

OUR ROLE IN SOCIETY

Sustainability makes good business sense

Port Waratah Coal Services Limited is an unlisted public company with headquarters in Kooragang NSW, Australia. We have been operating since 1976, delivering an efficient, high-quality and reliable service to local coal producers. Port Waratah plays a vital role in the Hunter Valley Coal Chain, enabling our customers to reach a global market. We stockpile, blend and load coal for export in the Port of Newcastle, and own and manage export terminals at Kooragang and Carrington, both of which operate 24/7. The terminals have a combined annual capacity of 145 million tonnes (Mt).

Partnership and collaboration

Our terminal services are critically important to the region's coal industry – connecting Hunter Valley coal with the world. We employ 320 people, plus 15 hosted apprentices and nine casual employees, all of whom work to ensure excellence in the delivery of our service. We work with coal producers and numerous other service providers in the Hunter Valley Coal Chain, one of the largest and most collaborative coal supply chains in the world. We build strong relationships and work cooperatively with our people, our customers and our community. Knowing and understanding their perceptions, interests and expectations enables us to maintain operational excellence, continuously improve our performance and contribute to a more sustainable society.

Integrating sustainability is our 'business as usual'

Environmental, social and economic aspects have always been part of the way we do things – it just makes good business sense. We use our corporate values of integrity, excellence, caring and progress to help us navigate our day-to-day activities. We also use our business drivers, which integrate the principles of sustainability, social responsibility and shared value, to support the achievement of our vision and purpose.

We set objectives, measure and monitor our progress, and report our performance internally and externally.

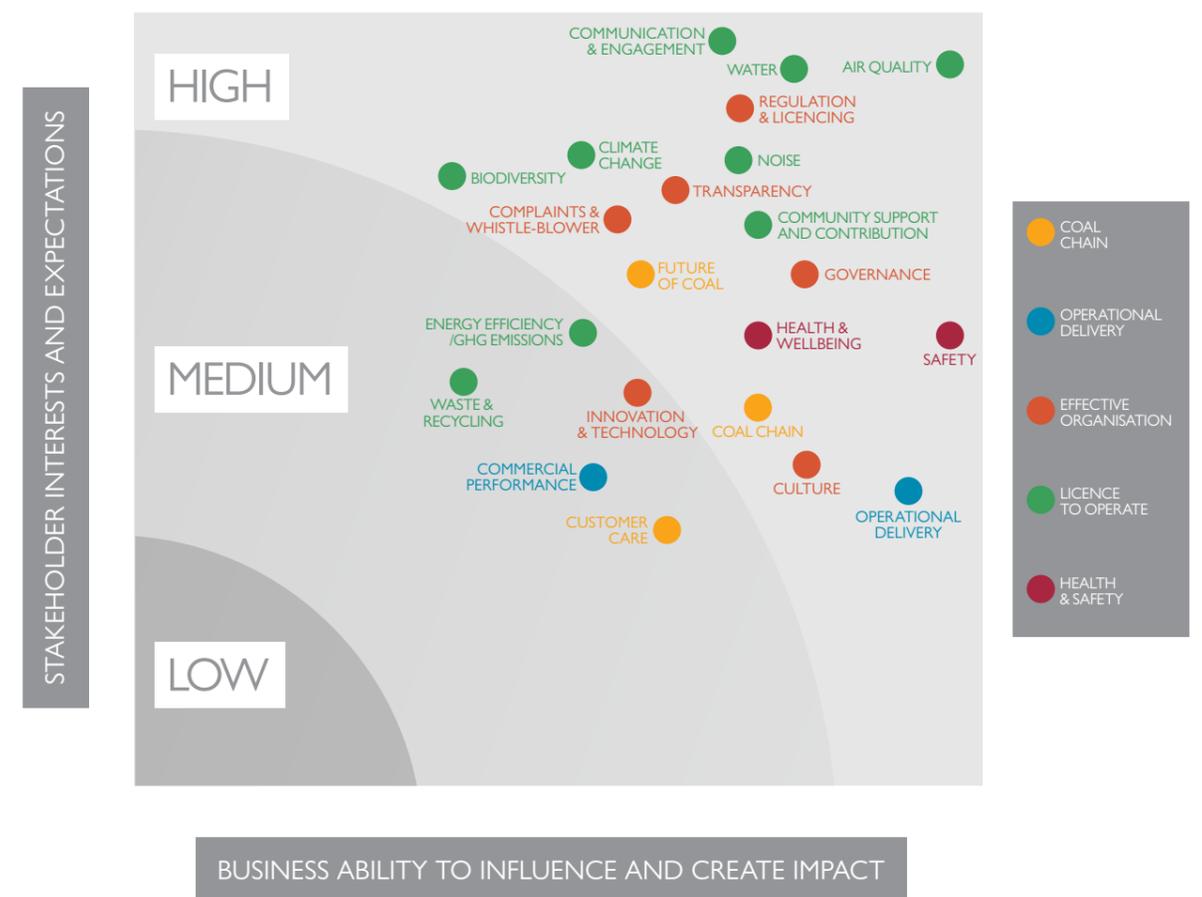
Operating in the Port of Newcastle means we have the potential to impact on natural and urban environments. We are committed to meeting our legal obligations and to investing in our operations. To understand and fulfil our responsibilities, and to set our objectives, we engage in open and authentic dialogue with our stakeholders, which is reflected throughout this report.

