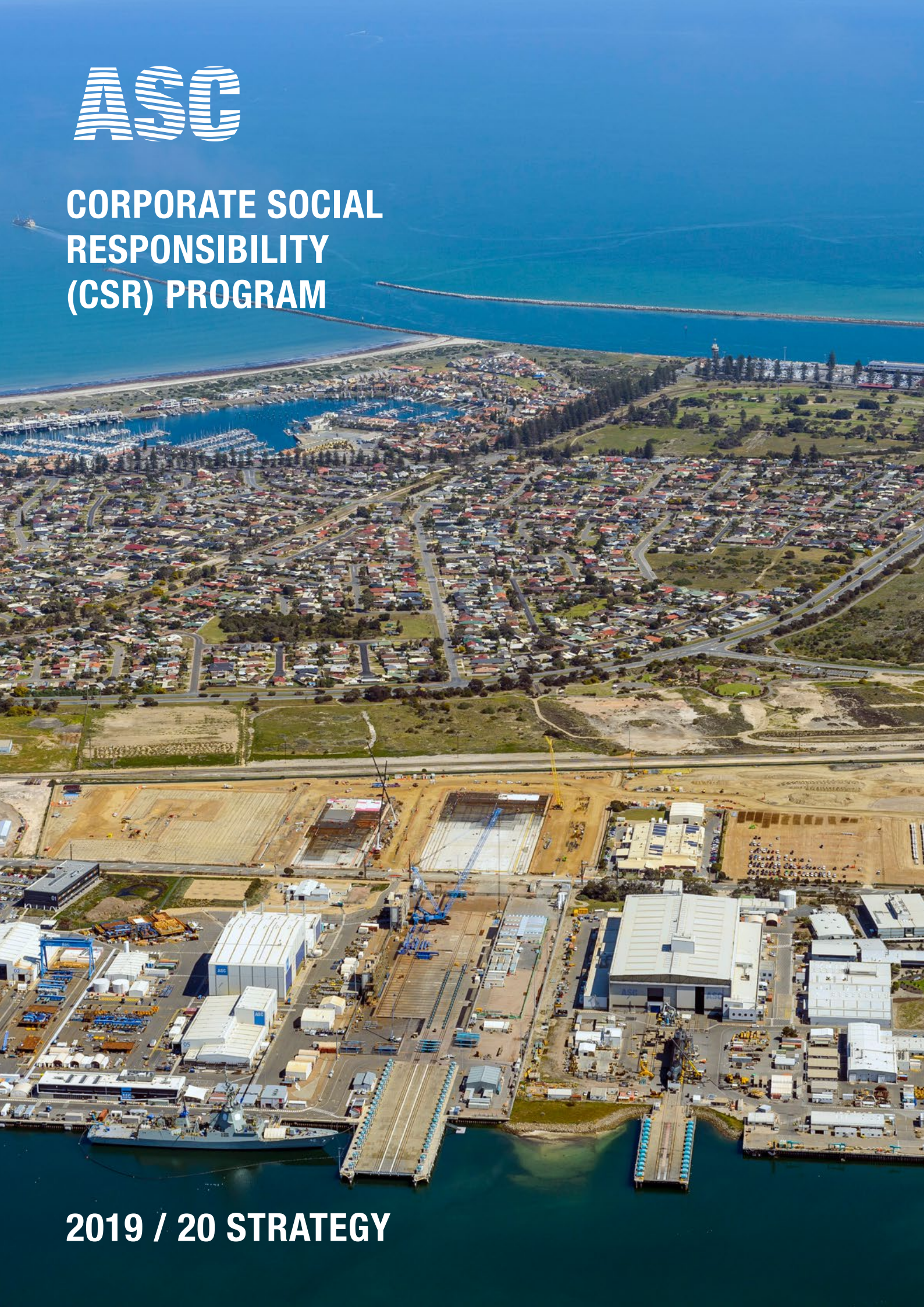




CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM



2019 / 20 STRATEGY



As Managing Director and Chief Executive Officer of ASC Pty Ltd, I am pleased to introduce ASC's Corporate Social Responsibility (CSR) Program.

