



MODERN SLAVERY STATEMENT

For the 12-month period
ended 30 June 2022



**BASE
RESOURCES**

Important Notices

This statement is made by Base Resources Limited (ACN 125 546 910) (**Base Resources** or the **Company**), a public company incorporated under Australia's *Corporations Act 2001* (Cth) and listed on the Australian Securities Exchange and the London Stock Exchange's AIM.

Base Resources is a "reporting entity" under the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**) and this statement has been issued by the Company in accordance with section 13 of that Act. Base Resources controls several entities. None of these entities qualify as a "reporting entity" under the Modern Slavery Act.

This statement covers the period from 1 July 2021 to 30 June 2022 (**FY22** or **reporting period**). Unless the context requires otherwise, this statement is made in respect of Base Resources and each of the entities it controls (together, the **Group**), including its two operating subsidiaries, Base Titanium Limited (a Kenya incorporated entity) and Base Toliara SARL (a Madagascar incorporated company). Accordingly, references to "we", "our" and "us" are to the Company's Group as a whole. For further details about Base Resources' controlled entities, refer to Base Resources' 2022 Annual Report, accessible at baseresources.com.au/investors/reports/

Statement of compliance with the Modern Slavery Act

Principal Governing Body Approval

This statement was approved by the Board of Base Resources, being the Company's "principal governing body" as that term is defined in the Modern Slavery Act: see page 18.

Signature of Responsible Member

This statement is signed by Michael Stirzaker, Non-Executive Chair, who is a "responsible member" of the Company, as that term is defined in the Modern Slavery Act: see page 18.

Mandatory Criteria

This statement addresses each of the mandatory criteria in section 16 of the Modern Slavery Act, as specified in the table below.

Mandatory Criteria	Section(s)	Page reference
Identify the reporting entity	Important Notices, This Statement, 1	i, 1, 2
Describe the reporting entity's structure, operations and supply chains.	1-4	2-6
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	6	8-9
Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	7-8	10-16
Describe how the reporting entity assesses the effectiveness of these actions.	9	17
Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	10	18
Any other information that the reporting entity, or the entity giving the statement, considers relevant.	N/A	N/A

This statement

This statement is Base Resources' third modern slavery statement and reports on our actions to identify, assess and address the risks of modern slavery in our operations and supply chains during FY22.

Put simply, modern slavery is an abuse of human rights, and is an umbrella term used to describe various situations where victims are exploited and their personal freedoms are seriously undermined or deprived, such as slavery, servitude, forced or compulsory labour and human trafficking.

FY22 was a notable period for our modern slavery response. As is evident from our modern slavery statements for the financial years ended 30 June 2020 (**FY20**) and 30 June 2021 (**FY21**), prior to FY22 our focus was predominately on developing, embedding and integrating across our organisation a fulsome governance framework for modern slavery, particularly for managing the modern slavery risk in our supply chains.

Leveraging this prior work, for FY22 we focused on applying that governance framework through extensive engagement on modern slavery with our suppliers, both new and existing. We also carried out substantial awareness raising and capacity building activities for our suppliers, as well as our host communities.

We are proud of our modern slavery response to date.

However, we know that we are only at the early stages of our journey so far as our supply chains are concerned. While there is growing focus on this issue globally and by governments and the private sector, our supplier and stakeholder engagements to date have shown that there continue to be generally low levels of awareness about and understanding of modern slavery in our host nations. This often translates to a general lack of controls to mitigate modern slavery risks in the supply chains for businesses in these countries and, in some instances, a reluctance to engage with us on the issue.

Our role in the global effort to tackle modern slavery is not to simply stop dealing with such businesses where we encounter them. Instead, our role is to work with these businesses to enhance their knowledge and understanding and assist them with development of policies and controls, proportionate to their size, resources and risks.

FY22 HIGHLIGHTS

Engagement with our suppliers

- ▶ Applied our Modern Slavery Risk Assessment Procedure to 72 **new** suppliers.
- ▶ Applied our Modern Slavery Risk Assessment Procedure to 21 **existing** suppliers (accounting for approximately 25% of our spend during FY22).
- ▶ Supplier online training module developed – completed by 49 personnel from a total of 32 of our suppliers.
- ▶ Two full-day in person training events held for our suppliers – attended by 34 personnel from a total of 22 of our suppliers.

Other highlights

- ▶ Employee online training completed by a further 11 employees. 61 employees and consultants have now completed the training.
- ▶ Updated and refreshed our modern slavery supplier due diligence questionnaire to be more clearly directed at understanding a supplier's policies and controls to ensure employees' pay and working conditions comply with applicable law.

1. Who we are

About us

We are a Perth head-quartered, African focused, mineral sands producer, developer and explorer with a track record of project delivery, strong and consistent operational performance and excellence in safety, community engagement and environmental stewardship.

We operate the established mineral sands mining operation in Kwale, Kenya (**Kwale Operations**) which produces a suite of mineral sands products, namely ilmenite, rutile and zircon. We are also developing the Toliara Project in Madagascar and carrying out exploration in Tanzania.

We have a clear understanding of, and commitment to, our purpose to contribute to solving the problems of people and planet. We do so profitably, without profiting from causing problems.

Our approach to sustainability is anchored with this purpose, with the following foundational philosophies that place sustainability at the centre of our business:

- We demonstrate that sustainable mining can be a reality, where essential resource extraction is undertaken generating requisite shareholder returns, whilst improving environmental, social and economic outcomes.
- We minimise environmental disturbance, restore land we do disturb and seek opportunities for enhancement to ultimately leave a physical environment that is richer for our presence.
- We facilitate meaningful and lasting improvement in the lives of those in the communities in which we operate.
- As we seek to identify issues and opportunities to be addressed, and develop and implement solutions, we know we do better when we listen respectfully to those with different perspectives, act in partnership with others, and consider the full lifecycle of mining.

- We recognise that trade-offs between impacts – social and environmental, local and global – will naturally exist, may be challenging to reconcile but need to be navigated to produce the best collective outcome.
- We explicitly design all aspects of our business to deliver on this core organisational purpose.

We are guided by **The Base Way** – a set of beliefs and principles that permeate every aspect of our business and our culture. The Base Way is grounded in our belief in the potential of our people, the power of the team, the value of resources and absolute integrity.

Everyone who works for us is empowered to act with absolute integrity, to uphold respect for human rights and to value resources, and maximise their potential as individuals and as a team. The Base Way is also extended to our expectations of our contractors, suppliers and partners.

Our audacious goal is to be the pre-eminent African-focused mining company with a portfolio of exceptional operations and opportunities, fully valued by our stakeholders, by 2031. Among other things, this means:

- We will be the first thought of company when considering truly successful resource development in Africa.
- Governments and communities will invite us in, and employees will seek us out.
- Our opportunities will emerge from clever exploration, acquisition and collaboration, providing an optioned pathway to sustained performance.



