



# Capral Limited Modern Slavery Statement 2021

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# INTRODUCTION

Every day, all of us at Capral work hard on our strategic initiatives to make our business something we can be proud of. Whilst what we achieve is important – even more important is how we achieve it.

How we run our business is guided by our core values. They are Safety First, Play Fair, Own It, Customer Success and Better Every Day. We are relentless in our pursuit of these values, and they guide our decision making.

Modern Slavery remains a pervasive yet often hidden issue in global supply chains and has severe and sometimes devastating consequences for victims. Capral supports any effort to help prevent Modern Slavery in domestic and global supply chains.

With numerous direct suppliers across multiple countries, Capral is taking a risk-based approach and focusing our efforts on areas assessed as at high risk of Modern Slavery practices in our supply chains. Capral opposes all forms of slavery and forced labour in our operations and the operations of our suppliers.

Preventing and addressing our own involvement in Modern Slavery is central to our sustainability approach including our commitment to running a safe and responsible business.

This is Capral's second Modern Slavery Statement and we are committed to continuously improving our supply chain.



Tony Dragicevich  
CEO and Managing Director

This statement has been approved by the Capral Board of Directors.

# CRITERIA #1: ABOUT CAPRAL

- 

**6 plants; 9 extrusion presses**
- 

**18 distribution centres  
Australia-wide**
- 

**Annual extrusion capacity  
65k tonnes**
- 

**Annual turnover  
~\$593 million<sup>1</sup>**
- 

**Residential & commercial  
construction, industrial**
- 

**Over 1,000 employees**

Capral Limited (ABN: 78 004 213 692) commenced operations in Australia in 1936 and is Australia’s largest manufacturer and distributor of aluminium extrusions, with sales during 2021 of \$593 million and net assets of \$157 million.

Capral has a national footprint of world class aluminium extrusion plants, comprising of nine operating presses with an annual capacity of around 65,000 tonnes.

Capral also has an extensive distribution network, consisting of major distribution facilities, as well as regional and metropolitan centres with an extensive range of products and logistics capabilities. Capral is a market leader in supply to fabricators and distributors, focusing on the Residential and Commercial Building and Industrial segments.

Capral has a comprehensive product range and innovative R&D capability.

Capral employs over 1,000 people within its operations throughout Australia, with significant industry skills and expertise.

<sup>1</sup>For the year ending 31 December 2021.

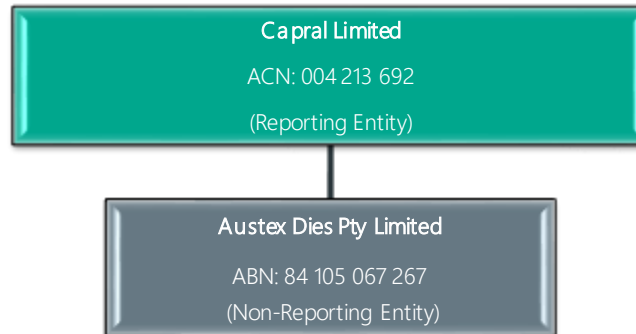
## CRITERIA #2: ORGANISATIONAL STRUCTURE

This statement is made by Capral Limited, for itself and its subsidiary company, Austex Dies. Capral was incorporated in Victoria in 1936, and now has its registered office at Bundamba, Queensland and its corporate head office at Huntingwood, New South Wales.

Capral is a public company listed on the Australian Stock Exchange (CAA).

Registered Office: 71 Ashburn Road, Bundamba, QLD, 4304, Australia.

