



Modern Slavery Statement 2020

Contributing to a sustainable future

Modern Slavery Statement 2020

1. Introduction

Caring for and respecting our people and our communities is at the heart of everything we do

Lynas Rare Earths Limited ACN 009 066 648 (Lynas) is committed to protecting the human rights of all people with whom we have dealings, including our employees, our business partners and their families, and all people in the communities in which we operate.

We recognise that our responsibility to protect human rights and manage the risk of modern slavery applies to our own global operations as well as to our supply chains and we take this responsibility seriously.

We are proud to present our inaugural Modern Slavery Statement for the year ending 30 June 2020 which outlines the actions we are taking to address the risks of modern slavery in our supply chains.

This Modern Slavery Statement has been prepared in line with the Australian *Modern Slavery Act 2018 (Cth)* and the UN Guiding Principles on Business and Human Rights.

Effects of the COVID-19 pandemic

The 2020 financial year was particularly challenging for many businesses around the world due to the COVID-19 pandemic.

At Lynas, our strong safety culture meant that our sites in Western Australia and Malaysia could quickly implement government and industry best practices in March 2020 to protect the health and wellbeing of our workforce and our local communities.

Our resilient workforce adapted to new ways of working and our people who were unable to be on site used the time productively. Importantly, all Lynas employees continued to be paid whether they were working on site, working from home or were not rostered on.

COVID-19 also highlighted supply chain risks, and movement and border restrictions affected our ability to undertake supplier audits in FY2020.

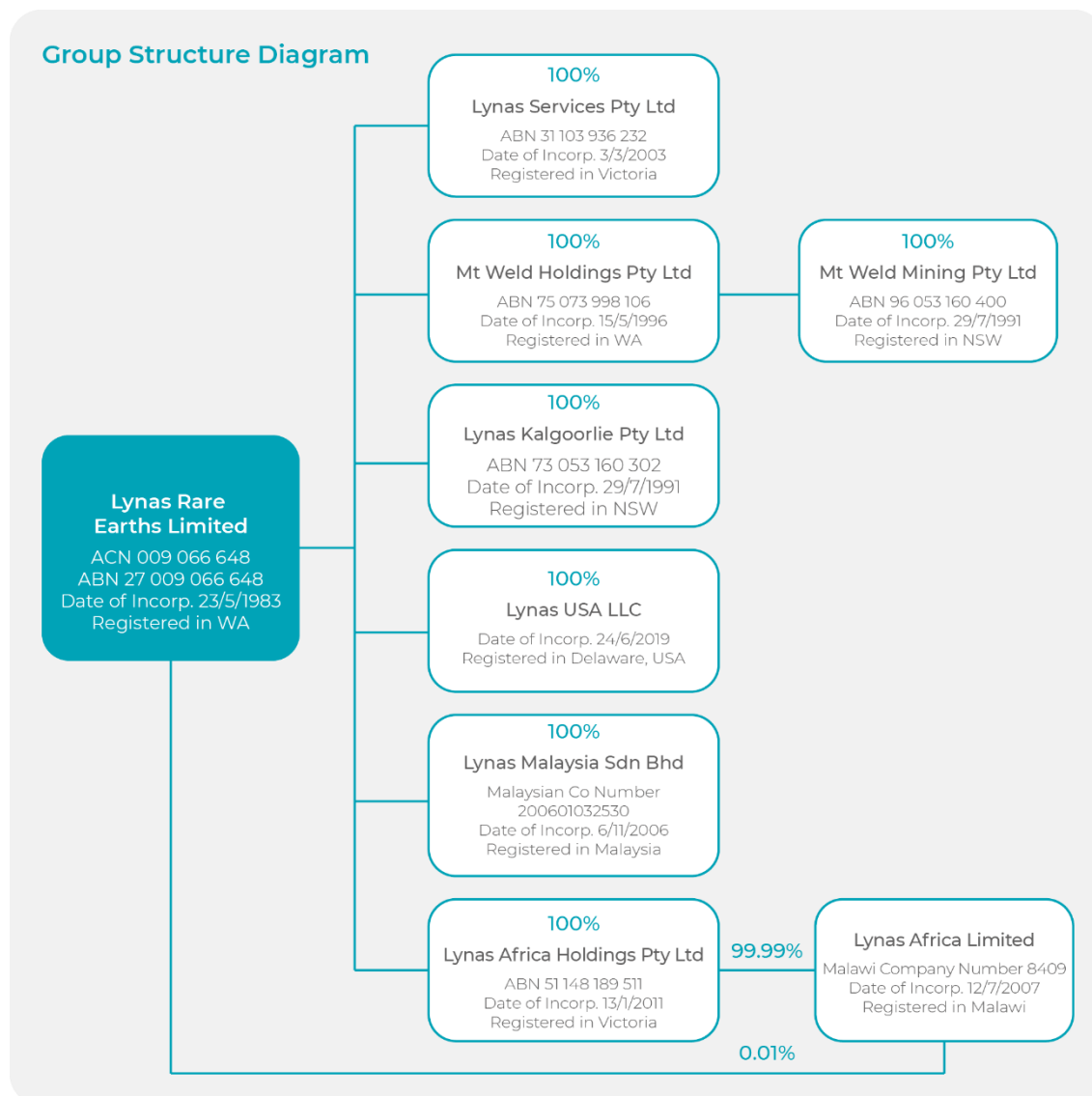
Supplier audits were temporarily halted due to COVID-19 movement controls and border closures and will recommence in FY2021 once movement and border restrictions are eased and our COVID-19 health and safety protocols allow.