Exploring
for minerals



Designing
projects



Developing
the operation



Extracting
the minerals



Transitioning to a
life beyond mining

Designing to minimise harm and maximise benefit

Respect for human rights in everything we do

2. Our mining operations and activities

KWALE OPERATIONS

Kenya
Operational asset
producing rutile,
ilmenite and zircon

TANZANIA

Exploration program

TOLIARA PROJECT

Madagascar
Mineral sands project
progressing towards
development

BASE RESOURCES

Perth
Company headquarters

Kwale Operations

Our Kwale Operations are located 50 kilometres south of Mombasa and are operated by our Kenyan incorporated subsidiary, Base Titanium Limited (**Base Titanium**).

Our Kwale Operation is Kenya's largest mineral sands mine and is recognised as a flagship project under the Kenya Vision 2030 development blueprint.

Production at Kwale Operations commenced in late 2013 on the Central Dune orebody before transitioning to the South Dune orebody in July 2019.

We are actively seeking to extend the life of Kwale Operations through both near mine exploration activities and exploration activities further afield in Kenya.

Ore mined at Kwale Operations is processed to recover ilmenite, rutile and zircon. Our mineral sands products are sold pursuant to multi-sale offtake agreements or single sale contracts to customers across North America, Europe and Asia, as well as some customers located domestically. Kwale Operations' products are either shipped in bulk from our dedicated Likoni export facility in Mombasa, Kenya or in containers from the Mombasa Port.

Ilmenite and rutile are different grades of titanium dioxide minerals and can be used to produce pigments for paint, paper, plastics, textiles and inks. Titanium dioxide pigment is prized for its opacity, brightness and whiteness and its ability to absorb and reflect ultraviolet radiation. It is also non-toxic and inert to most chemical reagents.

High grade titanium dioxide minerals (which include rutile) can also be used to produce titanium metal, which is corrosion resistant and has the highest strength to weight ratio of any metal. Titanium metal is used across the aerospace and defence industries as well as in medical devices, sporting equipment and jewellery. High grade titanium dioxide minerals are also used in the flux in welding consumables such as welding rods and flux-core wire which is extensively used in ship building.

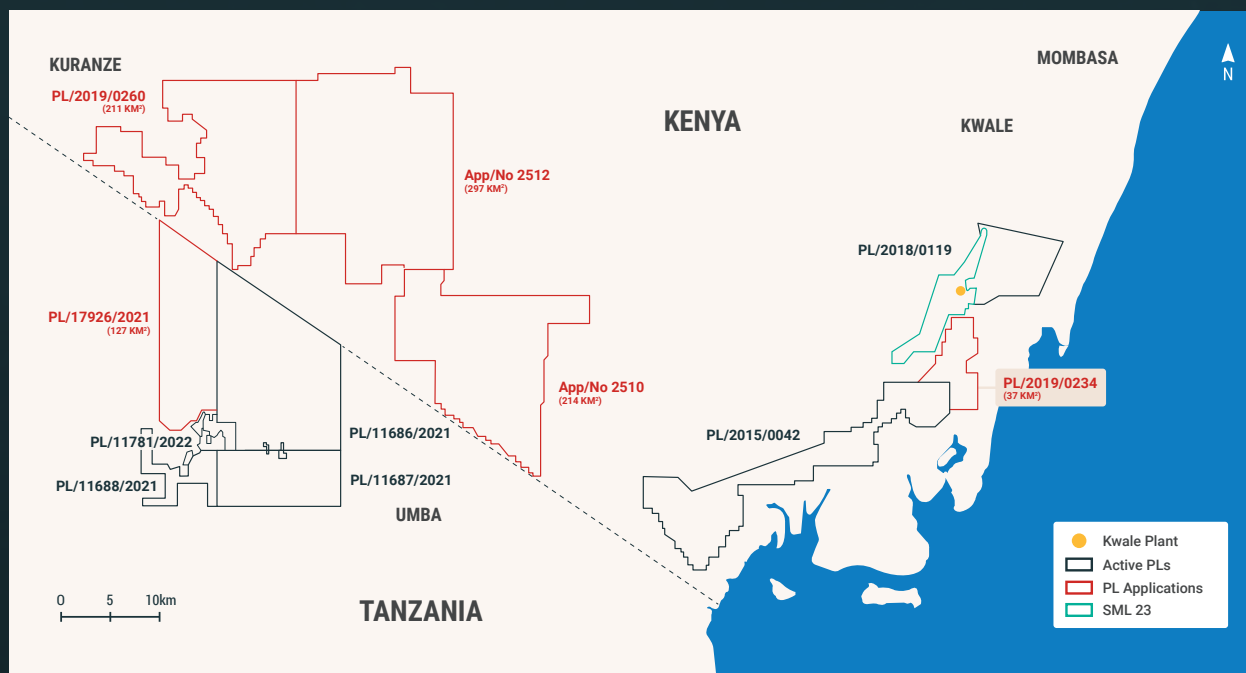
Zircon has a range of end-uses, including in the production of ceramics, which accounts for more than 50% of global zircon consumption. Milled zircon enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in their products. Zircon's unique properties include heat and wear resistance, stability, opacity, hardness and strength, making it sought after for other applications such as refractories, foundries and specialty chemicals.

Toliara Project and other mining activities

We are currently progressing our Toliara Project, which is 100% owned by our Malagasy subsidiary, Base Toliara SARL (**Base Toliara**), towards development. Located approximately 45 kilometres north of the regional town of Toliara in southwest Madagascar, the Toliara Project is founded on the Ranobe deposit and we consider it to be one of the best undeveloped mineral sands opportunities in the world.

Activities on the Toliara Project during FY22 were constrained given the stage of the project's development.

We have four prospecting licences in Tanzania, with a fifth application pending. In FY22, our exploration in Tanzania included soil samples, test pits and rock chip sampling, with a more extensive drill program commencing after the conclusion of the reporting period.



