

Modern Slavery Statement  
Evolution Rail Unit Trust and  
Evolution Rail Holdings Unit Trust

**FY 2020**

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# Introduction

## What is modern slavery?

The term “modern slavery” describes situations in which coercion, threats or deception are used to exploit victims and undermine their freedom. Modern slavery takes many forms including slavery, servitude, forced labour, debt bondage, deceptive recruiting for labour or services, the worst forms of child labour (where children are exploited through slavery like practices or exposed to hazardous work) and forced marriage.

Based on the Global Slavery Index<sup>1</sup> an estimated 40.3 million people are trapped in slavery worldwide, with women and girls disproportionately affected. In 2016, it was estimated that around 16 million people were involved in forced labour situations in the private sector.<sup>2</sup>

## Our vision

Evolution Rail aims to support a sustainable, globally-competitive export rail manufacturing industry, building bigger and better trains to support Melbourne’s rapidly growing population. In achieving this goal Evolution Rail is committed to conducting its business in accordance

with high levels of ethical and professional standards and is committed to recognising and respecting human rights.

Evolution Rail recognises that the nature of our business means there is a chance that we might be exposed to instances of modern slavery in our supply chains.

We are committed to ongoing engagement with our stakeholders to better collaborate in respecting human rights. We are also committed to undertaking further work to identify and take steps to prevent modern slavery.

## Reporting Entities

For the purposes of this joint Modern Slavery Statement the reporting entities are Evolution Rail Unit Trust and Evolution Rail Holdings Unit Trust (together, “Evolution Rail”).

This Modern Slavery Statement covers Evolution Rail’s reporting period of 1 January 2020 to 31 December 2020.

[1] Global Slavery Index 2018.

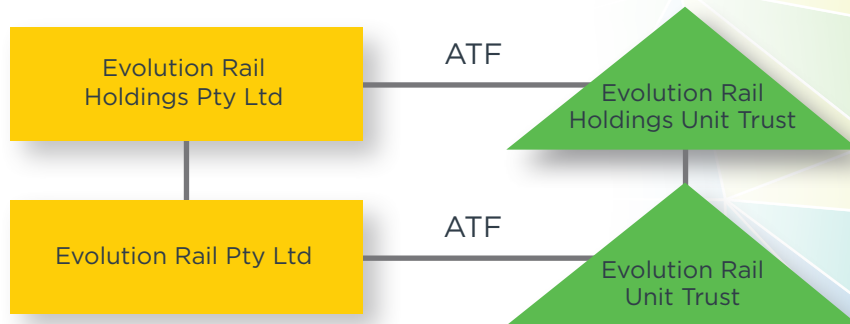
[2] ILO and Walk Free. Global estimates of modern slavery: Forced labour and forced marriage, 10.

# Our Structure, Operations and Supply Chains

## Structure

Evolution Rail is a special purpose vehicle (SPV) incorporated specifically for the delivery and maintenance of the High Capacity Metro Trains (HCMT) during a concession period of 35 years (to 2053).

The structure of the SPV is as follows:



The Evolution Rail shareholders are comprised of Downer, CRRC, Partners Group and Plenary.

The management of Evolution Rail has been contracted to Plenary Asset Management Pty Ltd via a Management Services Deed for the period of the concession.