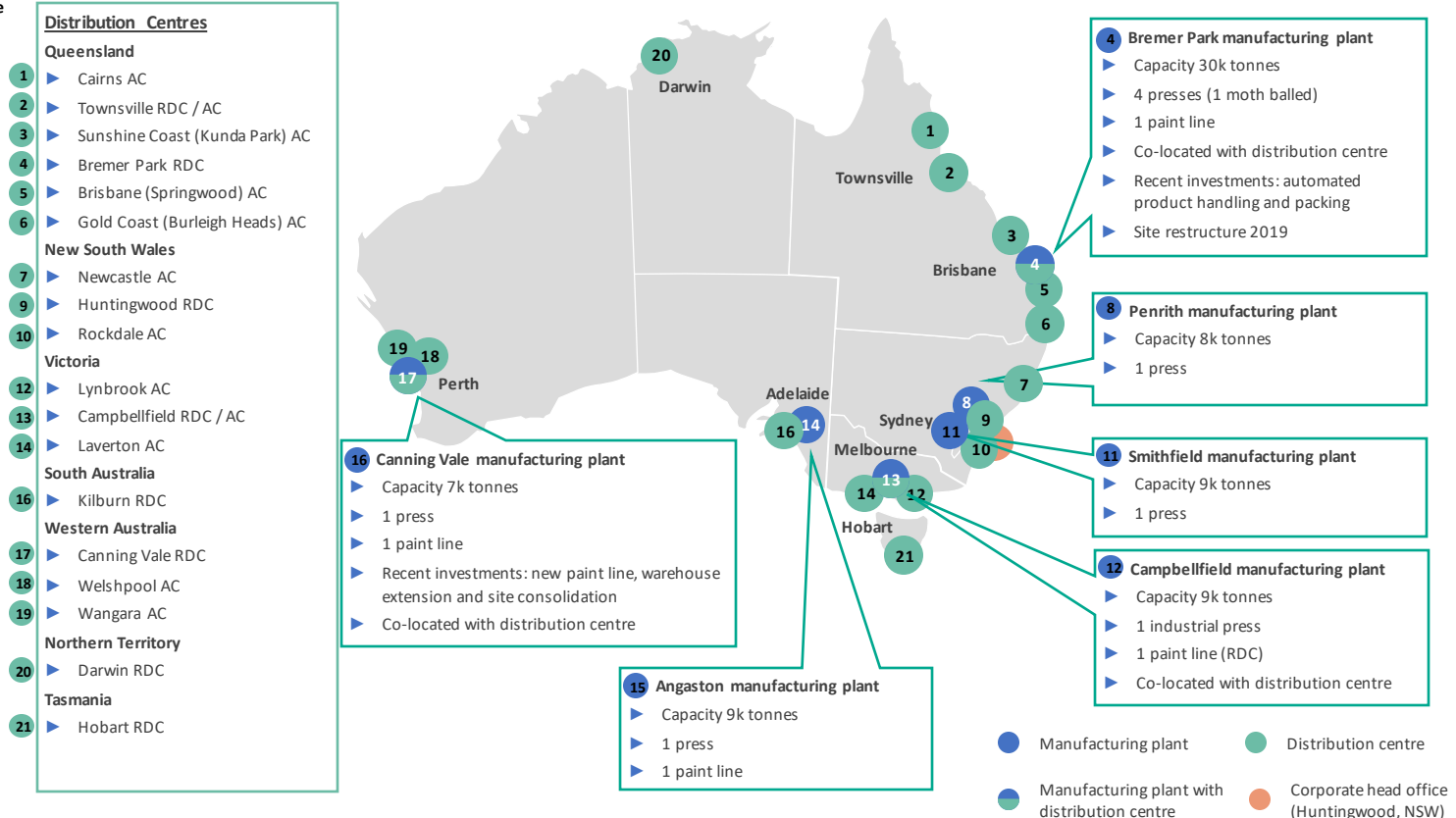
The corporate structure of Capral is shown below. All entities shown in the corporate structure are companies and subsidiaries are 100% owned. Not all entities are reporting entities.



# CRITERIA #2: OPERATIONS FOOTPRINT

Capral only has operations in Australia and has a national footprint with distribution presence in every state and extrusion plants near five mainland capital cities

RDC – Regional Distribution Centre  
AC – Aluminium Centre



## CRITERIA #2: SUPPLY CHAIN

Capral is proud of its long-standing relationship with suppliers.