Key figures for the reporting period

REVENUE

279.1

US\$ MILLION

EBITDA

158.7

US\$ MILLION

PRODUCT PRODUCED

~425

THOUSAND TONNES

INVESTMENT IN COMMUNITY & ENVIRONMENT PROGRAMS

5.1

US\$ MILLION

NUMBER OF EMPLOYEES BY COUNTRY

888

KENYA

29

MADAGASCAR

25

AUSTRALIA

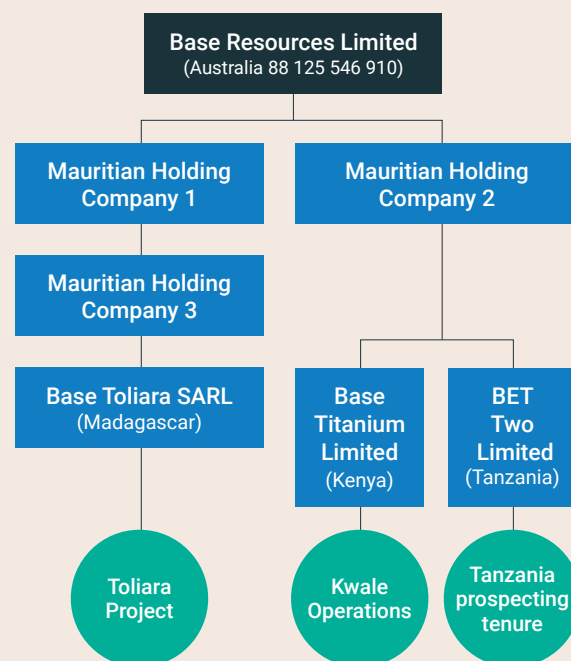
3. Our structure and employees

To the right is an extract of our corporate structure showing the chain of ownership to our operating subsidiaries, Base Titanium and Base Toliara, and BET Two Limited, our Tanzanian incorporated subsidiary which holds our Tanzanian prospecting tenure. Base Resources' other subsidiaries, some of which are shown below, are either dormant or intermediate holding companies.

As at 30 June 2022, we had 942 employees across the Group, with the majority of our employees working at our Kwale Operations.

Our recruitment is guided by our "fencing" system, which was established in consultation with governments and local communities and is designed to maximise benefits for people in the immediate area of our operations. The system gives preference in training and employment to people originating in the immediate locality of our operations, with progressively lower priority given to those living further afield. As at 30 June 2022, 98.5% of our employees in Kenya, and 100% of our employees in Madagascar, were host-country nationals.

Our training and skills development programs include on-the-job training for permanent employees, as well as tailored programs for graduates, interns, apprentices and high school students.



4. Other sustainability activities

In addition to sustainability-related activities focusing on our people, such as the recruitment practices described above, we also have sustainability activities focused on our host communities and the environment, many of which are also designed to create permanent positive change.

Our community programs are developed through close collaboration with committees and communities across Kenya and Madagascar and have been developed based around the key pillar of livelihood improvement, with programs focusing on:

- Agriculture
- Community Health
- Education
- Community Infrastructure

During the reporting period, we worked with three Community Development Agreement Committees, each representing a different community affected by Kwale Operations, to oversee delivery of a combined US\$2.5 million of development projects, including water infrastructure, educational buildings and sanitary facilities. In addition, we progressed our own community programs including awarding over 670 scholarships to secondary and tertiary students, construction of community infrastructure, such as water towers and classrooms and provision of hygiene stations to manage the spread of COVID-19.

In addition to our rehabilitation activities at Kwale Operations, which progressed substantially during FY22, we have implemented several programs to help improve local biodiversity, and promote conservation and sustainability, including the rare and endangered flora propagation research program.

For further information about our sustainability performance for FY22, refer to our FY22 Sustainability Report, accessible at baseresources.com.au/who-we-are/corporate-governance/.

Key pillars



5. Our supply chains

We utilise a wide range of products and services. As a mining company, the main products and services we use are:

- mining and general industrial equipment, parts and consumables;
- flocculant, fuel and electricity;
- personal protective equipment (PPE) and clothing;
- product transport (shipping and road) and logistics services;
- engineering and construction services;
- security, camp and other site-related services;
- exploration and mining-related services;
- information technology services; and
- finance, insurance and other professional services.

While our suppliers are located across the globe, where appropriate, we prioritise local suppliers to further support the economies where we operate. At Kwale Operations, we do this by applying a similar fencing system to what we apply for our workforce, with preference given to suppliers within the Kwale and Mombasa counties and then the rest of Kenya, ahead of international suppliers. This system has proven effective, and we have established extensive relationships with a diverse range of local and national Kenyan suppliers.

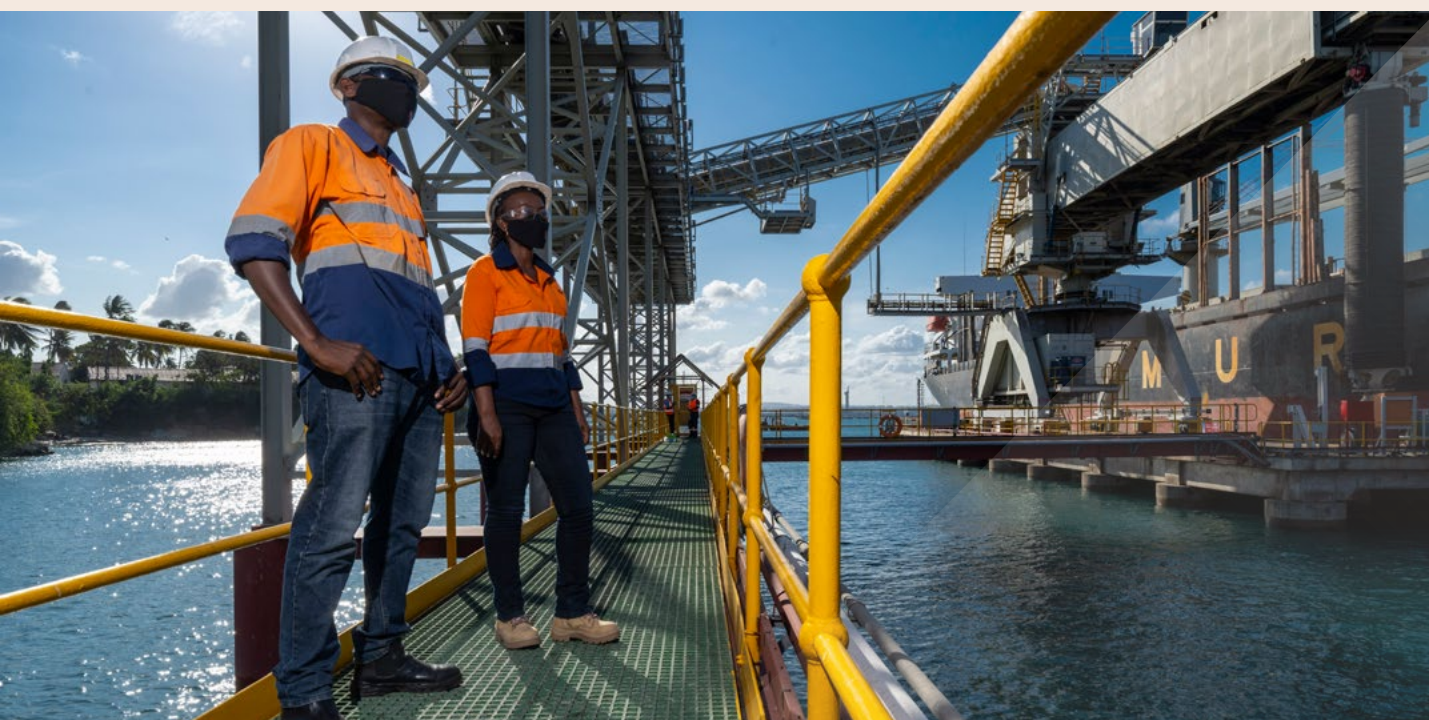
During FY22, 71% (or US\$57 million) of the operating costs incurred by our Kenyan subsidiary, Base Titanium, for our Kwale Operations were sourced from Kenyan suppliers. Of the total amount spent with Kenyan suppliers:

- 28% was with Kwale county-based suppliers;
- 30% was with Mombasa county-based suppliers; and
- 42% was with Kenya suppliers based outside Kwale and Mombasa counties.

