



# **Modern Slavery Statement**

**Financial year ending  
30 June 2020**

## Overview - Modern Slavery Reporting

The Modern Slavery Act (Cth) 2018 (**Act**) came into effect on 1 January 2019 and aims to support the Australian business community to identify and address modern slavery risks, and maintain responsible and transparent supply chains.

Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, the worst forms of child labour, and deceptive recruiting for labour or services.

The Act established a reporting regime for certain entities. Lochard Energy has prepared this statement in accordance with the requirements of the Act. This is Lochard Energy's first statement under the Act, relating to the 1 July 2019–30 June 2020 financial year.

This statement has been prepared in a manner that is consistent with Lochard Energy's principles of 'Integrity' and 'Performance', and also accords with Lochard Energy's focus on sustainability, environmental, social and corporate governance (**ESG**) and ensuring we maintain a strong social licence to operate.

The statement addresses each of the mandatory reporting criteria in the Act:

1. Identify the reporting entity;
2. Describe the structure, operations and supply chain of the reporting entity;
3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls;
4. Describe actions taken by the reporting entity and any entities it owns or controls to assess and address such risks (including due diligence and remediation processes);
5. Describe how the reporting entity assesses the effectiveness of actions taken;
6. Describe the process of consultation with any entities that the reporting entity owns or controls;
7. Include any other information that the reporting entity considers relevant.

### 1. Reporting Entity

The Act requires reporting by entities which carry on business in Australia with consolidated revenue of at least \$100m per annum.

Accordingly, Lochard Energy (Iona Operations Holding) Pty Ltd, as trustee for the Lochard Energy (Iona Operations Holding) Trust, is required to report under the Act. This reporting entity in turn owns 100% of the Lochard Energy (Iona Operations) Trust which, through its trustee, Lochard Energy (Iona Operations) Pty Ltd, undertakes the core business activities of Lochard Energy including the employment of employees and contracts with suppliers.

References to 'Lochard Energy' in this statement refer to the activities and actions of the various Lochard Energy entities described in section 2.1, taken as a whole.

## 2. Structure, Operations and Supply Chain

### 2.1 Structure

Formed in December 2015, Lochard Energy is an Australian midstream energy infrastructure business that operates the Iona gas storage and processing facility located near Port Campbell in Victoria (**Iona Gas Facility**).

The reporting entity, Lochard Energy (Iona Operations Holding) Pty Ltd (ACN 608 441 041) (trustee for the Lochard Energy (Iona Operations Holding) Trust), owns or controls the following Lochard Energy entities:

- Lochard Energy (Iona Operations) Pty Ltd (ACN 608 441 729) (trustee for the Lochard Energy (Iona Operations) Trust);
- Lochard Energy (Iona Gas Storage Holdings) Pty Ltd (ACN 085 235 749);
- Lochard Energy (Iona Gas Storage) Pty Ltd (ACN 079 089 311);
- Lochard Energy (Iona Heytesbury) Pty Ltd (ACN 010 728 962).

The Iona Gas Facility was built in 1999 under previous ownership and comprises a gas plant and a number of natural underground gas reservoirs that provide large-scale gas storage services supporting Eastern Australia's energy security. Lochard Energy holds a strategic position in the Eastern Australian Gas market, helping to service Victoria and South Australia and the Mortlake Power Station.

Each Lochard Energy entity has a Board of Directors responsible for directing and overseeing its activities (supported by a Board Audit and Risk Committee), while the day-to-day business of Lochard Energy is managed by the Lochard Management Team headed by the Chief Executive Officer.

As at the date of this statement, Lochard Energy has approximately 118 employees, with the majority employed in Victoria and the remainder in other parts of Australia.

The Lochard Energy entities have their registered offices and head offices in Melbourne, at Level 10, 2 Southbank Boulevard, Southbank, Victoria.

### 2.2 Operations

The key operational activities conducted by Lochard Energy are:

- operating, maintaining and, from time to time, undertaking expansions of, the Iona Gas Facility;
- providing gas storage services and/or compression services to customers, who are generally wholesale gas market participants who wish to inject gas at the Iona Gas Facility, store gas within the underground reservoirs at the Iona Gas Facility and/or withdraw gas from the Iona Gas Facility; and
- providing gas processing services for the processing of raw gas supplied to the Iona Gas Facility into pipeline quality gas.