## Operations

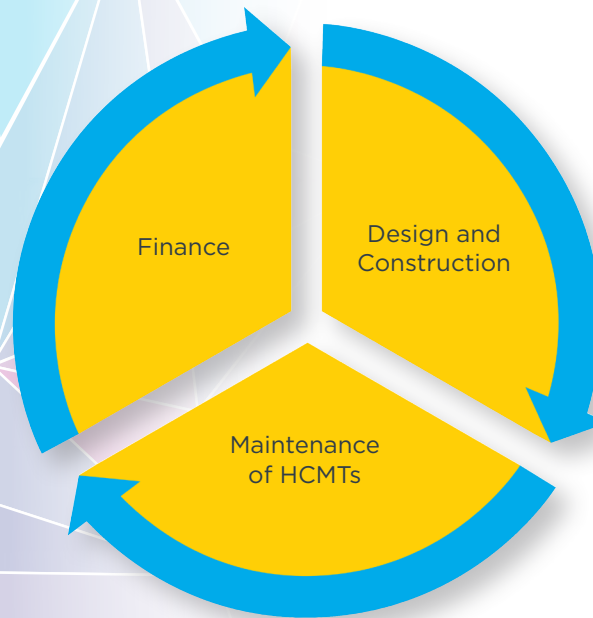
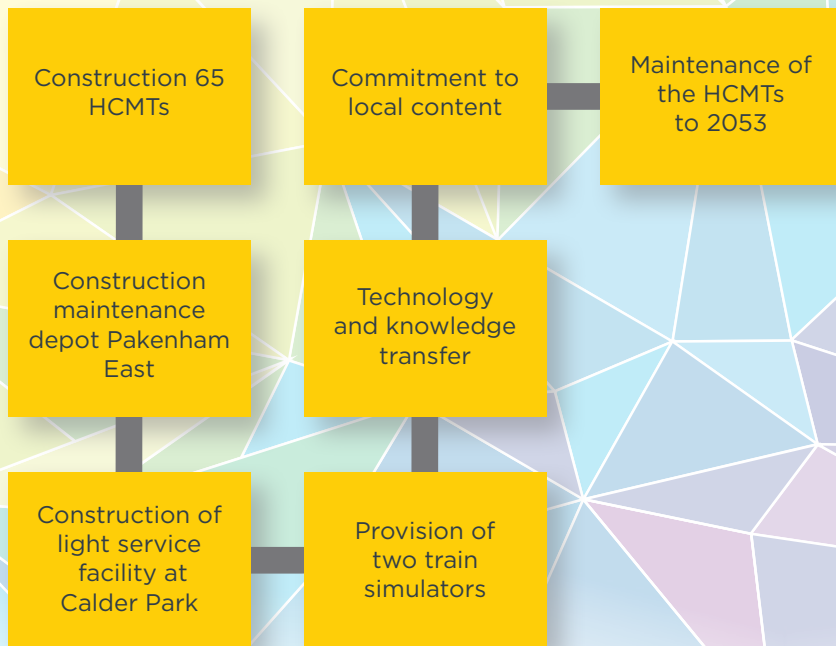
The Evolution Rail consortium has been contracted by the Victorian Government, as part of a public-private partnership (PPP), to deliver the HCMT Project. As part of this Project,

Evolution Rail will finance, design, build and maintain 65 new high capacity trains for the metropolitan network for 35 years. Construction of the train maintenance facility in Pakenham East and a light service facility in Calder Park is also being delivered as part of the Project.

Evolution Rail is responsible for the delivery of the \$2.3 billion HCMT Project and our operations consist of:

- ▼ construction of 65 high capacity metro trains;
- ▼ construction of a state-of-the-art maintenance depot at Pakenham East;
- ▼ construction of a light service facility at Calder Park to support operation of the HCMTs on the Sunbury line;
- ▼ provision of two train simulators to support the training of drivers;
- ▼ \$800m of investment in the Victorian supply chain;
- ▼ technology and knowledge transfer;
- ▼ a commitment to local content that will deliver jobs and industry growth; and
- ▼ maintenance of the HCMTs to 2053.

Evolution Rail has a management team of nine people who are dedicated to the management of the HCMT Project.



Evolution Rail manages the whole of the HCMT Project as it is responsible for the financing, design, construction and maintenance of the HCMTs.

Evolution Rail has entered into a subcontract with Downer EDI Rail Pty Ltd and CRRC Changchun Railway Vehicles Co. Ltd in a joint venture (together “the HCMT Supplier”). The HCMT Supplier will provide delivery activities to Evolution Rail, including design and manufacture of the HCMT fleet and simulators, and construction of the two maintenance facilities.

