Yancoal Australia Limited
2018 Environmental, Social
and Governance Report

YANCOAL
兖煤澳大利亚有限公司

STRENGTH, PERFORMANCE, ACCOUNTABILITY

REPORTING BOUNDARY AND SCOPE

The Environmental, Social and Governance (ESG) Report, for the period 1 January 2018 to 31 December 2018 (Reporting Period), covers the activities and approach of Yancoal Australia Limited (Yancoal), its key subsidiaries, including Yancoal Resources Limited, Coal & Allied Industries Limited and Gloucester Coal Ltd, and its unconsolidated wholly owned subsidiary Watagan Mining Company Pty Limited (Watagan)[1]. Accordingly, the following operations are included within this scope and reporting boundary:

YANCOAL'S OPERATED ASSETS INCLUDE:

- Moolarben;
- Mount Thorley Warkworth;
- Stratford;
- Duralie; and
- Yarrabee.

OPERATIONS MANAGED BY YANCOAL ON BEHALF OF WATAGAN INCLUDE:

- Ashton;
- Austar; and
- Donaldson.

THE REPORT EXCLUDES COVERAGE OF THE FOLLOWING JOINT VENTURE OPERATIONS:

- Hunter Valley Operations (joint venture with Glencore Coal, with Yancoal having 51% ownership); and
- Middlemount Coal Pty Limited (joint venture with Peabody Energy, with Yancoal having a near 50% ownership).

THE REPORT ALSO EXCLUDES COVERAGE OF THOSE MINES THAT ARE MANAGED BY YANCOAL ON BEHALF OF ITS MAJORITY SHAREHOLDER YANZHOU COAL MINING COMPANY LIMITED (YANZHOU):

- Cameby Downs; and
- Premier Coal.

YANCOAL HAS PREPARED THIS REPORT IN ACCORDANCE WITH:

- The ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- The 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations; and
- Referenced Global Reporting Initiative (GRI) Reporting Standards.

All data is reported on a 100% owned or managed basis, unless specified otherwise. National Pollutant Inventory Data (NPI), National Greenhouse Energy Reporting (NGER) gas emissions and supplier spend data is reported on a 1 July to 30 June basis, in line with the Australian regulatory reporting requirements.

1 Watagan is wholly owned by Yancoal Australia Limited, controlled by a consortium of financiers consisting of Industrial Bank Co. Ltd, BOCI Financial Products Limited (BOCIF) and United NSW Energy Limited. Effective 31 March 2016, Yancoal ceased to control Watagan. Refer to Yancoal's 2018 Annual Report for Notes to the Financial Statements for further details.

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MESSAGE FROM THE CHAIRMAN AND CEO

BAOCAI ZHANG
CHAIRMAN OF THE BOARD

REINHOLD SCHMIDT
CEO YANCOAL AUSTRALIA LIMITED

As the largest pure-play coal company in Australia, Yancoal recognises the significance of its position in the industry. Yancoal owns, operates or participates in 11 coal mines across three States. The Group employs more than 3,000 people and has many more directly or indirectly supporting the business.

We cannot achieve our production and growth targets without considering and adopting safe operating practices in everything we do. We maintain our position that we never compromise on safety.

In 2018 Yancoal increased its production, but importantly did so while making significant improvement in its safety performance. Such a result highlights the success of our Critical Controls safety training and education program, as well as the importance of instituting safety as a core value of the Yancoal Way.

By understanding our individual responsibility for the safety of ourselves and those working alongside us, we can continue to work towards our ambitious goal of achieving zero harm at our operations. There are no shortcuts when it comes to safety and we continue to look for new ways of working to always protect our people.

Yancoal is ever mindful of its environmental responsibilities, and it reaffirms its commitment to operating in accordance with all of its license conditions that cover the operations; along with the safety protocols, these constitute the core values embraced at each of the mines. At each operation there is a proactive approach to identifying potential environmental and social impacts and implementing controls and other mitigation measures.

As Australia's largest pure-play thermal coal producer, Yancoal acknowledges it has a role in mitigating the emissions generated by its operations and supporting investment into low-emission power generation in order to improve the overall carbon efficiency of its operations.