We experienced some disruptions to our supply arrangements in FY2020, including disruptions to Malaysian supply arrangements due to the Malaysian Government's COVID-19 related Movement Control Orders. We have worked closely with our suppliers to address the challenges caused by COVID-19.

2. Our Structure

Lynas Rare Earths Limited is a publicly listed company incorporated in Australia and headquartered in Perth, Western Australia

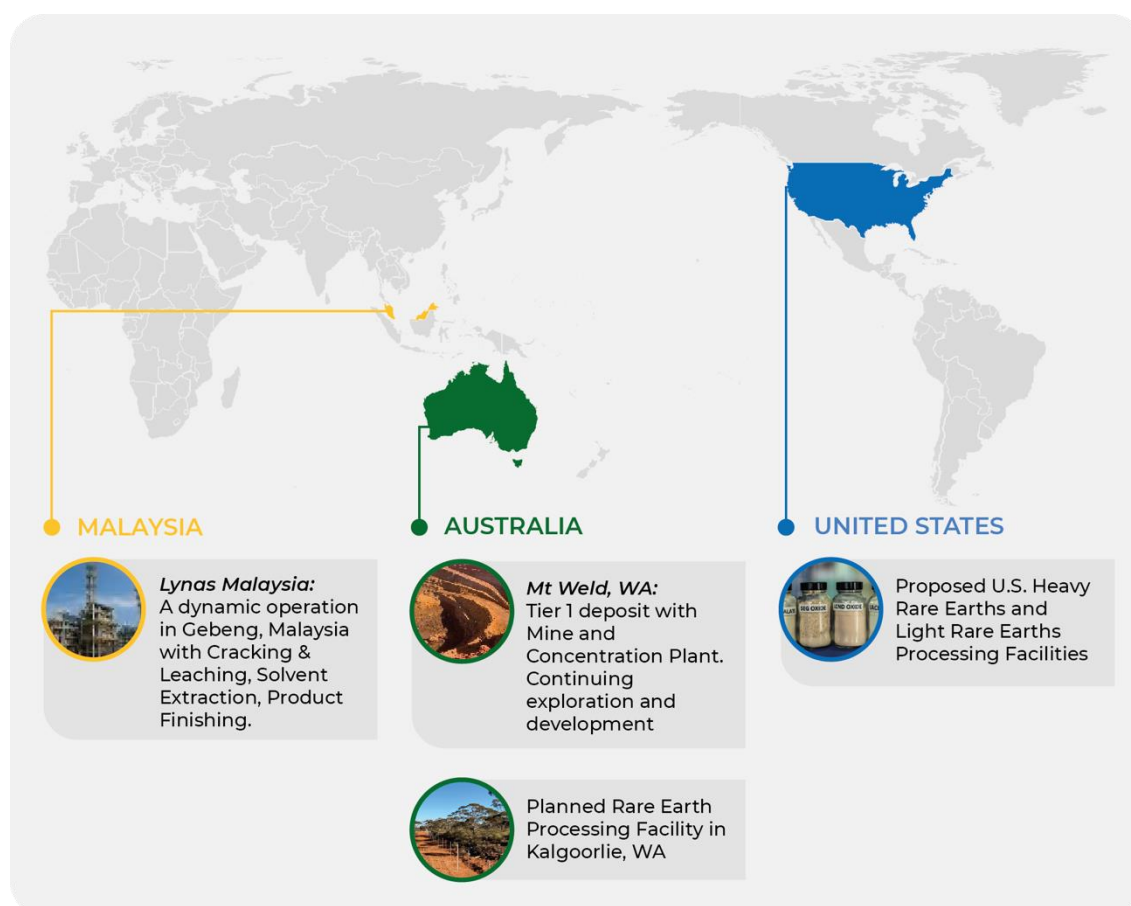
This statement has been prepared on behalf of Lynas and its subsidiaries. Lynas' wholly owned subsidiaries are:



All references to Lynas refer to Lynas Rare Earths Limited and its subsidiaries.

3. Our Operations

Lynas is the world's second largest producer of separated Rare Earth materials and the only scale producer outside of China



During FY2020, Lynas' operating sites were the Lynas mine at Mt Weld, Western Australia, the Lynas Malaysia advanced materials plant in Gebeng, Malaysia, and our corporate office in Perth, Western Australia.

Although Lynas has subsidiaries incorporated in Malawi and the USA, the resource development project in Malawi has been on hold since FY2012 and Lynas had no employees or contractors in the United States or Malawi during FY2020.

As part of our *Lynas 2025* growth vision, we are planning to expand our industrial footprint to include a Rare Earths Processing Facility in Kalgoorlie, Western Australia, and a co-located Light Rare Earths and Heavy Rare Earths Processing Facility in the United States. As we expand our operations, we will expand our program of assessing modern slavery risks.

Our operations consist of the following steps:

1. Mining Rare Earths at our Mt Weld deposit in Western Australia;
2. Processing the Rare Earth ore into a concentrate at the Mt Weld mine;
3. Cracking and leaching of the Rare Earth concentrate at the Lynas Malaysia advanced materials plant in Gebeng;
4. Solvent extraction at the Lynas Malaysia advanced materials plant in Gebeng; and
5. Product finishing (drying and calcination) at the Lynas Malaysia advanced materials plant in Gebeng.

Ethical & responsible Rare Earths production

At Lynas, we have a great sense of pride in being an ethical and sustainable producer of Rare Earth materials. Lynas is a signatory to the United Nations Global Compact, which includes the protection of human rights and the elimination of all forms of forced and compulsory labour as part of its Ten Principles.

Provenance matters to our customers and our materials are sold with a certificate of origin that provides customers with confidence that the materials have been responsibly and ethically produced, through the supply chain from our Western Australian mine to our advanced processing plant in Malaysia.

Our mine is located in Australia, which has a low prevalence of modern slavery according to the Minderoo Foundation's 2018 Global Slavery Index¹.

Our advanced materials plant is in Malaysia which has a higher prevalence of modern slavery according to the Global Slavery Index. However, Lynas has policies and procedures in place to mitigate the risks of modern slavery in our Malaysian operations and supply chains.



Lynas participates in external verification and industry initiatives. This includes the Together for Sustainability initiative of chemical companies to enhance sustainability within the global supply chain. As part of our participation in this initiative, Lynas Malaysia was assessed and received a Gold Medal CSR rating in 2019 from EcoVadis, the world's largest provider of sustainability ratings. Lynas Malaysia rated among the top 5% of performers evaluated by EcoVadis, based on performance across the environment, labour and human rights, ethics and sustainable procurement.

¹ <https://www.globalslaveryindex.org>

Traceable from mine to magnet

Rare earths are used in future facing technologies designed to lower emissions and reduce energy consumption, as well as to improve efficiency, performance, speed, durability, and thermal stability. Lynas works with selected partners to provide mine to magnet traceability and Life Cycle Assessments.

