. These risk factors are based on the risk indicators in the Commonwealth Guidance for reporting entities and information published by the Walk Free Foundation (Global Slavery Index 2018) and the International Labour Organization (Global Estimates of Modern Slavery: Forced Labour and Forced Marriage 2017).

Our risk assessment indicated that Hexion AU and Hexion NZ's operations and supply chain may continue to have a medium potential for modern slavery risks. This is because it remains that a small percentage of the raw materials we procure are from countries considered high or medium risk geographies for modern slavery risks, namely China, Indonesia and Malaysia. However, we consider that the overall risk of Hexion AU causing, contributing to or being directly linked to modern slavery remains low on the basis that:

- our industry is a low risk industry because it is a specialist, high tech industry and requires highly technically skilled labour; and
- the majority of our products and services are primarily sourced from Australia, New Zealand, Japan, Qatar and Saudi Arabia, which are not high-risk geographies for modern slavery risks.

Our 2021 risk profile is summarised in the table below.

**Risk profile**

Risk	Description of risk
Sector / Industry	<p>Manufacturing is generally considered a high-risk sector because of the geographic locations of manufacturers and the type of low skilled workers that may be employed in the sector. However, chemical manufacturing is considered a low-risk sector for modern slavery practices as the sector is high tech and requires a skilled labour force.</p> <p>In terms of our manufacturing facilities located in Australia and New Zealand, this continues to present a <b>low</b> potential for modern slavery risks.</p> <p>In terms of the manufacturing facilities of our suppliers, these are located in China, Japan, Singapore, Malaysia, South Korea, Middle East and Europe and may have a <b>low to medium</b> potential for modern slavery risks.</p>
Product / Service	<p><b>Products</b></p> <p>Some of the raw materials and manufactured materials we procure to make our products may present a <b>medium</b> potential for modern slavery risks due to the countries from which they are sourced, for example China. However, our procurement selection process allows us to have more visibility over our tier 1 materials suppliers and the large proportion of the other goods and services we procure are procured in Australia, New Zealand, Japan, Qatar and Saudi Arabia which presents a <b>low</b> potential for modern slavery risks. The products we procure from our tier 2 materials suppliers presents a <b>medium</b> potential for modern slavery risks as we have less control and oversight over the indirect supply chain, although there is a process for approval as outlined above.</p> <p>We have also identified that other indirect suppliers, including suppliers of the raw materials included in the manufacturing equipment and technology products we procure, may be considered <b>medium</b> risk, particularly as we do not have direct oversight over these suppliers.</p> <p><b>Services</b></p> <p>Our financial services are outsourced through labour in India and we have identified that this presents a <b>medium</b> potential for modern slavery risks due to the outsourcing of this labour. However, this a global initiative run through the global Hexion group to which the groups' global processes and policies for procurement apply and we are confident with those processes.</p>
Geographic	<p>We have identified that the countries from which we procure some of our materials (China, Indonesia and Malaysia) and services (India) may present a <b>high</b> potential for modern slavery risks as the Asia-Pacific region is considered to be a high-risk geography due to a higher prevalence of modern slavery due to factors such as poor governance, compromised rule of law, conflict, high migration and poverty. We consider that the level of oversight that Hexion AU and the global Hexion group has over the procurement of these materials and services from direct suppliers mitigates some of this risk.</p> <p>A large proportion of our products and services continue to be procured locally in Australia and New Zealand which presents a <b>low</b> potential for modern slavery risks.</p>

## **Actions to assess and address risk**

During 2021, Hexion AU's Leadership Team (including the Supply Chain Manager) received training on the identification and evaluation of modern slavery risks. Hexion AU prepared its first modern slavery statement for the 2020 reporting period, which was circulated to the Corporate Team and Leadership Team.

Hexion AU's existing governance framework includes a number of policies and procedures to ensure we have strong frameworks to assist us to assess and address modern slavery risks, including our Supplier Code of Conduct, which is implemented across the global Hexion group.

Hexion's Supplier Code of Conduct expressly requires all employees and facilities to comply with all laws regarding prohibition of forced, compulsory, or child labour, and supports global efforts to eliminate these activities.