As an enduring and integral part of Australia's Maritime Defence sector it is essential that ASC acts responsibly and contributes to the development of positive social, environmental and economic value for Australia.

ASC's CSR Program draws together and provides a framework around those elements of responsible business practice that ASC is already focused on, such as building a diverse workforce, responsible supply chain management, ensuring the safety and wellbeing of our people and environmental responsibility, and seeks to build on these to ensure enduring positive outcomes are achieved.

Part of this strategy will be communicating what CSR is, and what it means to the business and to each and every employee. We also need to recognise that events outside our four walls can and do impact ASC's ability to continue to operate at a world class standard. The resilience of our business relies on an understanding of our place in the community along with the expectations of our employees to create shared value for the business, our shareholder and our stakeholders.

The CSR program will also ensure ASC can effectively manage its environment and social governance responsibilities in accordance with acknowledged best practice to achieve meaningful outcomes towards the globally recognised UN Sustainable Development goals which ASC has adopted as core to the CSR program.

One of my most important objectives (from our Employee Opinion Survey) is to strengthen the engagement with our employees on issues which are important to you so we can prioritise these elements in our business strategy and help make your experience at ASC positive and ASC a productive place to work. ASC's CSR Program forms an important part of our corporate strategy to attract, retain and grow our people, our most valuable asset and the foundation on which ASC's ongoing success is built.

I look forward to the implementation of ASC's CSR program and reporting progress to you over the coming period.

A handwritten signature in black ink, appearing to read 'S Whiley', written in a cursive style.

STUART WHILEY
Managing Director and Chief Executive Officer
ASC Pty Ltd

CREATING A CORPORATE SOCIAL RESPONSIBILITY PROGRAM FOR ASC



Our Business

ASC built, and now sustains, the Royal Australian Navy's (RAN) fleet of six Collins Class submarines (CCSM), and is currently delivering submarine maintenance and upgrades at beyond international benchmarks.

ASC is the shipbuilder, as part of the Air Warfare Destroyer (AWD) Alliance, responsible for the construction of the Hobart Class AWD Program and is the shipbuilder, contracted to Luerksen Australia, responsible for the lead and second vessel of the Arafura Class Offshore Patrol Vessel (OPV) Program.

We are an integral part of Australia's maritime defence strategy and national security framework; our experience and expertise have been earned over 30 years immersed in Australia's naval sector. ASC offers sophisticated and proven in-depth knowledge and capability in submarine systems and equipment, maintenance and upgrades.

ASC's policies work towards ensuring it remains an employer of dynamic, resilient and innovative people, achieving continuous improvement whilst understanding and responsibly managing its impact on the environment and broader society.

We have been part of the local community on the Le Fevre Peninsula in South Australia for over 30 years and have an enduring impact on the local economy, supporting numerous local businesses and being supported by local workers. ASC continues to build capacity at our Henderson facility in Western Australia, where we are seeking to be engaged as a key community partner.

CSR Development Process

As a responsible corporate citizen, ASC is committed to contributing to the development of positive social, environmental and economic value for Australia. ASC will develop this value through our Corporate Social Responsibility (CSR) Program.

Corporate Social Responsibility Program Objectives

In positioning the ASC CSR Program, the business will foster collaborative partnerships which engage input from our broad stakeholder and community groups to satisfy the following objectives:

- Fulfil the ASC Corporate strategy of growing the business to create value for our customer, our shareholder, our staff and the community;
- Derive a CSR program that is a best fit for our business, one which is aligned to best practice principles based on a globally recognised framework;
- Develop partnerships that engender sustainable outcomes;
- Provide a pathway to improve economic value across our business; and
- Satisfy employee engagement expectations and fulfilling their professional and personal goals.



Materiality Assessment

In July 2019, ASC engaged consultant Ernst and Young Australia (EY) to undertake the initial Materiality Assessment for the business, seeking to determine the issues most material to ASC.

Material issues were defined as “those that are of such relevance and importance that they could substantively influence the assessments or decisions of stakeholders”.