The Iona Gas Facility boasts high reservoir quality, demonstrated performance history of high plant reliability and an excellent health, safety and environmental (**HSE**) record. The plant enables Lochard Energy to provide gas storage and processing and associated services to gas industry customers.

All of Lochard Energy's own operational activities occur within Australia. Its two key business locations are the Iona Gas Facility and Lochard's corporate headquarters located in Southbank, Victoria.

In 2019, Lochard Energy also established a New Energy business, which is committed to developing sustainable solutions to Australia's energy trends in both the electricity and transport markets. (The operations of the New Energy business are in the development phase and accordingly are not otherwise discussed in this report.)

### 2.3 Supply Chain

As a midstream energy infrastructure business operating physical assets located within Victoria, Lochard Energy's supply chain consists primarily of engineering, technical support, maintenance support, and corporate and site services (including waste management, land management and security services, contract labour services, professional and consulting services, payroll, and information technology services) and the procurement of equipment for the Iona Gas Facility.

## 3. Risk of Modern Slavery in Lochard Energy's Operations and Supply Chain

### 3.1 Our approach

Lochard Energy is opposed to modern slavery and recognises the importance of taking relevant ESG considerations into account in its procurement decisions. We are also committed to taking measures to improve our knowledge of our supply chain and our procurement practices to help combat modern slavery.

Lochard Energy has undertaken an initial assessment of the extent to which it may cause, contribute to, or be directly linked to modern slavery in its operations or supply chain, as described below:

- **Operations:** an assessment by Lochard Energy Management of modern slavery risks in Lochard Energy's own operations; and
- **Supply Chain:** an internal risk assessment of Lochard Energy's high spend 'ongoing business' suppliers (who accounted for approximately 60% of Lochard Energy's annual procurement spend in recent years, excluding project-specific spend) against the indicators suggested by the "Commonwealth Modern Slavery Act 2018, Guidance for Reporting Entities", as well as the products category and geographical locations prone to modern slavery as per findings of the "US Department of Labour's 2018 List of Goods Produced by Child and Forced Labour" and the "Global Slavery Index (GSI)".

The supply chain assessment included consideration of contractual arrangements with suppliers, expenditure data, undertaking an assessment of Lochard Energy's current relevant policies and procedures, and developing an internal working group to respond to the requirements of the Act. The internal working group is comprised of representatives from Lochard Energy's Procurement, Business Processes and Legal teams.

### 3.2 Operations

In terms of its operations at the Iona Gas Facility, the relatively small size of the organisation (based on employee numbers) means Lochard Energy's operations risk for modern slavery can be quite readily assessed.

Lochard Energy considers there to be negligible risk of modern slavery practices caused by Lochard Energy's own operations. This is due to the operations being solely Australian-based with no offshore processing, with workers being largely highly-skilled, in a sophisticated industry, engaged under appropriate employment contracts or contracting/consulting arrangements and located in two main,

well governed, well-supervised and modern locations (being at the Iona Gas Facility and at the Southbank head office).

### **3.3 Supply Chain**

In terms of Lochard Energy's supply chain, to the extent that there may be potential risks of modern slavery practices, these are most likely to fall within two key categories:

- industries where certain work may be outsourced offshore by our suppliers (including potentially for corporate and support services); and
- where equipment is sourced from certain countries, including in Asia, which have a higher modern slavery risk. (Noting that this risk may be somewhat mitigated by the highly technical and specific nature of the equipment that Lochard Energy sources, requiring highly specialised suppliers.)

The findings of Lochard's internal risk assessment in the reporting period (outlined in section 3.1) suggest that the likelihood of modern slavery in Lochard Energy's supply chain is not at the higher end of the risk spectrum, however this is an area that Lochard Energy will continue to monitor and assess during 2021 and onward.

### **3.4 The impact of COVID-19 on modern slavery risks**

In light of the above, Lochard Energy does not consider the COVID-19 pandemic has had a material impact on its modern slavery risk profile. However, it is worth noting that Lochard Energy's Management Team met more frequently than usual during 2020 to ensure good oversight of the COVID-19 response, including in relation to risk management in the supply chain.

As part of Lochard Energy's ongoing commitment to addressing modern slavery risks, Lochard Energy will continue to review how any COVID-19 disruptions may have affected the degree of risk in modern slavery practices in our supply chains.

