

# Modern Slavery Statement 2020



# Message from the Chair

Arrow Energy is pleased put forward its first Modern Slavery Statement as a demonstration of its commitment to treating all people, inside and outside Arrow, with dignity and respect.

On a world scale, ours has been a short journey. We're a company of the 21st Century, used to conducting our business in the most modern of ways. We fully support the Australian Government's efforts to reduce modern slavery to the history books.

The process that sits behind the Modern Slavery Statement has allowed us to build even more confidence in our procurement arrangements

Arrow has a committed and proactive approach to ensuring our operations are conducted in accordance with all regulatory and business compliance requirements. We uphold and promote human rights within our areas of influence, respecting the cultural heritage, customs and rights of Aboriginal and Torres Strait Islander peoples and communities.

In 2020, we focused on enhancing our understanding of modern slavery risks in our operations and supply chain and, going forward, we are adopting a continuous improvement approach to better understanding those risks and ways to manage them.

This statement has been approved by the Board of Arrow Energy Holdings Pty Ltd on behalf of the Reporting Entities.



**Liu Youchao**

Chair

Date: 11/06/2021

# 1

## The reporting entities and corporate structure

In accordance with the requirements of the *Modern Slavery Act 2018* (Cth), this is the first joint Modern Slavery Statement (**statement**) for Arrow Energy Holdings Pty Ltd (ACN 141 385 293), Arrow Energy Pty Ltd (ACN 078 521 936) and Arrow Energy Trading Pty Ltd (ACN 139 053 133) (together, the **reporting entities**), prepared for the 2020 calendar year (**reporting period**).

Arrow Energy Holdings Pty Ltd is the ultimate holding company of a group of 57 Australian proprietary companies (**Arrow Group**), including Arrow Energy Pty Ltd and Arrow Energy Trading Pty Ltd. Arrow Energy Pty Ltd is the operating company, while Arrow Energy Trading Pty Ltd is primarily a trading company that holds an Australian Financial Services Licence.

Arrow Energy Holdings Pty Ltd was incorporated as part of a 50:50 joint venture between its shareholders, Shell and PetroChina (a subsidiary of China National Petroleum Corporation).

All companies in the Arrow Group operate in Australia as a combined group for the development and production of coal seam gas (CSG) and generation of electricity in Queensland.

Where in the statement we refer to “we”, “us” or “our”, it is a reference to the Arrow Group.

Companies in the Arrow Group are collectively referred to as **Arrow Energy**, or simply **Arrow**.

# 2

## Operations of the reporting entities

Arrow is a coal seam gas (CSG) company in Queensland, which develops gas fields, produces and sells gas and generates electricity. Our registered office is Level 39, 111 Eagle Street, Brisbane QLD 4000.

We have 600+ employees, secondees and contractors. We aspire to create a workplace that reflects the diversity of the communities in which we live and operate, that utilises and develops the full potential of all of our people, that is genuinely inclusive and where everyone feels a deep sense of belonging.

### Coal seam gas

We have been safely and sustainably developing CSG since 2000 and supplying it commercially from central Queensland's Bowen Basin since 2004 and from southern Queensland's Surat Basin since 2006.

On 17 April 2020, Arrow sanctioned the start of the first phase of the Surat Gas Project. This followed the announcement from our shareholders of their positive final investment decision for this project phase.

The full Surat Gas Project is planned to bring to market most of our Surat Basin gas reserves (about five trillion cubic feet) over 27 years.

Phase one of the Surat Gas Project includes the construction of more than 600 wells, with first gas in 2021. An initial 200 construction jobs will be created during phase one, with an anticipated 800 further construction and operating roles over the life of the full Surat Gas Project. The full development of the Surat Gas Project will require the sanction of additional investments by our shareholders.



We have the following producing gas fields:

- **Moranbah Gas Project:** Arrow operates the Moranbah Gas Project (MGP) in the Bowen Basin. It is a 50:50 unincorporated joint venture with AGL Energy Limited (AGL). Some MGP gas is supplied to the North Queensland Energy Joint Venture, a 50:50 unincorporated joint venture between us and AGL and operated by AGL, which sells gas into the north Queensland market and generates electricity for the National Electricity Market (NEM).
- **Tipton West:** This gas field is 30km south-west of Dalby, Queensland.
- **Kogan North:** This gas field is 25km north-west of Dalby, Queensland. We are a participant in and operator of this 50:50 unincorporated joint venture with CleanCo Queensland Limited. This joint venture is commonly referred to as the Kogan North Joint Venture.
- **Daandine:** This gas field is 25km north-west of Dalby, Queensland.
- **Stratheden:** This gas field is 20km west of Dalby, Queensland.