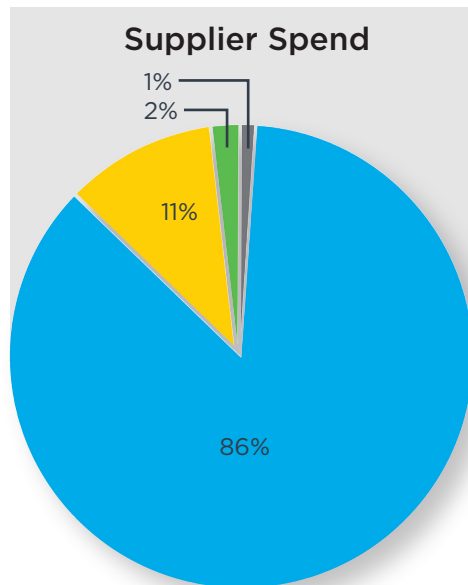
In pursuing our business objectives and strategies, Evolution Rail engages with a multitude of stakeholders, clients and partners from a diverse range of sectors. We build long-term relationships with our stakeholders built on a foundation of trust and fairness, delivering outstanding results for clients, partners and communities.

## Supply Chains

In the 2020 financial year Evolution Rail spent approximately \$240 m with 26 suppliers.

The main areas of supplier spend were:

- ▼ Subcontractors: for example costs for the HCMT Supplier and its subcontractors and management services.
- ▼ Professional Services: including expenses for auditors, the independent reviewer (responsible for verifying the services that need to be delivered under the Project Agreement, reviewing the progress of delivery activities, reviewing and certifying test reports and issuing certificates for e.g. completion of HCMTs and depots), consultants, brokers and advisory costs.
- ▼ Corporate finance expenses.



- Sub-contractors
- Corporate Finance
- Professional services
- Other

The major direct (tier 1) suppliers to Evolution Rail are:

- ▼ International Transport Management Group Pty Ltd being the Secured Creditors' Independent Verifier- headquartered in Australia;
- ▼ Mott McDonald Australia Pty Ltd being the Independent Reviewer and Sub-Independent Reviewer- headquartered in Australia;
- ▼ CRRC Changchun Railway Vehicles Co. Ltd being the HCMT Supplier- headquartered in China;
- ▼ Downer EDI Rail Pty Ltd, being the HCMT Supplier - headquartered in Australia; and
- ▼ Downer Victoria PPP Maintenance Pty Ltd being the maintenance sub-contractor headquartered in Australia.

# Risk of Modern Slavery Practices in Our Operations and Supply Chains

Guidance on how to identify risks of modern slavery in our operations and supply chains was sought from publicly available resources and external advisers to build an understanding of the potential risk sectors and geographies.

While conducting our initial analysis we referred to resources such as the Global Slavery Index 2018, the Australian Council of Superannuation Investors' Modern Slavery Report Guide for Investors and materials and information on risks of modern slavery produced by the International Labour Organization.

We have considered relevant risks of modern slavery practices by reference to a range of intersecting factors such as business activities, labour force structure, sector and social, political and environmental conditions in the countries in which our suppliers operate.

## Operations

In 2020 the bulk of Evolution Rail's operations concerned delivery activities of the HCMTs and Pakenham Depot. The HCMT Supplier has subcontracted the construction of the 65 high capacity metro trains (HCMTs) and two train simulators to CRRC Changchun Australia Rail Pty Ltd and

the construction of the depot and light service facility has been subcontracted to Downer EDI Works Pty Ltd. These two subcontractors below the HCMT Supplier are both Australian based entities.

## Supply Chains

In preparing this statement we focused on our suppliers with whom we have a direct contractual relationship (i.e. tier 1 suppliers). However, we acknowledge that incidences of modern slavery can exist throughout supply chains at any level and we are committed to assessing and reporting on these risks further in future years and statements as part of our process for continuous improvement.

Our initial risk assessment consisted of a desktop review of our tier 1 suppliers, including response by those suppliers to a template questionnaire, and review of what peers and competitors have undertaken in this space. This assessment indicated that there are certain risk factors present in our supply chains which may increase the potential for risks of modern slavery practices occurring in them.