Across the Group during FY22, we had approximately 819 suppliers, with our total supplier spend being approximately US\$92 million. Of these suppliers, approximately 48% were based in Kenya, 13% were based in Madagascar and 14% were based in Australia. For our Kenyan subsidiary, Base Titanium, approximately 61% of its total supplier spend was with its top 10 suppliers, whereas approximately 66% of the total supplier spend of our Malagasy subsidiary, Base Toliara, was with its top 10 suppliers.

Contractual arrangements with our suppliers range from one-off purchase orders subject to our standard terms and conditions to multi-year or multi-purchase contracts.

Our suppliers are primarily engaged by Base Resources, Base Titanium and Base Toliara. The Group's intermediate holding companies only have a limited number of suppliers, principally providing company secretarial, accounting and other professional services.



6. Our modern slavery risks

Whilst we did not identify any actual or suspected instances of modern slavery in our operations or supply chains during the reporting period, we acknowledge that the potential for modern slavery remains in our operations and supply chains and we do have modern slavery risks.

We have assessed our relationship to modern slavery risk using the cause, contribute, directly linked continuum outlined in the United Nations Guidance on Business and Human Rights and highlighted in the Australian Government's guidance for entities required to report on their modern slavery actions under the Modern Slavery Act. This risk relationship also guides the way we respond to modern slavery risks or potential instances of modern slavery.

Our operations

Although most of our employees are based in Kenya and Madagascar and both countries are reported to have a high prevalence of modern slavery on the Global Slavery Index 2018 (GSI), we presently believe the risk of our direct employees being subject to modern slavery is low, given the nature of our workforce, our recruitment, employment and governance policies, processes and systems, and our strict adherence to regulatory requirements. Relevantly:

- our structured recruitment practices are designed to prioritise employment of locals and therefore reduces the potential for low-skilled migrant workers to be employed; and
- our investigations, both during FY20 and FY21, demonstrated that our policies, systems and processes to ensure worker pay and working conditions complied with law were being adhered to.

That said, we recognise it is important that we remain vigilant and ensure our employees are reminded of how they can report labour rights violations or other human rights impacts safely and confidentially.

Based on our investigations to date, we also believe our risk of contributing to modern slavery is low. For example, prior investigations revealed that our use of out-sourced recruitment providers in Kenya and Madagascar was limited to expatriate or senior positions.

Our supply chains

As an African-focused mining company, we recognise that we may be directly linked to modern slavery practices through our supply chains and are working to identify, assess and address these risks. Our supplier engagement and assessment processes are designed to educate, inform and support our direct suppliers to better understand and manage the potential modern slavery risks in their own operations and supply chains.

With our Kwale Operations in Kenya and our Toliara Project in Madagascar, we have suppliers located in both these countries. The GSI ranked Kenya and Madagascar as high-risk countries for modern slavery.

The risk of modern slavery among our Kenyan suppliers, including those based locally in the Kwale and Mombasa counties, is supported by the work that Human Rights Agenda Mombasa (HURIA) conducted on our behalf during FY21 and FY22 which focused on enhancing our understanding of the modern slavery risks within the Kwale and Mombasa counties in Kenya.

HURIA's work included:

- desktop research to better understand the circumstances and context of modern slavery in the Kwale and Mombasa counties;
- field work research across both counties, involving community focused group discussions, key informant interviews with government officials and civil society organisations, and interviews with over 30 of our locally based suppliers; and
- validation workshops to share and validate the findings from the research and stakeholder awareness raising forums.

HURIA's work revealed generally low levels of awareness and understanding about modern slavery. It also revealed that some of the contextual factors that can result in modern slavery were present in the Kwale and Mombasa counties, such as:

- a lack of employment and business opportunities and generally high levels of unemployment;
- weak regulation of private sector activities; and
- low skilled employees.

Given their location on the Kenyan coast, both Kwale and Mombasa counties also rely heavily on tourism, further elevating the modern slavery risk. Tourism is subject to sharp seasonal fluctuations, which could cause tourism-focused businesses to use the services of labour recruitment companies and/or look to migrant workers.

Our supply chain risk is further heightened because some of our suppliers operate in industries or sectors, or provide goods or services, that research has historically shown have higher instances of modern slavery. Our higher-risk supply categories include:

- shipping and haulage;
- building and construction;
- mining machinery and equipment;
- parts and consumables;
- site accommodation, catering and cleaning; and
- footwear, garments and PPE.

Based on HURIA's research, we also identified a risk that we may be directly linked to modern slavery through our local hotel accommodation providers in Kwale county. HURIA's research also supported our categorisation of catering as a higher-risk supply category, because their research identified that the agriculture sector is higher risk for modern slavery in Kenya, with there being allegations in the past of human rights abuses at large-scale commercial farms in Kenya. There has also been evidence of human trafficking in Kenya's fishing and aquaculture sector and fishing is a key economic activity in the Kwale and Mombasa counties.



7. Our approach

Sustainability governance

Our Board has established a corporate governance framework comprising a range of Policies, Charters, Codes and System documents setting out the principles, standards and requirements that govern how we operate.

Our corporate governance framework is underpinned by:

- our purpose to contribute to solving the problems of people and planet and to do so profitably, without profiting from causing problems, and our accompanying foundational philosophies referred to in paragraph 1; and
- the core set of principles forming The Base Way.

As international standards and principles of best practice are constantly evolving, our corporate governance framework is regularly reviewed and enhanced to ensure it remains appropriate.

Our Board has ultimate responsibility for overseeing the Group's approach to sustainability, with the Board expressly reserving responsibility in the Board Charter for (among other matters) defining the Group's environmental, social and ethics vision and ensuring that the Group's overall strategy and systems are aligned with that vision. The Board's Environment, Social and Ethics (**ESE**) Committee, established in FY21, assists the Board with its oversight responsibility in respect of sustainability matters, with its responsibilities including overseeing the management of ESE risks, including human rights-related risks.

The Managing Director is accountable to the Board for management of our ESE risks and implementation of systems to achieve our ESE vision and is supported by senior management across the Group. Day-to-day management of environmental matters is undertaken by our Environment team. Our Community Affairs, Human Rights, Health & Safety and Legal teams contribute to our day-to-day management of social and ethics matters, including human rights-related matters.

