

USG BORAL AUSTRALIA MODERN SLAVERY STATEMENT





CONTENTS

- 01 Introduction**
- 02 Our operations**
- 03 Modern slavery risks**
- 04 Our approach**
- 05 Assessing effectiveness**
- 06 FY2021 actions**
- 07 FY2022 planned activities**

01 INTRODUCTION

This Modern Slavery Statement (Statement) is provided by Knauf Gypsum Pty Ltd ABN 84 004 231 976 previously known as USG Boral Building Products Pty Limited (USG Boral Australia) to report our activities with respect to modern slavery in the financial year ended 30 June 2021 (FY2021).

For the financial year ended 30 June 2020, USG Boral Australia published a Joint Modern Slavery Statement with Boral Limited ABN 13 008 421 761 (Boral), an Australian-based international construction materials and building products group listed on the Australian Stock Exchange. At that time, USG Boral Australia was a joint venture company that was owned 50:50 by companies in the Boral group and the Gebr Knauf KG group (Knauf).

During the 2021 financial year, Boral agreed to sell its 50 per cent interest in USG Boral Australia to Knauf, which was completed on 31 March. Since then, USG Boral Australia has been 100 per cent owned by the Knauf group.¹

With corporate headquarters in Germany, Knauf is one of the world's leading manufacturers of building materials operating in more than 220 factories worldwide. USG Boral Australia owns gypsum-based wall and ceiling operations in Australia and New Zealand.²

USG Boral Australia's modern slavery governance, policies, procedures and systems were initially developed to align with those of the Boral group. While that continued during the 2021 financial year, some changes to governance and policies were

made to align with those of Knauf following the change of ownership, and more changes are anticipated to occur over time.

modern slavery in domestic and global supply chains.

Modern slavery remains a pervasive yet often hidden issue in global supply chains and has severe and devastating consequences for victims. We acknowledge the potential for its presence in our operations and supply chains and are taking a risk-based approach as part of an ongoing commitment to mitigate the risk of modern slavery.

Through a multi-year strategy, USG Boral Australia continues to increase transparency and due diligence in our supply chains. We aim to deepen our understanding of our supply chain risks, extend modern slavery assessment and due diligence across the breadth of our sourcing activities, and increase engagement with our suppliers to identify risks further down our supply chain. A summary of the actions we completed in FY2021 and our planned activities for FY2022 are presented in sections 6 and 7 of this Statement respectively.

USG Boral Australia remains committed to ongoing improvement and will continually monitor best practice developments through collaboration with industry partners.

Modern slavery, as defined by the Modern Slavery Act, includes trafficking in persons, slavery, servitude, forced labour, debt bondage, deceptive recruitment, forced marriage, and the worst forms of child labour: situations where children are subjected to slavery or similar practices, or engaged in hazardous work.

Unless the context otherwise requires, a reference to 'we' or 'our' in this Statement refers to USG Boral Australia. The modern slavery risks of USG Boral Australia's joint ventures, and how we engage with them, are outlined in the Operations section of this Statement.