The majority of the Yancoal workforce resides in the local communities in which we operate. The Community Support Programs are specifically designed to invest in initiatives capable of making a lasting difference to the lives of others in our communities, regardless of whether the recipients have a direct relationship with Yancoal's operations.

At the Corporate level, Yancoal has a select number of partnerships that provide services and research that positively benefit the wider community.

We consider these endeavours as being complementary to our business. Our operations perform at their best when the safety, environment and community initiatives are being fully supported by all employees.

ABOUT YANCOAL

As Australia's largest pure play coal producer, Yancoal operates a portfolio of world class assets consisting of both open cut and underground mines.

WHO WE ARE

Yancoal is listed on both the Australian Securities Exchange (ASX) and the Stock Exchange of Hong Kong Limited (HKEx). As a leading low-cost coal producer in the global seaborne market, Yancoal's coal mining operations produce a mix of premium thermal, semi-soft coking and pulverised coal injection (PCI) coals, together with mid-to-high-ash thermal coals.

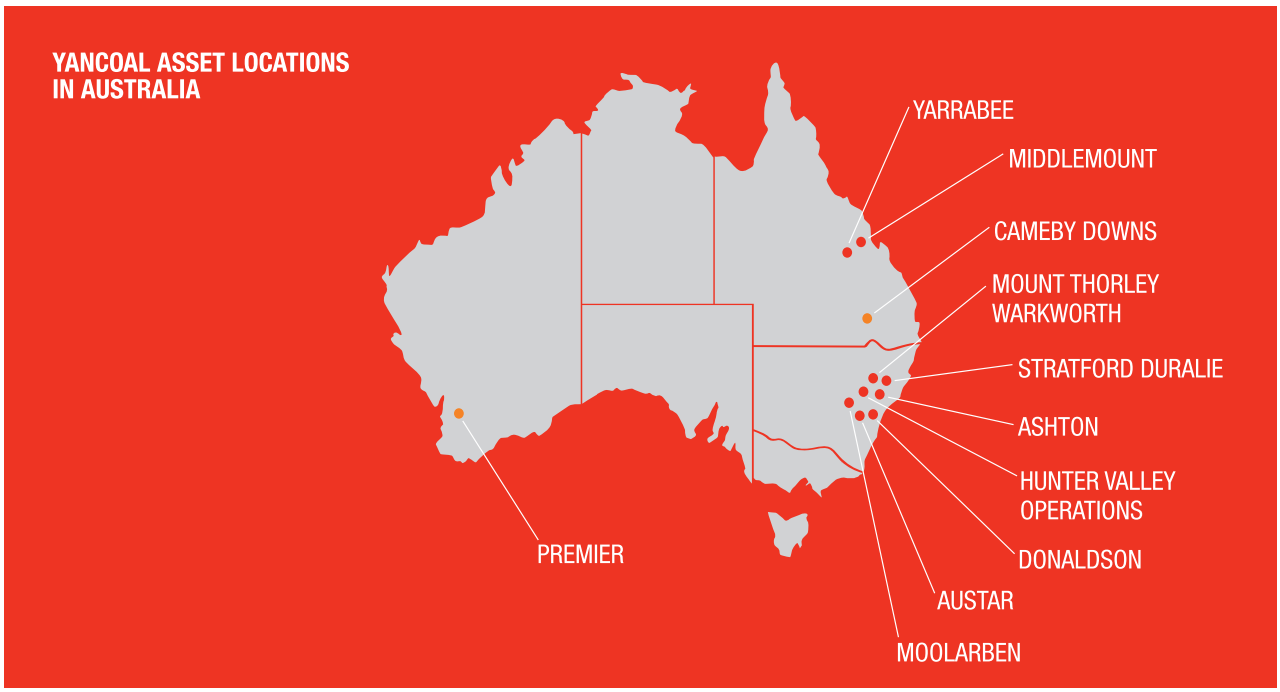
Yancoal's mining interests in New South Wales include the open cut and underground mines of the Moolarben coal complex (85% ownership), the integrated joint venture operations of Mount Thorley and Warkworth open cut mines (82.9% ownership); the open cut operations of the Stratford and Duralie open cut mines (100% ownership) and the Hunter Valley Operations joint venture with Glencore Coal (51% ownership).