To assist with our management of community-related risks, we have also established committees to act as an interface between us and our host communities. These committees are important in the information sharing process and provide an avenue for ensuring our systems are understood by the broader communities. They also provide a mechanism for locals from our host communities to raise grievances and concerns, including in relation to human rights issues.

Environment, social and ethics matters are integrated into a range of independent Policies, Charters, Codes and System documents, and embedded in role descriptions throughout the organisation, as appropriate, to maintain the requisite focus and effective integration into our "business as usual" practices.

These policies include our Communities, Security Management and Occupational, Health, Safety and Wellbeing Policies. Following the reporting period, we also put in place an overarching Sustainability Policy linking these existing subsidiary policies which deal with specific sustainability matters.

Modern slavery

Modern Slavery Work Group

In relation to modern slavery, we have a dedicated, cross-functional Modern Slavery Work Group (the **Work Group**), which reports to our Chief Legal Officer and is responsible for development and implementation of annual Group-wide workplans to mitigate our modern slavery risks, preparation of our annual modern slavery statements for review by senior management and approval by the Base Resources Board, and assessment of the effectiveness of the actions being taken to identify, assess and address our modern slavery risks.

The Work Group comprises employees from across the Group and among its members there is in-depth knowledge of the Group's direct suppliers, employees and their employment and working conditions, recruitment practices and related System documents, as well as legal, financial and human rights expertise.

During FY22, the Work Group continued to meet regularly, with nine meetings held. Additional meetings with two or more members were also held during the reporting period on an ad-hoc basis to discuss specific aspects of our modern slavery response, such as the development and roll out of a centralised tracker document to track the modern slavery risk assessments carried out and implementation of any determined risk mitigation actions.

Relevant governance documents

The Codes, Policies and other System documents relevant to our management of modern slavery risks in our operations and supply chains include:

- Our Code of Conduct for officers and employees (**Personnel Code**) and our Code of Conduct for suppliers (**Supplier Code**). The Personnel Code provides a framework for decision making and actions in relation to ethical conduct by our personnel. In turn, the Supplier Code sets out our core minimum requirements and expectations for our suppliers, which include that our suppliers' workforces are free from modern slavery and any other human rights abuses. All new suppliers are required to be sent the Supplier Code as part of their onboarding process and our standard terms and conditions require adherence to the Supplier Code.

- Our Employment Policy and associated System documents (such as our Remuneration System), which are directed to ensuring no employees are subject to modern slavery and their wages and working conditions comply with applicable law and collective bargaining agreements. These were updated in FY21 to include enhanced checks for candidates for employment for lower skilled positions to ensure they are not subject to modern slavery. The checks include viewing the candidate's original identity document, confirming that next of kin details are genuine and can be contacted, and confirming the candidate's postal and residential address.
 - Our Occupational, Health, Safety and Wellbeing Policy and associated System documents, which are directed to ensuring the health, safety and wellbeing of all our employees, contractors and visitors.
 - Our Communities Policy, which sets out our commitment to upholding principles of human rights in our dealings with our host communities.
 - Our Security Management Policy, which requires our security approach to be guided by the Voluntary Principles on Security and Human Rights.
 - Our Whistleblower System, which provides current and former employees and suppliers and their relatives with a safe, secure, confidential and transparent mechanism for reporting inappropriate conduct, including any human rights concerns, and investigating and addressing such allegations in a timely manner. Reporting individuals have the option of remaining anonymous. The reporting channels consist of an internal reporting mechanism to specified senior employees and officers, as well as an external reporting mechanism to an independent, whistleblower service provider. Whistleblower reports that are received are notified to our Whistleblower Protection Officers, who are our Non-Executive Chair, Managing Director and Chief Legal Officer, and one of the Whistleblower Protection Officers is assigned responsibility for the report. All material whistleblower reports are notified to the ESE Committee, with the ESE Committee then responsible for informing the Risk Committee or Audit Committee, as necessary. The Whistleblower System was updated during FY22, including for closer alignment with guidance provided by the Australian Securities and Investment Commission for improving whistleblower policies in October 2021.
 - Our Fair Treatment System, which is a more informal grievance resolution process for allegations by our employees of unfair treatment. Grievances are to be initially raised to an employee's manager-once-removed for consideration and assessment. Provision is also made for a second level of consideration by the relevant employee's manager-twice-removed.
 - Our New Supplier Onboarding Process setting out the mandatory steps to be undertaken prior to any new supplier being formally engaged. The Process, introduced during FY21, consolidated all of our mandatory onboarding steps into a single, easy-to-use document. Relevantly, these steps include application of our Modern Slavery Risk Assessment Procedure to all new suppliers (see the sub-section below headed "Modern Slavery Risk Assessment Procedure" for further details) and that, subject to very limited exceptions, all contracting with new suppliers occurs on our standard terms and conditions, which contain either long or short form anti-modern slavery clauses.
- The longer-form anti-modern slavery clause requires suppliers to (among other things):
- not engage in conduct amounting to modern slavery and use all reasonable endeavours to ensure its suppliers do not do likewise;
 - notify us of any instance of modern slavery identified in their operations or supply chains and any steps taken or proposed in response; and
 - provide all reasonable assistance to enable us to identify and address risks of modern slavery in our supply chains.
- The ESE Committee's Charter is set out in the Board Governance Plan available on our website (baseresources.com.au/who-we-are/), as are our Personnel Code, Supplier Code, Employment Policy, Communities Policy, Occupational, Health, Safety and Wellbeing Policy and Whistleblower Standard.



Modern Slavery Risk Assessment Procedure

Our Modern Slavery Risk Assessment Procedure (the **Risk Assessment Procedure**), which we developed in FY21 and rolled out in parallel with our New Supplier Onboarding Process, was applied during FY22.

The Risk Assessment Procedure is a step-by-step guide for identifying, assessing and addressing modern slavery risks for both new suppliers, and existing suppliers selected by the Modern Slavery Work Group.

Subject to a limited exception for urgent supplies, the Risk Assessment Procedure must be applied to all new suppliers before they are formally engaged. However, to ensure requisite focus and attention on higher risk new suppliers, the Risk Assessment Procedure only requires modern slavery due diligence to be undertaken on a supplier to determine what (if any) modern slavery risk mitigations are to be implemented if:

- the supplier's anticipated annual spend is over a certain amount; and
- the supplier is designated as higher risk following application of an initial risk designation exercise, which considers:
 - » the rank on the GSI of the country in which the relevant supplier is located; and
 - » whether the supplier is in a sector or provides products or services that research has historically shown have higher reported instances of modern slavery.