To identify ASC's material non-financial issues, EY considered a range of CSR issues in correlation with:

- Importance to internal and external stakeholders;
- Importance to the ASC executive team;
- Significance of external impact; and
- The United Nations Sustainable Development Goals (SDG)

Materiality Results

The results of the Materiality Assessment were outlined in a Materiality Matrix (Matrix) shown in Figure 1. The Matrix shows issues deemed material to ASC (x-axis) and ASC's stakeholders (y-axis) with the relative importance shown accordingly. The highest priority issues can be seen in the top right quadrant of the matrix.

The issues were grouped under the relevant CSR pillars for the business;

- People;
- Environment;
- Community; and
- Our Business.

The Matrix enables ASC to prioritise CSR issues and inform ASC's CSR strategy.

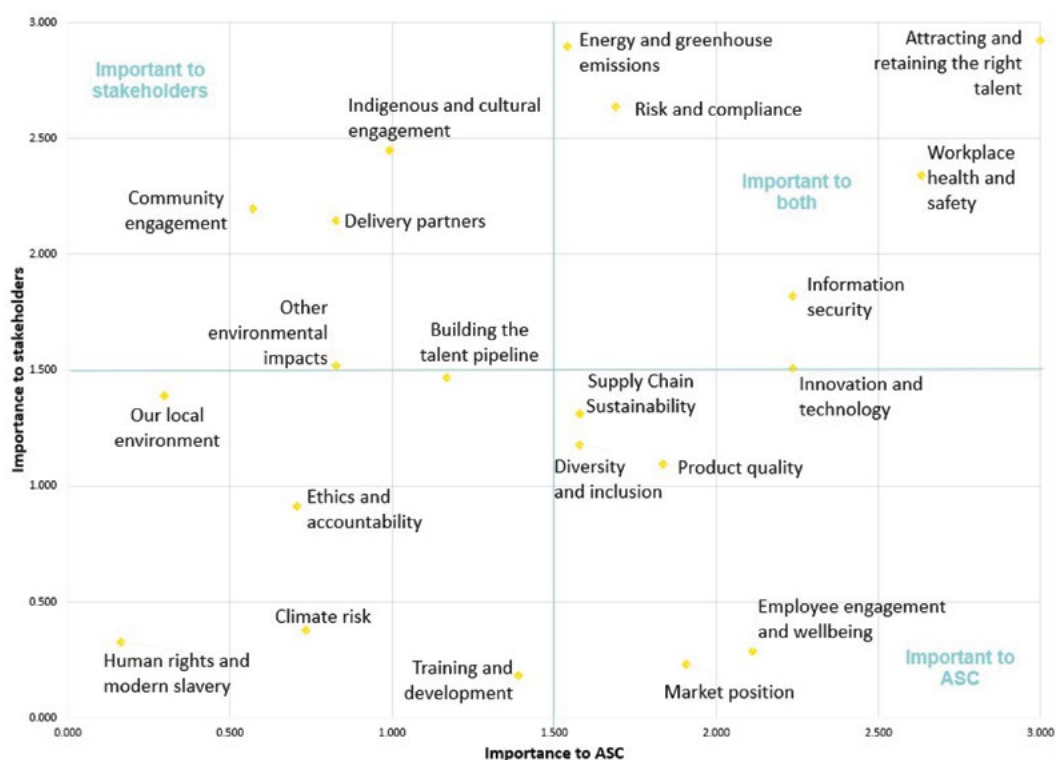
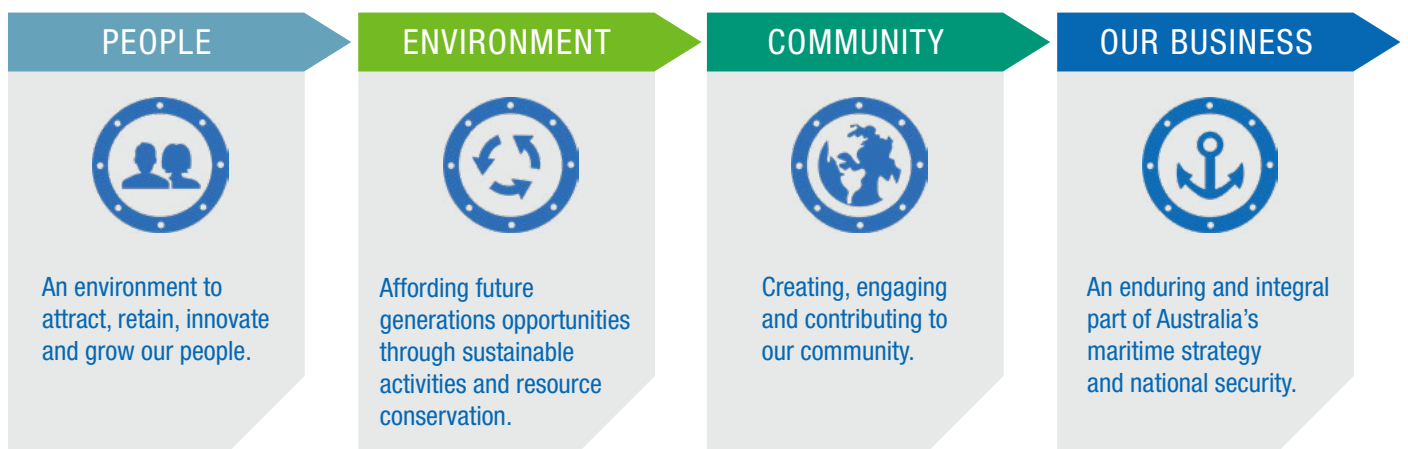
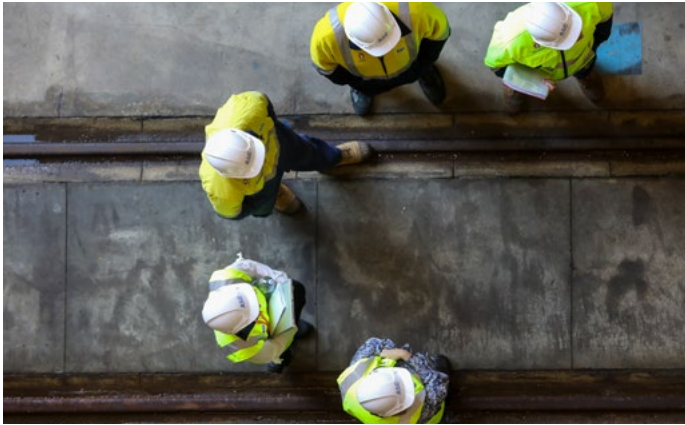


