



2020 | Modern Slavery Statement

Delivering for a sustainable future

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Introduction

This statement, pursuant to the *Modern Slavery Act 2018* (Cth), reports on the risks of modern slavery in Aurizon's operations and supply chains, and actions taken to address those risks during the financial year ended 30 June 2020 (FY2020).

Aurizon commits to supporting and respecting the protection of internationally proclaimed human rights, as set out in the Universal Declaration of Human Rights and the Ten Principles of the United Nations Global Compact.

This closely aligns with the Aurizon Board's commitment to maintaining a high standard of corporate governance to promote responsible management and conduct within Aurizon. It is also supported by Aurizon's Values and Code of Conduct, and in particular, our firm commitments to safety, lawful and ethical conduct, respect for others, and to responsibly consider the community and environment in decision making and our operations.

Aurizon understands that modern slavery and human trafficking can occur in many forms. We are committed to operating responsibly and ensuring we have robust standards and processes to minimise and address modern slavery risks. We are committed to providing transparency on our slavery risks and how they are being addressed.

This is our first Modern Slavery Statement (MSS), which addresses our obligations contained in the *Modern Slavery Act 2018* (Cth).

The purpose of our statement is to:

- Describe the risk of modern slavery in Aurizon's operations and supply chains.
- Explain actions taken to address those risks in FY2020.
- Introduce our continuous improvement framework, against which the effectiveness of our actions will be assessed, and outline our future commitments.

Our business

Headquartered in Queensland, and with operations traversing Australia, this statement applies to Aurizon Holdings Limited ACN 146 335 622.

Aurizon is Australia's largest rail-based transport business and an ASX50 company. Our purpose is to grow regional Australia by delivering bulk commodities to the world. Each year, we transport more than 250 million tonnes of Australian commodities, connecting miners, primary producers, and industry with international and domestic markets.

Our success and future value are linked to the key demand drivers of the Australian resources sector in global markets and the ongoing strength of the Australian economy.

As shown in figure 1, our operations primarily span Queensland, New South Wales and Western Australia. We have more than 4,900 employees across our operations, with more than 80% living and working in regional Australia, and approximately 18% or 1,000 people contributing to our external contractor workforce.

We are committed to our values of Safety, People, Integrity, Customer and Excellence. Central to this is our commitment to comply with laws and maintain the highest ethical standards throughout all of our business conduct. This includes strict compliance with Australia's *Criminal Code Act 1995* (Cth)

(Criminal Code), Australia's state and territory legislation and international anti-corruption and anti-bribery standards.

Our corporate support functions, such as Inbound Supply and Procurement and Human Resources teams, support the Aurizon Group of Companies. Our key operational areas are broken into three business units: Coal, Bulk and Network.

Coal

Our Coal business provides a critical service to Australia's \$55 billion export¹ coal industry, the nation's second largest source of export revenue in FY2020. Through this business, we employ more than 1,800 people, with a large majority of these employees living and working in regional communities in Queensland and New South Wales.

As a supply chain partner for our customers, we transported 214 million tonnes of metallurgical and thermal coal in FY2020 from Queensland and New South Wales, bound for global markets and domestic customers. We haul around half of Australia's export coal volume. Approximately 10% of the coal we haul is for domestic use, contributing to Australia's energy generation.

Bulk

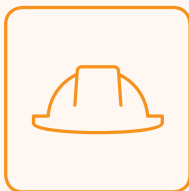
Our Bulk business includes haulage of a range of bulk commodities, such as iron ore, bauxite, alumina, base metals, grain and livestock. During FY2020, our Bulk business delivered 48 million tonnes of commodities. The business also provides supply chain services to customers, including ballast cleaning, hook-and-pull, and handling and stevedoring services.

In Queensland, we service the North West Minerals Province from Mount Isa to the Port of Townsville, as well as the central and south-west regions of the state. The acquisition of Townsville Bulk Storage and Handling (renamed Aurizon Port Services) during FY2020 has expanded our supply chain capability in North Queensland.

To support Western Australia's strong export industry, we deliver our customers' products to the ports of Geraldton, Esperance, Fremantle, Kwinana, Bunbury and Albany.

Our values

Safety



We know safe, we choose safe.