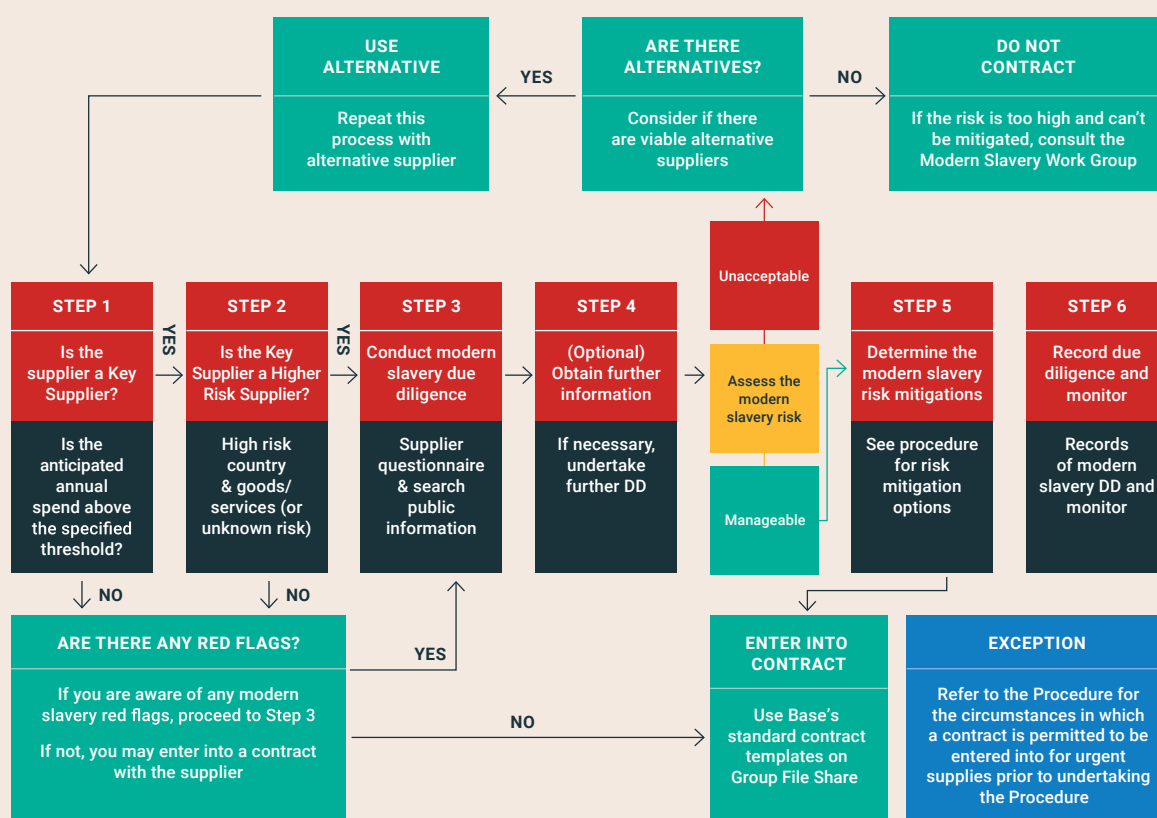
While we recognise that modern slavery risks may also be present among our lower spend suppliers, we are focusing our efforts initially on higher spend suppliers, as we are likely to have a greater degree of influence over (and therefore ability to effect changes in the practices of) these suppliers.

Our supplier modern slavery due diligence involves assessment of targeted public information due diligence and information received directly from our suppliers in response to our supplier questionnaire. The questionnaire contains questions about the supplier's:

- internal policies and controls to ensure employee pay and working conditions comply with applicable law and to otherwise mitigate the risk of modern slavery in their operations;
- internal policies and controls to mitigate the risk of modern slavery in their supply chains;
- employment practices, including about how they obtain and engage their labour force; and
- business, including what they do and where they source goods or inputs.

As has generally been our experience during our supplier engagements, we recognise that our local suppliers often will not have sophisticated, or indeed any formal policies or controls to mitigate the risk of modern slavery in their supply chains. While this will increase their modern slavery risks, we also recognise that refusing to deal with such suppliers will do little to combat modern slavery or maximise the positive outcomes from our activities for our host communities and host nations. Consequently, the Risk Assessment Procedure only suggests not dealing with such suppliers where they do not demonstrate a genuine concern for modern slavery and do not indicate that they would be responsive to developing their own internal policies and controls.

Risk assessment procedure flowchart



8. Due diligence and risk mitigation

Training and capacity building – our suppliers

To tackle the generally low levels of awareness and understanding of modern slavery and absence of formal policies and controls to mitigate supply chain modern slavery risks we have observed among our suppliers, particularly those based in our host nations, during FY22, we partnered with:

- SD Strategies, which specialises in modern slavery and human rights risk management, to design a bespoke eLearning course for our suppliers and prepare a template modern slavery policy that our suppliers can tailor to suit their needs; and
- HURIA to design and deliver in-person training to our suppliers in the Kwale and Mombasa counties.

The online training course was completed by 49 personnel from 32 of our suppliers located in Kenya – refer to the case study below for further details about the course and our experience rolling it out to our suppliers.

Building on the online training, the in-person training focused on policies and controls that our suppliers could adopt to mitigate their supply chain modern slavery risks and covered, among other matters, the template modern slavery policy we developed. Two full-day training events were held, with 34 personnel from 22 of our suppliers attending one of the events.

The template modern slavery policy contains sections for suppliers to describe their specific commitments, risks and actions in respect of modern slavery. In each case, we have provided drafting to assist with the preparation of these sections.

Feedback from the in-person training events was overwhelmingly positive, with participants' responses to pre and post training surveys indicating that the training increased their knowledge about modern slavery, the contextual vulnerabilities in Kwale and Mombasa counties and the practical steps to mitigate their modern slavery risks. Some responses from participants to select survey questions are opposite.

Training and capacity building – our personnel

During FY22, an additional 11 employees completed the online modern slavery training course developed by SD Strategies for our employees, bringing the total number of employees that have completed this training to 61.

The employees that have completed the training include employees in our Procurement, Human Resources and Community Affairs teams, as well as other employees regularly involved in the selection or engagement of suppliers.

The course is designed to provide participants with a base level of knowledge and understanding about modern slavery and comprises the following six modules:

- What is modern slavery?
- Modern slavery in the workplace
- Supply chain red flags
- Importing risk
- Business relevance
- Global modern slavery legislation

Each module's content is coupled with a short quiz at the end.



What did you like most about the training?

"Base Titanium were open and clear in their expectations to participants/suppliers"

"Very knowledgeable and informative about modern slavery policies and risks"



How do you plan to change your practices as a result of this training?

"Adapt the [Base Titanium] modern slavery policy guide and come up with our own"

"Introduce working policies in my company to reduce modern slavery risks"



Do you have any other comments and feedback?

"This training will help me to improve and create awareness in my company against modern day slavery"

"Thank you [Base Titanium] and HURIA for affording us this platform where we were able to share our views openly..."