Yancoal's mining interests in Queensland include the Yarrabee open cut mine (100% ownership); and a near 50% equity interest in Middlemount Coal Pty Limited (Middlemount) open cut mine, an incorporated joint venture with Peabody Energy.

Yancoal manages the underground Ashton, Austar and Donaldson (all 100% ownership) mines in New South Wales on behalf of Yancoal's unconsolidated, wholly owned subsidiary, Watagan.

Yancoal also manages the open cut Cameby Downs mine in Queensland and the open cut Premier coal mine in Western Australia on behalf of its majority shareholder, Yanzhou. Yancoal also has shareholding interests in three major Australian coal export terminals, including the Newcastle Coal Infrastructure Group Coal Terminal (27%), Port Waratah Coal Services (30%) and Wiggins Island Coal Export Terminal (9.4%).

Refer to Yancoal's 2018 Annual Report for a Review of Operations.



Note: Joint venture facilities, Hunter Valley Operations and Middlemount Coal are not included in the reported statistics for this ESG report, nor are the Cameby Downs and Premier mines.

OUR WAY – THE YANCOAL WAY

Yancoal has remained focused on maintaining the culture and corporate values responsible for driving our success and recent rapid growth.

Our Way is based on engaged people; working safely; acting with integrity; striving for excellence; and seeking improvement through innovation.

- **People – Path Way:** People are at the heart of the Yancoal values. Our people guide our direction and influence our stability. It is our people who drive ideas, energy, capital and enterprise, converting them into value for our stakeholders, including customers and shareholders. We value involvement from everyone.
- **Safety – Safe Way:** Safety is not optional. It is considered in everything we do to eliminate harm to our people. Safe Way takes safety beyond the hierarchy of controls to the next level. It helps people be mindful of why they care about safety, risks, and controls. It holds people accountable and ensures all elements are effective together, so people don't just survive, they thrive.
- **Innovation – Better Way:** Innovation involves continuously improving the business. It is about being curious, stepping up and having a voice. Every idea counts, including those way out on the edge and even those that today seem impossible.
- **Excellence – High Way:** Excellence is about identifying and implementing best practices. People have an understanding of where they've come from, and why they're proud to be part of Yancoal. They look for the High Way in everything they do and reward their colleagues for the behaviours that set them apart, and that take the business forward.
- **Integrity – Right Way:** Integrity is about operating with ethics. Doing things because they're right, not just because we should. People think about their actions. People make decisions based on principles that impact others, consider the future and deliver on what Yancoal stands for.

CODE OF CONDUCT

Yancoal is committed to operating legally, honestly, and to the highest level of integrity and ethical standards in all business practices.

The Yancoal Code of Conduct sets out the basic rules on how we work with each other, how we interact with others outside the business and how we make decisions in the way we conduct our business. Adherence to the Code of Conduct means we are not only complying with relevant legislation and regulations but also ensuring our individual behaviour is aligned with the Yancoal Way and our core values regarding safety, people, excellence, integrity and innovation.

The key components to the Code of Conduct include:

- We act professionally and ethically at all times;
- We respect information and communicate effectively with our stakeholders; and
- Our people, behaviours and culture support the Code of Conduct.

The Code of Conduct applies to all business activities in Australia and overseas, including dealings with Directors, officers, employees, contractors, suppliers, consultants, agents, advisors and representatives engaged by Yancoal and its related companies. Our non-operated joint venture partners and suppliers are expected to adopt similar standards, principles and policies.

We expect everyone working with Yancoal to follow its standards and requirements. The Code of Conduct is also used to guide our behaviours and to set standards of expectation. There are a number of channels available to reinforce these practices. Whistle-blower protection is provided via Yancoal's third party Speak Up service.

The Yancoal Code of Conduct is publicly available on our website: https://www.yancoal.com.au.

ANTI-CORRUPTION

Yancoal has in place polices and management measures which aim to deter and detect corruption practices. The Speak Up Ethics Policy enables a Director, employee, contractor or consultant to raise concerns and report issues in relation to possible breaches of the Yancoal Code of Conduct, or potential breaches of law, to an external facilitator with full confidentially.

For the Reporting Period, Yancoal is not aware of any material non-compliance of laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on Yancoal.