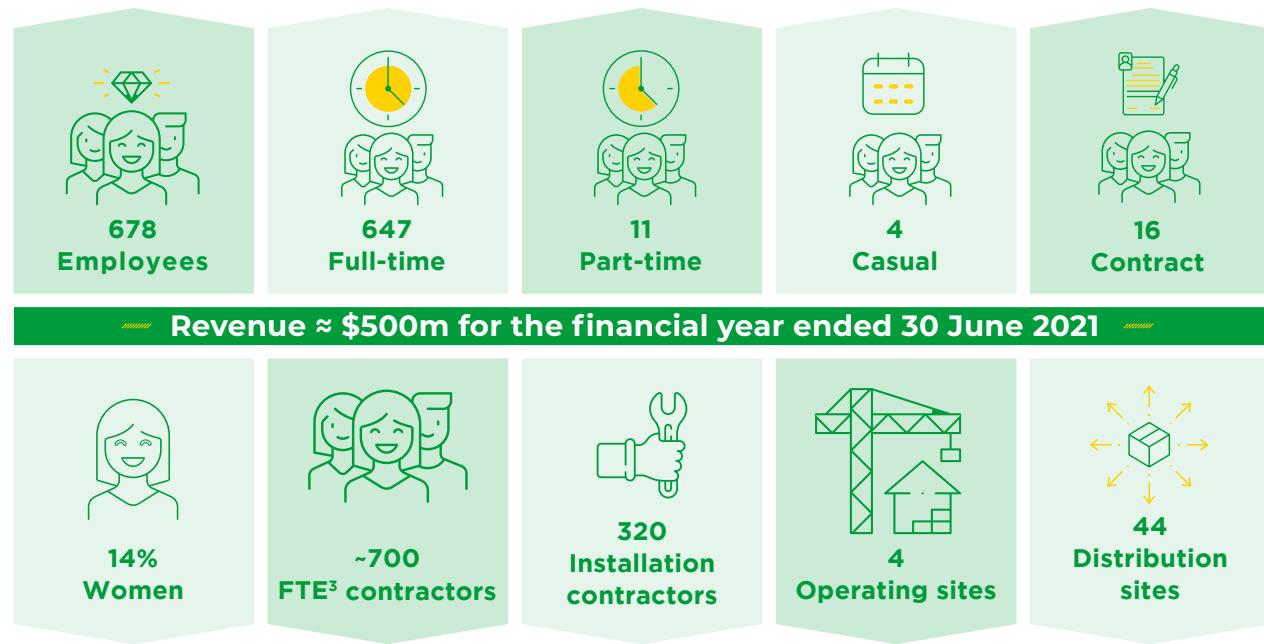
We recognise the inherent dignity of all people and the importance of respecting and promoting human rights, and welcome the Australian government's efforts to help Australian businesses prevent

1. Gebr Knauf KG (Knauf) is a German registered company and international manufacturer of gypsum boards, plasters and accessories, ceilings, insulation material, drylining systems, thermal insulation composite systems, paints, floor screed, floor systems, and construction equipment and tools. Knauf is headquartered in Iphofen, Germany and has subsidiaries and business activities worldwide.

2. For FY2021: New Zealand operations are owned by Knauf Gypsum NZBN: 9429040601243.

02 OUR OPERATIONS

USG Boral Australia exists to contribute to improving the lives of our employees, customers and communities. As a leading manufacturer and supplier of wall and ceiling solutions in Australia, with distribution across Australia and New Zealand, the USG Boral Australia business produces gypsum-based wall and ceiling linings, cornices and joint compounds, and distributes metal framing, high-performance panels and accessories. USG Boral Australia also provides installation services for interior linings in residential premises in Australia.



For more information about USG Boral Australia and its products visit www.usgboral.com

How we engage with joint ventures

USG Boral Australia regularly engages with our joint ventures, however we do not have direct control or responsibility for their management. Through Board representation and senior management engagement we aim to promote the adoption of modern slavery risk mitigation

practices that align with our own standards, which are applied across all Australian and New Zealand operations. We also provide support and share knowledge to help our joint ventures identify and address potential modern slavery risks.

³. Full-time equivalent



Our supply chains

In FY2021, USG Boral Australia made payments to approximately 1,600 direct suppliers across nine countries. More than 97 per cent of these were Australian or New Zealand-based companies. Our international suppliers are located in Western Europe, the US and Asia.

USG Boral Australia's predominant procurement spend was for:



Approximately 95 per cent of USG Boral Australia's procurement spend during FY2021 was with Australian and New Zealand-based suppliers. Key raw materials purchased from Australian suppliers were gypsum, paper used for plasterboard lining, and steel for ceiling products. Gypsum is sourced from Gypsum Resources Australia Pty Ltd, an Australia-based joint venture equally owned by USG Boral Australia and CSR Limited.

USG Boral Australia's procurement activities in Asia largely relate to plasterboard and ceiling products sourced from other members of the Knauf group.

Contractors and labour hire

Skilled contractors are engaged to support USG Boral Australia's operational requirements for roles such as product installers and plant maintenance.

In addition, approximately 700 full-time equivalent (FTE) skilled workers were engaged in Australia during the FY2021 as part of USG Boral Australia's longstanding preferred labour hire supplier agreements.

More than
97 per cent
Australian
and New
Zealand based
suppliers.
In FY2021,
approximately
1,600 direct
suppliers from
nine countries.

