

Modern Slavery Statement 2021



Message from the Chair

Arrow Energy's vision is to be the most competitive and respected developer of unconventional gas value chains in Australia. To support the achievement of this, we are committed to acting with honesty and integrity and demonstrating our core values of Respect, Lead, Own, Solve and Integrate.

I am pleased to present the joint Modern Slavery Statement for Arrow Energy Holdings Pty Ltd (ACN 141 385 293), Arrow Energy Pty Ltd (ACN 078 521 936) and Arrow Surat Pty Ltd (ACN 108 112 330) (together, the "Reporting Entities"). This is in support of and demonstrates our commitment to treating all people, inside and outside Arrow Energy, with dignity and respect.

Arrow Energy 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 Indigenous peoples and communities.

In 2021, our focus has been on improving our processes and procedures and reviewing our contractual controls to better manage modern slavery risks.

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

Liu Youchao

Chair

Date:

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The reporting entities and corporate structure

The Reporting Entities have prepared this joint Modern Slavery Statement for the 2021 calendar year (Reporting Period) in accordance with the requirements of the *Modern Slavery Act 2018* (Cth).

Arrow Energy Holdings Pty Ltd was incorporated as part of a 50:50 joint venture between its shareholders which are two of the world's largest oil and gas companies, Shell and PetroChina (a subsidiary of China National Petroleum Corporation).

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 Surat Pty Ltd. Where in the Statement we refer to "we", "us" or "our" it is a reference to the Arrow Group.

All of the 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, and are collectively referred to as "Arrow Energy".

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Operations of the reporting entities

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

We have more than 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 uses 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 the Bowen Basin since 2004 and from the Surat Basin since 2006.

On 17 April 2020, Arrow Energy Holdings Pty Ltd approved the start of the first phase of the Surat Gas Project in southern Queensland.

The full project (all phases) is planned to bring to market the majority 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. First gas was produced 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 which 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. The joint venture is operated by AGL and 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, for which we are a participant in and operator of a 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.

Electricity generation

In addition to producing CSG, we generate and supply electricity to the 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 for the purpose of generating 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 Surat Pty Ltd earned revenue from the sale of electricity generated from the Braemar 2 Power Station and from associated electricity derivative contracts.



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Supply chains of the reporting entities

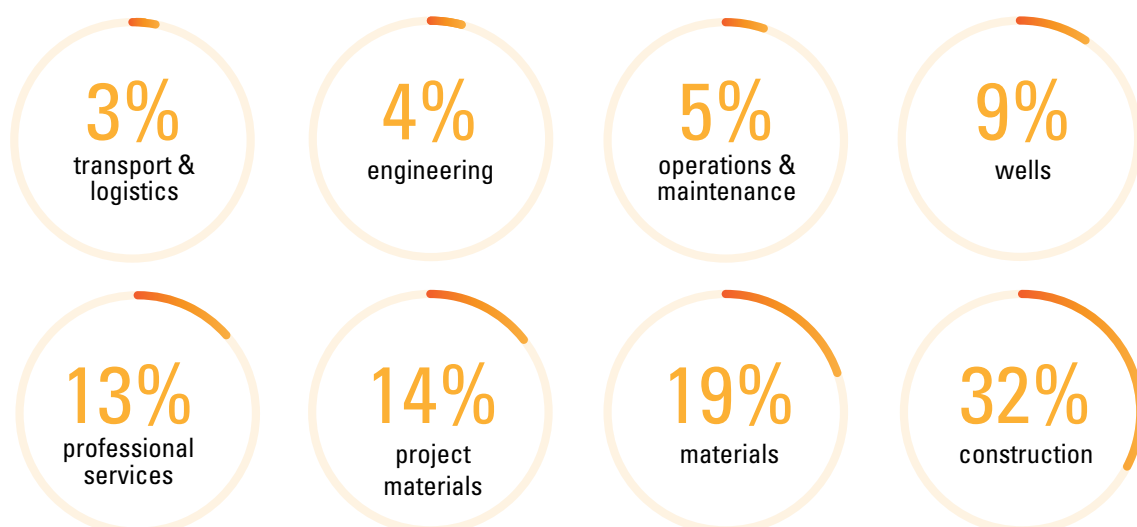
Goods and services

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.

The following graph shows the proportion of our suppliers that sit within each of the above goods and services categories.