In order to ensure Hexion facilities meet such requirements, Hexion implements internal reporting and accountability standards and procedures. Hexion typically requires, as a condition of contract, that all direct suppliers of services and materials comply with applicable laws and regulations, which includes labour laws.

Hexion AU procures the majority of our goods and services from established suppliers with whom we have long term relationships and we deal with these suppliers on a regular basis. We obtain from many of these suppliers information about their supply chain quality procedures and other procurement policies.

We also plan to undertake further actions in order to more fully identify and address our modern slavery risks which we have set out in the 'Future focus' section below.

## **Assessing our effectiveness**

Hexion AU's 2021 reporting period continued to focus on developing our understanding of modern slavery risks and the types of actions we can take to address identified risks. With a focus on continuous improvement, we are committed to reviewing the effectiveness of the actions we have planned to undertake in future reporting periods which we have set out in the 'Future focus' section below.

## **Consultation**

This statement was prepared in consultation with Hexion AU and Hexion NZ senior management and procurement team members and involved collaborating on the process to understand the modern slavery risks to the business and prepare the statement. This consultation included joint managers for the Hexion AU and Hexion NZ entities including the Finance Director ANZ, Commercial Director ANZ, Environment Health & Safety Manager ANZ, HR Operations manager ANZ, Supply Chain Services Regional Leader ANZ, Technical Manager ANZ and the Operations Director ANZ. This statement was reviewed by these senior management and procurement team members.

Prior to being put to the Board of Hexion AU for review and approval, Hexion AU consulted with Hexion NZ by providing a copy of this statement to the Board of Hexion NZ for review and offering the opportunity to comment on the statement.

## **Future focus**

We recognise that there are still further steps that Hexion AU should undertake to progress with assessing and addressing the risks of modern slavery in our operations and supply chains.

In our future reporting periods we will continue to progress with and focus on the following actions:

- identifying the people within our organisation who will be responsible for implementing the actions and processes for modern slavery compliance and addressing risks, including developing an action plan to focus and prioritise our actions in each reporting period;
- undertaking more detailed supply chain mapping (tier 1 and tier 2 suppliers) to better understand our supply chain and operations;
- refining, finalising and implementing our supplier questionnaire to engage with our suppliers and develop our modern slavery risk assessment procedures;

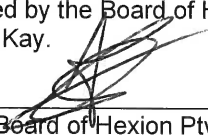
- further developing a risk assessment methodology to undertake a full risk assessment to identify modern slavery risks that exist within our operations and supply chains, focusing on suppliers that we have identified as high or medium risk; and
- continuing training relevant staff in our procurement, compliance, legal and risk teams to raise awareness of modern slavery risks and how they may arise in our business.

In order to assess the effectiveness of these actions we will progress in future reporting periods, we plan to take the following actions:

- review our modern slavery risk assessment methodology to consider whether we are appropriately identifying and evaluating our modern slavery risks;
- monitor the number of our suppliers who have completed our supplier questionnaire;
- monitor the number of our suppliers who have committed to our Supplier Code of Conduct; and
- monitor the number of employees who have completed training on modern slavery.

### **Approval of statement**

This statement was approved by the Board of Hexion Pty Ltd on March 8, 2023 and is signed by responsible member Angus Kay.

  
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Angus Kay, Member of the Board of Hexion Pty Ltd

Date: 10/03/2023

## Mandatory Criteria

This Statement addresses the mandatory criteria for a modern slavery statement outlined in section 16 of the *Modern Slavery Act 2018* (Cth). The below table indicates where each requirement is addressed in this Statement.

Criteria	Page number
(a) Identify the reporting entity.	1
(b) Describe the structure, operations and supply chains of the reporting entity.	1-3
(c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	3-4
(d) Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	5
(e) Describe how the reporting entity assesses the effectiveness of such actions.	5
(f) Describe the process of consultation on the development of the statement with any entities that the reporting entity owns or controls (if a joint statement has been made under section 14, also describe the process of consultation with the entity giving the statement).	5
(g) Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	5-6