ESG GOVERNANCE

THE BOARD

Yancoal's Board of Directors (Board) has overall responsibility for Yancoal's environmental, social, health, safety and governance strategy and reporting, and for evaluating and determining Yancoal's related risks, and ensuring that appropriate and effective risk management and internal control systems are in place. The Board is also responsible for the preparation of this ESG report.

The Board's Health, Safety and Environment Committee (HSEC), which meets on a quarterly basis, assists the Board with:

- Fulfilling its responsibilities in relation to health, safety, environmental, social and governance matters arising out of the activities of the Company;
- Considering, assessing and monitoring to ensure Yancoal has in place the appropriate policies, standards, systems and resources required to meet Yancoal's Health, Safety and Environmental commitments;
- Providing necessary focus and guidance on HSE matters across Yancoal; and
- Reviewing the annual ESG disclosures.

EXECUTIVE

Responsibility for Yancoal's business processes and ESG performance lies with the Chief Executive Officer (CEO) and nominated senior executives. The CEO has a crucial role in providing direction, leadership and oversight of the performance of individual operations.

Frontline managers are delegated with the day-to-day responsibility for the management of ESG performance and the prevention and mitigation of ESG impacts from operational activities.

RISK MANAGEMENT

Risks are inherent in Yancoal's business and operations. Some of these risks are specific to our business while others relate to external economic conditions and the general industry in which our business operates. The timely identification and effective management of these risks as part of everyday business activities is key to Yancoal's ongoing success.

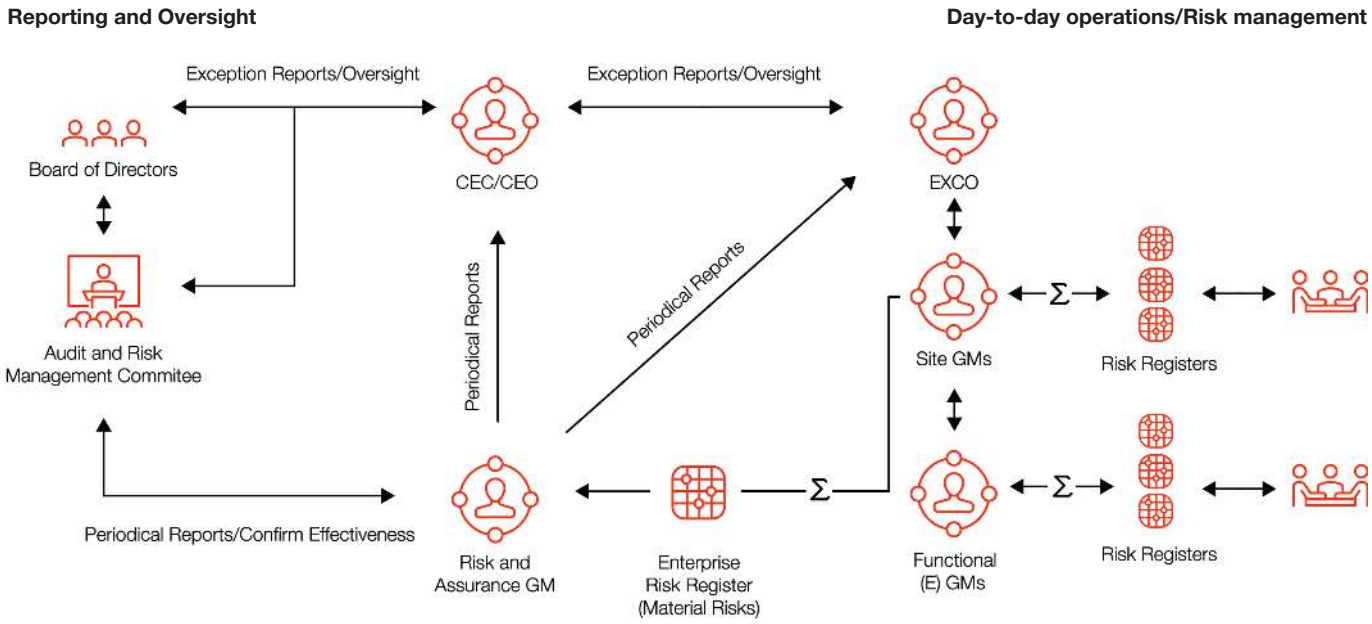
Yancoal's Risk Management Framework establishes the link between Yancoal's strategic business objectives and its risk management activities. Intended as a dynamic and iterative process, it seeks to protect and create value, enhance transparency, support decision making and contribute to the Company's continuous improvement.

