

# Idemitsu Australia Resources Group – Joint Modern Slavery Statement

April 2021

# 1.0 Introduction

The Commonwealth government introduced the *Modern Slavery Act 2018* (Cth) (the **Act**) to combat modern slavery in the operations and supply chains of Australian companies.

As a corporate group which prides itself on its value of 'respect for human beings', the Idemitsu Australia Resources Group (**IAR Group**) sees the introduction of the Act as an opportunity to further enhance our contribution to sustainable development.

Since the Act took effect, the IAR Group has begun work in response to introduction of the Act and has prepared this Joint Modern Slavery Statement for the Reporting Entities within the IAR Group. This is IAR Group's first Statement made in accordance with the Act.

The content of this Joint Modern Slavery Statement has been prepared to comply with the Act and using the 'Guide for Reporting Entities'<sup>1</sup> as guidance. This Statement sets out actions that IAR Group has taken in the year ending 31 December 2020 to understand and address the modern slavery risks in its supply chains and operations.

# 2.0 Reporting Entities

This Joint Modern Slavery Statement is being prepared by Idemitsu Australia Resources Pty Ltd (**IAR**) on behalf of the Reporting Entities within the IAR Group, being:

- IAR;
- Idemitsu Coal Marketing Australia Pty Ltd (**ICMA**);
- Bligh Coal Limited (**Bligh**);
- Boggabri Coal Pty Limited (**BC**); and
- Ensham Coal Sales Pty Ltd (**ECS**).

IAR and Idemitsu Coal Marketing Australia Pty Ltd (**ICMA**) are wholly owned subsidiaries of Idemitsu Kosan Co. Ltd. (**IKC**). Although IAR and ICMA are sister companies, ICMA's corporate functions (including procurement functions) are undertaken by IAR pursuant to a services agreement between ICMA and IAR – accordingly both IAR and ICMA consider that preparing a joint modern slavery statement that provides consolidated information and responses is appropriate.

IAR has a number of subsidiaries which own and operate the operations described in section 3. Other than as outlined above, the subsidiaries are not reporting entities under the Act.

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<sup>1</sup> Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities.

## 3.0 Structure and operations

### Corporate entities

IAR is a mid-tier Australian mining company which has interests in three coal mining operations and a developing renewable energy business. IAR's head office is in Brisbane, Australia. As noted above, IAR is owned by IKC, a company listed on the Tokyo Stock Exchange. IKC headquarters are in Tokyo, Japan.

IKC also owns all of the shares in ICMA, which undertakes trade and marketing services for coal produced from the Boggabri and Muswellbrook Coal Mines. ECS is owned by the Ensham joint venture participants and undertakes marketing services for coal produced from the Ensham Coal Mine. The corporate functions of ICMA and ECS are performed by IAR.

Most of the coal produced by the three mines is sold to customers in Japan and Korea.

### Mining Operations

#### Muswellbrook

IAR is the sole owner of MCC. MCC operates the Muswellbrook Coal Mine, 3km northeast of Muswellbrook in New South Wales. MCC also undertakes exploration activities on its exploration tenement 18km west of Muswellbrook.

#### Boggabri

IAR is the sole owner of BCO, the operator of the Boggabri Coal Mine, approximately 17km northeast of Boggabri in the Gunnedah Basin, New South Wales. The Boggabri Coal Mine is owned as a joint venture, with the majority 80% interest being held by BC, a company solely owned by IAR.

#### Ensham

IAR is the sole owner of ER, the operator of the Ensham Coal Mine, approximately 50km northeast of Emerald, Queensland. The Ensham Coal Mine is owned as a joint venture, with the majority interest being held by IAR directly and through its subsidiary, Bligh (together, holding an 85% interest). The Ensham Coal Mine is comprised of an open cut and underground mine.

## 4.0 Supply Chains

### Procurement and supply chain

The IAR Group sources its supplies and services locally for each mine site and on a group-basis through a central Procurement and Supply Chain team at IAR in Brisbane.

The sites each have a separate and local procurement function which work closely with the IAR Group procurement team. The centralised management over site teams allows IAR to monitor and ensure site procurement standards align with those at a corporate level.

Our supply chain includes the following goods and services:

- engineering and geological services;
- maintenance services;
- heavy machinery;
- mobile machinery;
- explosives and associated products;
- consumables;
- waste management services;
- fabrication services;
- labour hire; and
- professional consulting.

### Suppliers and Expenditure

On a group-wide basis, we have 1492 direct suppliers with an annual spend of \$666 million in 2020. The goods and services provided span 110 different categories with 100% of the total expenditure paid to Australian companies in Australian dollars.

## 5.0 Modern slavery risks

The Australian coal mining industry is not considered to be high risk for modern slavery.<sup>2</sup> Likewise, coal imports to Japan and South Korea (the primary markets of the 'Reporting Entities') from Australia are not identified by the Global Slavery Index as high risk for modern slavery.<sup>3</sup>

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<sup>2</sup> Walk Free Foundation (2018). *The Global Slavery Index 2018*.

<sup>3</sup> Walk Free Foundation (2018). *The Global Slavery Index 2018*.

Notwithstanding this, modern slavery risks have the potential to exist within the Reporting Entities' operations and supply chains as a result of their status as businesses operating major projects which utilise services and purchase goods which may originate from high risk jurisdictions or which may be a high-risk category.

