

**SCHAFFER CORPORATION LIMITED  
MODERN SLAVERY STATEMENT 2020**

## **INTRODUCTION**

This is the Modern Slavery Statement (“Statement”) for the Schaffer Corporation Limited group of companies (“SFC”) pursuant to section 14 of *The Australian Modern Slavery Act 2018* (“Act”). The purpose of this Statement is to outline Schaffer’s approach to ensuring that SFC has robust management systems and processes in place to minimise the risk of human rights abuses and modern slavery in SFC’s business operations and supply chains. SFC recognises that modern slavery can occur in many forms, as considered in the Act. This can include slavery, servitude, human trafficking, forced marriage, forced labour, debt bondage, child labour and deceptive recruiting practices. The Board of SFC is fully committed to operating responsibly in accordance with the highest ethical standards and will not tolerate any form of modern slavery or abuse of human rights in the Group’s business operations and supply chains.

## **SFC’s BUSINESS**

Schaffer Corporation Limited (SFC) is a diversified industrial company with core operating divisions in Manufacturing (Automotive Leather and Building Materials) and Investments. Originally incorporated in 1955, the company was first listed on the Australian Securities Exchange (ASX) in 1963 and currently employs around 900 employees in three countries (Australia, Slovakia and China).

The Automotive Leather division is a world-class, globally competitive automotive leather producer, supplying quality interior leather products to such household names as Land Rover, Audi, Mercedes, Porsche, Nissan and Ford. The division operates leather finishing operations in Slovakia and Australia. Component cutting plants are located in Slovakia and China.

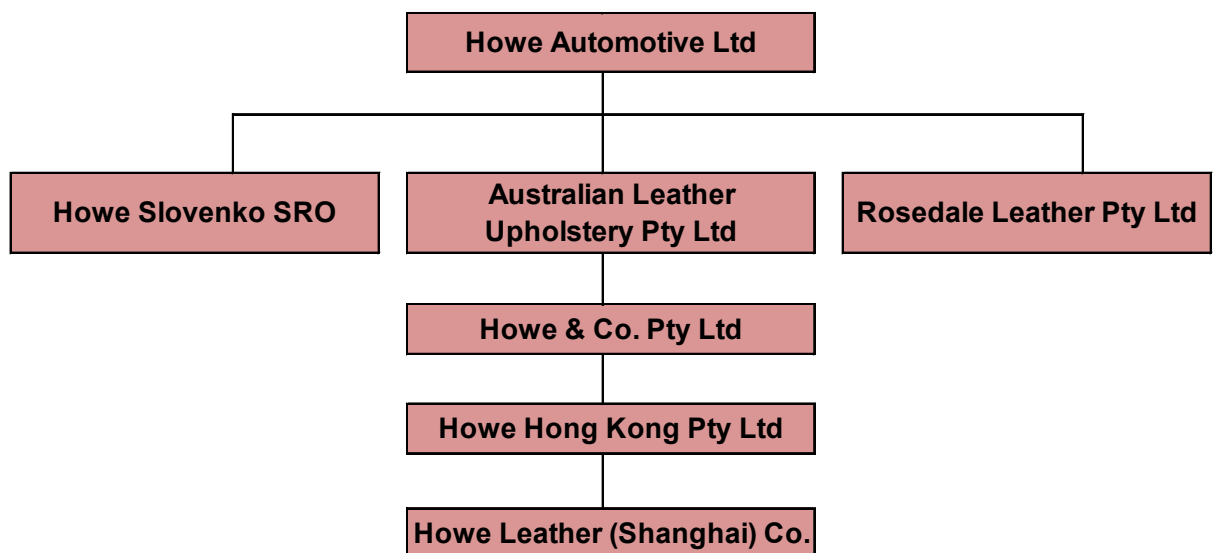
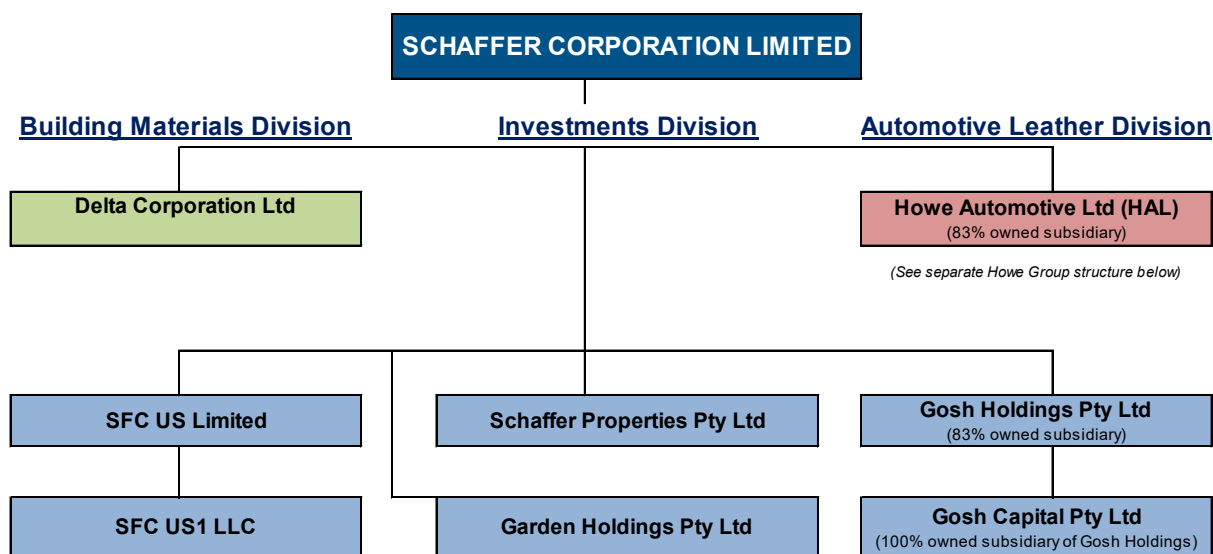
The Building Materials division comprises Delta Corporation which manufactures a range of custom made precast and prestressed concrete floor, beam and wall products, including TeeRoff beams, for major infrastructure, building and resource projects in Australia.

