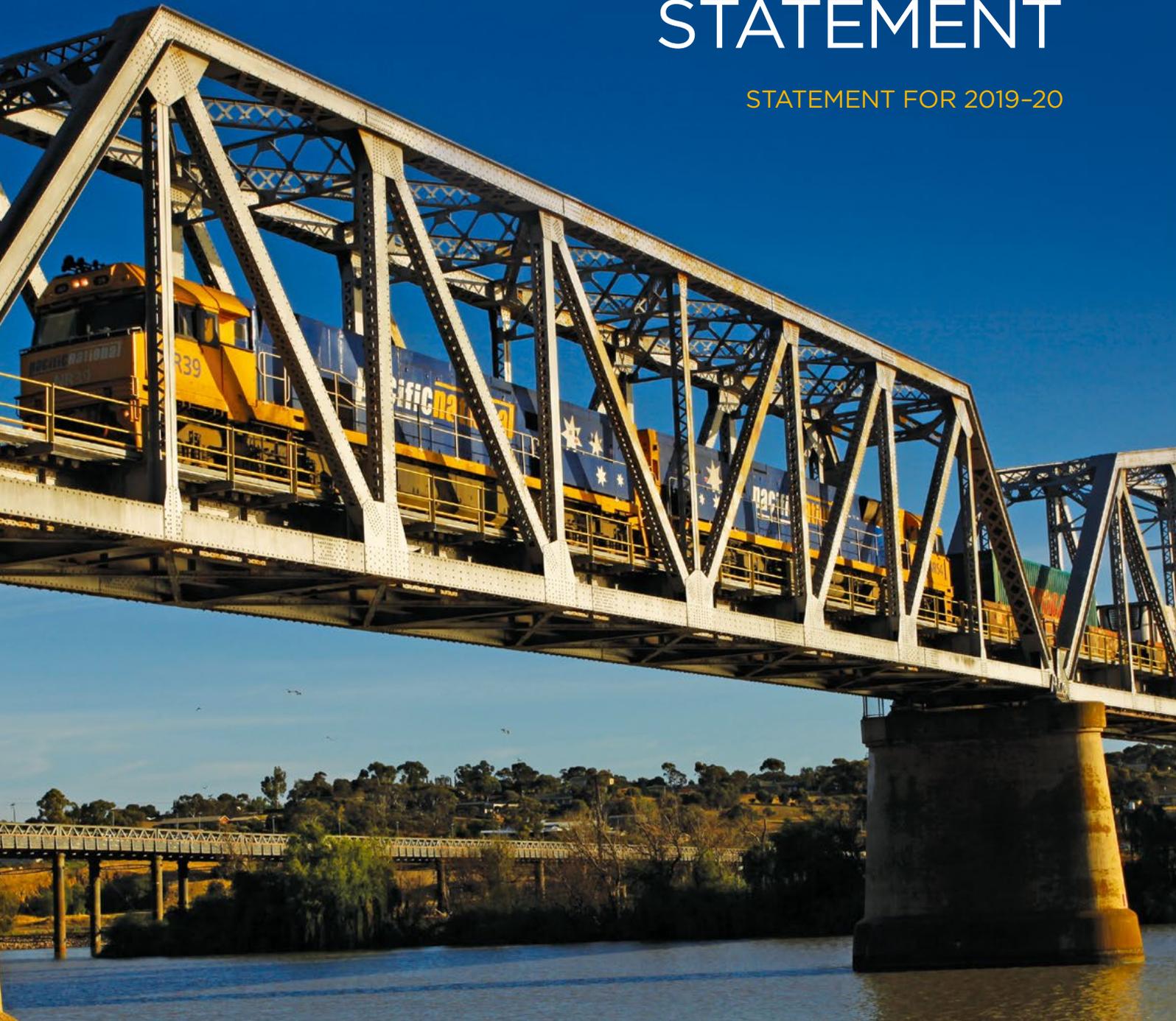


MODERN SLAVERY STATEMENT

STATEMENT FOR 2019-20





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ABOUT THIS STATEMENT

Pacific National is pleased to deliver its first Modern Slavery Statement (**Statement**). This Statement is made under the Modern Slavery Act 2018 (Commonwealth) for the reporting period 1 July 2019 to 30 June 2020 (**FY2020**) and is guided by the Department of Home Affairs “*Commonwealth Modern Slavery Act 2018 – Guidance for Reporting Entities*”.