03 MODERN SLAVERY RISKS

USG Boral Australia continues to assess modern slavery risks and progress supplier reviews across our supply chains. Assessments are based on the potential to cause, contribute, or be directly linked to modern slavery concerns in our operations and supply chains, as defined in the Modern Slavery Act 2018 Guidance for Reporting Entities.

Our operations

USG Boral Australia has strict human resources controls in place for onboarding new employees, reviewing employees' wages and salary agreements, and verifying corresponding payments. Approximately 31 per cent of our employees are covered by enterprise or industrial agreements, and 69 per cent through contracts of employment. The onboarding process includes employment checks managed by USG Boral Australia's central recruitment team to ensure all new employees have a valid residency status. Employee induction processes require new employees to confirm they have read and understood our policies and minimum standards, including the Code of Conduct.

Regular reviews of modern slavery risks are also conducted across USG Boral Australia's operations and supply chains.

Our supply chain

USG Boral Australia has identified tier 1 suppliers where it has a direct arrangement, and has assessed them using the Modern Slavery Supplier Risk Profile Assessment (MSSRPA) tool developed by former joint venture owner Boral Group.

Assessments take into account key categories of goods and services, as well as the countries of origin and extended supply chains.

Country of origin

The MSSRPA tool applies an initial risk rating to USG Boral Australia's suppliers based on the risk of modern slavery practices in the geographies and industry sectors where they operate. The rating is based on the Global Slavery Index 2018, published by The Minderoo Foundation and Transparency International's Corruption Perceptions Index.

The Global Slavery Index assesses risk variables across governance issues, lack of basic needs, inequality, disenfranchised groups and the effects of conflict. The Corruption Perceptions Index ranks regions based on how experts and business executives perceive corruption in each region's public sector.

Country of origin risk

Risk rating	Risk of modern slavery practices	Regions that supply USG Boral Australia
Low	Unlikely risk	Australia, New Zealand, Singapore, United States, Western Europe
Medium	Possible risk	Malaysia, Taiwan
High	Likely risk	China, Indonesia, India, Thailand



Category risk

Categories of goods and services that are at higher risk of modern slavery practices have been identified based on information published by The Minderoo Foundation Walk Free initiative.

These categories apply to extraction, manufacturing, and unskilled labour hire. USG Boral Australia does not directly engage unskilled labour from high-risk countries.

Areas of highest risk

Taking into account the country of origin and category risks of USG Boral Australia's tier 1 suppliers, we have identified areas in the supply chain that present a modern slavery risk, as shown in the table below.

Areas of highest risk

Goods and services categories at risk of modern slavery practices	Sourced directly from countries assessed as a high risk of modern slavery
Raw materials and mining	Specialist raw materials
Manufacturing	Steelwork, specialised machinery and equipment, repair and maintenance supplies, hardware and metal materials and printing inks



In FY2021, USG Boral Australia had fewer than 15 tier 1, third-party suppliers that were located in countries rated as having a high risk of modern slavery practices, and in categories assessed a higher risk. USG Boral Australia is undertaking a more detailed assessment of these suppliers.

04 OUR APPROACH

USG Boral Australia recognises the importance of respecting the dignity of all people and the promotion of human rights, including the rights of our employees, suppliers and communities in areas where we operate. This reflects USG Boral Australia's company purpose to contribute to improving the lives of our employees, customers and communities.

We also expect our suppliers and contractors to respect and promote human rights, and actively encourage and support our joint venture partners to adopt a similar approach.

USG Boral Australia's approach to identifying and addressing modern slavery and human rights aligns with the United Nations Guiding Principles on Business and Human Rights. It is supported by robust corporate governance policies, standards and procedures that provide consistent controls for how USG Boral Australia manages modern slavery and human rights risks throughout our operations. For example, USG Boral Australia requires our employees, contractors, and suppliers to comply with the Knauf group Code of Conduct.

Governance and oversight

Governance and oversight of modern slavery policies and processes, as well as broader human rights risks, is encompassed within USG Boral Australia's corporate governance framework.