The majority of products and services are sourced from domestic suppliers, with the remainder imported from South and East Asia, Middle East and Europe.

Capral sources products and services for use in manufacturing, sale to customers and to support operations.

- **Products sourced for use in manufacturing** may include aluminium billet, paint powder, packing materials and other.
- **Services sourced for use in manufacturing** may include labour hire, contractors, consulting services, utilities, and other.
- **Products sourced for sale to customers** may include aluminium sheet and plate, aluminium extrusions, fabricated aluminium windows and doors, window and door hardware and other.
- **Products sourced to support operations** may include IT equipment, manufacturing machinery, distribution network requirements, and other.
- **Services sourced to support operations** may include cleaning services, security, consulting services and other corporate and operational requirements.

Capral has a centralised procurement team managing the procurement of the bulk of products and services purchased.

# CRITERIA #3: GOVERNANCE & FRAMEWORK

Capral has a formal governance structure with Board-level oversight through an Audit Committee, which is responsible for managing and monitoring corporate compliance, including reporting for Modern Slavery.

Capral's Governance structure and this statement are supported by a policy set. The policies outlined below are those most relevant to managing Modern Slavery risk.



Policy	Purpose
<b>Corporate Governance Statement</b>	We believe good governance means ethical dealings with everyone – investors, customers, suppliers and employees. This statement outlines Capral's corporate governance policies and practices in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
<b>Code of Conduct</b>	A series of clear and concise rules concerning the conduct of directors, executives, management and staff of Capral including expectations regarding creating a safe and non-discriminatory workplace, and only dealing with business partners who demonstrate similar ethical and responsible business practices. The Code of Conduct commits the directors and all employees to adhere to high standards of business conduct and compliance with the law and articulates the principles and values that allow the directors and all employees to work in a positive, supportive environment.
<b>Equal Employment Opportunity Policy and Diversity Policy</b>	Capral recognises the importance of equal opportunity and diversity in the workforce and values the contribution of all employees regardless of gender, age, ethnicity, disability, sexual orientation, and cultural background. These policies aim to ensure that the work environment is free from discrimination, harassment and bullying and that everyone respects and values the diversity of our workplace.
<b>Whistleblower Policy</b>	Provides all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. These concerns can be raised internally with our human resources department, or through an independent and confidential service.
<b>Supplier Trading Agreement</b>	Our contracts with suppliers set out our terms of trade. It enlists our suppliers to act as partners and support our business to act responsibly and ethically. Suppliers without individual Trading Agreements are bound by Capral's Purchasing Terms - <i>updated to include a specific Modern Slavery clause in 2021.</i>
<b>Ethical Sourcing and Modern Slavery Policy</b>	We have a commitment to verify our suppliers do not engage in, or support modern slavery, while helping Capral to adhere to its ethical sourcing and social responsibility requirements – <i>updates in slide 10 below</i>



# CRITERIA #3: RISK ASSESSMENT MODERN SLAVERY RISKS IN OUR OPERATIONS

Capral understands that there is a risk that its operations could inadvertently cause, contribute to or be directly linked to Modern Slavery. As part of its efforts to address Modern Slavery, risk areas have been identified and are described in the table below.

Risk	Description	Finding	Our Risk Exposure
1	Casual or Contract workers engaged directly by Capral	Capral's workforce is almost all permanent, with only 1.5% casual and 13% contractors (via labor hire).	Low
2	Casual workers under the age of 18	Capral has 0 casual employees under the age of 18.	Low
3	Migrant Workers	Capral has 3 employees on a temporary visa. All of these employees are in managerial positions.	Low
4	Seasonal workforce fluctuation	Capral operations are not seasonal, with consistent workforce turnover during the reporting period.	Low
5	Freedom of association	A large percentage of Capral employees operate under Enterprise Bargaining Agreements.	Low
6	External Auditing	Capral is audited to quality, environmental and safety management Standards ISO9001, ISO14001 and AS4801 but is not currently audited by a third party for responsible sourcing.	Medium
7	Sector Risk	Capral operates in high-risk sectors including: <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Wholesale and Trade</li> </ul>	Medium
8	Services engaged by Capral	Capral relies on services including recruitment, legal, cleaning services, property maintenance, waste disposal and equipment maintenance. Recruitment, construction and cleaning services are considered particularly high risk, but none of these are sourced outside Australia, thus lowering the risk.	Low