People



We seek diverse perspectives.

Integrity



We have the courage to do the right thing.

Customer



We strive to be the first choice for customers.

Excellence



We set and achieve ambitious goals.

¹ Australian Bureau of Statistics 2020, (customised report).

Network

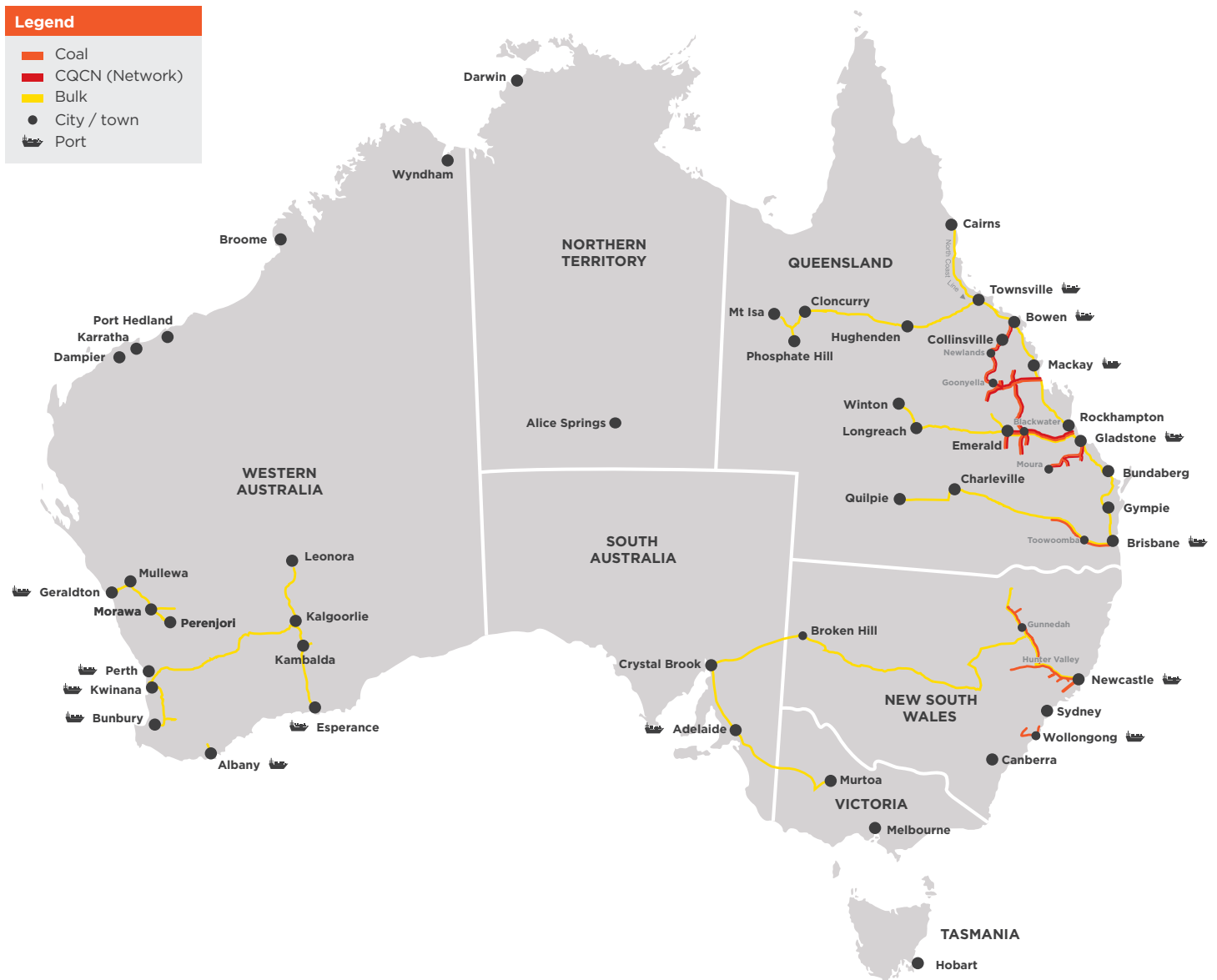
We operate and manage the Central Queensland Coal Network (CQCN) under a 99-year lease arrangement with the Queensland Government. The CQCN connects over 40 mines to five export terminals, as well as to domestic customers.