USG Boral Australia has a human rights and modern slavery working group to guide, monitor and review operational and supply chain activities with respect to requirements of the Modern Slavery Act. The working group involves senior representatives across human resources, procurement, supply chain, sales, marketing, contracting, finance, and legal teams. The group has reviewed and endorsed information contained within this Statement.

The working group aims to establish a common understanding across the organisation and our suppliers regarding USG Boral Australia's approach to identifying, assessing and addressing modern slavery risks.

Modern slavery and broader human rights risks are considered as part of USG Boral Australia's enterprise-wide risk management framework.

In FY2021, USG Boral Australia reviewed modern slavery risks with regard to:

- implementation of the MSSRPA tool
- operations and supply chain
- processes, controls and reporting with respect to the Modern Slavery Act
- potential risk exposures.

Learnings from this review are included in this Statement.

Procurement

USG Boral Australia's procurement spend is managed by a centralised procurement team that reports to the head of procurement in accordance with established procurement policies. Depending on the goods and services provided, we have various arrangements in place with suppliers ranging from detailed procurement agreements to standard purchase order terms and conditions.

Modern slavery clauses are now included in procurement supplier agreements and in our standard purchase order terms and conditions.

Policies and standards

Foundational policies and standards that form the basis of USG Boral Australia's commitment to human rights and addressing modern slavery include: the Code of Business Conduct, our Human Rights Policy, and the Supplier Code of Conduct. In the FY2021, USG Boral Australia transitioned to the Knauf Code of Conduct and Knauf Supplier Code of Conduct following the change of ownership. Senior management takes breaches of our codes and policies very seriously, and we have consistent and transparent practices in place to address any non-compliance. Formal consequences include additional training, impact on reward and promotion, formal warnings and termination for severe or ongoing non-compliance.

Risk management

USG Boral Australia policies

Code of Business Conduct	Defines our standards for doing business in an ethical and transparent manner at all times, and directs employees and people representing USG Boral Australia to maintain the highest standards of integrity. It also outlines our commitment to working with third parties whose business ethics and behaviour are consistent with our own.
Human rights policies	Outlines USG Boral Australia's commitment to upholding internationally recognised human rights and complying with all applicable local human rights laws. It sets out what we expect of employees and suppliers, and our approach to encouraging joint ventures and non-controlled entities to respect and promote human rights.
Supplier Code of Conduct	Standards we expect our suppliers to adhere to with regard to modern slavery and human rights, and environmental, social and governance issues.

Supplier due diligence

Suppliers are selected based on their location, size, category of goods or services, frequency of supply and expenditure.

Procurement agreements require suppliers to comply with all USG Boral Australia policies, including our Supplier Code of Conduct.⁴ The Code includes specific clauses that impose obligations on suppliers to avoid engaging in modern slavery practices. For example, USG Boral Australia may audit and validate supplier sites and records to ensure compliance with the requirements of the *Modern Slavery Act 2018* (Cth).

Appropriate steps are taken for any identified non-compliance with the Supplier Code of Conduct. This may include working with the supplier to ensure that any deficiencies are remediated according to an agreed action plan.

Grievances and remediation

Clear and easy grievance mechanisms are crucial to addressing modern slavery risks. USG Boral Australia is actively promoting the FairCall online reporting mechanism to our employees, contractors and suppliers to report concerns regarding modern slavery practices. Employees and contractors can also report concerns through escalation to senior management, human resources, or legal teams.

Incident reporting and remediation

Modern slavery concerns or incidents may be raised in various ways by suppliers, employees, third parties or anonymously through the FairCall service. USG Boral Australia investigates any reported concerns and will take action to address issues where required.

To maintain the integrity of the reporting and investigation processes, all substantiated incidents are formally documented, investigated and reported to the USG Boral Australia human rights and modern slavery working group. In FY2021, there were no reported concerns of modern slavery practices, and no instances of modern slavery identified in USG Boral Australia's operations or supply chains.

⁴. https://www.usgboral.com/content/dam/USGBoral/Australia/Website/Documents/English/SUPPLIER_CODE_OF_CONDUCT_FINAL_ANZ.pdf

Awareness and training

USG Boral Australia continues to raise awareness of our modern slavery policy commitments to all employees, contractors, and suppliers through communication such as emails, posters, and toolbox talks. This aims to highlight our human rights policies and codes of conduct, and reinforce how to report any modern slavery concerns.