Reporting entities

This Statement is made by Australian Logistics Acquisition Holdings Pty Ltd (ABN 28 611 628 909) and numerous subsidiary entities¹. These entities are collectively referred to as **Pacific National** throughout this Statement, and this is a joint statement made for those entities.

Consultation with entities

Pacific National operates as an integrated group – such that all policies and procedures are the same across all entities in the group structure. A central Board, Executive leadership team and the Modern Slavery Working Group provide strategic guidance, governance and risk management for all entities owned or controlled by Australian Logistics Acquisition Holdings Pty Ltd. This joint Statement has been prepared in consultation with, and has been approved by, the governing body of the reporting entities.

1. Australian Logistics Acquisition Holdings Pty Ltd (ABN 28 611 628 909) – the ultimate holding company – and Australian Logistics Acquisition Investments Pty Ltd (ABN 85 611 628 712), Pacific National Holdings Pty Ltd (ABN 26 123 652 862), Pacific National Holdings (Rail) Pty Ltd (ABN 34 123 684 051), Pacific National Rail Holdings Pty Ltd (ABN 72 098 059 137), Pacific National Pty Ltd (ABN 39 098 060 550), Pacific National Services Pty Ltd (ABN 48 052 134 362), Pacific National (Queensland Coal HoldCo) Pty Ltd (ABN 51 130 556 151), Pacific National (Queensland Coal) Pty Ltd (ABN 63 129 529 648), Pacific National (NSW) Pty Ltd (ABN 83 099 150 688) and ACN 106978 330 Pty Ltd, each being subsidiaries of the ultimate holding company.

MESSAGE FROM THE CEO

Human rights, and more specifically, the reduction of modern slavery practices globally, matter to us at Pacific National – from our employees on the front line, to our Board.

On behalf of Pacific National, I am pleased to present our first Modern Slavery Statement, aimed at addressing the reporting criteria outlined in the *Modern Slavery Act 2018* (Commonwealth). We have also taken this opportunity to highlight our current efforts in this area, and our focus going forward to build a meaningful response to modern slavery risks faced by our business.

While our risk of direct exposure to modern slavery concerns is considered to be low, our supply chain and operations are complex. As such, similar to many other Australian businesses, we are continually at risk of indirect exposure to modern slavery concerns.

Over time, we expect our risk-based approach will allow us to effectively manage and minimise those concerns in our operations and supply chains. In support of these expectations, we have implemented a three-year modern slavery action plan enshrining our commitment to reduce modern slavery risks and drive accountability.

We are committed to continuously improving our approach to combat modern slavery in our operations and supply chain and will continue to be accountable for our practices.

As a leading rail freight operator in Australia and voice in the industry promoting the benefits of rail, we take our responsibility regarding modern slavery issues seriously and understand the influence Pacific national can have, not only on our operations and supply chains, but also on the rail industry as a whole.

Dean Dalla Valle
Chief Executive Officer



February 2021



OUR ORGANISATION

As Australia's largest privately owned rail freight operator, Pacific National operates 24 hours a day, seven days a week, 365 days a year.

On behalf of our customers, we handle millions of tonnes of raw resources, retail goods, manufacturing products, and construction materials that keep Australia's economy, businesses, and households on track.

We believe our vision - *to be Australia's recognised leader for safe, innovative and sustainable rail freight solutions* - together with our values, are fundamental to our commitment to responsible, transparent business practices.

Our values at Pacific National underpin everything we do - how we work, how we interact with each other and the standards we set for how others work with us.