The CQCN is a critical part of the supply chain for Queensland's coal industry and delivers around half of all global seaborne metallurgical coal. This 2,670-kilometre multi-user track network comprises four major coal systems: Newlands, Goonyella, Blackwater, and Moura. The Goonyella Abbot Point Expansion (GAPE) is the connecting system link for the Newlands and Goonyella systems.

Delivering for our local communities

We are passionate about helping to make a difference in the local communities across the areas where we operate. Our Community Giving Fund enables us to support a range of local initiatives by providing them with grants to deliver projects, which in turn make our local communities better places to live in. Since 2011, we have funded over 400 initiatives and are proud to continue to support organisations and projects across our communities.

Figure 1 - Aurizon's operations



Our governance approach

The Board of Directors has adopted a corporate governance framework designed to promote responsible management and conduct of Aurizon.

Our corporate governance framework is compliant with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. We are committed to maintaining a high standard of corporate governance.

Effective corporate governance is critical to the long-term and sustainable success of Aurizon and links to overall value creation. Good governance is ensured through key charters and policies currently adopted by Aurizon that underpin our management of modern slavery risk, including the Aurizon Code of Conduct, Corporate Responsibility Statement, Human Rights Policy, Diversity Policy, Anti-Bribery and Anti-Corruption Policy, and the Whistleblower Policy and hotline. These documents outline what we expect of our directors, employees, contractors and suppliers. More information on Aurizon's governance and related documents can be found in the Governance section of our website, aurizon.com.au.

Our procurement governance framework, refreshed this year, provides us with a common framework to support procurement within Aurizon. These standards and procedures outline a consistent approach to procurement activities, help us to minimise associated risks, including the risk of modern slavery, and ensure clear lines of accountability across stakeholders.

Responsibility for modern slavery and human rights in Aurizon sits across our Human Resources and Procurement teams, with Board oversight.

In FY2020, we:

1. Strengthened our supplier engagement process by creating and implementing a Supplier Code of Conduct. This document sets our expectations of our suppliers across five key principles: safety, labour and human rights, business integrity, communities, and environment. Within the 'Labour and Human Rights' principle, there are six clauses (2.1 – 2.6) that address what we expect of our suppliers in relation to modern slavery. At a minimum, all suppliers to Aurizon will agree to our Supplier Code of Conduct when onboarded to our systems. Suppliers who are onboarded as a result of a formal sourcing process will also be assessed against these five key principles. The Supplier Code of Conduct is available on our website, referenced in our Purchase Order Terms, and throughout our standard contracting suite of documents.
2. Delivered modern slavery training to our Procurement and Human Resources teams as well as to key Aurizon procurement stakeholders. The purpose of this training was to increase awareness on modern slavery, our response and responsibilities under the *Modern Slavery Act (2018)*.
3. Commenced a project to review and update our procurement contracting suite of documents, which included addressing the risk of modern slavery.

Our Purchase Order Terms and Conditions, together with our standard contracting terms and conditions, require suppliers to meet their relevant legislative obligations in the relevant jurisdiction and comply with our Supplier Code of Conduct.

² Supply Nation is an organisation that works to connect verified Indigenous businesses with paid corporate, government and not-for-profit members in every state and territory in Australia. Available: <https://supplynation.org.au/>

Our supplier network

Aurizon recognises that our suppliers play a pivotal role in creating value sustainably for our customers, shareholders, employees and the communities in which we operate.

We are committed to working with our suppliers to eradicate modern slavery in Aurizon's supply chain.

Aurizon spends \$1.3 billion annually (FY2020) on goods and services (excluding government payments, access charges etc.) to support our operations. Of this, 96% is spent within Australia, and 4% in other continents, such as Asia and Europe. To adequately support our business operations, we have 2,059 suppliers and more than 868 contracts that we draw from. In addition, our suppliers often have many suppliers of their own, who then also rely on suppliers.