The Group’s Investments division currently has a portfolio of various property and equity investment interests.

Group property interests include land held for future development in the Western Australian suburbs of Jandakot and North Coogee, a bulky goods property at Rockingham, Western Australia, and various syndicated interests in commercial, industrial, hotel, retail and residential properties across Australia and the United States.

## STRUCTURE, OPERATIONS AND SUPPLY CHAINS

The subsidiaries of Schaffer Corporation are:



\* All entities 100% owned by SFC unless otherwise stated

Controlled entity	Place of incorporation and business	Principal Activities
Schaffer Properties Pty Ltd	Australia	Property investments
Delta Corporation Limited	Australia	Precast concrete manufacture
Garden Holdings Pty Ltd	Australia	Inactive
Gosh Holdings Pty Ltd	Australia	Holding company
Gosh Capital Pty Ltd	Australia	Property and other investments
Howe Automotive Limited	Australia	Parent company of Howe Group
Rosedale Leather Pty Ltd	Australia	Inactive
Australian Leather Upholstery Pty Ltd	Australia	Holding company
Howe & Company Pty Ltd**	Australia	Manufacture and sale of cut automotive leather components
Howe Slovensko S.R.O.	Slovakia	Contract manufacture of cut automotive leather components
Howe Leather (Shanghai) Co. Ltd.	China	Manufacture and sale of cut automotive leather components
Howe Hong Kong Pty Limited	Hong Kong	Holding company
SFC US Limited	United States	Holding company
SFC US1 LLC	United States	Property Investor

SFC's main operations and supply chains for the above entities are as follows:

Division	Main Operations	Supply Chains
Automotive Leather	Manufacture and sale of cut automotive leather components	<ul style="list-style-type: none"> <li>• Semi-processed hides (crusts)</li> <li>• Chemicals</li> <li>• Lamination material</li> <li>• Plant and equipment</li> <li>• Labour hire</li> <li>• Shipping</li> </ul>
Building Materials	Contracting, construction and delivery of precast concrete elements	<ul style="list-style-type: none"> <li>• Cement</li> <li>• Steel</li> <li>• Subcontract transport</li> <li>• Plant and equipment</li> <li>• Repairs and maintenance</li> <li>• Spare parts</li> <li>• Labour hire</li> </ul>
Investments (Property)	Development and leasing of property; investment in property syndicates	<ul style="list-style-type: none"> <li>• External property management</li> <li>• External property syndicated management</li> <li>• Technical consulting</li> <li>• Development subcontractors</li> </ul>
Investments (Equities)	Investment in internally and externally managed equity portfolios	<ul style="list-style-type: none"> <li>• External fund management</li> </ul>
All Divisions	Administration	<ul style="list-style-type: none"> <li>• Professional services (legal, audit)</li> <li>• IT software, hardware, and services</li> <li>• Stationery and office supplies</li> <li>• Cleaning</li> <li>• Security</li> <li>• PPE</li> <li>• Insurance</li> </ul>

## **RISK ANALYSIS**

SFC conducted high level risk assessments across all SFC divisions. This process was done in consultation with senior representatives from each division and controlled entity. Each division was required to assess and communicate the potential risks that could arise from their operations and supply chains.

