

Idemitsu Australia Group – Joint Modern Slavery Statement

April 2022

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 Group (**IA Group**) sees the introduction of the Act as an opportunity to further enhance our contribution to sustainable development.

Since the Act took effect, the IA 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 IA Group. This is IA Group's second 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'¹ as guidance. This Statement sets out actions that IA Group has taken in the year ending 31 December 2021 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 Pty Ltd (**IA**) on behalf of the Reporting Entities within the IA Group, being:

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

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

IA 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.

¹ Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities.

3.0 Structure and operations

Corporate entities

IA is a mid-tier Australian mining company which has interests in three coal mining operations and a developing renewable energy business. IA's head office is in Brisbane, Australia. As noted above, IA 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 IA.

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

Mining Operations

Muswellbrook

IA 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

IA is 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 Boggabri Coal Pty Ltd, a company solely owned by IA.

Ensham

IA is 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 IA directly and through its subsidiary, Bligh Coal Ltd (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 IA 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 IA in Brisbane.

The sites each have a separate and local procurement function which work closely with the IA Group procurement team. The centralised management over site teams allows IA 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 1364 direct suppliers with an annual spend of \$681 million in 2021. The goods and services provided span 110 different categories with approximately 99% 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.² 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.³

² Walk Free Foundation (2018). *The Global Slavery Index 2018*.

³ 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 IA 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 IA 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 Standard, Managing Conduct Procedure, Risk Compliance and Assurance Policy and Whistleblowing Standard (among others). These apply across all Reporting Entities.

These policies and guidelines are underpinned by the IA 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 IA Group remain front of mind.

IA maintains an anonymous compliance hotline which is available to all staff and contractors of the IA 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 IA Group.

As a result of the recent modern slavery risk assessment, IA Group has made changes to its procurement guideline to better reflect modern slavery compliance. IA Group's goal is to give clear direction to its procurement and contracting personnel on the IA group position. IA 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 contract management standard. These set out the processes for tendering, engagement, approvals and management of contracts.



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

In 2019 IA 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 IA engaged a third-party subject matter specialist to review IA Group's modern slavery risk profile. The review identified several recommendations which have either already been implemented by IA or under further consideration. These recommendations are listed below.

Vendor Risk Assessment

A vendor risk assessment was completed in early 2021 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.

IA has used this assessment to identify a list of top priority vendors based on risk, usage and spend. IA engaged with these top priority vendors in 2021, attaining further information and feedback in relation to their assessment classification.

Risk Assessment Questionnaire

IA has approached 90 of our suppliers with the request to complete a Risk Assessment Questionnaire which will also be required for any new vendors engaged by IA. This questionnaire was 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. A final review of these further clarifications is currently underway, providing IA with a more detailed understanding of those suppliers' approach to modern slavery and identifying if there are risks present in IA's current supply chain.

The Risk Assessment Questionnaire will be reissued in 2022 to any suppliers who have become new suppliers or may have potentially transitioned to a high-risk category given the current global situation. IA will again review the responses and take appropriate action with regards to any suppliers who are assessed as being high risk with respect to their approach to modern slavery.

Policy and Artefact Review

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

Detailed Training Materials

In 2019 IA 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 was delivered in 2021 as well as further training for the broader IAR team, whose roles are directly related to the acquisition of goods and/or services.

2022 we will see IA deliver refresher training to existing staff and detailed training for those who are new employees to IA since 2019.

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 continued to engage with each of the Reporting Entities covered by this Statement and consulted with each of the entities we own or control. As part of this consultation and engagement we considered group and site wide processes for managing modern slavery risk in operations and supply chains, and where possible, identified opportunities to address requirements.

8.0 Conclusion and approval

The IA 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 2022.

This modern slavery statement was approved by:

- the Board of Directors of Idemitsu Australia 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 24 May 2022.

Signed for and on behalf of the Reporting Entities:



Fumitake Uyama

Director of each of the Reporting Entities

Director of Idemitsu Australia 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