Supplier risk assessments

We have applied the Risk Assessment Procedure to and have carried out, or are in the process of carrying out, due diligence on 21 of our **existing** suppliers, selected either based on:

- a risk designation exercise carried out during FY20 in respect of the Group's larger suppliers (based on total spend for the 2019 calendar year);
- a risk designation exercise carried out during FY21 in respect of the Group's top 40 suppliers (based on total spend for the 2020 calendar year); or
- the findings from HURIA's due diligence during FY21 on 32 of Kwale Operations' local suppliers.

For context, these suppliers included shipping, haulage, security, mining equipment, parts and spares, accommodation, fuel and catering suppliers, and accounted for approximately 25% of our total supplier spend during FY22.

One supplier has since ceased providing services to us. Recognising the reduced leverage we have to effect change as a result and to enable the Work Group to focus on other aspects of our modern slavery response, application of the Risk Assessment Procedure to that supplier was paused pending recommencement of their services.

We also applied the Risk Assessment Procedure to 72 new suppliers in FY22. In most cases, the prescribed modern slavery due diligence for consideration of the extent of the risk mitigations to implement was not required to be carried out, either because:

- the anticipated spend for the supplier was below the materiality threshold; or
- the supplier was not considered higher risk following the initial risk designation exercise.

Modern slavery risk mitigation actions undertaken in relation to our existing suppliers and relevant new suppliers included:

- **Monitoring** – reviewing subsequent modern slavery statements by the supplier in accordance with applicable legislative requirements to confirm the adequacy of its modern slavery response.
- **Further information** – requesting and obtaining additional information from and engaging with the supplier to better gauge the supplier's modern slavery risk and determine any required mitigations.
- **Training and capacity building** – arranging for the supplier to undertake either or both of our training programs (refer above for further details).
- **Indirect supplier audits** – obtaining details about the supplier's direct suppliers, selecting an indirect supplier for an audit and working with the supplier to seek to carry out the audit.
- **Policy enhancements** – requesting that the supplier put into practice their anti-modern slavery commitment by, as a first step, developing an anti-modern slavery or broader human rights policy.

Awareness raising activities in Kwale and Mombasa counties

During FY22, HURIA completed the remaining aspects of the scope of work agreed during FY21 to enhance our understanding of the modern slavery risks generally within the Kwale and Mombasa counties and among our smaller, locally based suppliers and held:

- stakeholder validation workshops to share and validate the findings from HURIA's research; and
- stakeholder awareness raising forums.

Both events were well-attended, with:

- 40 participants attending the validation workshops, comprising personnel from civil society organisations, Government of Kenya officials and local opinion leaders representing youth, women and persons with disabilities.
- 61 people attending the awareness raising forums, comprising youth and women's representatives, village elders, area chiefs, community representatives and community policing and management units.

Key outcomes for each were as follows:

- Validation workshops – Improved understanding of modern slavery and its manifestations and commitments by civil society organisations to engage with the private sector on human rights in their operations.
- Awareness raising forums – Improved understanding of modern slavery risk factors, including in the hotel and seafood industries and the casual labour sector, and on existing channels to report modern slavery concerns.

Review of salary advances and documentation

During FY22, our salary advance documentation was reviewed, including to ensure employees' rights and responsibilities were appropriately described.

In rare and exceptional cases (e.g. a medical emergency), we may provide a salary advance to our employees up to any applicable legal limits. Any advances are typically accompanied by an agreed repayment plan through payroll. If not carefully documented, these arrangements could give employees the impression that they are bonded to their employer until the advance has been repaid.

A standard letter template, for use in the case of salary advances in Kenya and Madagascar, has been prepared and introduced. The template ensures clear documentation of the conditions of the advance, including the repayment amount and schedule in accordance with legal requirements, and that the employee remains free to resign from their employment at any time.

An audit of a sample of historical salary advances was also undertaken and found that advances were rare, for appropriate reasons and in-line with applicable legal requirements.



Training and capacity building – our community programs

During FY21, in partnership with HURIA, we provided in-person training to the Kwale PAVI Farmers' Cooperative Society (**PAVI Cooperative**), established by small-holder cotton farmers supported by our agricultural livelihood improvement programs. These programs are run by our consultant, Business for Development, which is an Australian head-quartered not-for-profit organisation, whose stated vision is to improve farmer livelihoods, resilience and financial independence and work is guided by policies that include a Child Protection Policy, Safeguarding Policy and Human Rights Policy.

This HURIA-led training included an assessment of PAVI Cooperative's modern slavery risks and applicable policies and controls, and potential steps/improvements to PAVI Cooperative's modern slavery response. During FY22, a scope of work was agreed with HURIA to implement identified improvements to the PAVI Cooperative's modern slavery response and, in accordance with the agreed scope, HURIA began by completing a review of PAVI Cooperative's existing policies.

Other

As part of its work with our local suppliers and stakeholders in FY21, HURIA identified that we had an undocumented and paid arrangement with youths residing near our Likoni Export Facility to alert us to potentially suspicious activity near that facility. During FY22, we carried out investigations in relation to the arrangement and put in place a formal contract with the individuals. Among other matters, the contract makes clear that the services in question are purely community watch services and the individuals are not expected to, and should not, take direct action to stop any identified suspicious activity.

During FY22, investigations were also carried out to identify if there were any undocumented arrangements with youth or other community groups for our Toliara Project. No such arrangements were identified.

HURIA's due diligence on our suppliers during FY21 also revealed potential high-risk conduct by one of our hotel accommodation suppliers in relation to their recruitment of employees through recruitment agencies. This was investigated during FY22 and a meeting held with the accommodation provider. No improper conduct was subsequently identified.

CASE STUDY

Engaging and Educating our Local Suppliers

We have been working closely with Human Rights Agenda Mombasa (or HURIA), a not-for-profit local NGO, to assist with our engagement with our direct suppliers. Many of these suppliers are Kenya-based businesses and often have low levels of awareness about modern slavery and knowledge about the different forms of modern slavery, risk factors and vulnerabilities. Such knowledge is critical for the development of effective controls to mitigate modern slavery risks.

To improve the knowledge and understanding of our suppliers we worked with SD Strategies to develop a bespoke modern slavery risk management eLearning module for our Kenya-based suppliers. With HURIA's assistance, aspects of the training were customised to reflect Kenya's circumstances.

The module is highly interactive and professionally narrated. It includes knowledge checks, quiz questions and "Did You know" pop ups with locally relevant information, and links to our policies and procedures as well as to our Modern Slavery Statements.