Our Inbound Supply and Procurement team, with approximately 45 people across three locations, manage a number of our supplier relationships that cover our largest categories of spend, such as fuel 18%, locomotive 12%, electricity 8%, and construction and maintenance services 8%. Collectively, these categories account for just under half of our annual spend. The Procurement team are also responsible for all sourcing activities above \$1 million annual spend, or anything that is deemed high risk, according to our risk analysis. Our risk analysis considers multiple factors, such as procurement and supply chain risks, sustainability risks and modern slavery risk.

As a part of our commitment within our Reconciliation Action Plan, we have committed to increase our procurement spend year-on-year (from a nominated baseline of approximately \$2 million) with Aboriginal and Torres Strait Islander-owned businesses in order to improve economic outcomes for those organisations and Indigenous Australians. We achieved this in FY2020 with an overall spend of \$5.38 million, an increase of \$1.29 million from FY2019. Maintaining a membership with Supply Nation², which provides us with access to Australia's leading database of verified Indigenous businesses, is key to allowing us to achieve this commitment.

Potential risks in our supply chain

In January 2020, Aurizon undertook our first review of potential modern slavery risk in our supply chains.

Guided by the United Nations Guiding Principles of 'cause, contribute and directly linked', we adopted a supplier risk-based segmentation approach to prioritise our medium- and high-risk suppliers. Suppliers were classified as medium- or high-risk based on sector and industry risk, product and service and/or geographic risk, as described in the *Commonwealth Modern Slavery Act 2018* guidance document³.

Our risk-based segmentation tool enabled us to review our suppliers on factors such as geographic location, sector, industry, type of goods/services, and governance structure. For the purpose of this statement, we focused on suppliers with spend of greater than \$50,000 per annum.

From the more than 880 suppliers segmented using this approach, about 141 suppliers were identified to be of risk. These suppliers were issued Self-Assessment Questionnaires to enable us to further understand the potential risks of modern slavery in their operations and supply chain.

³ Department of Home Affairs *Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities*. Available: <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

Unfortunately, not long after the survey was issued, the COVID-19 pandemic occurred. As a result, the response rate to the questionnaire was lower than desired, with only 58 suppliers responding. Of these responses, however, 15 of our suppliers appear to have immature procurement and supply chain governance processes, and are themselves, or have suppliers that are, currently operating in one or more high-risk locations across the world. Some have operations in countries that have been flagged as Tier 3 and Tier 4 countries in the *Trafficking in Persons Report*⁴. The questionnaire also revealed that some of our suppliers do in fact use seasonal or contract workers, low-skilled foreign or domestic workers, and some do not have adequate checks in place to ensure they are free from child labour.

Based on the analysis and process conducted to date, we have identified a number of key categories where there is potential for us to cause, contribute or be directly linked to modern slavery in our supply chain. These categories include uniforms and protective equipment, cleaning, shipping and overseas parts suppliers. Due to the nature of these categories and, in some instances, the raw materials required, there is a risk of human trafficking, child labour and/or slavery.

Although there is a chance that we unintentionally contribute to modern slavery while seeking to secure a lower price during negotiations with our suppliers, the risk is low. Our procurement process ensures that for all annual spend of greater than \$500,000, a weighted evaluation criterion is used, and that price is only one of several criteria for decision making. Other criteria may include business integrity, technical capability, and health and safety performance and standards.

In FY2021, we will endeavour to implement modern slavery software that will automate our supplier risk segmentation process, facilitate the issuing of Self-Assessment Questionnaires (SAQs) and monitor all of our suppliers in the media. We will then amalgamate the results from our FY2020

analysis with those that are conducted through the software in FY2021. Given the size and complexity of our supplier base, we plan on engaging our suppliers in waves, with wave 1 being the highest risk suppliers. At a minimum, we will:

1. Identify which suppliers will receive the new SAQ as part of wave 1
2. Issue and review the results of wave 1 SAQs
3. Engage with those suppliers who have been highlighted as a potential risk, and ascertain the actual modern slavery-related risk
4. If there is a genuine risk, we will work with the suppliers to develop a remediation plan. If the supplier is unwilling to change in order to mitigate risk or any actual impacts/findings, or best endeavours to mitigate the risks fail, then Aurizon will seek alternative suppliers, if possible.

Due diligence and remediation

While we expect it will take some time for all suppliers to understand and operate within our new Supplier Code of Conduct, we do expect that they monitor their own and their suppliers' compliance to the Code. We also require them to notify Aurizon in a timely manner if they become aware of any likely or actual breaches of the Code.