The gas produced by us is either sold to customers in the Australian east coast gas market, which is used domestically and internationally, or used to generate electricity as further described on the following page.

During the reporting period, Arrow Energy Trading Pty Ltd undertook spot gas trades under agreements with third parties or via gas trading markets operated by the Australian Energy Market Operator (AEMO) for gas produced from the Surat Basin.

## Electricity generation

In addition to producing CSG, we generate and supply electricity to the National Electricity Market (NEM). We do this by way of the following interests that we hold in gas-fired power stations:

- **Braemar 2 Power Station:** We own and operate this 450MW power station near Dalby, Queensland. Some of the gas produced by us in the Surat Basin is used to generate electricity at this power station.
- **Townsville (Yabulu) Power Station:** This 240MW power station is in Townsville, Queensland. Together with AGL through the North Queensland Energy Joint Venture, we hold contractual rights to supply gas produced from the Moranbah Gas Project to this power station to generate electricity for the NEM.
- **Daandine Power Station:** This 30MW power station is located near Dalby, Queensland. We also hold contractual rights to supply gas to this power station for the purpose of generating electricity for the NEM.

During the reporting period, Arrow Energy Trading earned revenue from the sale of electricity generated from the Braemar 2 and Daandine Power Stations, and from associated electricity derivative contracts.



# 3

## Our supply chains

### Goods and services

As a CSG company, we primarily procure goods and services across the following categories:

- wells, including drill rigs and associated infrastructure
- transport and logistics, including warehouse facilities management
- project materials for our Surat Gas Project
- professional services
- operations and maintenance
- materials used for operations and maintenance and general business requirements
- engineering
- construction

### Percentage 2020 spend by contract categories



All contractors must pass our assessments of health, safety and environment; financial viability; local engagement; scope; and program delivery. These assessments are conducted during the request for proposal stage, prior to contract recommendation and award.

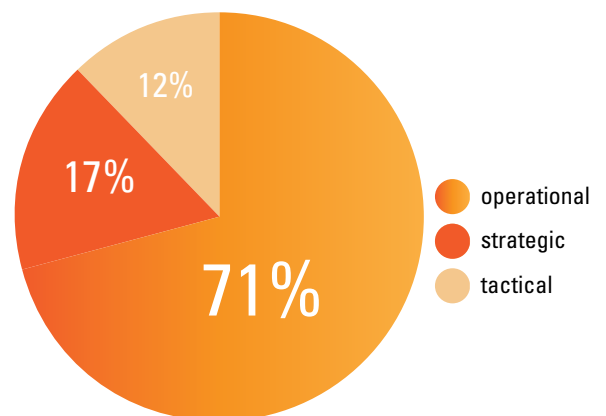
We segment our contracts for goods and services according to the following categories:

- Strategic: high-value contracts with a medium to high risk in health, safety and environment, business criticality and commercial complexity.
- Tactical: low to moderate-value contracts with a low to medium risk in health, safety and environment, business criticality and commercial complexity.
- Operational: low-value contracts with a low to medium risk in health, safety and environment, business criticality and commercial complexity.

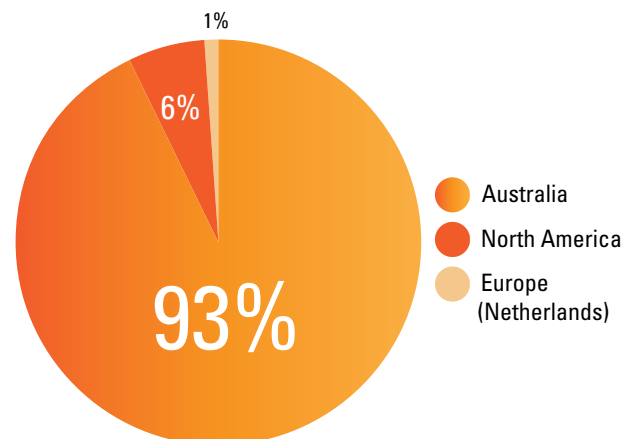
During the Reporting Period, we contracted directly with more than 135 suppliers of high value spend, 20 of which fell within the strategic contracts category and 25 of which fell within the tactical contracts category. Of the 135+ suppliers, 93.5 per cent were companies located in Australia with the remainder being companies located in the United States, Canada and The Netherlands.