Figure 1: Materiality Matrix



United Nations Sustainable Development Goals

"The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet."

—United Nations 2019

ASC will use the UN Sustainable Development Goals (SDGs) to inform our commitments, goals and objectives to ensure the approach being taken will achieve meaningful and positive change.

During the Materiality Assessment, interviewees were asked to select the SDGs that most effectively aligned with their role and department while considering how ASC could have positive impact when implementing such goals.

ASC has used the Materiality Assessment to develop goals and commitments towards achieving aligned SDGs in the context of ASC's CSR Program.





Material Issues

The Material Issues identified were compared to ASC's current practices, Corporate Strategy and Employee Engagement Strategy to determine which areas of the business require improvements and additional resources to achieve progress towards the aligned SDGs. To initiate action on these Material Issues, a broad goal has been identified for each, with proposed actions to generate progress.

The SDGs deemed relevant to each Material Issue have been identified. Specific commitments, goals, objectives and targets will be developed for each Issue with responsibility for achieving these assigned to appropriate internal stakeholders.



Indigenous & Cultural Engagement Relevant SDGs – 8 10 17

ASC will implement policies and practices which improve outcomes for indigenous peoples, and engage with traditional landowners in a genuine and collaborative way.

To prepare ASC for reconciliation initiatives we will develop a 'Reflect' Reconciliation Action Plan (RAP) and action the following in order to prosecute the plan:

- Implement a RAP working group;
- Ensure adequate resources are available for RAP initiatives
- Determine measures and accountabilities for implementation; and
- Develop commitments, goals, objectives and targets.

Community Engagement / Our Local Environment Relevant SDGs – 8 10 11 17

ASC will engage with the local community in a collaborative and effective manner, and work to improve outcomes towards the relevant SDGs.

To ensure community development is effectively delivered, ASC will develop a framework for Community Engagement including:

- Ensuring adequate resources are provided for:
 - Corporate giving (charity donations/donation matching);
 - Corporate sponsorship; and
 - Corporate partnerships.
- Engaging with stakeholders and developing a stakeholder engagement plan including engagement with:
 - Local communities;
 - Non-governmental organisations (NGO);
 - Employees; and
 - Our customer.
- Developing a corporate volunteering strategy; and
- Developing commitments, goals, objectives and targets.



Supply Chain Sustainability

Relevant SDGs – 11 12 13 17

ASC will engage with suppliers for sustainable outcomes including supporting local community and business, assessing supply chain risks related to CSR, reducing environmental impacts and finding opportunities to partner with suppliers to progress the relevant SDGs.

Our Supply Chain team is focused on Australian Industry Content (AIC) as a key sustainable procurement deliverable. Through our strong, enduring and collaborative partnerships and relationships with over 1,600 suppliers, many of whom are based in Australia, ASC supports sovereign capability and recognises that local supply reduces risk in supply chain. ASC set and exceeded a targeted 90% of spend with local Australian suppliers throughout the 2018/2019 financial year.

Areas of sustainable procurement include:

- Increasing engagement with Indigenous suppliers;
- Implementing initiatives on lifecycle costing and associated environmental impacts; and
- Refurbishing items to reduce ASC's impact across the lifecycle of the program.

In addition to current practice, ASC Supply Chain will:

- Implement practices that will ensure the sustainability of supply chain and reduce social and environmental impacts;
- Update procurement practices to refer to the issues identified as material to ASC;
- Implement specific social, indigenous and environmental procurement practices towards the SDGs; and
- Develop commitments, goals, objectives and targets.

Diversity and Inclusion

Relevant SDGs – 5 10

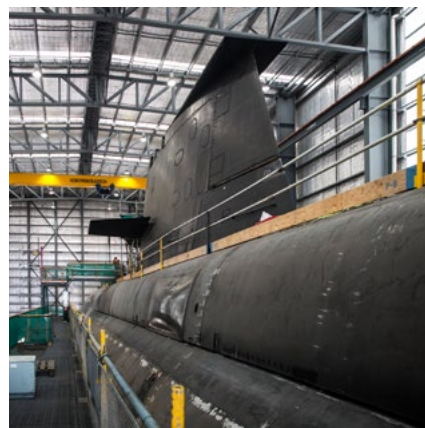
ASC will analyse ASC's existing diversity and inclusion (D&I) practices to ensure they are effective and they help progress the relevant SDGs.

ASC seeks to foster a culture of inclusion and achieve greater diversity in order to improve our ability to achieve our business goals and be considered an 'employer of choice'. This will support ASC in its goal to be a leading, innovative, dynamic, and resilient organisation, which abides by its values, prides itself on quality, strives for continuous improvement, and excels at building and maintaining Australia's frontline naval capabilities.

Our vision is for a workforce where diversity is embraced at all levels, through a welcoming, supportive and inclusive culture where employees are empowered to reach their full potential and feel valued for who they are no matter their differences.

ASC will deliver on its commitments to D&I by:

- Measuring and reporting diversity and inclusion progress via recognised metrics;
- Ensuring accountability for success of the D&I program;
- Promoting ASC's success externally;
- Ensuring D&I activities are focused on key issues to ASC's stakeholders and the local community; and
- Developing commitments, goals, objectives and targets.



Other Environmental Impacts

Relevant SDGs – 12 14 15

ASC will further assess the environmental impacts relating to water use, air emissions, waste produced, general consumption and promote sustainable lifestyle choices across our community of employees. This will include the consideration of the environmental impact caused by the delivery of products and services and how it can be reduced.