The risk factors which we have identified in our supply chains are:

- ▼ The construction sector presents elevated risks of modern slavery as a result of factors such as potentially unsafe conditions, use of low-skilled labour, long and complex supply chains and tight project deadlines. Evolution Rail partners with the HCMT Supplier which has lengthy and complex supply chains spread across different geographies.
- ▼ There is a risk that somewhere in these supply chains there might be instances or risks of modern slavery practices, for example in relation to the procuring of raw materials or in relation to the manufacturing of components necessary to construct the HCMTs.
- ▼ Services procurement (such as cleaning, site security, waste management, etc.). Although Evolution Rail recognises that these can be potential high-risk areas, the majority of such services which it procures are from Australian based contractors who comply with applicable Australian laws. Evolution Rail seeks to ensure that the values and ethics of these contractors reflect those of Evolution Rail wherever possible.

Despite the existence of these risk factors in our supply chains with our direct suppliers, we are not aware of any reported instances of modern slavery which have occurred with any of our tier 1 suppliers. However, as part of our continuous improvement program we are committed to further examining and assessing our supply chains. We recognise the potential for instances of modern slavery practices occurring further down our supply chains and we will strive to analyse and report on lower levels of our supply chains (i.e. beyond tier 1) in our next modern slavery statement.



# Actions Taken by Evolution Rail to Assess and Address Modern Slavery Risks

In FY 2020 Evolution Rail has taken steps to assess and address the risks of modern slavery practices occurring in our operations and supply chains including:

- ▼ The adoption of a specific modern slavery policy which applies to and has been communicated to all directors and officers of Evolution Rail and which makes clear that Evolution Rail adopts a zero-tolerance approach to all forms of modern slavery.
- ▼ The mapping of our supply chain, initially at tier 1 level, and assessment of the risk factors present in those supply chains. The compliance, risk, legal and finance teams worked together to conduct a desktop analysis of available information to get an initial view of our supply chains.
- ▼ The implementation of a modern slavery questionnaire which was sent to all our tier 1 suppliers. All tier 1 suppliers provided responses to the questionnaire in 2020. The questionnaire contains various questions, the answers to which help us assess the risks of modern slavery occurring in our supply chains. For example, the questionnaire includes questions about and requests for information on:
  - ▼ the structure of the supplier's business;
  - ▼ the geographical locations from which raw materials or components for products are sourced;
  - ▼ whether any work is outsourced;

- ▼ whether any contract workers/seasonal workers are used;
  - ▼ details of the supplier's suppliers and contractors including indications of which suppliers/contractors are critical to the supplier's business; who within the supplier is responsible for those relationships; and whether human rights and labour standards are part of the supplier's due diligence processes;
  - ▼ the frequency with which the supplier reviews its relationships with its suppliers and contractors;
  - ▼ confirmation that the supplier will comply with our modern slavery policy;
  - ▼ a request to be provided with any modern slavery related policies, codes or procedure documents which the supplier has adopted or follows;
  - ▼ details about any reported incidents of modern slavery in the supplier's operations or supply chains; and
  - ▼ whether the supplier conducts audits of its operations and supply chains.
- ▼ In February 2020, the Australian Strategic Policy Institute (ASPI) released a report claiming 27 factories in nine Chinese Provinces are using Uyghur labour under conditions that strongly suggest forced labour. Those factories claim to be part of the supply chains of 82

well-known global brands in the technology, clothing and automotive sectors including Apple, BMW, Gap, Huawei, Nike, Samsung, Sony and Volkswagen. The ASPI report listed CRRC, one of the HCMT Suppliers, as a Chinese company potentially benefiting from the use of Uyghur workers. The Appendix to the report named KTK Group as employing Uyghur workers in Changzou. KTK Group provides inter car gangways to CRRC for the HCMT Project. These gangways are flexible connectors fitted to the end of a railway carriage, enabling passengers to move from one carriage to another without danger of falling from the train. Once Evolution Rail was informed of the content of the ASPI report it requested that the HCMT Supplier make additional enquiries into KTK Group as a supplier to CRRC and the HCMT Project. The HCMT Supplier provided a comprehensive response, including:

▽ providing supporting documentation from KTK Group in respect of its labour practices, including substantive evidence that it does not in fact employ any workers of Uyghur ethnicity and has appropriate modern slavery, forced labour and other employment policies in place, which are monitored, enforced and audited; and

▽ a supporting letter from CRRC confirming that it complies with Chinese Civil Law and Regulation with a strong focus on compliance management of suppliers.