Lynas has also taken the lead in the effort to secure a fully traceable Rare Earth supply chain through our involvement in the creation of a new ISO Standard, "Traceability of rare earths in the supply chain from mine to separated products". Lynas is fully committed to improving supply chain integrity to protect human rights and the environment, and to prevent the occurrence of modern slavery in the industry.

Our People

As at 30 June 2020, Lynas employed 1015 people, comprising 765 employees and 250 contractors across our Malaysian and Australian operations. Our employees include geologists, chemical engineers and others employed across both operating sites (Mt Weld, Western Australia, and Gebeng, Malaysia) and professional and administrative functions undertaken on site or at our headquarters in Perth, Western Australia.

In keeping with our commitment to making a positive contribution to local employment, skills, education, health and the environment, 100% of employees in Australia are Australian nationals and 97% of employees in Malaysia are Malaysian nationals.

In our Malaysian workforce, 77% of employees are certificate qualified or higher and over 100 employees have a Bachelor degree or higher, including 3 PhDs.

The safety of our people is a priority for Lynas. All direct and contract employees at our operating sites are included in Lynas' safety training and safety performance statistics. Health and safety treatment and support is also consistently applied to both direct and contract employees.

Lynas has assessed the risk of modern slavery among our people as very low due to the policies and procedures we have in place. This includes prioritising local employment, directly supervising all on-site employees and contractors, and ensuring we have a process to ensure that no illegal foreign workers are engaged as either employees or contractors at our sites.

Our Human Rights policy and employee Code of Conduct outline our commitment not to engage in or support the use of any form of forced, compulsory or illegal labour. They also expressly forbid the employment of anyone under the minimum legal working age or fifteen (15) years old; whichever is higher.

All Lynas employees receive pay and entitlements that are consistent with legislative requirements in Australia and Malaysia and applicable working time legislation is followed.

We encourage our people to report any concerns or breaches of our policies and we have a Whistleblower Policy and Hotline in place to ensure there are multiple avenues for employees to raise their concerns. Our Whistleblower Policy contains protections and confidentiality provisions for whistleblowers and the Hotline is operated by an independent organisation.

During FY2020 there were zero breaches of our Human Rights Policy and no instances of modern slavery were detected in our workforce or our supply chains.

Our operations in 2020



1,015
employees and
contractors



2 countries
Headquartered in
Western Australia



14,172
Rare Earth Oxide
sales volume (tonnes)

Board & executive oversight

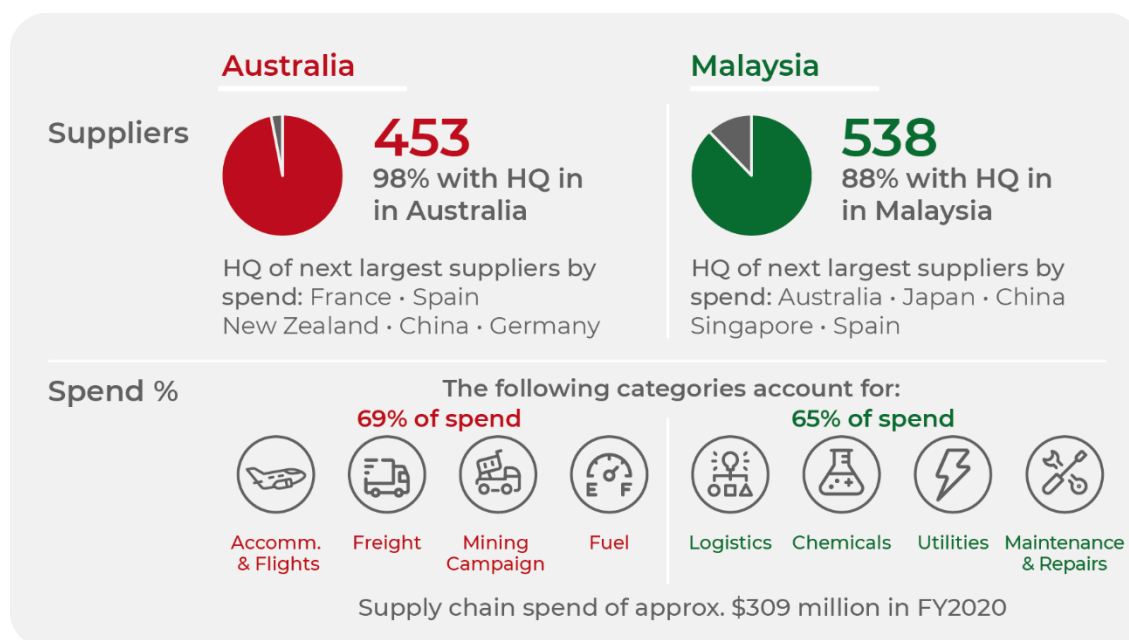
The Lynas Audit and Risk Committee is responsible for monitoring compliance with our Human Rights Policy and monitors Lynas' response to modern slavery risks.