To monitor ongoing compliance we will continue to use our risk-based segmenting tool to determine the approach to take with each supplier. The level of potential risk will determine the approach and methods, such as questionnaires, audits, supplier relationship meetings, and reports.

Aurizon will review all Self-Assessment Questionnaires and other relevant material, and review the findings with our suppliers. We are committed to working with the relevant suppliers to close the gaps that may have been identified. It is our expectation that corrective actions with timeframes are agreed and documented in a remediation plan. Focus for FY2020 was on identifying potential risk, rather than developing a remediation process and addressing the risk.

During FY2021 we will develop guidelines to complement the modern slavery software that we endeavour to implement. It is anticipated that the guidelines will cover due diligence, supplier engagement plans, incident reporting and remediation processes. The introduction of the software and suite of guidelines will support our procurement professionals as they assess modern slavery risk in a consistent and structured manner.

FY2020 Supplier Network

2,059
suppliers

868
commercial contracts

\$1.31bn
in spend annually

96%
of spend is in
Australian businesses

4 Department of State USA, Trafficking in Persons Report (20th Edition). Available: <https://www.state.gov/wp-content/uploads/2020/06/2020-TIP-Report-Complete-062420-FINAL.pdf>

Our operations

Consultation sessions with our Human Resources and Legal teams revealed a low risk of causing, contributing or being directly linked to instances of modern slavery in our operations where activities are directly undertaken by Aurizon employees. This is not only because our operations are located in Australia (according to the 2018 Global Slavery Index⁵, Australia has a low prevalence of modern slavery) but also because these activities are regulated by our internal human resource policies and processes.

Because our people are our greatest asset, we strive to create a workplace that is safe, inclusive and supportive, and where people feel valued. We rely on a highly diverse workforce and employ a broad range of skill sets, ranging from engineers and train drivers through to accountants and graduates.

Our employees are engaged through enterprise bargaining agreements, individual flexibility arrangements or common law contracts that, at a minimum, comply with all local laws and set out employment conditions such as wage rates, hours of work, and leave entitlements.

We also use temporary labour as required to support the demands of our business. Our Labour Hire panel of suppliers have been through a rigorous sourcing process, conducted by our Inbound Supply and Procurement team, they are required to comply with our Supplier Code of Conduct and maintain a current Australian Labour Hire Licence. These suppliers were included in our supplier assessment and will be included in further supplier analysis conducted next year. While we have less direct visibility and control over these workers, we believe that our supplier

assessment and review process assist in lowering the risk of being directly linked to modern slavery instances in our operations.

Fundamental to creating an inclusive culture where employees live our values and are treated equitably is the sponsorship of targeted initiatives that support and embed a diverse workforce. To foster this environment, we focus on several areas, including:

- Reviewing our policies, guidelines and controls to ensure we provide frameworks where a culture of inclusion is achievable, and experienced by everyone, every day.
- Ensuring our talent acquisition processes are fair, transparent, and open to everyone to apply, regardless of gender, ethnicity or ability.
- Establishing a Gender Balance Reference Group to champion initiatives associated with the attraction, engagement and retention of females and with a focus on reducing the gender pay gap.
- In line with our Reconciliation Action Plan (RAP) and working across 44 Traditional Owner Groups, we have a strong investment in our Indigenous employee group. We continue to see an increase in our Aboriginal and Torres Strait

Islander representation through targeted recruitment initiatives and supporting their ongoing development through programs such as the Indigenous Future Leaders Program. These efforts are balanced by educating our employees around cultural awareness through online learning.

We are also mindful that leadership capability is fundamental to creating an inclusive culture underpinned by safety and performance values, which is supported through key leadership programs targeted at leaders of all levels of the organisation.

For this statement, we focused on Aurizon Holdings (Aurizon) and nine material subsidiaries⁶ because they either purchase goods and/or services or employ people, and were seen to be of higher risk than the remaining entities under Aurizon (Appendix A). Efforts to identify risk during this reporting period were also primarily focused on identifying supply chain risks as this is where we understood to be greater exposure, following internal consultation. We recognise that this is a journey, and commit to conducting a formal assessment of Aurizon's operations and all remaining entities in subsequent years.

