



MODERN SLAVERY STATEMENT

FOR THE 12-MONTH PERIOD ENDED 30 JUNE 2020



**BASE
RESOURCES**



Important Notices

This statement is made by Base Resources Limited (ACN 125 546 910) (**Base Resources** or the **Company**), a public company incorporated under Australia's *Corporations Act 2001* (Cth) and listed on the Australian Securities Exchange and the London Stock Exchange's AIM.

Base Resources is a "reporting entity" under the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**) and this statement has been issued by the Company in accordance with section 13 of that Act. None of the entities which Base Resources controls is a "reporting entity" under the Modern Slavery Act.

This statement covers the period from 1 July 2019 to 30 June 2020 (**FY20** or **reporting period**). Unless the context requires otherwise, this statement is made in respect of Base Resources and each of the entities it controls, including its two operating subsidiaries, Base Titanium Limited (a Kenya incorporated entity) and Base Toliara SARL (a Madagascar incorporated company). Accordingly, references to "we", "our" and "us" are to the Company's group as a whole (**Group**). For further details about Base Resources' controlled entities, refer to Base Resources' 2020 Annual Report.

We are pleased to provide our inaugural modern slavery statement and report on the actions we have taken during the reporting period to assess and address the risks of modern slavery in our operations and supply chains.

Modern slavery involves abuses of human rights and serious crimes, and the consequences for victims of modern slavery can be devastating and severe. Globally, millions of people are impacted by modern slavery and it can arise in every industry, sector and country.

With increasingly globalised supply chains, every entity has modern slavery risks. For modern slavery to be effectively tackled, a concerted, coordinated, and consistent effort will be required from governments, businesses and civil society organisations across the globe.

Our commitment to respecting human rights is absolute. Human rights abuses, such as modern slavery, have no place in our operations or supply chains. We welcome the opportunity to report on the actions we are taking to combat modern slavery and raise further awareness about this issue, as well as to highlight the key next steps planned for the coming period to further address modern slavery risks in our business.

1. Who We Are

We are a Perth-head quartered, African focused, mineral sands producer, developer and explorer with a track record of project delivery and operational performance.

Our objective is to enrich our people, our communities in which we operate and our shareholders through the creative development of mineral resources. We seek to achieve our objective by adopting inclusive business practices that aim to minimise any negative impacts and maximise the positive outcomes from our operations for our employees, our communities and our host nations, and which are founded on a set of core principles that together form the “Base Way”. The “Base Way” is based on our belief in:

- The potential of our people
- The power of the team
- The value of resources
- Absolute integrity

The “Base Way” is accessible on our website (baseresources.com.au/who-we-are).

2. Our Operations

We own and operate a mineral sands mining operation in Kwale, Kenya (**Kwale Operations**), located 50 kilometres south of Mombasa and which commenced production in late 2013. Kwale Operations is held and operated through our Kenyan incorporated subsidiary, Base Titanium Limited (**Base Titanium**).

Ore mined at Kwale Operations is processed to recover three main products: rutile, ilmenite and zircon. Those products are then sold to customers across North America, Europe and Asia pursuant to multi-sale offtake agreements or single sale contracts.

Kwale Operations’ products are either shipped in bulk from our dedicated Likoni export facility in Mombasa, Kenya or in containers from the Mombasa Port.

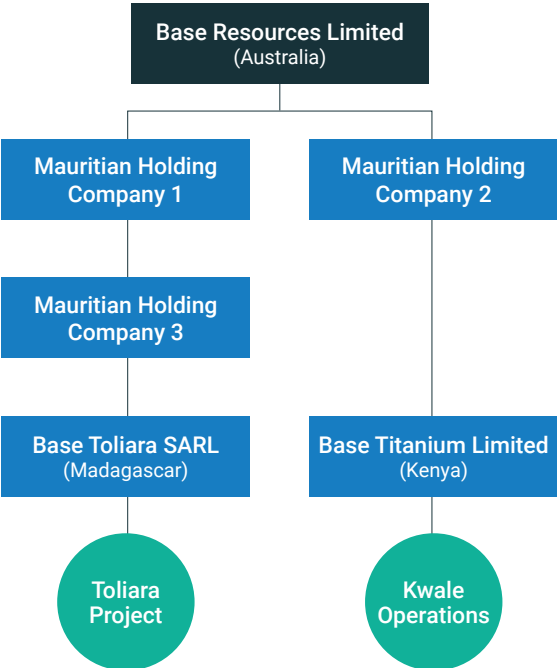
Ilmenite and rutile are different grades of titanium dioxide minerals and can be used to produce pigments for paint, paper, plastics, textiles and inks, and titanium metal. Zircon has a range of end-uses, including in the production of ceramics.