# CRITERIA #3: RISK ASSESSMENT MODERN SLAVERY RISKS IN OUR SUPPLY CHAIN

The governance of sustainable procurement aligns with Capral's Risk Management Framework (RMF). The RMF establishes a framework for identifying, assessing, controlling, reviewing and reporting a risk. The RMF applies to Capral and its subsidiaries and covers both corporate functions and operations.

An investigation is underway to better understand our supply chain to assess the level of Modern Slavery risk with our most significant suppliers. During 2021, Capral implemented internal systems, procedures, roles and responsibilities to enable the surveying of its suppliers and assessment of risks in its supply chain. A standard MSA Questionnaire was developed and distributed to the top 27 suppliers. These suppliers account for the majority of purchases for use in manufacturing, sale to customers and to support Capral operations.

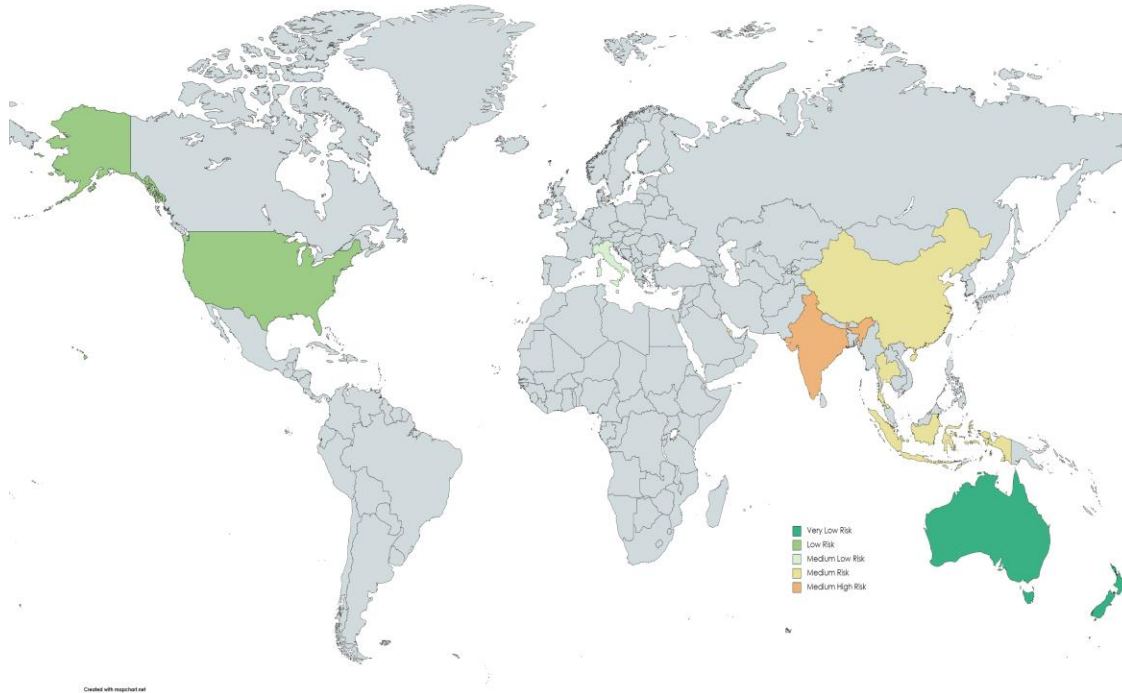
Capral has commenced the process of assessing significant suppliers based on the responses received from our MSA questionnaire and following up on outstanding responses. The significant suppliers were categorised as: low, medium, or high depending on their responses in the questionnaire and evaluated against a pre-defined scoring system. Where appropriate follow up actions such as clarifications or more information requests will be directed.