SFC is a diverse company with operations and supply chains that cross several industrial sectors and geographical locations and therefore there is a risk that the Group could be inadvertently associated with a supply chain involving modern slavery. However, risk assessments indicate that most SFC operations and supply chains do not, or are unlikely to, create opportunities for abuse of human rights and modern slavery to develop.

The Automotive Leather division is the largest division of SFC. The risk of modern slavery for the division is low due to the following:

- The division is part of the supply chain of large automotive Original Equipment Manufacturers (OEMs). These OEMs are currently working with and qualifying the members of their supply chains regarding potential for modern slavery.
- The division has formed key supplier relationships over time which gives good insight into the practices of its supply chain.
- Management commitment through leadership, policy making, and the implementation of Management systems and (CSR) Corporate Sustainability initiatives.
- The Automotive Leather division has developed a niche position for raw material traceability back to the farm where a hide was produced, further enhancing supply chain knowledge.

The Building Materials division is based entirely in Australia and most of the supply chains are also based in Australia. The division contracts locally for the supply of steel reinforcement but is aware that the source of the steel to make the reinforcement could come from countries where there is a risk of modern slavery. In this regard, the Building Materials division will work with its suppliers to minimise the risk of modern slavery in its supply chains.

The Property Investments division owns direct assets in Australia, and unlisted property investment in Australia and USA. The modern slavery risks associated with property and land development in Australian and USA is considered low.

Environmental, Social and Governance (ESG) strategies of investment managers vary across SFC's Equities Investment portfolio. Some investment managers have little to no engagement on ESG and Modern Slavery risk while others have specific direct engagement with investee companies. The identification of indirect Modern Slavery risks for investee companies is difficult so overall, SFC considers the risk of modern slavery for the Equities Investment portfolio as moderate.

## **ACTIONS TO ADDRESS RISKS**

### **Modern Slavery Policy**

Policies have been created within the Group addressing modern slavery. The policies reaffirm commitment to contributing to the elimination of modern slavery and outlines our approach to reducing the risk of modern slavery practices within our operations and supply chains.

### **Code of Ethics**

The policies are incorporated into various subsidiaries' Codes of Ethics that are provided to employees on induction and reinforced during employment.

## **Sustainable Supplier Policies**

Sustainable Supplier Policies have been developed for issue to suppliers outlining the Group's expectations regarding minimising the risk of Modern Slavery.

## **Due Diligence**

SFC has conducted a high-level risk assessment across the various divisions, in consultation with senior executives from each division. The risk assessment identified some possible areas within SFC's operations that can be explored in more depth in the next reporting period.

## **Going Forward**

SFC has planned the following to address the risks of modern slavery:

- Continue to review and update the risk analyses with a focus on areas of potential risk identified.
- SFC's policies and Code of Ethics addressing modern slavery will continue to be reviewed and rolled out across all SFC divisions.
- Sustainable Supplier Policies will be provided to more suppliers involved in SFC's supply chains.
- Modern slavery clauses will be incorporated into SFC's trading terms and conditions.
- More in-depth assessment of the various divisional supply chains

## **Remediation**

SFC has not become aware of any specific facts that suggest a supplier may have engaged in modern slavery practices. If SFC was aware, then appropriate steps would be taken to investigate and, if substantiated, to report the matter to the responsible national or international authorities.

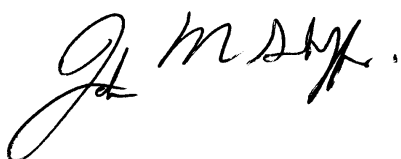
## **Effectiveness**

The effectiveness of SFC's actions to eradicating modern slavery will be assessed by:

- Ongoing review of the risks associated with the business' supply chains
- Ongoing review of supplier relationships; and
- Internal evaluation of our own employees' knowledge of SFC's policies concerning modern slavery.

SFC will continue to work with parties throughout its supply chains to minimise and prevent any risk of modern slavery. We will achieve this by raising awareness with our employees, subcontractors, consultants, and suppliers and by continuing to improve our due diligence processes to identify any risks.

## **Approved by the Board of Schaffer Corporation Limited**



**John Schaffer**  
**CHAIRMAN & MANAGING DIRECTOR**  
Date: 24 March 2021