We are currently progressing our Toliara Project towards development. Located approximately 45 kilometres north of the regional town of Toliara in south west Madagascar, the Toliara Project is founded on the Ranobe deposit and is 100% owned by our Malagasy subsidiary, Base Toliara SARL (**Base Toliara**).

We acquired the Toliara Project in 2018 and completed a definitive feasibility study in December 2019.

During the reporting period, our activities in Toliara were constrained by a temporary suspension of on-the-ground activity imposed by the Government of Madagascar in November 2019, as well as the impacts of COVID-19. A financial investment decision (**FID**) has not yet been made for the Toliara Project. The timing for FID is currently uncertain and dependant on a number of factors, including the resumption of normal global economic activity.

Below is an extract of our corporate structure showing the chain of ownership to our two operating subsidiaries, Base Titanium and Base Toliara. Base Resources’ other subsidiaries, some of which are shown below, are either dormant or intermediate holding companies.





In addition to our head office in Perth and our site office at Kwale Operations, we also have two other offices in Kenya, one located at our Likoni export facility in Mombasa and the other in Nairobi. In Madagascar, we have two offices, one in the capital, Antananarivo, and the other in Toliara.

Our recruitment practices seek to maximise employment opportunities for our local communities and are a key component of our sustainability strategy. In Kenya, this is achieved through a 'fencing system' that gives preference to those residing in the immediate vicinity of our operations and progressively lower priority to those living further away. For the Toliara Project, a Labour, Recruitment & Influx Management Plan has been developed. Broadly speaking, the Labour, Recruitment & Influx Management Plan establishes a formal system of recruitment that, among other things, is compliant with applicable law and certain international policies and standards and provides for the prioritisation of applicants from local communities. We have applied the Plan to our recruitment for the Toliara Project and our contractors will be expected to comply with the Plan during the construction and operation phases of the project.

As at 30 June 2020:

- We had 964 employees across the Group, with the majority of those employees working at our Kwale Operations.
- Of the employees working at Kwale Operations, 98% were Kenyan nationals and of those employees, 65% were from the Kwale County.
- Of the employees working at the Toliara Project, 92% were Malagasy nationals.

We undertake a range of community programs in Kenya and Madagascar, developed in collaboration with steering committees we have established to act as an interface between us, our local communities and host governments. Our community programs have been developed to affect livelihood improvement through:

- livelihood support programs;
- community health initiatives;
- education opportunities; and
- enhanced community infrastructure.

During the reporting period, we also undertook programs to support national and local governments in both Kenya and Madagascar to combat the effects of COVID-19.

Key figures for the reporting period

EBITDA	US\$108.7 million
Product produced	466kt
Invested in community and environment programs	US\$3.4 million
Number of employees by country:	
Kenya	816
Madagascar	128
Australia	20

3. Our Supply Chains

We utilise a wide range of products and services from suppliers located across the globe. As a mining company, the main products and services we use are:

- mining equipment, parts and consumables;
- fuel and electricity;
- transport and logistics services;
- engineering and construction services;
- security, camp and other site services;
- exploration and mining-related services; and
- finance, insurance and other professional services.

Our suppliers are typically either engaged by Base Resources, Base Titanium or Base Toliara. The Group's intermediate holding companies only have a limited number of suppliers, principally providing company secretarial, accounting and other professional services.

Prioritising local suppliers wherever appropriate is a key component of our sustainability strategy and one way in which we seek to maximise the positive outcomes from our operations for our local communities and host nations.

During FY20, we had approximately 1,085 suppliers, with our total supplier spend being approximately US\$93 million. Of these suppliers, approximately 36% were based in Kenya, 32% were based in Madagascar and 13% were based in Australia. In Kenya, approximately 70% of our total supplier spend was with our top 10 suppliers, whereas approximately 59% of our total supplier spend in Madagascar was with our top 10 suppliers.

4. Our Modern Slavery Risks

All entities, no matter their size, operations or location, face modern slavery risks.

Modern slavery risks are not just limited to the potential for an entity to use exploited labour in its operations. It is far broader than that, with the potential for an entity to also contribute to, or be directly linked to, modern slavery through its direct and indirect suppliers and its community programs. Accordingly, whilst we did not identify any actual or suspected instances of modern slavery in our operations or supply chains during the reporting period, this unfortunately does not mean we do not have modern slavery risks. The modern slavery risks we have identified are described below.