All members of the Lynas Leadership Team are responsible for identifying risks in respect of modern slavery in our operations.

4. Our Supply Chains

In FY2020 we commenced analysis of our supply chains to identify any potential areas of high risk.

Our supply chains include both goods and services. Services provided to our operations include contract mining, maintenance, repair, cleaning, freight logistics and employee flights and accommodation for our Mt Weld operations. We also procure critical inputs for our operations including fuel, utilities (electricity, gas, water), equipment and chemicals.



5. Modern Slavery Risks & Mitigating Actions

Lynas is committed to playing a role in the development of robust and sustainable rare earth manufacturing supply chains. We recognise that managing the risk of modern slavery in our supply chains is critical to achieving this goal.

We will continue to assess and address modern slavery risks in our operations and supply chains in line with the *Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities*.

Our supplier policies

Our commitment and approach to protecting human rights and assessing and managing risks in our operations and supply chains is outlined in our Human Rights Policy and Supplier Sustainability and Code of Conduct which are available at: <https://www.lynascorp.com/about-us/corporate-governance/>

Our Code of Conduct requires that Lynas does not source products or materials from civil war zones or other areas with severe human rights infringements.

These policies provide the framework for our supply chain management and supplier management processes – from supplier selection to supplier qualification and evaluation, and supplier development.

Across both Australia and Malaysia, we require all suppliers to follow our Lynas Group Supplier Sustainability Policy and Code of Conduct. Established in FY2019 and updated in FY2020, this draws on the United Nations (UN) Guiding Principles on Business and Human Rights, the UN Global Compact, the principles of the International Labor Organization (ILO), as well as the Lynas Business Conduct Guidelines.

In FY2019, we commenced a process to audit major suppliers every three years, including suppliers outside of Australia and Malaysia.

Assessing our supply chain risks

Based on the analysis of active supply contracts in the 2020 financial year, 98% of active contracts for our Australian operations are with Australian headquartered suppliers. Australia has a low prevalence of modern slavery (Source: Minderoo Foundation's 2018 Global Slavery Index²) and Lynas has not identified any modern slavery risk in its Australian headquartered suppliers. The remaining 2% of active contracts are with six countries and of these, the most significant spend is with France, Spain, New Zealand, China and Germany.

In FY2020, 88% of active contracts for our Malaysian operations were with Malaysian headquartered suppliers. We recognise that the Minderoo Foundation's 2018 Global Slavery Index identifies Malaysia as having a higher risk of modern slavery than Australia and our other supplier countries and we have stringent requirements for Malaysia-based suppliers.

The remaining 12% of active contracts for our Malaysian operations are with 14 countries. Of these, the most significant supplier countries by spend are: Australia, Japan, China, Singapore and Spain.

In FY2021 we will undertake further risk assessments of suppliers in countries identified as being at a higher risk of modern slavery, or who have migrant populations who are vulnerable to modern slavery. This will include suppliers in Malaysia, Indonesia, Vietnam, Singapore and China.

Our work with suppliers

Lynas requires all suppliers to comply with our Supplier Sustainability Policy and Code of Conduct.

Our Supplier Sustainability Policy and Code of Conduct requires all suppliers to agree to respect the basic rights of employees, institute strong health and safety and environmental protection standards, and not use "conflict minerals".