KTK Group also released a public statement in response to media following the publication of the ASPI report denying the allegations and confirming that it complies with best practice and continues to maintain high employment and safety standards across its facilities, as verified by a range of independent audits since 2012.

In mid-June 2021 the Victorian government released a range of documents after a Freedom of Information (FOI) request in reference to a ministerial briefing note regarding the use of KTK, the ASPI report, the Victorian rolling stock suppliers and their specific responses to the Victorian Government. At the time of writing of this report further clarification was being sought from CRRC and KTK.

# Remediation Processes

Evolution Rail is committed to investigating any reports of potential incidences of modern slavery occurring anywhere in our operations or supply chains.

In line with our vision and values we confirm that we would take all appropriate steps to rectify any confirmed incidences of modern slavery in our operations or supply chains.

Evolution Rail would work collaboratively with its suppliers and, if necessary, their suppliers, to achieve these goals.

If, for any reason, progress in this regard was not possible, Evolution Rail would take steps to sever its connections to the offending supplier or sub-supplier.

# Assessing the Effectiveness of Actions Being Taken to Assess and Address Modern Slavery Risks

Evolution Rail will review its modern slavery policy and modern slavery questionnaire in its next reporting period (and on an annual basis) to ensure that they remain accurate, up to date and effective.

As outlined earlier in this statement, Evolution Rail has requested that all of its tier 1 suppliers complete and return modern slavery questionnaires for FY 2020 and through the responses has been able to assess how its tier 1 suppliers consider and approach human rights issues in their operations.

Evolution Rail aims to set up processes to discuss and review engagement and feedback between key areas of its business in relation to modern slavery.

# Consultation

Evolution Rail's structure is set out earlier in this Statement.

The relevant Evolution Rail entities are integrated and form part of the HCMT Project and have the same Company Secretary. Their legal, finance and communications functions have all been involved in the preparation of this Modern Slavery Statement and have provided relevant information which is included in this Statement.

# Additional Information

Evolution Rail is committed to working to improve its assessment and addressing of modern slavery risks and as such is committed to implementing the following measures in FY 2021:

- ▼ communication and engagement with current stakeholders on our modern slavery policy;  
and
- ▼ the roll out of our modern slavery questionnaire to tier 2 suppliers.

After implementation of the above measures Evolution Rail will be better placed to assess and address:

- ▼ further supply chain risks based on the findings from the previously implemented measures;
- ▼ potential internal audits;
- ▼ the possibility of partnering with industry groups; and
- ▼ potential inclusion of modern slavery clauses in new contracts with relevant stakeholders to ensure Evolution Rail has sufficient leverage to influence stakeholders to change their practices where necessary.

# Approval

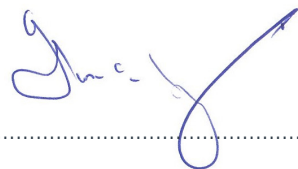
This joint Modern Slavery Statement is made in accordance with section 14 of the Modern Slavery Act 2018 (Cth).

This statement was prepared by Evolution Rail Pty Ltd (as trustee of the Evolution Rail Unit Trust) and Evolution Rail Holdings Pty Ltd (as trustee of the Evolution Rail Holdings Unit Trust) and has been approved by the Boards of Directors of both Evolution Rail Pty Ltd and Evolution Rail Holdings Pty Ltd.



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Signed for and on behalf of Evolution Rail Unit Trust

John Fitzgerald  
Chairman, Evolution Rail Pty Ltd



.....  
Signed for and on behalf of Evolution Rail Holdings Unit Trust

Glenn Hay  
Director, Evolution Rail Holdings Pty Ltd