Our approach to modern slavery is consistent with our core values of *safety* and *integrity*, ensuring that the way we do business acknowledges the protection of the human rights of all people.





OUR CUSTOMERS

 **>340** customers

 **>710** weekly services

OUR TRANSPORTED PRODUCTS

INTERMODAL: 16,763 TEU*

*TEU - twenty foot equivalent unit

COAL: 2.67M tonnes

BULK AND OTHER FREIGHT:

485,000 tonnes

OUR VALUES



Safety



Team Work



Integrity



Accountability

OUR GOVERNANCE APPROACH

Modern slavery is often a hidden issue that erodes the protection of fundamental human rights and the freedom, dignity and equality of human beings. The preservation of human rights important to Pacific National, but it is also important to our stakeholders.

Pacific National's commitment to transparent business practices is led by our Board of Directors and executive leadership team, and modern slavery risks are today considered within our broader governance framework.

Board of Directors

Pacific National's Board is responsible for providing strategic guidance, governance and effective oversight of management and the performance of our business. Pacific National's Board Charter details the guiding principles of our Board of Directors and their role in overseeing operations including our modern slavery strategy and action plan.

The Board has approved this Statement.

Executive leadership

Pacific National's Chief Executive Officer, together with the executive management team, formulate and implement our strategy, as well as attend to the day-to-day management and performance of freight operations.

Effective day-to-day governance at Pacific National is managed through various policies including our Code of Conduct, Supplier Code of Conduct, Whistleblower, Compliance, Conflicts of Interest, Fraud and Corruption, and various Human Resources policies. These documents are the foundational policies and standards governing our broader approach to conducting business and providing a framework for our commitment to addressing modern slavery.

The executive management team has endorsed this Statement.

Modern Slavery Working Group

Pacific National has established a cross-functional Modern Slavery Working Group to focus on the day-to-day implementation of our modern slavery strategy and our three-year modern slavery action plan. The Working Group is consultative and makes recommendations to the Executive leadership team on the conduct of Pacific National's modern slavery strategy. The group is comprised of members from across the Commercial, Corporate Affairs, Customer, Human Resources, Legal, Compliance and Corporate Governance, Procurement, and Risk and Audit teams.

The Working Group has endorsed this Statement.



OUR OPERATIONS AND SUPPLY CHAINS

At Pacific National we acknowledge the prevalence of modern slavery, and the risk that modern slavery may be present in our operations and supply chains. It is estimated there are approximately 40 million victims of modern slavery around the world, with 16 million being exploited in the private economy².

Pacific National recognises the importance of confronting modern slavery throughout the full commercial ecosystem in which it operates. As a major transport provider, and end user of goods and services, we are undertaking work to assess risks within our own supply chains. We appreciate that we are also part of our customers' supply chains and hence we understand the need to demonstrate action against modern slavery risks to our own customers.

Our operations

Pacific National is an Australian-based organisation with operations and customers in all mainland states and territories.

Pacific National is a leading provider of rail freight haulage in Australia, transporting a wide variety of products that support the broader

Australian economy. These end-user products are utilised in both domestic and export markets, and include construction and building materials, agricultural products, dry and refrigerated goods, household items, waste, minerals and more.

Pacific National's intermodal rail freight operation specialises in moving containerised freight between key urban centres. We are also a leading transporter of grain and agricultural products, regional exports and bulk goods. Pacific National also transports both metallurgical and thermal coal from 'pit to port' for export, connecting regional mines throughout Queensland and New South Wales with domestic and global markets.

We have approximately 3,300 employees³ across our operations, which are located within Australia⁴. Our employment arrangements comply with Australian laws, as well as Pacific National's internal Human Resources policies and procedures.

While the risk of modern slavery practices occurring in our direct operations is low, however, as discussed on pages 14 and 15, we have taken some proactive steps to consider and address this risk.