Capral's risk assessment of suppliers considered the following:

- **Location:** Some countries and regions have increased risk of Modern Slavery. Capral classified country risk based on the 2018 Global Slavery Index's Vulnerability profile.
- **Outsourcing:** Capral purchases some finished goods from some suppliers, so has less visibility of how our suppliers outsource manufacturing of these finished goods. Capral considers the portion of a product manufactured beyond our direct supplier as part of a future risk assessment.
- **Audits:** Supplier manufacturing of finished goods will be audited either by an independent third party or a Capral representative. Suppliers who pass the audit (frequency to be determined) will be deemed to be lower risk than those not audited.
- **Trade Agreements:** Capral has updated its Terms and Conditions of Purchase and some specific trade agreements to include a Modern Slavery clause. Where a supplier signs such specific trade agreements, Capral considers such supplier to have a lower risk.
- **Industry:** Suppliers in industries dependent on low-cost labour are considered higher risk.
- **MSA Process Maturity:** suppliers with processes in place to map its potential exposures to Modern Slavery, conduct due diligence and risk assess their operations are considered at the lower end of the risk scale. Capral will rely on the level of MSA awareness and active policies and risk management of a supplier as an indication of their commitment and progress on MSA compliance.

# CRITERIA #3: RISK ASSESSMENT MODERN SLAVERY RISKS IN OUR SUPPLY CHAIN (CONTINUED)

During the base year (2020), Capral sourced products and services from 1,448 suppliers, of which 1,373 (95% in number) were based in Australia and New Zealand. Total purchases for the base year were \$355.5 million of which \$255.7 million (72% in value) were in Australia and New Zealand.^



Created with mapbox.com

Supplying Country	% of Total Capral Procurement	# of Suppliers	Country Global Slavery Vulnerability Index*
Australia	71.6%	1371	4.3
Bahrain	8.2%	1	49.6
China	7.4%	16	50.7
India	4.9%	1	55.5
Thailand	1.9%	2	51.1
Indonesia	1.6%	2	50.5
Qatar	1.5%	1	37.7
Italy	0.8%	12	28.3
HK	0.6%	3	50.7
Singapore	0.6%	2	13.4
USA	0.5%	11	15.9
New Zealand	0.3%	2	1.9
Germany	0.1%	9	10.44
Russia	0.0%	1	51.6
France	0.0%	1	15.3
Belgium	0.0%	2	13.1
Turkey	0.0%	1	51.6
UK	0.0%	5	11.1
Japan	0.0%	2	13.8
Netherlands	0.0%	1	6.1
Canada	0.0%	2	10.2
High Risk	0.0%	0	100.0

\* 2018 Global Slavery Index - <https://www.globalslaveryindex.org/>

The weighted average Vulnerability Index (weighted on \$ purchased) is 16.6. Capral's overall supply chain risk is Low.

^ Data collected in base year 2020. Capral's purchases and supplier sources are quite consistent from year to year. Thus, an update of purchasing values and supplier breakdown information will be provided every two years, with the next refresh of this information in 2022.

# CRITERIA #3: RISK ASSESSMENT MODERN SLAVERY RISKS IN OUR SUPPLY CHAIN (CONTINUED)

During the first reporting period in 2020, Capral focused on the largest procurement segment namely raw material purchases feeding its manufacturing business. This consists primarily of aluminium billet purchases from several suppliers.

Capral identified 18 suppliers as Tier 1 suppliers – these suppliers each contributed above \$3.0 million or around 1% of supplies in value.