Percentage of suppliers according to contract categories



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

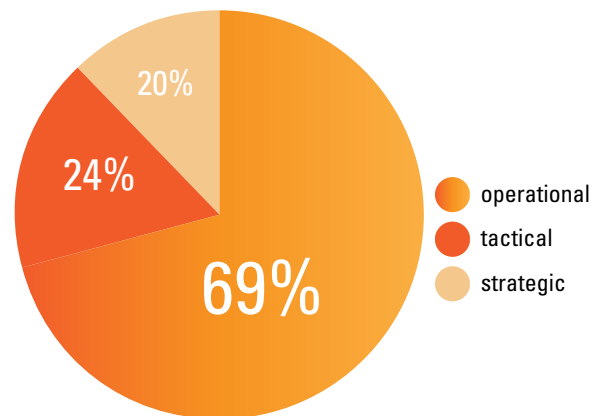
In 2021, we segmented our contracts for goods and services according to the following categories:

- **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.

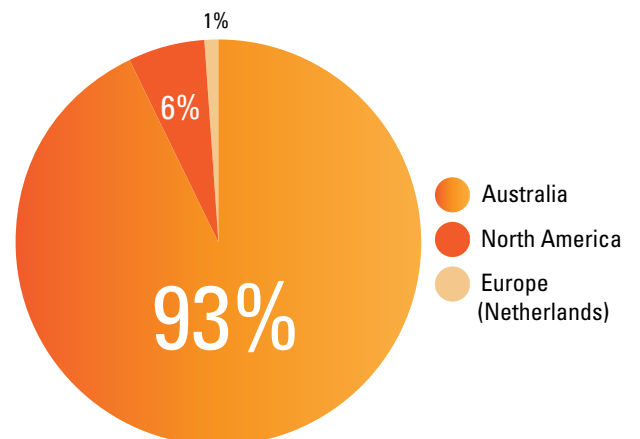
From 2022 onwards, our contracts for goods and services will be segmented into two categories, Strategic and Operational, having regard to the overall risk associated with a contract. This change will give us greater flexibility for the ongoing administration of our supplier contracts and will better assist us to focus on the risks associated with supplier contracts.

During the reporting period, we contracted directly with 136 suppliers of high value spend, 20 per cent of which fell within the strategic contracts category and 24 per cent of which fell within the tactical contracts category. Of the 136 suppliers, 93 per cent were companies located in Australia, with the remainder being companies located in the United States, Canada and The Netherlands.

2021 percentage supplier spend across supplier contract categories



Tier 1 supplier locations



Our high engagement of Australian companies is supported by our commitment to local content and local spend. We are committed to ensuring that local and regionally based suppliers have full, fair and reasonable opportunity to be engaged in our supply chain, either directly or indirectly. During the reporting period we achieved 93 per cent of all expenditure in Australia. This demonstrates our commitment to Australian industry and, in turn, reduces our overall reliance on overseas supply chains.

In 2021, a part of our ICT support services was provided from India and some materials for a number of our gas wells were supplied from China.

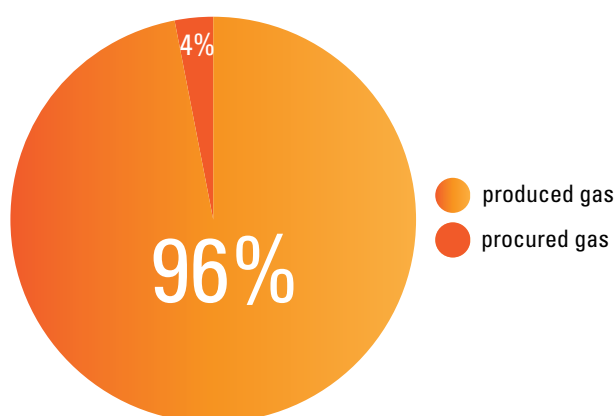
Gas

We are primarily an upstream producer of CSG but also procure gas from the domestic market to balance our portfolio and manage our gas supply obligations, and procure gas transportation services. All of the 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 gas¹ 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 we supplied during the Reporting Period that was procured from third parties.



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

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Risks of modern slavery practices in our operations and supply chains

From our ongoing review of modern slavery risks in our operations and supply chains, we did not identify any factors that gave rise to a change in our risk profile in these areas for 2021 as compared to our risk profile in 2020.

Operational risks

We consider that the risk of modern slavery occurring within our operations is low, as we operate in Queensland, 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 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 indicates that we have the highest potential for exposure to modern slavery 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 used on 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 and 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. In order to better understand the less visible modern slavery risks in our supply chain, we issue modern slavery questionnaires (MSQ) to our suppliers. We have issued MSQs to 136 suppliers that have provided us with goods and/or services under contractual arrangements of high value spend during the Reporting Period. This process has helped us to better understand the potential risk of modern slavery in our supply chain.