In 2020, part of our ICT support services were provided from India and some materials for some of our gas wells were supplied from China.

**Contract segmentation 2020 spend**



**Tier 1 supplier locations**





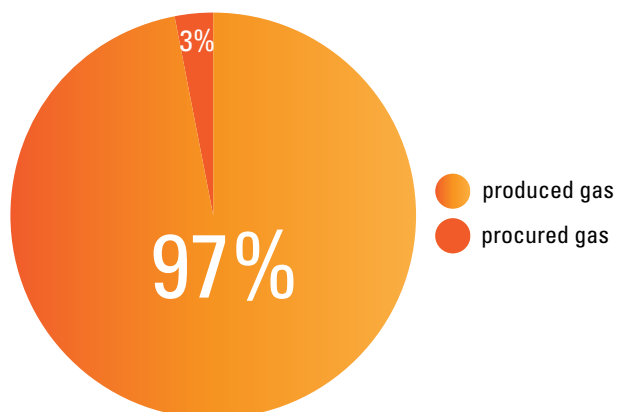
## Gas

We are primarily an upstream producer of CSG, however, we also procure gas from the domestic market to balance our portfolio and manage our gas supply obligations. All gas that we procure is produced in Australia and supplied by companies located in Australia.

Our gas procurement generally occurs in the following ways:

- we receive incidental coal seam gas<sup>1</sup> from coal mining companies whose mines overlap our gas fields in the Bowen Basin
- under short term contracts entered into via Australian gas markets operated by AEMO, for example, the Wallumbilla Gas Supply Hub and the Short Term Trading Market
- via bilateral contracts under which we procure gas directly from other domestic gas suppliers.

The following graph shows the percentage of gas that Arrow supplied during the reporting period which was procured from third parties.



<sup>1</sup> Incidental coal seam gas is CSG that is able to be mined by a mining lease holder under the *Mineral Resources Act 1989* (Qld).

# 4

## Risks of modern slavery practices in our operations and supply chains

### Operational risks

We consider the risk of modern slavery occurring within our operations is low, as we operate in Australia, which is considered to be low prevalence for modern slavery risk according to the Global Slavery Index. The majority of our workforce is made up of engineers, operators, geomatics specialists, administrators and other professionals who are not considered workers at risk of modern slavery. Low jurisdictional risk combined with our recruitment programs and processes detailed below means that there is a low risk of modern slavery occurring within our operations.

We are committed to complying with all applicable laws and acting in accordance with honesty and integrity. This is particularly demonstrated through:

- our aim to provide a safe, secure and healthy working environment
- ensuring that everyone is treated fairly, with respect and dignity
- providing a workplace that is free from harassment and intimidation
- acting lawfully, honestly, ethically and in a transparent way.

We recognise there may be some risk where we outsource work to contractors, or engage labour hire personnel. Further information about those risks are included below in our supply chain risk section.

### Supply chain risks

Our screening of our supply chain has identified that the highest potential for exposure to modern slavery exists in the following sectors (not in any particular order):

- construction
- primary metal and metal product manufacturing
- cleaning services
- IT – supply of hardware or software supply and support services
- labour hire providers
- road and rail transportation
- security.

Most construction materials supplied to our sites are likely to have relied on a global supply chain in some shape or form. Certain manufacturing regions and materials carry higher risks of modern slavery. In particular, manufacturing operations in higher risk countries employing vulnerable worker groups, including migrant workers, workers from minority ethnic groups, displaced workers, itinerant workers, prison workers, conscripted workers, young workers, are at risk of modern slavery practices.

We understand that the risks of modern slavery are present in the labour hire sector irrespective of the country risk profile, particularly where lower skilled workers are deployed. These risks may become more acute in labour-intensive services contracts where proper worker vetting and training are not undertaken to mitigate the risks.