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

3 As at 9 February 2021, including full-time and part-time employees

4 Australia is considered to have a relatively low prevalence of modern slavery according to the 2018 Global Slavery Index, Modern Slavery: A hidden, every day problem available at: <https://www.globalslaveryindex.org/>

Our supply chains

Pacific National's business relies on a large and geographically dispersed set of supply chains. As at 30 June 2020, Pacific National had engaged with more than 1,800 direct or "Tier 1" suppliers. Our direct suppliers have suppliers of their own, creating many layers of complexity within each supply chain.

During FY2020, Pacific National spent more than \$1.5 billion with our Tier 1 suppliers. While the vast majority of this spend was directed to suppliers located in Australia, the broader pool of our Tier 1 suppliers were located around the globe in locations including Asia, Europe and the United States.

Our suppliers play a vital role in creating value within Pacific National's business. We choose our partners carefully and are guided by our internal procurement policies and procedures (irrespective of the value of the goods or services being provided). Pacific National's procurement team comprised of 11 employees are tasked with assisting in supplier selection. Relationships with strategic suppliers are also maintained by our procurement team, who can then provide expertise and insights into each potential and existing supplier.

Given the size, complexity and geographic distribution of our supplier base, Pacific National believes the area of greatest potential modern slavery risk for our organisation is of our supply chains.

In this context, Pacific National has decided to take a risk-based approach to tackling modern slavery in our supply chains. We are focusing our initial efforts on those areas we consider to be of higher risk of modern slavery practices.

As part of this approach, Pacific National conducted an in-depth risk review of its top 50 suppliers. The data analysed totalled approximately \$1.35 billion of spending across 35 categories. This review showed of the total spend:

- Rail access, together with energy, fuel and lubricants for operations account for nearly 70%;
- Rollingstock, including locomotives, and maintenance services, account for 17%;
- Infrastructure, site operations and business services categories made up 12%; and
- 22 of the top suppliers made up 80% of Pacific National's total procurement.



NATIONAL VIEW



~580 active locos



~11,800 active wagons



>3,000 FTE staff headcount

ANNUAL HAULAGE

INTERMODAL:

872,000 TEU*

*TEU - twenty foot equivalent unit

COAL:

138.8M tonnes

BULK AND OTHER FREIGHT:

25.2M tonnes



— Intermodal — Bulk — Coal — Port



RISKS OF MODERN SLAVERY

In FY2020, we conducted a gap analysis workshop led by external consultants, in addition to a deep dive into our top 50 Tier 1 suppliers. This process illustrated the risk of direct instances of modern slavery in Pacific National's Australian operations is lower than the risk in our global supply chains.

In our operations

Despite the low risk Pacific National may be connected with modern slavery practices via its direct operations, we have taken actions during FY2020 to consider and further reduce this risk.

Our gap analysis identified certain aspects of Pacific National's operations that could potentially lead to an increased risk matters relating to modern slavery have not been identified.

These areas included:

- The awareness among senior management of modern slavery risks has meant relevant issues may not have been previously identified by relevant personnel.
- Prior to FY2020, Pacific National did not maintained a structured program or specific modern slavery strategy.

As discussed further on pages 14 and 15, Pacific National has taken several steps to address these gaps.

In our supply chains

With a complex and multi-tiered supply chain which includes products and services procured locally and globally, the potential risk of modern slavery in Pacific National's supply chain is higher than in its Australian based operations.

Based on the information gathered to date by Pacific National, our Tier 2 and Tier 3 suppliers are predominantly located in areas where the prevalence of modern slavery is higher. This increases the risk that Pacific National may be indirectly associated with modern slavery practices in these geographical locations.

As part of our broader gap analysis, Pacific National has used a risk taxonomy which considers the categories of goods and services purchased and the countries from which they are ultimately obtained. Under this taxonomy, 38% of total procurement spend falls into the 'high-risk' category and 19% of total spend in the 'medium-risk' category. This categorisation is influenced by Pacific National's exposure to Tier 2 and 3 suppliers who participate further down the supply chain. The following spending categories are of particular note:



- **Fuel supply** presents a relatively high potential risk to Pacific National of an indirection association with modern slavery practices, given the category and geographical markers associated with this produce in the lower levels of the supply chain
- **Uniforms, protective equipment, maintenance, cleaning and logistics** (particularly where low skilled or migrant labour is used) has also been identified as areas of concern for Pacific National. These types of products and services are typically recognised as ‘high-risk’ areas, and the supply chains for these goods and services are also likely to have associated geographical risks.