Materiality

Materiality is essential to the quality of our sustainability management and reporting. It ensures we implement appropriate and relevant systems and provide timely and transparent information about the topics important to our business and stakeholders. The process for determining what is material is different for every organisation, and it should be undertaken regularly to reflect emerging issues and changing stakeholder expectations. This year we comprehensively reviewed our material issues through active engagement with our stakeholders and research. This materiality assessment, conducted three years after our first assessment, relied heavily on the Local Voices Community Surveys.

Validation of topics and prioritisation was conducted with our Leadership Team and with our Community Meeting Group. We believe that the topics identified strongly reflect our significant activities, relationships, and economic, environmental and social impacts.

The spread of topics remains largely similar to previous assessments, however, how topics are expressed has changed over time. For example, safety is now separate from health and wellbeing as we have deeper focus on these as separate topics. While culture now incorporates a broader range of topics including working conditions, our values, behaviours, leadership and previous topics of gender equality and diversity.



Contributing to the global sustainability agenda

Port Waratah is committed to contributing to the achievement of the UN Sustainable Development Goals (SDGs) by addressing the challenges and targets in the context of our own business and operational environment. We do this by integrating sustainability into our business as usual, and by implementing specific strategies, systems, programmes and initiatives. The achievement of the SDGs will require collaboration and partnership with other local businesses and across the resources industry. In 2020, we signed a Memorandum of Understanding with five other organisations, to grow and improve the localisation of the SDG Agenda within the Hunter Region.

OUR SUSTAINABILITY JOURNEY



Future outlook

Our business is inextricably linked with the global seaborne coal trade, the continued demand for Hunter Valley coal, and with supporting universal access to affordable and reliable energy of which coal-fired power generation will play a role for decades to come. In this context we

also recognise the global transition to a low-carbon future, the climate change science set out in the UN's Intergovernmental Panel on Climate Change, and the International Energy Agency's World Energy Outlook 2020.

Our experience tells us that demand for our region's coal remains reasonably stable and aligned with the International Energy Agency's predictions that global demand for coal will be stable through to 2025. Demand for our service remains strong. Our customers continue to supply markets in Southeast Asia, where coal consumption comprises an important component of national energy plans. Our customer contracts continue over a 10-year horizon and our focus is on providing a reliable and quality service.

Climate change

This year, in addition to focusing on our own energy efficiency and emissions reporting, we also conducted a review and assessment related to climate change, and updated our Greenhouse Gas and Energy Policy, available on our website.

The assessment considered the physical and direct risks of climate change on maintaining our operations and ability to meet contracted demand over two horizons: the next five and 20 years. We operate from a coastal location that is subject to various environmental factors that will be influenced by currently forecasted climate changes. We reviewed a wide range of robust data sources concluding that some changes would occur in both horizons. In some instances, the impact will increase our current operational risk profile. We assessed impacts caused by climate change on both an individual natural aspect level, and as the sum of the aspects. Our assessment took into consideration vessel operations, equipment operation, coal handling and asset protection. The physical, direct risk assessment concluded that our risk(s) rating does not exceed the residual risk rating of moderate, however, will require continued active monitoring. Barring a 'Black Swan' event, we are confident that our strategic planning and integrated business risk management processes will support adequate management of the changing environment.

We also reviewed transition risks, those being climate change risk resulting from mitigation challenges as societies decarbonise. The assessment concluded that these risks are adequately assessed, monitored and mitigated in our strategic planning and integrated business risk management process, which in turn supports informed decision making.

The responsibility for managing the physical and transition risks is with our Leadership Team and is reported to the Board through the Audit and Risk Committee.

CLIMATE CHANGE REVIEW AND ASSESSMENT

WHAT DID WE CONSIDER? PHYSICAL & DIRECT RISKS

Aspect	Risk Profile	Aspect	Risk Profile
Sea level change	Steady	Extreme rain event change	Increase
Tidal change	Steady	Average rainfall change	Steady
Average temperature change	Steady	Bushfire (FFDI) weather change	Steady
Maximum temperature change	Increase	Drought frequency change	Increase
Storm severity change	Increase	Evaporation and humidity change	Increase
Flood or storm surge change	Steady	Sea acidification	Steady

ASSESSMENT OUTCOMES | **MODERATE RISK RATING** = **CONTINUE ACTIVE MONITORING**
for climate change risks

*Data sourced from NSW Government Department of Planning, Industry and Environment; Australian Climate Change Authority; Australian Bureau of Meteorology; Australian Bureau of Statistics; CSIRO; City of Newcastle; US Department of Commerce – National Oceanic and Atmospheric Administration.