The IAR Group engaged a third-party subject matter specialist to review the group modern slavery risk profile. The review identified some modern slavery risk areas and made recommendations to mitigate those risks. A key focus area for IAR is to further investigate and manage our vendors who do not already have measures in place to manage modern slavery risks that are deemed high potential. This will include collaborating with those vendors towards the common goal of zero tolerance to modern slavery.

## 6.0 Actions and effectiveness

### Governance

Our approach to human rights and modern slavery risk management is supported by a system of policies and guidelines including the Code of Conduct Policy, People Policy, Workplace Behaviour and EEO Guideline, Employee Accountability Guideline, Compliance Policy and Whistleblowing Standard (among others). These apply across all Reporting Entities.

These policies and guidelines are underpinned by the IAR Group corporate values of:

- *'we put people first'*
- *'we do what we say we'll do';* and
- *'we are always improving'.*

These values are demonstrated by the senior leadership teams on an everyday basis and are the subject of leadership training for team members.

During onboarding and then annually, all employees are required to undertake training on the Code of Conduct and other policies and guidelines to ensure the values and expectations of IAR Group remain front of mind.

IAR maintains an anonymous compliance hotline which is available to all staff and contractors of the IAR Group in the event of a compliance or probity concern. The hotline connects directly to senior members of the legal team. The compliance hotline is communicated through relevant policies, guidelines and training materials.

To date these systems have established and maintained a strong compliance record across the IAR Group.

As a result of the recent modern slavery risk assessment, IAR Group will be making changes to its procurement guideline to better reflect modern slavery compliance. IAR Group's goal is to give clear direction to its procurement and contracting personnel on the IAR group position. IAR will be encouraging all personnel to avoid partnering with suppliers who are not also actively engaged in identifying and reducing modern slavery risks in their operations and supply chains.

### Procurement systems

The procurement of goods and services from third parties are governed in accordance with our procurement and contractor and supplier management policies and standards. These set out the processes for tendering, engagement, approvals and management of contracts.

As part of the IAR Group procurement contracts, suppliers are required to comply with the terms of the IAR policies.

In 2019 IAR Group began discussing our expectations about risk of modern slavery in our supply chain with our suppliers. This was supported by the introduction of questions regarding modern slavery risks in the Requests for Tender process and a contractual provision in the procurement template contracts to be included in new contracts in 2020.

In 2020 IAR engaged a third-party subject matter specialist to review IAR Group's modern slavery risk profile. The review identified several recommendations which have either already been implemented by IAR or under further consideration. These recommendations are listed below.

#### Vendor Risk Assessment

A vendor risk assessment has been conducted that was able to assess every vendor in our supply chain and allocate a risk rating of low, medium or high based on the below factors:

- skill level involved in the provision of the sourced goods or services;
- source of supply being local or overseas; and
- supply being a good or a service.

IAR has used this assessment to identify a list of top priority vendors based on risk, usage and spend. IAR will seek to engage with these top priority vendors in 2021 to attain further information and feedback in relation to their assessment classification.

#### Risk Assessment Questionnaire

IAR has approached our suppliers with the request to complete a Risk Assessment Questionnaire which will also be required for any new vendors engaged by IAR. This questionnaire will be used to further investigate any suppliers who may be deemed high risk from the responses received. Appropriate action will be taken to either clarify any high-risk response or remove the supplier from our supply chain.

#### Policy and Artefact Review

In 2019 IAR began including a clause in all new agreements which outlines our expectation with our suppliers in relation to modern slavery. To develop this further IAR will be reviewing and updating this clause in 2021 to better reflect IAR Group's expectations in relation to modern slavery risks.

#### Detailed Training Materials

In 2019 IAR delivered training to key stakeholder teams about modern slavery risks and expectations. The external assessment in 2020 recommended further training to the executive team to ensure that company leaders are engaged in the effort to minimise supply chain risk. Accordingly, further executive training will be delivered in 2021 as well as further training for the broader IARG team, whose roles are directly related to the acquisition of goods and/or services.

## 7.0 Consultation

Our head office procurement team works closely with the site-based teams of other Reporting Entities on a daily basis. During 2021 we will continue to engage within the IAR Group to understand group and site wide processes for managing modern slavery risk in operations and supply chains, and where possible, embrace opportunities to collaborate.



## 8.0 Conclusion and approval

The IAR Group are assured that we have begun establishing robust foundations to support the continuous improvement of measures for identifying and addressing risks of modern slavery in our operations and supply chains. We look forward to continuing this work in 2021.

This modern slavery statement was approved by:

- the Board of Directors of Idemitsu Australia Resources Pty Ltd;
- the Board of Directors of Idemitsu Coal Marketing Australia Pty Ltd;
- the Board of Directors of Bligh Coal Limited;
- the Board of Directors of Boggabri Coal Pty Ltd;
- the Board of Directors of Ensham Coal Sales Pty Ltd; and
- a responsible member (being a director) of all entities above who is authorised to sign modern slavery statements for the purposes of the Act,

on 27 April 2021.

**Signed for and on behalf of the Reporting Entities:**



**Fumitake Uyama**

**Director of each of the Reporting Entities**

**Director of Idemitsu Australia Resources Pty Ltd**

**Director of Idemitsu Coal Marketing Australia Pty Ltd**

**Director of Bligh Coal Limited**

**Director of Boggabri Coal Pty Ltd**

**Director of Ensham Coal Sales Pty Ltd**