Tier 1 suppliers accounted for a total of \$242.6 million (68% of total supply) of which \$154.6 million (64%) was from Australian based suppliers. ^



^ Data collected in base year 2020. Capral's purchases and supplier sources are quite consistent from year to year. Thus, an update of purchasing values and supplier breakdown information will be provided every two years, with the next refresh of this information in 2022.

## CRITERIA #4 & #5: CAPRAL'S ACTIONS, EFFECTIVENESS AND FUTURE FOCUS

Capral is well progressed on its journey to investigate potential risks of Modern Slavery in its supply chain. During 2021, Capral invested in a dedicated system to source information from suppliers, evaluate their responses, scoring and categorising their risk levels. We have created internal policies, procedures and new responsibilities for managing MSA risks throughout the business. Capral introduced 'Modern Slavery' clauses to individual supply agreements where these are in existence (all aluminium billet suppliers) and initiated a project to update Terms and Conditions of procurement.

During 2021 Capral started investigating Modern Slavery risks in the Tier 1 suppliers. MSA questionnaires were sent out to 27 major suppliers to survey their operations, governance, employment practices and supply chain. Capral has begun evaluating the responses received, scoring and categorising suppliers' risk levels and flagging further actions or clarifications where required. Of those suppliers who have responded to date, our evaluation shows most to be in the Low risk category with one supplier in the Medium category. There is no red flag at this stage that would require immediate escalation or action. In 2021 the updated Terms and Conditions to supply has also been introduced to all Tier 1 suppliers without individual supply agreements.

Looking forward to the next period, Capral is planning the following:

- Escalating reminders and following up on outstanding responses from the initial Tier 1 group who have not returned a completed questionnaire
- Conduct follow ups on queries and requests for further clarifications, where the supplier's survey has been evaluated and earmarked as such
- Sending out the MSA questionnaire to the next tier of 30 suppliers. This will expand our survey coverage to over 90% of Capral's annual purchasing value
- Assisting our customers in their MSA investigations by developing and publishing Capral standard Q&A relating to MSA compliance
- Expand collaboration between Capral's internal stakeholders to strengthen MSA governance, establish more efficient processes for managing MSA risks and increase effectiveness in communicating and investigating exposures.

Overseas suppliers continued to be screened to ensure they meet Capral's high expectations and are assessed for safety and quality and Modern Slavery risk. We work collaboratively with suppliers to uphold human rights. These screenings have been done on an informal basis but will be formalised as part of our process improvement.

Capral has not yet assessed the effectiveness of its actions as Capral is in the early stage of the implementation.

## CRITERIA #4 & #5: CAPRAL'S ACTIONS, EFFECTIVENESS AND FUTURE FOCUS (CONTINUED)

Capral continues to build a sustainable supply chain.

Capral's medium-term (next two years) focus will be on the following initiatives and deliverables.

1. Establish Supply Chain Compliance Committee (SCCC) to oversee Modern Slavery activities and report to Audit & Risk Committee.
2. Finalise and adopt the Capral Modern Slavery policy.
3. Refresh all policies relevant to Capral's Governance Framework.
4. Deliver training on Modern Slavery risks for procurement and those directly responsible for purchasing.
5. Update standard agreements and obtain Modern Slavery declarations for all Tier 1 suppliers not yet signed.
6. Initiate the roll out of Modern Slavery declarations to all Tier 2 suppliers.
7. Update Terms and Conditions of Purchase to include Modern Slavery clauses.
8. Issue Supplier Code of Conduct to all relevant suppliers.

## CRITERIA #6: CONSULTATION

In assessing and addressing the risks of Modern Slavery practices in the operation and supply chains of Capral, and in the preparation of this statement, it was not necessary for Capral to consult separately with its subsidiary Austex Dies Pty Ltd. Austex's suppliers fall outside Tier 1 supplier group and procurement is not material.

In addition, Capral's CEO and CFO are directors of Austex, and Austex is not a reporting entity in itself.