Grievance mechanisms

We are committed to providing opportunity for employees, contractors and the general community to be able to raise grievances in relation to upholding and respecting human rights, as well as specific information on modern slavery issues.

Aurizon maintains a Whistleblower Hotline for employees, contractors and the general community to anonymously report suspected or actual illegal activity, breaches of company policy, potential fraud or misconduct, even if it doesn't meet the strict criteria for protection under the *Corporations Act 2001* (Cth).

Aurizon's philosophy is 'If you see something that's wrong, make the right call and speak up'. Contact the Aurizon Whistleblower Hotline on 1800 144 774.



⁵ 2018 Global Slavery Index, *Modern Slavery: A hidden, every day problem*. Available: <https://www.globalslaveryindex.org/>

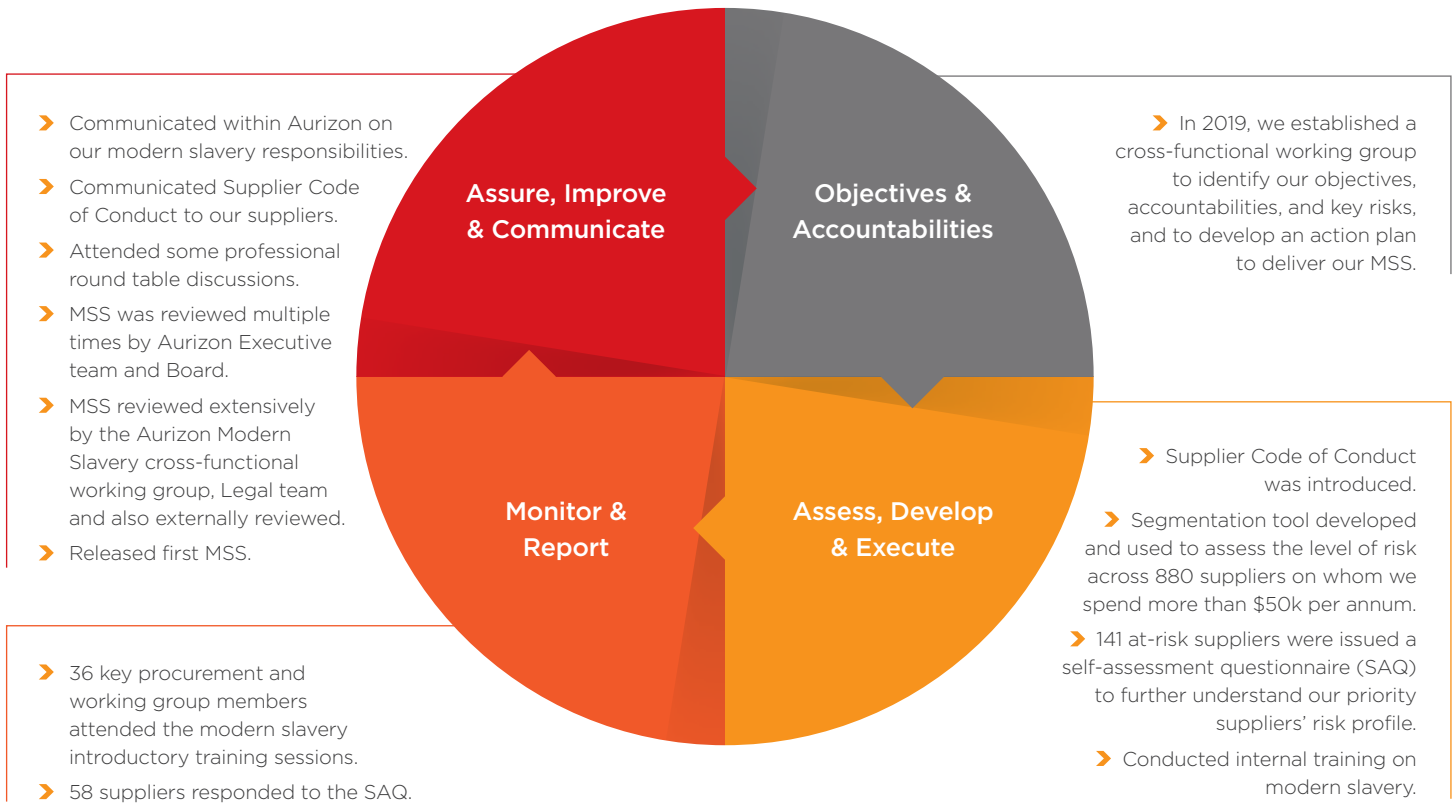
⁶ Aurizon Operations Limited (ACN 124 649 967), Aurizon Network Pty Ltd (ACN 132 181 116), Aurizon Port Services (ACN 140 741 608), Australia Eastern Railroad Pty Ltd (ACN 118 274 776), Australia Western Railroad Pty Ltd (ACN 094 792 275), Australian Rail Pty Ltd (ACN 118 274 481), Australian Railroad Group Employment Pty Ltd (ACN 087 891 601), Interrail Australia Pty Ltd (ACN 087 619 010).