To ensure an effective contribution to community development ASC will:

- Continue to collate and communicate data on water use, energy consumption, greenhouse emissions and waste;
- Promote responsible resource consumption at work and at home;
- Investigate opportunities to reduce resource consumption across the lifecycle of the business;
- Reduce the number and volume hazardous chemicals on site; and
- Develop commitments, goals, objectives and targets.

The current environmental performance for emissions, waste and water are shown below.

Energy Efficiency

ASC is committed to reducing electricity consumption and has taken steps to improve energy efficiency throughout the business. At ASC North and West, existing metal halide fluorescent high bay lights have been replaced with LED lights. New facilities and facility upgrades will be designed to combine effective use of natural light and LED lights.

The CSR program will ensure energy efficiency measures continue to be implemented in combination with effective energy monitoring and improved behavioural energy reductions.

Water Consumption

ASC's sites are situated in regions of Australia currently under water stress where rainfall conditions over the preceding 17 months (April 2018 – August 2019) are either in serious or severe deficiency. While the sites are not currently at risk of running out of water, the changing climate is expected result in an ongoing decrease in rainfall across both regions. Both Western Australia and South Australia rely on centralised desalination plants, putting them at risk to system failures. ASC is currently assessing how to capture and reuse water on site, improve the efficiency of water use, effectively educate staff on water preservation at home.

Indicator	Breakdown	2014/15	2015/16	2016/17	2017/18	2018/19
Scope 1 (tCO2e*)	Diesel	342	292	293	321	189
	Petrol	17	12	9	9	8
	LPG	459	366	439	293	389
	Natural Gas	325	250	234	275	253
	Total Scope 1 Emissions	1,143	920	976	898	838
Scope 2 (tCO2e)	Total Scope 2 Emissions	13,983	12,108	11,688	9,216	10,550
Scope 3 (tCO2e)	Corporate Travel (air)	1905	1656	1466	1865	1501
	Waste**	1517	1296	1097	629	-54
	Total Scope 3 Emissions*	3422	2952	2563	2494	1447
Total Emissions (tCO2e)		18548	15980	15226	12608	12836
Water (kL)		35888	35974	55333	42150	39259
Waste (tonnes)	Landfill	1351	1248	1178	809	65
	Diverted	235	575	878	985	435
	Scrap Metal	884	663	797	685	734
	Processed Engineered Fuel	0	0	0	141	374

* Tonnes of carbon dioxide equivalent

** Waste Emission data does not include scrap metal



Waste Management

ASC is committed to reducing waste sent to landfill and reducing the business' indirect environmental impact from pollution and associated carbon emissions. Facilities management contractor, Sodexo manage the disposal of waste across all sites, with the brokering of waste disposal undertaken by Waste Options, who provide ASC with opportunities to improve waste management and reduce cost for the business.

Energy and Greenhouse Emissions Relevant SDGs – 7 13

ASC will develop a science based emissions reduction target plan which includes:

- Carbon emission data for Scope 1 and 2 emissions;
- Carbon emission data for Scope 3 emissions for key contracts, emissions of staff commutes, air travel and waste management;
- Preparation and implementation of a corporate Emissions Reduction Strategy.

This report marks the first time ASC has published its Greenhouse Gas emissions information in any form. Although ASC is a relatively small emitter (outside of the threshold for reporting the National Greenhouse and Energy Reporting Act) significant carbon emissions remain attributable to the business both directly and indirectly and need to be accounted for in any assessment of ASC's environmental impacts.

Climate Risk Relevant SDGs – 13

ASC will communicate and effectively manage, exposure to risk relating to climate change. Climate change presents a significant challenge to society and the environment and ASC will assess potential risks and develop a plan to manage the associated risks.

Climate risks that need assessing include:

- The impact of rising sea levels;
- Incidences of heat waves and the impact of increasing temperatures;
- The impact of extreme weather events on both physical assets and employees, including business continuity and indirect impacts on the community and employees such as longer and more intense bush fire seasons; and
- Increasing ocean temperatures and increasing ocean acidity.