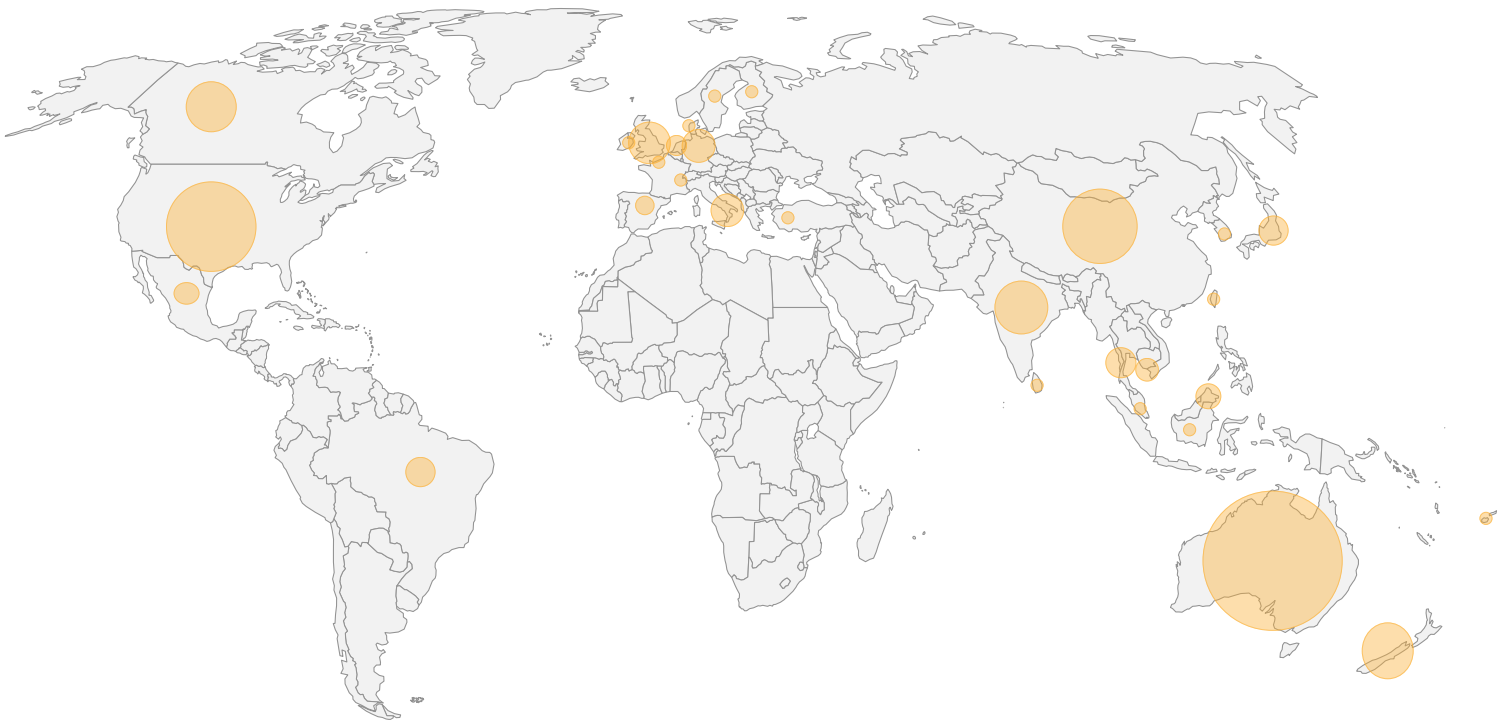
In undertaking the MSQ process, we adopted a pragmatic risk-based approach in line with the United Nations Guiding Principles on Business and Human Rights. The MSQ is an online questionnaire sent to our suppliers via a third-party SAP cloud-based platform. The MSQ was designed with five key risk areas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

- jurisdiction/country of origin risk
- industry/product risk
- use 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 from 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.

To date 98 suppliers have completed the MSQ. The average modern slavery risk rating, based on these suppliers is 5 out of 10, resulting in an overall moderate risk rating. In terms of the remaining 38 suppliers yet to complete the MSQ, we have conducted a desktop modern slavery compliance review and identified that these suppliers have a published modern slavery statement with respect to how they manage modern slavery risks. We will continue to encourage these suppliers to complete the MSQ.

Overall, 47 suppliers received a moderate risk rating, primarily due to their industry risk profile. However, their higher sector risk is mitigated by these suppliers having controls, codes and policies in place and a published modern slavery statement.

While no modern slavery has been identified through the MSQ process, we have identified a number of suppliers for supply chain mapping. We are committed to working with our suppliers to promptly address issues so as to prevent and remedy any actual impacts.

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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:

- provided modern slavery awareness training to staff
- reviewed our Code of Conduct and relevant policies and procedures having regard to our commitment to respecting human rights and managing modern slavery risks
- reviewed our template supplier agreements and recruitment services agreements to identify the need for appropriate terms and conditions to manage modern slavery risks
- developed and implemented a modern slavery due diligence process
- incorporated the consideration of modern slavery risks into our procurement and investment decision-making processes
- started the process of incorporating modern slavery terms and conditions in existing supply arrangements when varied or renewed.