Our Operations

The majority of our employees are either based in Kenya or Madagascar. Both countries are reported to have a high prevalence of modern slavery on the Global Slavery Index 2018 (GSI) (both have a Prevalence Index Rank of less than 50). As mentioned in paragraph 7 below, we have systems in place to ensure that the terms and conditions of employment and working conditions of all our employees comply with applicable law and any applicable collective bargaining agreements. Nevertheless, given the inherently higher modern slavery risks present in the countries in which we operate, we have identified a risk that we may cause or contribute to modern slavery if these systems are not adhered to in those countries.

This risk was potentially exacerbated by the effects of measures taken by local authorities in response to the COVID-19 pandemic, which potentially made employees more vulnerable to exploitative employment practices (particularly any migrant workers), as well as the health risk posed by COVID-19.

We also identified a risk that we may be linked to modern slavery through our livelihood improvement programs in Kenya that provide support to small-holder farmers, including cotton farmers. This is because agriculture has historically been shown to have a higher risk of modern slavery than most other sectors.

Our Supply Chains

We have identified a risk that we may contribute or be directly linked to modern slavery because of the Prevalence Index Rank on the GSI of the countries in which some of our larger suppliers (based on spend) are located, which include Kenya and Madagascar, and because some of our suppliers operate in industries or sectors, or provide goods or services, that research has historically shown have higher instances of modern slavery.

From an initial scoping and risk assessment exercise in respect of our larger suppliers carried out during the reporting period, the suppliers we identified that may be higher risk included our:

- shipping and road haulage contractors;
- construction contractors;
- mining machinery and equipment suppliers;
- parts and consumables suppliers;
- site accommodation, catering and cleaning contractors;
- security contractors; and
- footwear, garments and PPE suppliers.

Like most other companies around the world, as a result of the COVID-19 pandemic, we had increased demand for personal protective equipment, hand sanitiser and other cleaning/sterilising products, and medical supplies and equipment during the reporting period. We recognise that the unprecedented demand for such equipment and products created a heightened risk that we may contribute or be directly linked to modern slavery. In most cases, such demand was met by our existing suppliers.

5. Our Approach

At the core of our strategy for sustainable development (and therefore all of our business practices) is an absolute respect for human rights. This commitment is enshrined in our Code of Conduct for officers and employees (**Personnel Code**) and our Code of Conduct for suppliers (**Supplier Code**). It is also reflected in our Communities Policy and Employment Policy and associated processes and procedures, as well as our Security Management Policy, which requires our security approach to be guided by the Voluntary Principles on Security and Human Rights. Our Personnel Code, Supplier Code, Communities Policy and Employment Policy are accessible on our website at baseresources.com.au/who-we-are/corporate-governance.

Our Risk Committee, which is a sub-committee of the Base Resources Board, oversees our human rights risk management, as well as our broader sustainability risk management. In 2021, oversight of the implementation of our sustainability strategy and associated sustainability programs, and management of sustainability-related risks, including human rights risk, will be further strengthened with the planned establishment of a separate environment, social and governance sub-committee of the Base Resources Board.

A dedicated, cross-functional Modern Slavery Work Group was also established during the reporting period. The Work Group is responsible for development and implementation of annual Group-wide anti-modern slavery workplans, preparation of annual modern slavery statements for review by senior management and approval by the Base Resources Board and assessment of the effectiveness of the actions being taken to assess and address our modern slavery risks. The Work Group is made up of employees from across the Group and among its members there is in-depth knowledge of the Group's direct suppliers, employees and their employment and working conditions, as well as legal and financial expertise.

Our employees, consultants and suppliers (past and present) can also report any inappropriate conduct, including any human rights concerns, utilising our Whistleblower System. Our Whistleblower System provides a safe, secure, confidential and transparent mechanism for reporting inappropriate conduct and investigating and addressing such allegations in a timely manner. Reporting individuals have the option of remaining anonymous. The reporting channels consist of both an internal reporting mechanism together with an independent, external whistleblower service provider. The Risk Committee is informed of all material whistleblower reports.

Grievances and concerns from our host communities, including in relation to human rights issues, can also be raised via the committees established to act as an interface between us and our local communities. These committees are important in the information sharing process and provide an avenue for ensuring our systems are understood by the broader communities.