² <https://www.globalslaveryindex.org>

In FY2020, we reviewed and enhanced our Supplier Sustainability Policy and Code of Conduct with updated content in the human rights section. This includes a specific commitment to not engage in or support the use of any form of forced, compulsory or illegal labour.

A key risk identified through the analysis of our supply chain is suppliers not complying with our Supplier Sustainability Policy and Code of Conduct. To address this, we have implemented a Supplier Management Process that includes due diligence, supplier self-assessments and supplier audits.

The Lynas Supplier Management Process provides a range of interrelated procedures and tools to ensure transparency and awareness with regard to procurement processes, suppliers, and risks and opportunities in the supply chain. Key aspects of the process include the application of rigorous criteria for supplier selection and qualification.

Where Lynas identifies any gaps in supplier compliance with the Supplier Sustainability Policy and Code of Conduct, we offer to work with the supplier to provide guidance for new policies, procedures or improvements.

We are committed to helping our suppliers to improve, however, if problems persist and/or a supplier is unwilling to implement the measures required, they will be excluded from our list of suppliers.

While supplier audits were temporarily halted due to the COVID-19 pandemic, we will recommence supplier site visits and physical supplier audits in Malaysia in FY2021 and other countries as soon as COVID-19 movement controls and restrictions are lifted and COVID-19 health and safety protocols are eased.

Supplier Audit Checklists are part of the Lynas Supplier Qualification Process, which is regularly reviewed and updated. Supplier quality audits include questions about sustainability that cover all aspects and requirements of the Supplier Code of Conduct. New potential suppliers go through the qualification process while existing suppliers are re-evaluated every three years.

Our sustainable procurement initiatives to date:

FY2019:

- Became signatory to the United Nations Global Compact
- Established Supplier Sustainability Policy and Code of Conduct
- Introduced Supplier Audit Checklists as part of Supplier Qualification process, existing suppliers to be re-evaluated every three years
- Procurement team completed Supply Chain & Sustainable Procurement Training
- Supplier sustainability requirements integrated into ISO-based standard procedures
- Commenced Supplier Audits with major suppliers

FY2020:

- Updated Supplier Sustainability Policy and Code of Conduct with anti-slavery commitment
- Updated Human Rights Policy
- High level data analysis of global suppliers to determine key areas of modern slavery risk

6. 2021 Actions

In keeping with our commitment to continuous improvement, Lynas Rare Earths will implement a number of actions in the 2021 financial year to further improve our reporting, analysis and mitigation of modern slavery risks.

FY2021 Planned Actions:

- 1. Training**
 - Conduct Modern Slavery training in all operating locations
- 2. Undertake detailed analysis of higher risk suppliers including:**
 - Suppliers headquartered in higher risk countries
 - Suppliers in higher risk industries e.g. shipping logistics
 - Suppliers in higher risk product categories e.g. electronics & computers
- 3. Identify higher risk suppliers requiring more regular audits (annual rather than every three years)**
- 4. Prepare and implement new supplier screening questions focused on modern slavery risks**
 - Questions to cover worker health, conditions, grievance mechanisms and the effects of the COVID-19 pandemic.

Lynas is committed to assessing and mitigating the risks of modern slavery in our operations and in our supply chains and we look forward to updating you on our progress in FY2021.

This statement was approved by the Board of Lynas Rare Earths Ltd on 30 March 2021 as the principal governing body of the Lynas Group which comprises Lynas Rare Earths Limited, Lynas Services Pty Ltd, Mt Weld Holdings Pty Ltd, Mt Weld Mining Pty Ltd, Lynas Kalgoorlie Pty Ltd, Lynas USA LLC, Lynas Malaysia Sdn Bhd, Lynas Africa Holdings Pty Ltd and Lynas Africa Limited.

A handwritten signature in black ink, appearing to read "Kathleen Conlon".

Kathleen Conlon
Chairman
Lynas Rare Earths Ltd
31 March 2021

A handwritten signature in black ink, appearing to read "Amanda Lacaze".

Amanda Lacaze
CEO & Managing Director
Lynas Rare Earths Ltd
31 March 2021