We are also launching an 'Introduction to Modern Slavery' training program for employees who are responsible for human resources, procurement processes and the controls that mitigate our modern slavery risks.

The training will cover:

- types of modern slavery practices
- requirements of the Modern Slavery Act
- prevalence of modern slavery
- actions USG Boral Australia is taking to assess and manage modern slavery risks.

HELP PREVENT MODERN SLAVERY

At USG Boral we recognise the inherent dignity of all people and respect and promote human rights.



Be mindful
of the potential presence of modern slavery in USG Boral's operations and supply chain.



Use approved suppliers
and contractors when sourcing on behalf of USG Boral.



Report
any concerns about the potential presence of modern slavery in our operations or supply chain to your manager or to **FairCall** on **1800 139 957**.

To learn about

- modern slavery
- USG Boral's Human Rights Policy
- USG Boral's Supplier Code of Conduct
- actions USG Boral is taking to help eradicate modern slavery go to **USGBoral.com/en_au/modern-slavery**
(https://www.usgboral.com/en_au/modern-slavery)
- or speak to your manager or procurement representative.





05 ASSESSING EFFECTIVENESS

The USG Boral Australia human rights and modern slavery working group will conduct annual reviews of the tools and processes used, to maintain the most appropriate method for assessing the effectiveness of the company's approach to modern slavery risks.

This includes reviews of the following tools and processes:

- the MSSRPA tool and how it is implemented
- our supplier assessments and how they are conducted, as well as supplier selection and reporting
- concerns raised through methods such as FairCall and the escalation process, as well as remediation actions
- best practice benchmarking
- training and capacity building for procurement, contracting and human resources employees
- communication to further develop awareness and understanding of modern slavery and USG Boral Australia's responsibilities.

The first review is planned for FY2022.

06 FY2021 ACTIONS



Governance and oversight

Modern slavery policies and Supplier Code of Conduct added to internal control documents as part of the annual audit process.



Policies and standards

Specific contract clauses to incorporate modern slavery requirements added to supplier and subcontractor contracts and purchase orders.

Alignment with Knauf Code of Conduct and Supplier Code of Conduct.
Supplier Code of Conduct sent to suppliers.⁵



Due diligence

Populated MSSRPA tool with approximately 90% of tier 1 suppliers and conducted risk assessments on high-risk suppliers.



Grievances and remediation

FairCall reporting mechanism information provided on USG Boral Australia website.

Reporting mechanisms provided in employee, contractor and supplier communication materials such as emails, posters and toolbox talks.



Training and capacity building

Employee awareness campaign conducted.



Assessing effectiveness

Review planning completed.

Review to be conducted in the new year.