## **4. Actions Taken to Assess and Address Modern Slavery Risks**

In addition to the supply chain risk assessment, Lochard Energy has a number of policies and procedures in place which are also relevant to the assessment and mitigation of modern slavery risks, including the following:

### **4.1 Risk Management Approach**

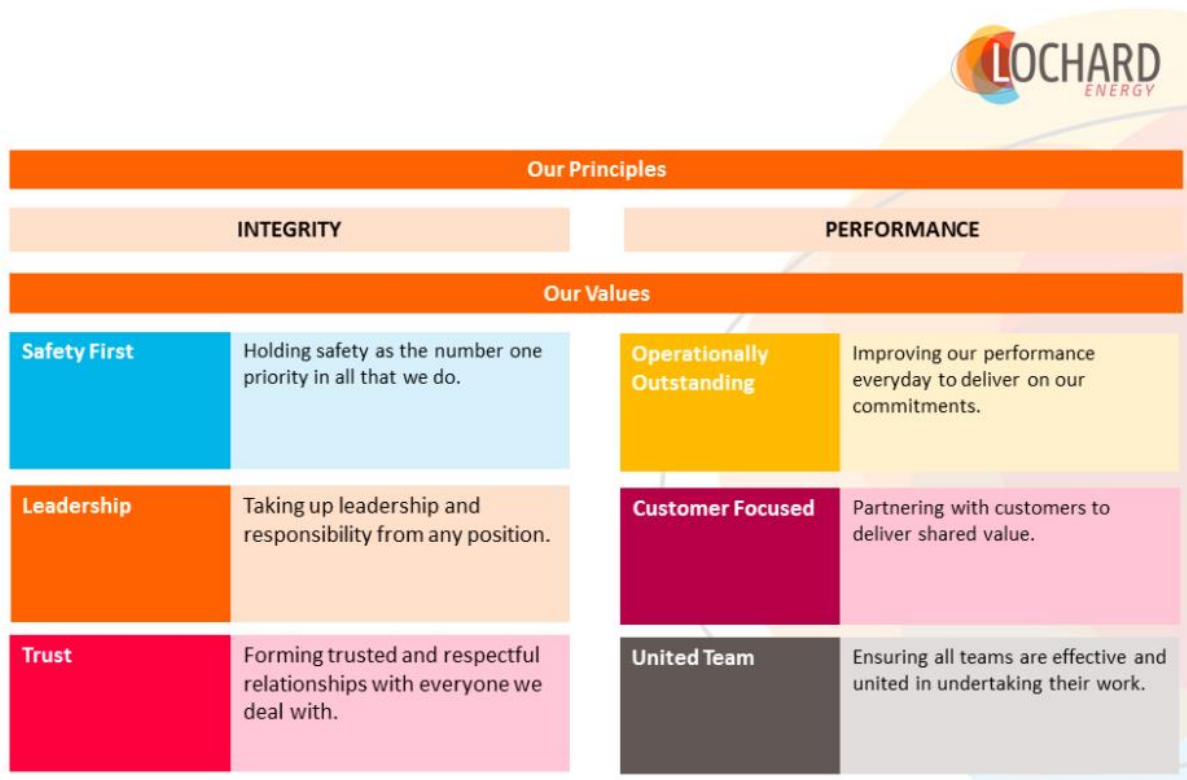
Lochard Energy places considerable importance on effective risk management and has adopted a risk management approach for the oversight and management of material business and operational risks. Lochard Energy's risk management approach is designed to proactively identify, assess and manage risks.

Our risk management approach is considered annually by the Audit and Risk Committee and the Board of the relevant Lochard Energy entities, and 'modern slavery' risk will be added as a specific risk in the Corporate Risk Register. Lochard Energy's Management reports regularly to the Audit and Risk Committee and the Board of the relevant Lochard Energy entities on key operational and strategic risks.

Further, Lochard Energy Management has included the management of modern slavery risk under the remit of its Risk Monitoring Committee, made up of members from the Risk, Procurement, Legal, Operations and Business Processes teams, which meets on a regular basis.

## 4.2 Our Values

At Lochard Energy, our principles and values guide our decision-making and behaviours that reflect our commitment to our customers, the community and each other. We are committed to conducting our business with honesty, integrity, in accordance with high legal and ethical standards, and with respect for each other and with those whom we do business.



Lochard Energy has a Code of Conduct that aims to promote and strengthen our reputation by establishing a standard of performance, behaviours, professionalism and integrity for all of our people with respect to their conduct. Employees are encouraged to report matters or behaviours that they believe to be in contravention of Lochard Energy’s Code of Conduct, policies or the law.