6. Our Actions – Supply Chains

During FY20, we carried out a range of actions to enhance our processes for assessing and addressing modern slavery risks in our supply chains, with our key areas of focus being to:

- establish a dedicated, cross-functional Modern Slavery Work Group (as referred to above) to develop and implement the Group's modern slavery risk response;
- enhance our understanding of the extent of the modern slavery risks among our larger, direct suppliers;
- establish a standardised Group-wide modern slavery due diligence process; and
- reinforce the standards of conduct expected from suppliers, including in respect of modern slavery.

In addition to the processes referred to above, our actions during FY20 included:

- **Initial scoping and risk designation exercise:** We carried out an initial supplier scoping and risk assessment exercise to better understand the modern slavery risks among the Group's larger suppliers. The risk assessment exercise involved consideration of the Prevalence Index Rank on the GSI of the country in which the relevant supplier is located and whether the relevant supplier is in a sector or provides products or services that research has historically shown have higher instances of modern slavery. Although we recognise that modern slavery risk does not necessarily align with our spend with suppliers, the focus of this exercise was initially on our larger suppliers, as we are likely to have a greater degree of influence over (and therefore ability to effect changes in the practices of) those suppliers than is the case for our smaller suppliers.

- **Standardised modern slavery due diligence process:** We developed a standardised process for carrying out modern slavery risk-related due diligence on our suppliers. The process involves targeted public information due diligence and targeted information requests from the relevant suppliers (utilising a standard-form supplier questionnaire). The intent of both due diligence steps is to enable us to better:

- assess the risk of the relevant supplier causing, contributing or being directly linked to modern slavery;
- determine what further questions to ask or information to seek from the supplier (if any); and
- decide what modern slavery mitigations to implement (if any).

To this end, the supplier questionnaire includes questions about the supplier's:

- internal policies and controls to address modern slavery in its own operations and supply chains;
- employment practices, including in relation to how it obtains and engages its labour force; and
- business, including what it does and where it sources goods or inputs from.

- **Standards of conduct for suppliers:** We developed a supplier code of conduct to articulate our key requirements for our suppliers in a single, easily accessible document. Broadly speaking, those requirements are directed to ensuring our suppliers act in a legal, honest and ethical manner and with integrity and fairness in their business affairs, and respect human rights.

The Supplier Code was uploaded to our websites and disseminated to our larger suppliers after the reporting period. Following its roll out, the Supplier Code is required to be sent to all new suppliers.

- **Standard anti-modern slavery clause:** We developed standard, long and short form anti-modern slavery clauses and included one of those clauses in each of our standard form contracts. Among other things, the clauses contain:

- warranties from the supplier about the absence of any conduct by them that would constitute modern slavery and any awareness of conduct that would constitute modern slavery in their supply chains; and
- undertakings not to engage in modern slavery and notify us of any identified instances of modern slavery in their operations or supply chains.

During the reporting period, we requested proposals from civil society organisations in Kenya based on specific terms of reference we prepared to collaborate with us in relation to our modern slavery response within Kwale and Mombasa counties, where a large number of our suppliers, particularly our smaller ones, are based. After the reporting period, a civil society organisation was engaged and is in the process of carrying out the agreed scope of work. Key outcomes we hope to achieve from the collaboration with the selected civil society organisation are:

- an enhanced understanding of the potential modern slavery risks within the Kwale and Mombasa counties through identification of any region-specific factors behind modern slavery and any products and services with elevated modern slavery risk; and
- to raise awareness of the risks of modern slavery within the Kwale and Mombasa counties among our suppliers and more broadly.

7. Our Actions – Operations

During the reporting period, we also undertook actions to assess and address the modern slavery risks in our operations.

As noted in paragraph 4 above, we have systems in place to ensure no employees are subject to modern slavery and their wages and working conditions comply with applicable law and collective bargaining agreements. We carried out interviews with, and conducted a desktop audit of the personal records of, a sample of employees in the categories of employees across the Group assessed as presenting a higher risk of modern slavery. These interviews and the desktop audit confirmed that those systems were being adhered to.

We also investigated the nature and extent of our reliance on outsourced labour providers. Those investigations revealed that we only have limited reliance on outsourced labour providers, principally for expatriates and senior or highly specialised positions. Even though there is some reliance on outsourced labour providers, because of the level of seniority of the positions, their short-term nature and/or the location of the role, we do not consider that this presents an elevated modern slavery risk requiring further action and prioritisation over other areas at this point in time.