Continuous Improvement Framework

We have developed a Continuous Improvement Framework to ensure we have a robust and sustainable approach to addressing the risks of modern slavery in our business and into the future. Our key actions for financial year 2020 are articulated below. (see figure 2)

Within our Continuous Improvement Framework, our focus to date has been largely on articulating the Objectives & Accountabilities and to Assess, Develop & Execute. There has been some initial work to Monitor & Report, and to Assure, Improve & Communicate.

Figure 2 - Continuous Improvement Framework



In FY2020, effectiveness was assessed through Board oversight and discussions, and engaging with our Legal team, cross-functional working group and various business units for feedback on our draft statement and approach. We recognise there is more for us to do to develop mechanisms to assess the effectiveness of our actions, and will prioritise this in FY2021.

We also currently have a number of internal processes to ensure that modern slavery doesn't exist within our workforce, and to promote equity and fairness across the organisation. For Employee Relations, we have processes to track employee performance and industrial-related disputes. From an employee remuneration perspective, industrial instruments (Enterprise Agreements) and remuneration frameworks are aligned with market rates. Additionally, better-off-overall tests are conducted annually to ensure employees remain appropriately remunerated.

In FY2021, we will commence the development of an assurance program that will include assessing the effectiveness of our performance against our modern slavery risk management process. The metrics will cover operational and supply chain aspects, such as:

- Mandatory employee compliance training, covering topics such as Aurizon Code of Conduct, Environmental Awareness, Cyber Security, Bullying and Harassment Awareness, Cultural Awareness, and Health and Safety.
- Employee safety performance.
- Number of whistleblower alerts.
- Number of suppliers with open remediation plans in place.

We value feedback from a range of sources in order to improve our process year upon year. As such, please email our Procurement team (procurement@aurizon.com.au) with any suggestions, ideas or contributions.

Planning ahead

Aurizon has committed to the following priorities for financial year 2021.

Assess, Develop and Execute

- Implement Modern Slavery-focused software tools/product to support the assessment and monitoring of all of our suppliers.
- Revise supplier risk segmentation with the support of the software tool, focusing on identifying our higher risk suppliers based on supplier industry, product/service and country of origin characteristics.
- Issue Self-Assessment Questionnaires to our highest risk suppliers and, based on risk profiles, work on remediation plans, where necessary. Unsatisfactory responses or failure to respond will automatically result in the supplier being flagged as high risk.
- Develop and implement a suite of guidelines to complement the software. It is anticipated that the guidelines will cover due diligence, supplier engagement plans, incident reporting and remediation processes.

Monitor and Report

- Periodically review and monitor suppliers with the support of the selected software, including constant media monitoring.

Assure, Improve and Communicate

- Implement the Continuous Improvement Framework assurance process.
- Work with selected suppliers to raise awareness and understanding of modern slavery risks.

This statement is made pursuant to the *Modern Slavery Act 2018* (Cth), and constitutes the slavery statement of Aurizon Holdings for the year ended 30 June 2020. Policies are consistent across the group, risk identification is centralised, and the company secretary, legal and the working group provided guidance and input into the statement for the entire group.

This statement has been approved by the Aurizon Board of Directors on 15 September 2020.



Andrew Harding

Managing Director and Chief Executive Officer

September 2020