ASC will assess these risks by:

- Interrogating ASC's exposure to climate risk;
- Implementing adaptation strategies where risks are identified; and
- Disclosing ASC's climate related risks to finances and the CCSM program.

Human Rights and Modern Slavery Relevant SDGs – 8 10 16 17

ASC will meet legal requirements on modern slavery reporting and implement practices which progress the relevant SDGs by:

- Developing ASC's Modern Slavery Statement;
- Implementing procurement policies;
- Implementing contractual requirements;
- Reviewing supply chain partnerships; and
- Implementing initiatives that align with ASC's Modern Slavery Statement.

A Modern Slavery Statement is being developed in accordance with the Modern Slavery Act, and has implemented a Modern Slavery Working Group which has been tasked to develop both this statement and a three year road map.

Material Issues Conclusion

The remaining issues identified in the Materiality Assessment are considered to have adequate practices prescribed to them, or to be integrated into ASC's present practice to the extent that presently they do not require rectification.

ASC will ensure the results of the goals, objectives and targets assigned to each Material Issue are well communicated and delivered to the business, and communication of CSR topics is an ongoing feature of the program.



CSR Governance & Stakeholder Engagement

To ensure ASC can achieve meaningful progress in CSR and towards the relevant SDGs, there are several governance practices which need to be implemented. ASC has adopted the *Ceres Road Map to Sustainability* to help frame the CSR program into one which is integrated and best practice. ASC will work towards implementation of the following governance practices as recommended by Ceres.

STAKEHOLDERS	EXPECTATION	PROPOSED STRATEGY	TIMELINE
G1 Board Oversight	The Board will provide formal oversight for CSR strategy and long-term performance. CSR considerations will be integrated into board discussions on strategy, risk and revenue.	CSR Committee within the Board; or A member of the Board to oversee the CSR Program	2019 / 20
G2 Management Accountability	The CEO and company management, from Executive Managers to business unit and functional managers, will be explicitly accountable for achieving CSR goals.	Ensure CSR accountabilities are documented and clear	2019 / 20
G3 Executive Manager & Employee Compensation	CSR performance results will be a core component of compensation packages and incentive plans for Executive Managers and employees across the business. ASC will include CSR criteria in all employee performance assessments.	Add CSR objectives to Performance Review System for Executive Managers	2019 / 20
G4 Corporate Policies & Management Systems	ASC will embed CSR considerations into corporate policies and risk management systems to guide day-to-day decision making.	Embed CSR considerations into corporate policies and Risk Management system.	2019 / 20
G5 Public Policy	ASC will endeavour to state its position on relevant CSR public policy issues where appropriate.	Publish ASC's Corporate CSR Strategy on the external website, and promote ASC's position on CSR issues relevant to ASC's business and stakeholders	2019 / 20



Effective internal and external stakeholder engagement is critical to the success of the CSR Program. ASC is implementing practices to engage with a diverse group of stakeholders on CSR issues. The following practices will be continued, or put in place to ensure relevant stakeholders are actively engaged across all areas of the CSR program.

ASC will implement a stakeholder engagement strategy to ensure a collaborative relationship is developed and maintained with internal and external stakeholders to deliver meaningful social change and foster business innovation.

Stakeholders that are key to the success of ASC's CSR Program include: Minister of Finance, Australian Defence Force, government regulators, employees, industry partners, suppliers, the community and the environment.