As also noted in paragraph 4 above, the health risk posed by COVID-19 and the measures taken in response to the COVID-19 pandemic may potentially increase the risk of modern slavery (or slavery-like conditions or practices) in our workforce.

To address the health risks posed by COVID-19 and any associated modern slavery risks, we:

- implemented actions to reduce the health and safety risk to our employees, including substantially modifying workplace practices, such as reducing the number of personnel on site where possible and focusing on hygiene and social distancing measures to minimise the risk of the transmission of COVID-19;
- provided paid special leave to employees who could no longer work as a result of the actions implemented to reduce the transmission of COVID-19 to ensure continued financial stability for those employees;
- offered the 24 Malagasy apprentices undertaking a two-year apprenticeship in Kenya at our Kwale Operations the opportunity to return home to Madagascar; and
- as mentioned above, undertook investigations to confirm that our established systems were effective in ensuring that employees' wages and working conditions comply with applicable law and collective bargaining agreements.

Our prioritisation of applicants from our local communities in our recruitment practices further mitigates the risk of modern slavery in our operations by minimising the likelihood of low skilled migrant workers being employed.

The risk that we may be linked to modern slavery through our livelihood improvement programs in Kenya that provide support to small-holder farmers is mitigated by the fact that, because the participants in those programs are farmers with small land holdings, they do not tend to need support from (and therefore employ) individuals outside of their immediate family for their farming activities. This risk is further mitigated by a number of measures (described below) that were put in place when those programs began (and prior to the reporting period). Consequently, during the reporting period, we prioritised other areas assessed as having a higher modern slavery risk, though we did identify some enhancements that could be made to the training programs that the farmers undertake.

- Site visits are undertaken as part of the application process to participate in the programs.
- Participating farmers all have to undertake a training program, which covers (among other things) applicable child labour laws and regulations.
- We have engaged field attendants to assist the farmers and such attendants typically visit their allocated farmers on a weekly basis.
- The programs are run by Business for Development, an Australian head quartered not-for-profit organisation, whose stated vision is to improve farmer livelihoods, resilience and financial independence. Their work is guided by policies that include a Child Protection Policy, Safeguarding Policy and Human Rights Policy.

8. Our Key Next Steps

Looking forward, for the next reporting period, we will aim to build on the progress we made with our modern slavery risk response during FY20, and have set the following targets for that period:

- carrying out due diligence and a more detailed risk assessment on larger suppliers identified as potentially presenting a higher risk of modern slavery;
- expanding our initial supplier scoping and risk assessment exercise to further direct suppliers;
- developing a supplier modern slavery risk assessment procedure and embedding that procedure in our broader supplier screening and onboarding process;
- expanding the training program for small-holder farmers participating in our livelihood improvement programs to specifically cover aspects of labour laws beyond child labour;
- increasing awareness of modern slavery risk factors among our procurement and finance teams by having those employees undertake modern slavery training; and
- increasing awareness of modern slavery risk factors among our recruitment team and hiring managers by having those employees undertake modern slavery training.

Given the substantial developments in our modern slavery response during the reporting period, it is too early to properly assess the effectiveness of our actions. However, it is notable and promising that we have not identified any specific instances of modern slavery in our operations or supply chains. Through our Modern Slavery Work Group, we will continue to review and refine the measures we have taken to date and how we respond to our modern slavery risks in the future, including in light of data obtained from our modern slavery due diligence and the civil society organisation with which we are collaborating in Kenya. Another way we will assess the effectiveness of our modern slavery response is by carrying out internal checks to confirm that specific anti-modern slavery steps implemented during the reporting period are being carried out.

9. Preparation, Consultation And Approval Process For This Statement

This statement was prepared by the Modern Slavery Work Group, with input from members of the Group's senior management team.

Engagement and consultation with Base Resources' two operating subsidiaries, Base Titanium and Base Toliara, and key business areas across the Group in the preparation of this statement occurred through the Modern Slavery Work Group, which comprises employees of Base Resources and both operating subsidiaries, and from the Group's finance and procurement, human resources and legal teams. The scoping and risk assessment exercises described above in respect of our larger suppliers and employees also occurred on a Group-wide basis.

This statement was approved by the Company's Board of Directors on 21 January 2021.

Date: 29 January 2021



Keith Spence

Chair



Base Resources Limited

Modern Slavery Statement – For the 12-month period ended 30 June 2020

50 Kings Park Rd
West Perth WA 6005

+61 8 9413 7400
baseresources.com.au

ABN 88 125 546 910