With a view to minimising the risk of modern slavery practices throughout Pacific National’s broader supply chains, we also identified the following areas for potential improvement in relation to Pacific National’s organisational systems and processes:

- Historically, Pacific National’s supplier contracts have not included any specific modern slavery provisions. This has meant Pacific National has often had limited recourse to request relevant information or require actions to be taken by suppliers to enable us to understand our supply chains and gain a more mature understanding of modern slavery risks.

- A targeted system to monitor human rights and modern slavery risk within the supply chain and implement corrective actions had not been previously employed by Pacific National. As a result, the ability of Pacific National’s existing systems to be effective in reducing or eliminating risks within our supply chains has been limited.
- There has typically been limited understanding and minimal analysis of the modern slavery risks present in Pacific National’s supply chains. This gives rise to a risk that Pacific National may have been linked to modern slavery but that we were not aware of the full extent of this risk.
- Temporary labour hire engaged (directly or indirectly) by Pacific National presents a higher relative risk of association with modern slavery. While Pacific National’s contracts with large labour hire organisations typically specify rates of pay, working conditions, and work health and safety requirements in accordance with Australian law, associated policies and position descriptions did not include explicit reference to modern slavery risks. Pacific National recognises that modern slavery risks may exist “layers down” in subcontracting arrangements and these arrangements are numerous, dispersed, and can therefore be opaque and difficult to monitor.

We are confident the controls and actions put in place by Pacific National through FY2020, and into the future, will reduce the risks identified (discussed further on pages 14 and 15).



ACTIONS TAKEN

Our approach to human rights, including modern slavery, involves embedding our values of *safety* and *integrity* into our business. Taking appropriate actions to tackle modern slavery is fundamental to the ongoing success of our sustainable operations at Pacific National.

Addressing modern slavery will take time. As such, Pacific National has developed a three-year modern slavery action plan to ensure we are taking steps to reduce our potential contribution to modern slavery in a realistic and achievable way. In line with the United Nations Guiding Principles on Business and Human Rights (UNGPs), Pacific National is prioritising those areas where the potential impacts and harm to people are most severe. In this context, many of the actions undertaken during FY2020 involved education and due diligence on those elements of Pacific National's operations and supply chains where the perceived risk is highest. Our key areas of focus for the upcoming FY2021 year are outlined on pages 16 and 17.

We expect our employees, contractors, and suppliers share our approach to human rights and modern slavery and assist us to make a real impact to reduce modern slavery. We are committed to providing mechanisms for all our stakeholders to raise concerns, and to enable early detection and resolution of potential risks. These forums include the Pacific National third-party Whistleblower Hotline, along with surveys of employees, customers, and suppliers (anonymous and otherwise) about our performance and modern slavery risks.

We also acknowledge fostering long-term relationships and building trust with our suppliers is a crucial component of tackling modern slavery. Pacific National's ability to influence another party that is at risk of causing or contributing to harm is critical to effecting lasting change.





To this end, in FY2020 Pacific National took several steps towards the delivery of our three-year modern slavery action plan by:

- Engaged external consultants to conduct a gap analysis to identify the potential risks of modern slavery within Pacific National's operations and supply chains and undertaking an in-depth analysis of Pacific National's top 50 Tier 1 suppliers.
- Developed a Supplier Code of Conduct which clearly sets out Pacific National's expectations of its suppliers – explicitly addressing human rights and modern slavery standards. The Supplier Code of Conduct was distributed to all suppliers within Pacific National's supply chains.
- Updated Pacific National's Code of Conduct to more effectively communicate with employees and contractors regarding Pacific National's expectations and values insofar as they relate to modern slavery and human rights. Renewed training on the Code of Conduct was provided to all Pacific National employees.
- Established a cross-functional Modern Slavery Working Group to oversee and implement our three-year modern slavery action plan and monitor the implementation of actions across the organisation.
- Undertook Board and Executive Leadership training on modern slavery risks and legislative requirements under the Modern Slavery Act 2018 (Cth).
- Updated Pacific National's contracting and document review process to include clauses on modern slavery, compliance with applicable laws, information gathering rights, audit rights, site visits and compliance with Pacific National's Supplier Code of Conduct.

Importantly, in FY2020 no actual instances of modern slavery were identified within our operations or supply chains. While this is a positive outcome, it does mean Pacific National has not yet tested any remediation procedures. In FY2021, potential remediation processes will be considered in more depth.

Through the implementation of our three-year modern slavery action plan, detailing the areas of focus outlined on page 16 and 17, and our ongoing review process for future years, Pacific National is building a robust foundation for sustainable action on modern slavery, today and into the future.

Impact of COVID-19

During FY2020 the progress of some activities in our action plan were hindered by the COVID-19 pandemic, particularly those associated with supply arrangements outside Australia. The onset of the pandemic required an immediate shift in focus to the ongoing safety and potential exposure of our employees and contractors. Pacific National has manoeuvred through the issues that arose because of the pandemic and we have continued to deliver on our business strategy and vision. We expect this to continue to be the case into the next year – enabling a renewed focus on modern slavery as an integral part of delivering on our vision and culture at Pacific National.

EFFECTIVENESS OF ACTIONS

At this early stage, measuring the effectiveness of Pacific National's actions is challenging. In FY2020, the quality and extent of our progress has been overseen and evaluated by a combination of the Modern Slavery Working Group, the executive leadership team and the Board.

During the next stages of our action plan, our Modern Slavery Working Group will consider the most appropriate means and resources required to assess and improve the effectiveness of Pacific National's overall impact on the reduction of modern slavery.

This will include consideration of actions taken by market leaders, and engagement of external consultants to assist Pacific National in achieving best practice into the future. Progress will be monitored through Modern Slavery reporting incorporated into the Board Audit and Risk Committee reports in FY2021.

OUR FOCUS FOR THE FUTURE

This year we developed and began to implement our three-year modern slavery action plan. We gathered information and attained a greater understanding of the risks of modern slavery within our operations and supply chain. In future years we will continue to focus on identifying and assessing these risks. We will also increase our focus on tracking Pacific National's performance in this important area.

Our focus for FY2021 will include:

- Developing, **implementing, and improving our business practices**, controls, policies and procedures, including updating our Enterprise Risk Management Program and Audit Program. Pacific National will:
 - Undertake a gap analysis of existing policies and procedures and incorporating modern slavery considerations; and
 - Develop a detailed remediation plan if an instance of modern slavery is discovered in Pacific National's operations or supply chain.

- Continue ongoing **education and communication** with our internal stakeholders by way of targeted employee training and induction programs and enhanced modern slavery awareness publications.
- Continue ongoing **engagement with external stakeholders** by publication of a Human Rights Statement, and a Supplier Information Pack for new and existing suppliers detailing Pacific National's approach to modern slavery.
- Establish a **supplier monitoring program** including:
 - Review modern slavery questionnaires, and risk assessment for high risk suppliers;
 - Identify and document high risk beyond the initial review of top the 50; and
 - Incorporate more detailed measures to manage modern slavery risks in outsourcing and labour hire contracts.

- Improve **remediation processes** including documentation and incorporation into our processes and procedures, including crisis management plans, grievance procedures, and advocacy positions to influence changes in behaviour and affect an impact in engagement in remediation processes.

At Pacific National, we acknowledge the need for further action on this fundamental human rights issue. We are committed to continuously improving our engagements with all people beyond mere compliance – such that we hope our influence leads to a significant reduction in the abuse of vulnerable human beings.

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