We recognise that our Australian-based suppliers may supply us with goods or services that originate from higher risk jurisdictions. To better understand the less visible modern slavery risks in our supply chain, we issued modern slavery questionnaires (MSQ) to 136 suppliers that provided us with goods and/or services under contractual arrangements of high value spend during the reporting period. This process has assisted us to understand the potential risk of modern slavery in our supply chain. We intend to use the information to engage with our suppliers to better understand and manage these potential risks.

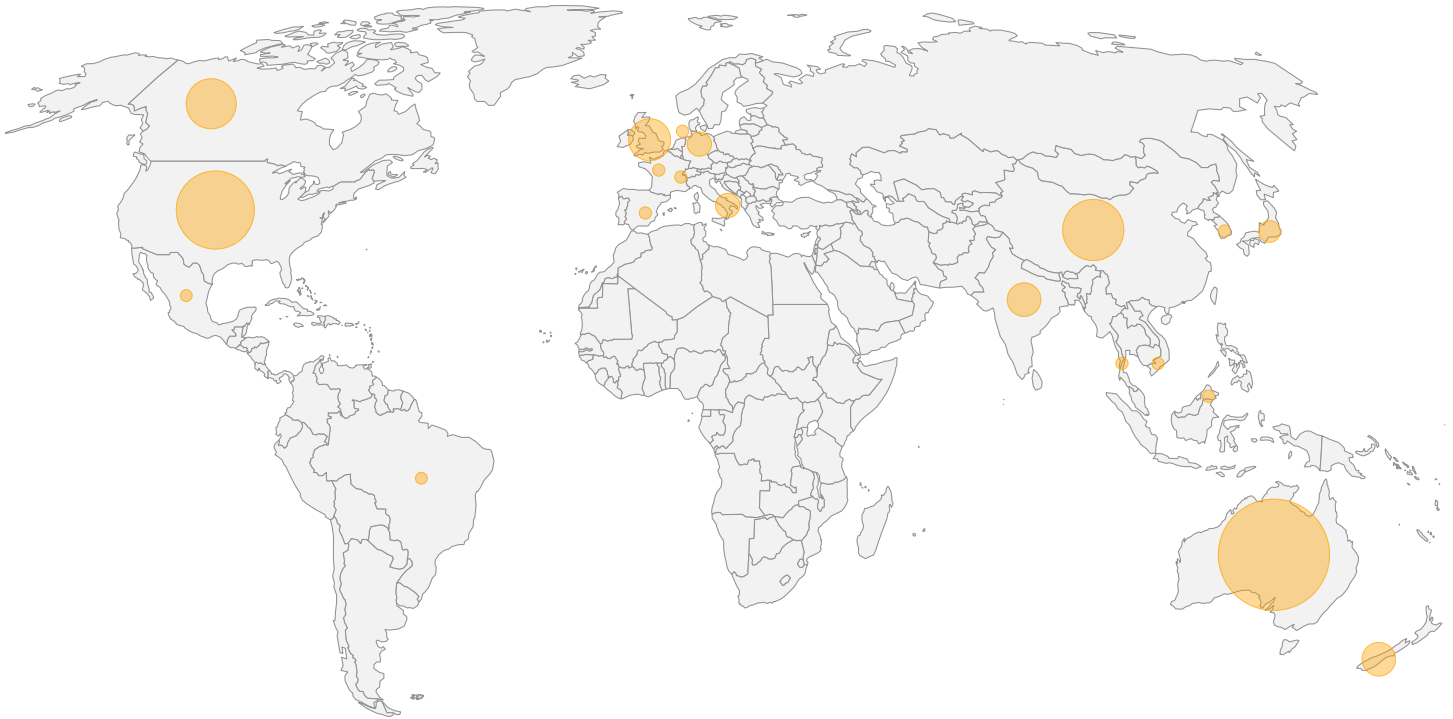
In undertaking the MSQ process, we adopted a pragmatic risk-based approach in line with the United Nations Guiding Principles on Business and Human Rights. We determined that an online questionnaire was the most appropriate means by which to undertake our impact assessment. The MSQ was sent to our suppliers via a third party SAP cloud-based platform. The MSQ was designed with five key risk areas in mind:

- jurisdiction/country of origin risk
- industry/product risk
- utilisation of vulnerable workers
- prior human rights impact assessment
- implementation of policies, procedures and systems.