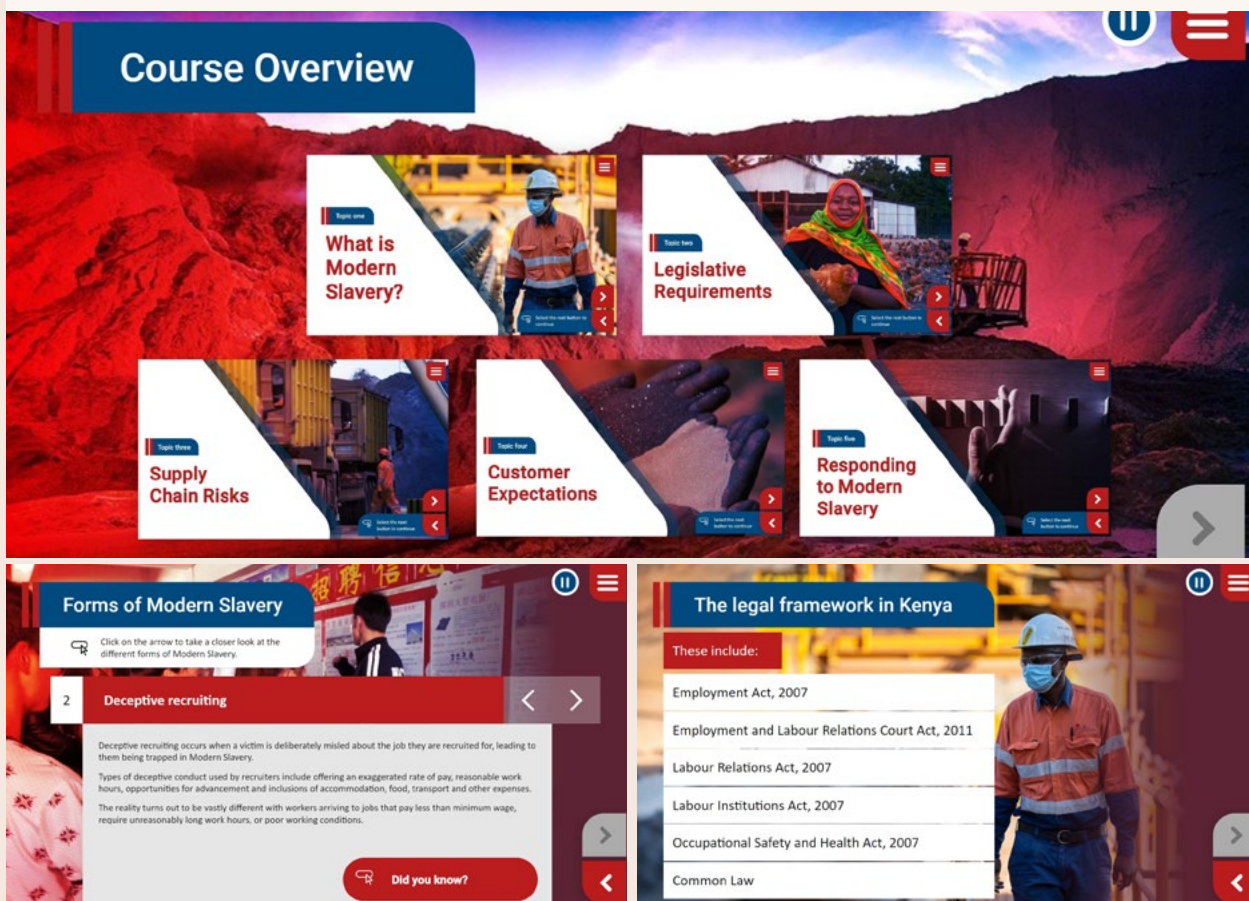
Topics include:

- What is modern slavery?
- Modern slavery legislation (including labour rights legislation in Kenya)
- Global supply chain risks
- Customer expectations
- Responding to instances of modern slavery

The course is hosted on SD Strategies' Know Slavery Learning Management System. Key challenges for rolling out the course to our suppliers in Kenya included limited internet and computer access, lack of email addresses and low-levels of IT skills among some of our target group. Our eLearning provider worked closely with trainees to help facilitate access to the course and provided guidance and support to our suppliers and their workforce.

To date the training course has been completed by 49 personnel from 32 of our suppliers located in Kenya.

The feedback from suppliers has been positive and the course will continue to be rolled out to additional suppliers in FY23 as part of an integrated supplier engagement approach.



9. Evaluating the effectiveness of our actions and our key next steps

We are committed to continual improvement of our modern slavery response and assessing the effectiveness of our actions to mitigate our modern slavery risks. We principally do this by:

- setting annual targets for modern slavery actions and tracking achievement of those targets through, in each case, our Modern Slavery Work Group;
- carrying out internal audits of adherence to our anti-modern slavery processes; and
- assessing our existing measures, and consideration of future measures, against data obtained from previous modern slavery actions (e.g. supplier due diligence).

We carried out our targeted actions for FY22. They included some of the actions described in section 8 above.

Based on responses received from suppliers to our supplier due diligence questionnaire (which forms part of the Risk Assessment Procedure), we updated and refreshed that questionnaire during FY22 to more clearly set out the information we would like our suppliers to provide. Consequential updates were also made to the Risk Assessment Procedure's guidance to users on what course of action they should take depending on a supplier's responses to the questionnaire.

Based on our prior actions, we also identified:

- a requirement for the Risk Assessment Procedure to contain specific guidance for the scenario where it is applied to a government entity that is the sole regulated supplier of the relevant service (and, as a result, our leverage is minimal) and they do not engage with us in relation to our due diligence and information requests;
- that there would be merit in translating our supplier online training module to Malagasy so that it is able to be carried out by a broader range of our Malagasy suppliers; and
- it would be beneficial to find a suitable civil society organisation to partner with in Madagascar to assist us with our modern slavery response, including awareness raising activities and in-person training.

Each of these steps are proposed to be actioned during the financial year ending 30 June 2023.

An audit of a random sample of new suppliers was also carried out during the reporting period to determine if the steps required by our New Supplier Onboarding Process were followed. These steps include sending the supplier our Supplier Code and applying the Risk Assessment Procedure. The audit revealed all necessary steps were followed for these suppliers.

For the next reporting period, key targets include:

- Complete the outstanding actions following application of the Risk Assessment Procedure to our existing suppliers (noting that completion of many of the outstanding actions will require action on the part of the suppliers).
- Select additional existing suppliers for application of the Risk Assessment Procedure.
- Invite additional suppliers to undertake the supplier online training and attend an in-person training event.
- Implement the agreed scope of work for HURIA in respect of the PAVI Cooperative.

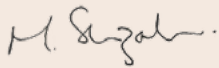
10. Preparation, consultation and approval process for this statement

This statement was prepared by the Group's Modern Slavery Work Group, with input from members of the Group's senior management team.

Engagement and consultation with Base Resources' two operating subsidiaries, Base Titanium and Base Toliara, and key business areas across the Group in preparation of this statement occurred through the Modern Slavery Work Group, which comprises employees of Base Resources and both operating subsidiaries, and from the Group's finance and procurement, human resources, external affairs and legal teams.

This statement was endorsed by the Company's ESE Committee, and approved by the Company's Board of Directors on 20 October 2022.

Date: 10 November 2022



Michael Stirzaker
Chair



Base Resources Limited
Modern Slavery Statement 2022
For the 12-month period ended
30 June 2022

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