STAKEHOLDERS	EXPECTATION	PROPOSED STRATEGY	TIMELINE
S1 Materiality Assessment Process	ASC will review external and internal trends relevant to ASC's operational context to determine structure and timing of future materiality assessments	Conduct a Materiality Assessment (MA) to review progress and update material issues.	MA I Complete / Ongoing
S2 Substantive Stakeholder Engagement Dialogue	ASC will systematically identify a diverse group of stakeholders and regularly engage with them in a manner that is formalised, ongoing, in-depth, timely, and involves all appropriate parts of the business. ASC will disclose how they are incorporating stakeholder input into corporate strategy and business decision-making.	Develop a list of internal and external CSR stakeholders and implement a formal and ongoing engagement process.	2019 / 2020 - 2020 / 2021
S3 Shareholder Engagement	ASC will disclose, and engage with its Shareholder, on material CSR information regarding strategy, risks, performance and commitments. ASC will communicate information on CSR risks and opportunities for the business throughout the Annual CSR Report.	Prepare an Annual CSR Report in accordance with the Global Reporting Initiative requirements.	2019 / 2020 (Post EOFY)
S4 Executive Manager Engagement	Executive Managers will participate in stakeholder engagement processes to inform strategy, risk management and enterprise-wide decision making.	Executive Managers will receive regular feedback from stakeholder engagement process and attend a minimum number of stakeholder sessions (#TBD)	2020 / 2021



CSR Program Implementation Timeline

ASC remains committed to timely implementation of the program as outlined in the CSR Program Implementation Timeline below:

ACTION	DETAIL	STATUS	TIMING
Materiality Assessment Process	ASC will conduct a formal Materiality Assessment.	Complete September 2019	July 2019
Stakeholder Engagement	ASC will identify a diverse group of stakeholders and regularly engage with them.	Ongoing. Initial engagement with key stakeholders commenced.	July 2019 - Ongoing
Scope & Content	ASC will disclose trended performance data and targets relating to direct operations, products and supply chain.	Prepare Annual CSR Report in accordance with the Global Reporting Initiative requirements	2019 / 2020 (Post EOFY)
Corporate CSR Plan 2021-2023	Develop a comprehensive Corporate Social Responsibility Plan for 2021-2023 that is mindful of the Sustainable Development Goals and includes ASC's commitments complete with detailed goals, targets and associated actions.	In development	November 2020
Greenhouse Gas Emissions & Renewable Energy	ASC will develop a science based target for the reduction of greenhouse has (GHG) emissions and implement a plan to reduce GHG emissions.	Data has been collected for 2013/2014-2018/2019. Development of target on hold until FCD transition status is confirmed.	June 2020
Procurement Policies & Practices	ASC will have comprehensive procurement and sourcing policies and strategies in place that include both social and environmental criteria in procurement and contracting.	Supply Chain is working with stakeholders to deliver changes to practice and documentation by June 2020.	June 2020
Sustainability Leaders	ASC will recruit internal Sustainability Leaders to drive sustainability performance throughout the business.	Complete. List of engaged workers is being used for assistance and leadership on site initiatives.	September 2019
Diversity	ASC will build a diverse and inclusive Board and workforce.	Work underway to determine baseline D&I information to enable setting of specific commitments and targets.	Ongoing
CSR Policy	Publish a CSR Policy/Commitment for ASC inclusive of the key Material Issues (Modern Slavery, Community Engagement, Environment and Sustainability etc)	In development	April 2020
Sustainable Lifestyles	ASC will promote sustainable lifestyle choices to its community of employees.	Communications on recycling, energy, waste water are an ongoing part of the Environmental Program.	Ongoing



Reporting

CSR reporting is a critical component of the program to communicate progress and review the effectiveness of the policies and practices which have been implemented.

An Annual CSR report will be developed in accordance with the Global Reporting Initiative requirements, initially in a standalone document and published externally, however in the future will be integrated into ASC's annual report for external publication.

ASC's first Annual CSR Report will be produced in 2020.

Key deliverables will include:

- Voluntary reporting information of ASC's CSR Program performance; and
- ASC's three year CSR plan which will detail;
 - ASC's commitments to CSR topics;
 - Actions required to achieve these;
 - Targets to be used to drive performance; and
 - Personnel accountable for delivery of the corporate commitments.

ASC will strive to implement a CSR Program that effectively and efficiently results in better social and environmental outcomes for all stakeholders while delivering enhanced business performance.

For feedback or to see how you can be involved in CSR at ASC, contact mitchell.bacon@asc.com.au.



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