The MSQ features automated analytics that generates a modern slavery risk rating for each supplier based on responses to the weighted questions. The datasets underpinning the analytics are driven by global indices on modern slavery and human rights risks.

## Summary of supply chain screening results

Based on the information gathered during the MSQ process, the geographic footprint of the suppliers assessed is as follows.



The top four countries (excluding Australia) where our suppliers have business operations are: United States of America, China, Canada and United Kingdom. Five suppliers specified that they had operations in China, Brazil, Vietnam, Thailand and India, which were the higher risk countries identified during the MSQ process.

Suppliers sent the MSQ were required to complete the questionnaire within a one-month period. At the end of that period, 89 of our suppliers had responded. The average modern slavery risk rating based on the responses was 5 out of 10, resulting in an overall moderate risk average.

Of the suppliers that responded, 44 suppliers received a moderate risk rating largely due to their industry risk profile for sectors such as construction, mining, transport and warehousing, manufacturing and security services. However, their high sector risk was mitigated by having controls, codes and policies in place.

While no modern slavery was identified through the MSQ process, we have identified a cohort of suppliers with whom to engage for further diligence in our second reporting period. We are committed to working with our suppliers to promptly address issues so as to prevent and remedy any actual impacts.

# 5

## Actions taken to assess and address modern slavery risks

Our assessment and management of modern slavery risks is underpinned by our Corporate Management Framework and Compliance Framework.

Our commitment to human rights is reflected in our Corporate Management Framework and our Contracts, Procurement and Logistics Policy. We also have a Whistleblower Policy under which people can report any instances of suspected or actual misconduct, including unethical behaviour.

To assess and address modern slavery risks during the reporting period we:

- established a cross-functional Modern Slavery Working Group
- undertook a high level review of modern slavery risks in our supply chain
- reviewed our supplier on-board process having regard to our commitment to respecting human rights and managing modern slavery risks.

Going forward we will:

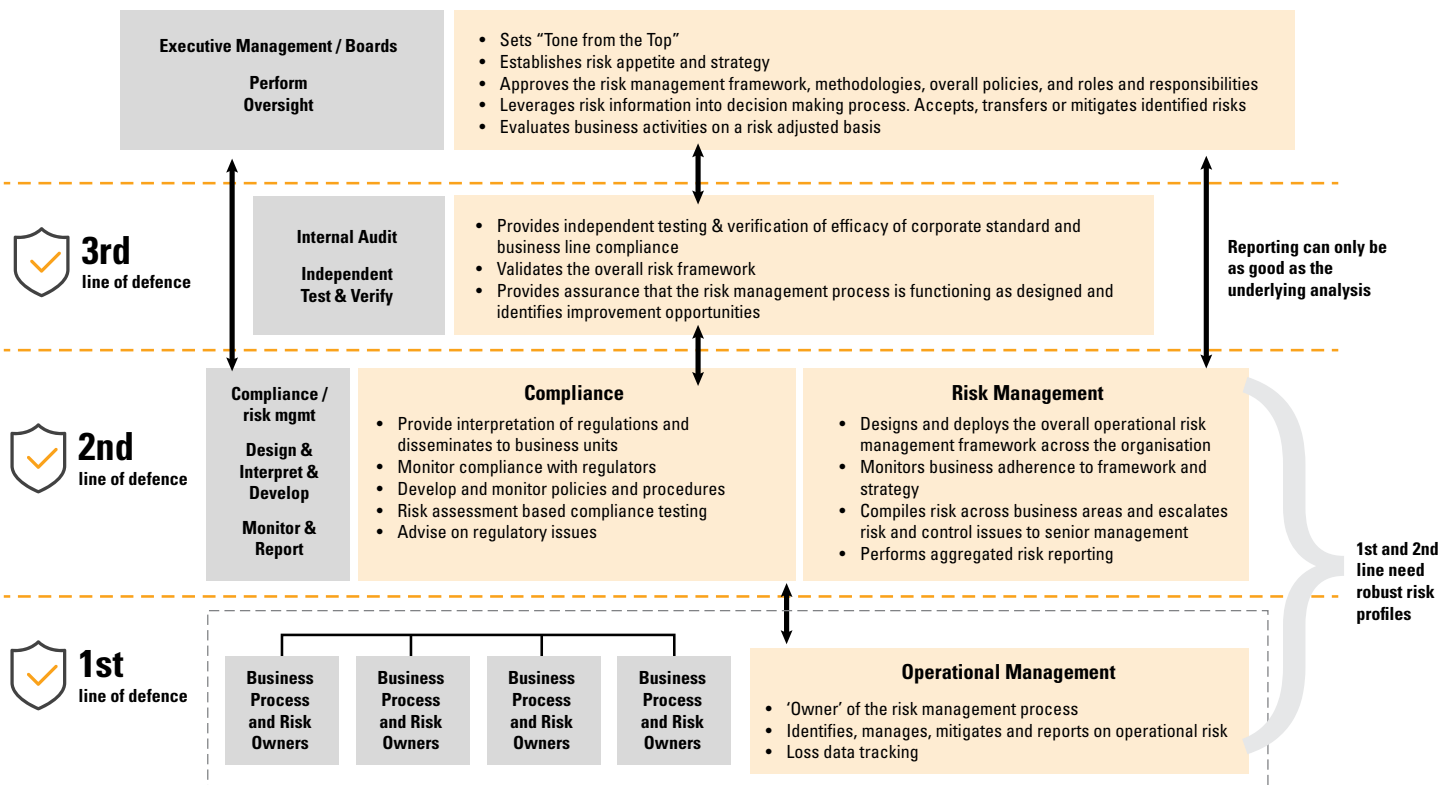
- provide modern slavery awareness training
- review our Code of Conduct and relevant policies and procedures having regard to our commitment to respecting human rights
- review our template supplier agreements, recruitment services agreements and labour hire agreements to identify the need for appropriate terms and conditions to manage modern slavery risks
- develop and implement a modern slavery due diligence process
- incorporate the consideration of modern slavery risks into our procurement and investment decision-making processes
- continue to engage with our suppliers and map our supply chain to better understand modern slavery risks
- negotiate the incorporation of modern slavery terms and conditions in existing supply arrangements when varied or renewed.