Lochard Energy employees and contractors also have direct access to senior managers to share any concerns or feedback on work practices, as well as the opportunity to report any concerns anonymously through our whistleblowing hotline (which is managed to an external third party provider).

These processes have not identified any modern slavery issues in Lochard’s operations or supply chain to date, however we will continue to monitor this and will be placing increased emphasis on modern slavery risks within these existing processes in the future.

## 4.3 Review of Policies

Lochard Energy is developing its policies regarding compliance with the Act and to help its management, employees and contractors to more fully identify, assess and mitigate potential areas where modern slavery risks could exist in our supply chain. As part of this process, we have completed a gap analysis of

current internal policies and have developed a process to update relevant policies and associated procedures during 2021 and onward to address modern slavery risks.

#### **4.4 Training and Communication**

To further help assess and then address modern slavery risk, Lochard Energy is currently in the process of implementing steps aimed at increasing awareness of the Act's requirements.

As at the date of this report, the Boards of the relevant Lochard entities and the Lochard Management Team have received training on the obligations under the Act and to increase understanding of potential modern slavery risks.

Further, a broader training program is being developed for relevant staff throughout the organisation to help increase awareness of the risk of modern slavery practices and the importance of raising any modern slavery concerns.

#### **4.5 Road Map**

Lochard Energy is committed to continuing to improve its relevant policies and procedures to help assess and address modern slavery exposure in its operations and supply chain. To this end, we have developed a road map to capture our ongoing approach to understanding and addressing modern slavery risk, as follows:

- Review and development of relevant policies and processes in regards to the Act.
- Continuing to review suppliers through risk assessment in relation to modern slavery exposure, with the focus being on identifying, assessing and investigating high risk exposure in our procurement practices.
- Continuing to conduct internal inquiries to help to identify, assess and minimise the risk of modern slavery and track the impact of our risk mitigation activities.
- Working with key stakeholders and suppliers to maintain focus on the requirements and compliance with the Act.
- Conducting training to increase awareness throughout the organisation of the risk of modern slavery in operations and supply chains.

Some of the specific actions planned for upcoming reporting periods are:

- Continue our risk-based approach to risk assess our suppliers and complete due diligence of high-risk suppliers to greater understand the exposure in our supply chain and improve our understanding of the potential modern slavery risks.
- Develop relevant policies and processes as necessary to incorporate requirements under the Act and increase emphasis on assessing and taking mitigation steps in relation to potential modern slavery risks.
- Undertake a review of a sample of key existing procurement agreements to assess whether, and how, we might enhance our management of potential modern slavery risks from a contractual perspective.
- Update our key template procurement agreements to expressly address modern slavery issues.
- Develop a Supplier Code of Conduct.

- Conducting training for relevant management and other staff to increase awareness throughout the organisation of the risks of modern slavery in our operations and supply chains, as well as how to raise any concerns.

## **5. Describe how Lochard Energy assesses the effectiveness of actions taken**

Lochard Energy's Management will maintain oversight of Lochard Energy's modern slavery risks through our established policies and frameworks. Regular reporting to the Audit and Risk Committee and the Boards of the relevant Lochard Energy entities will further support this.

Lochard Energy will also revisit and reinvestigate our suppliers and supply chain periodically in order to confirm that earlier assessments of modern slavery risk remain current and any identified modern slavery risks are mitigated or addressed.

## **6. Describe the process of consultation with any entities that the reporting entity owns or controls**

Lochard Energy (Iona Operations Holding) Pty Ltd (trustee for the Lochard Energy (Iona Operations Holding) Trust) has a number of other entities under its ownership and control, as described in section 2.1 above. Each of these entities is governed by a Board with identical membership and is led by the Lochard Management Team. These entities use the same policies and processes, operate within the same business environment, and share suppliers. As such, this statement reflects the perspectives of the various Lochard Energy entities and no further consultation is required.

## **7. Include any other relevant information that the reporting entity considers relevant**

Lochard Energy does not consider there to be additional information that needs to be included in this statement.

This statement was approved by the Board of Lochard Energy (Iona Operations Holding) Pty Ltd (in its own capacity and as trustee for the Lochard Energy (Iona Operations Holding) Trust), and the Board of each of the other companies described in section 2.1 of this statement, on 4 February 2021.

A handwritten signature in blue ink, appearing to read 'Peter Lowe', is written over a horizontal line.

Peter Lowe

Chairman

Date: *18 February 2021*