Engagement and collaboration

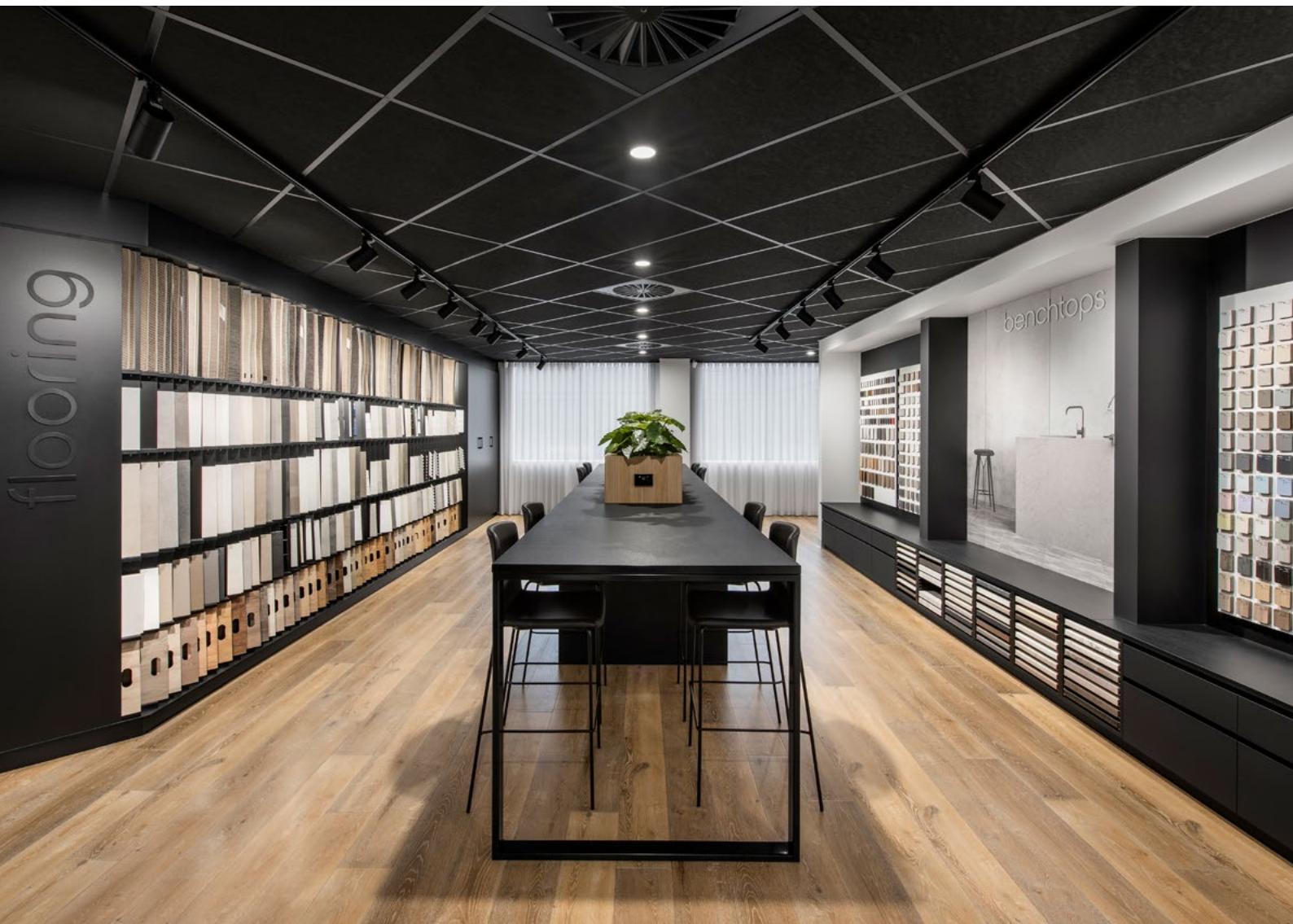
Engagement with Knauf and Boral, including participation in the Boral human rights and modern slavery working group.

⁵. https://www.usgboral.com/content/dam/USGBoral/Australia/Website/Documents/English/_SUPPLIER_CODE_OF_CONDUCT_FINAL_ANZ.pdf

07 FY2022 PLANNED ACTIVITIES

- Review supplier and supply chain risk profiles and update MSSRPA tool.
 - Training on the Knauf Code of Conduct.⁶
-
- Review and update supplier contract clauses and develop standard operating procedures for suppliers with respect to compliance with the Modern Slavery Act 2018 (Cth).
-
- Continue detailed assessments of tier 1 suppliers. Develop action plans to mitigate risks identified in the assessments.
 - Review, refine and broaden supply chain mapping to encompass tier 2 suppliers.
 - Engage independent party to provide supplier risk reporting.
 - Audit sub-contractors involved in our installation business with regard to the risk of modern slavery practices.
-
- Review use of FairCall reporting mechanism and continue to raise awareness of grievance reporting channels to employees, contractors and suppliers.
-
- Implement modern slavery training program and identify other relevant training opportunities for employees, contractors and suppliers.
-
- Complete first review, including defining indicators for assessing the effectiveness of our modern slavery approach and processes.
-
- Maintain active engagement in multi-stakeholder initiatives to build further capacity and knowledge, and leverage resources across the industry.

⁶. https://www.usgboral.com/content/dam/USGBoral/Australia/Website/Documents/English/KNAUF_CODE_OF_CONDUCT_POLICY.pdf



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This statement has been approved by
the Board of Directors of Knauf Gypsum
Pty Ltd, and is hereby signed by a
member of the Board.

Tony Charnock

Managing director Australia and New Zealand
USG Boral