# 6

## How the effectiveness of actions are assessed

All Arrow departments have a role to play in ensuring compliance with modern slavery requirements, identifying and managing modern slavery risks, and reporting high or significant risks.

Our assessment of the effectiveness of actions taken to manage modern slavery risks will be undertaken in accordance with our Corporate Assurance Framework which encompasses activities to provide an informed and independent view of whether risk-based controls are in place and working as intended. The framework is based on a “Three lines of defence” model as illustrated below, with each line providing a higher level of independence and objectivity.



\*Adapted from the Institute of Internal Auditors Position Paper: The Three Lines of Defence in Effective Risk Management and Control (January 2013)

In addition, our Modern Slavery Working Group will continue to focus on our implementation of the requirements under the *Modern Slavery Act 2018* (Cth). Further, our policies and procedures are subject to regular reviews and we will continue to monitor any reported grievances.

# 7

## Process of consultation with owned or controlled entities

All of the companies in the Arrow Group operate under a common set of policies and procedures, and are managed by the same Chief Executive Officer and Leadership Team.

The Directors of all of the 57 Australian proprietary companies under Arrow Energy Holdings Pty Ltd are the same two people who also hold the positions of Chief Executive Officer and Chief Financial Officer of Arrow Energy.

Consultation on the contents of this Modern Slavery Statement involved engagement with:

- senior managers and the members of our cross-functional Modern Slavery Working Group
- our Business Assurance Committee, which is responsible for supporting the Chief Executive Officer and the Leadership Team's responsibilities in establishing and maintaining adequate systems of risk management and internal control under our Corporate Management Framework. Members of the Business Assurance Committee include the Chief Executive Officer and Leadership Team and, consequently, the Directors of all of the 57 companies under Arrow Energy Holdings Pty Ltd.



**Legal Disclaimer**

While Arrow Energy Pty Ltd has endeavoured to ensure that all information provided in this publication is accurate and up to date at the time of publication, it takes no responsibility for any error or omission relating to this information. Furthermore, the information provided shall not constitute financial product advice pursuant to the Australian Financial Services Licence held by Arrow Energy Pty Ltd's related body corporate. To the maximum extent permitted by law, Arrow Energy Pty Ltd will not be liable for any cost, loss or damage (whether caused by negligence or otherwise) suffered by you through your use of this publication. © Arrow Energy Pty Ltd May 2021