Going forward we will:

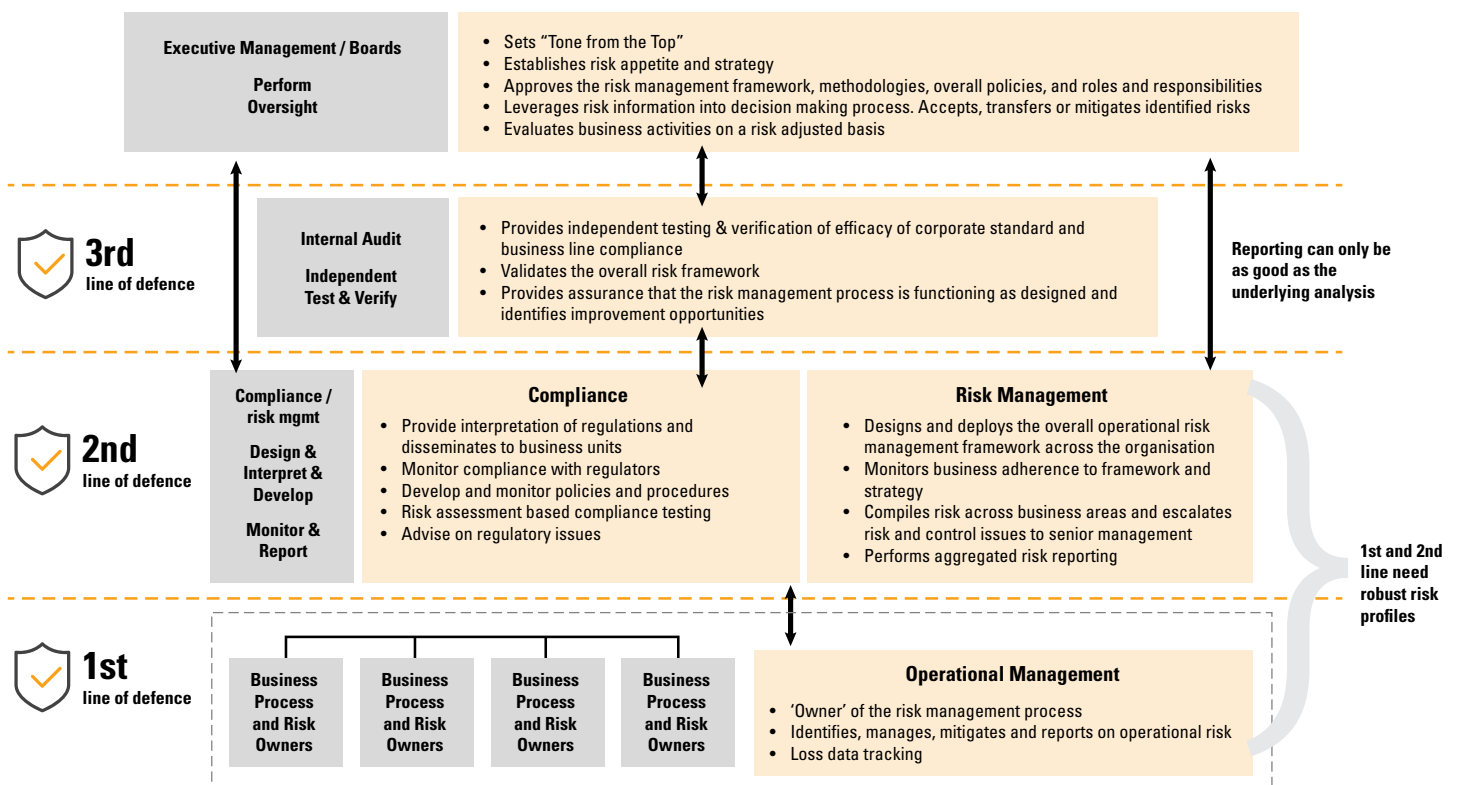
- conduct a deep dive into our suppliers' modern slavery questionnaire responses and further engage with suppliers as necessary
- as part of the development of our modern slavery supplier assurance framework:
 - (a) look at supply chain mapping
 - (b) look at expanding the supplier cohort for the completion of modern slavery questionnaires
- continue to negotiate the incorporation of modern slavery terms and conditions in existing supply arrangements when varied or renewed and include such terms and conditions in new supply arrangements
- conduct targeted modern slavery training.

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How the effectiveness of actions are assessed

All of our 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. The framework provides an informed and independent view of whether risk-based controls are in place and working as intended. It 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.

As part of our 2021 integrated assurance plan, a ‘Contracting, Procurement and Contract Management’ internal audit was undertaken. Part of the audit scope included assessing the effectiveness of the identification and management of regulatory compliance obligations, including modern slavery legislation. There were no reported adverse findings related to this scope item.

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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's 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.



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