



# Modern Slavery Statement 2020

## Hexion Pty Ltd

This statement 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 2020.

This is our first modern slavery statement under the *Modern Slavery Act 2018* (Cth) and outlines the actions we have taken to assess and address modern slavery risks in our operations and supply chains.

### **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 Holdings Corporation, a corporation organised in Delaware, U.S.A. Hexion Holdings Corporation 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.

### ***Our operations***

Hexion manufactures and sells a broad portfolio of specialty chemicals and materials for the industrial and consumer markets. Hexion products are found 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 90 full-time employees and 12 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 56 full-time employees and 15 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 26 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, accounting for 70% of our total procurement spend. These goods are procured by our procurement and supply chain team both directly from manufacturers and through distributors. The tier 1 materials (Methanol, Urea, Melamine and Phenol) account for 90% of the raw material spend and the tier 2 materials account for the remaining 10%.

Tier 1 raw material suppliers are typically engaged on a combination of contracts (one to three years) and working with our suppliers on a long-term basis with established supplier relationships to whom we issue purchase orders, which means we have direct oversight over the goods procured. For material procured through a distributor, Hexion AU will approve the product from the manufacturer prior to procurement.

Tier 2 raw material suppliers are predominately also suppliers with whom we have long term, established supplier relationships and to whom we issue purchase orders. 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, Japan, Qatar, China, USA, UK, Europe, Saudi Arabia, Japan, Singapore, Indonesia and South Korea. Approximately 90% of the total raw material spend for tier 1 and tier 2 materials for Hexion AU and Hexion NZ is with suppliers from low-risk geographies.

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:

Product	Supplier	Source
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 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 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. The financial services is outsourced 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 is significantly smaller than our raw materials acquisition spend, accounting for 30% of our total procurement spend.

### **Modern slavery risks**

We recognise that modern slavery may impact our business activities and we endeavour to take responsibility for reducing the risk that we might contribute to modern slavery through our operations and supply chains.

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

We utilised a risk assessment methodology 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 has indicated that Hexion AU and Hexion NZ's operations and supply chain may have a medium potential for modern slavery risks. This is because 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 is low on the basis that:

- our industry is a low risk industry because it is high tech and requires highly technically skilled labour; and
- our products and services are primarily sourced from Australia, New Zealand, Japan, Qatar and Saudi Arabia, which are not high-risk geographies where modern slavery risk factors may be present.

Our risk profile is summarised in the table below.

#### ***Risk profile***

Risk	Description of risk
Sector / Industry	<p>We understand that manufacturing is generally considered a high-risk sector because of the geographic locations of manufactures 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 presents a <b>low</b> potential for modern slavery risks.</p> <p>In terms of the manufacturing facilities of our suppliers, these are located in New Zealand, Japan, Singapore, Malaysia, China, South Korea, Middle East, Europe and may have a <b>low to medium</b> potential for modern slavery risks.</p>

Product / Service	<p><b>Products</b></p> <p>We have identified that 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 oversight over these suppliers.</p> <p><b>Services</b></p> <p>We understand that some types of services may have a higher prevalence of modern slavery practices because of their characteristics, products and processes, including financial, cleaning and security services which are provided by migrant workers, low skill workers or labour hire contractors.</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 understand that certain countries may have a higher prevalence of modern slavery due to factors such as poor governance, compromised rule of law, conflict, high migration and poverty and that the Asia-Pacific region is considered to be a high-risk geography for such reasons.</p> <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. We consider that the level of oversight that Hexion and the global Hexion group has over the procurement of these materials and services from direct suppliers does mitigate some of this risk.</p> <p>Also, a large proportion of our products and services are 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**

We understand the importance of working collaboratively with our employees, suppliers and the broader industry to combat modern slavery.

Hexion AU has in our existing governance framework 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 has developed and implemented 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.

The global Hexion group is in the planning stage to develop and implement additional procurement training, practices and procedures to help improve its global working environment by enhancing the standards expected of our global suppliers, which will be adopted by Hexion AU and Hexion NZ.

We have also planned 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 first reporting period focused 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 the next reporting period 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 Managing Director ANZ, Finance Director ANZ, Commercial Director ANZ, Environment Health & Safety Manager ANZ, HR Operations manager ANZ, Procurement Manager ANZ, Supply Chain Manager ANZ, Growth and Innovation Manager ANZ and the Operations Director ANZ. Prior to being put to the Board of Hexion AU for review and approval, this statement was reviewed by these senior management and procurement team members.

## Future focus

As this is our inaugural statement, we recognise there are further steps we can take to assess and address the risks of modern slavery in our operations and supply chains.

In our future reporting periods we will focus on the following actions:

- the development of an action plan for modern slavery compliance and risk to focus and prioritise our actions in each reporting period;
- detailed supply chain mapping (first and second tier suppliers) to better understand our supply chain and operations;
- the development of a supplier questionnaire/checklist to engage with our suppliers and develop our modern slavery risk assessment procedures;
- the further development of 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
- training to 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 be implementing 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;
- use the risk methodology and questionnaire/checklist with our key suppliers on an annual basis;
- 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 23 June 2021.

Paul Darbyshire  Craig Wallis   
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