The framework is supported by management and approved by the Yancoal Board's Audit and Risk Management Committee. It is owned by the Company's corporate Risk and Assurance team and covers the entire organisation and all risks that could materially impact the Company's ability to meet its objectives. It integrates into existing processes such as the annual business planning processes and supplements other detailed Company procedures to manage area-specific risks.

The accountability in identifying and subsequently managing risks, controlling activities and implementing action plans lies with designated individuals across the business who conduct these tasks as part of their everyday activities. There is, however, an equal expectation that everyone across our business is aware of (and supports Yancoal in the timely identification and management of) risks in their respective areas.

Yancoal's risk management process is based on the Australian/New Zealand Standard for Risk Management (AS/NZ ISO 31000). It defines the minimum requirements for the formal, systemic and consistent management of material risks across the company. Figure 1 provides an overview of Yancoal's risk management governance structure.

FIGURE 1: YANCOAL AUSTRALIA RISK GOVERNANCE STRUCTURE



OUR APPROACH TO MANAGING ESG ISSUES

BUSINESS STRATEGY

With a commitment to continued strategic growth and maximising new opportunities, Yancoal remains focused on returning shareholder value and building its business as a leading competitor in global markets. The Board and management team continually seek improved operational performance, the certainty of product quality and healthy relationships inside and outside of the business.

Delivering on this strategy is underpinned by the following strategic advantages:

- **People –** attracting, retaining and developing people with the right skills is essential. Our assets only deliver if our teams are working together. Yancoal has assembled a highly capable team.
- **Projects –** assembling a strong asset portfolio through opportune acquisitions of tier-one assets with robust operating margins that underpin the business.
- **Relationships –** supplying numerous customers, with a continued emphasis on strong relationships with Japan, South Korea, Taiwan, China and India.
- **Products –** producing high quality coal for the international market. Maximising the achieved price through product blending to meeting the evolving customer demand is a continual focus.
- **Optimisation –** continuing to deliver cost efficiencies across the recently expanded asset portfolio. Optimising operations, maintenance, procurement, product blending and taxes are all contributing to competitive financial performance.

ENGAGING WITH OUR STAKEHOLDERS

Yancoal is committed to clear, meaningful and transparent engagement between the business – both at Corporate and operational levels – and our stakeholders. This engagement informs Yancoal's understanding of stakeholder perceptions and issues in relation to its business and enables the business to consider and respond to these issues in a manner that develops trust in Yancoal's brand and strategic objectives. Yancoal's approach is guided by its Stakeholder Engagement Strategy Standard and Disclosure Policy.

Our key stakeholder groups, areas of interest and nature of interactions during 2018 are summarised below.

STAKEHOLDER TYPE	SPECIFIC STAKEHOLDERS	AREA OF INTEREST	NATURE OF INTERACTIONS
Shareholders and Partners	Institutional shareholders, joint venture partners.	Share price, financial returns, governance, risk management, operating performance, business strategy.	Financial and operational reports. Annual General Meetings and various ad-hoc presentations and meetings as needed.
Yancoal's Customers	Diverse customer base in markets including Japan, Taiwan, South Korea, India and China.	Product quality, resource continuity and price.	Regular meetings and ongoing engagement.
Employees	Yancoal's employees, contractors and service providers.	Remuneration, job security, training and learning opportunities, health and safety, contractor management.	Direct ongoing interactions, employee surveys, annual performance reviews.
Indigenous Groups	Relevant Indigenous groups.	Cultural heritage, investment, employment and procurement opportunities.	Formal and informal engagement with representatives and other ad-hoc meetings as required.
Local Communities	Individuals and groups local to our operations, including development groups, local businesses, Not-For-Profit organisations, local schools and universities, and other mining companies.	Investment, employment and procurement opportunities, training and education, environmental and social impacts, social licence to operate.	Community events, in-kind and financial investments. Community Consultative Meetings (CCC). Ad-hoc engagement activities. Direct engagement with community members.
Government Agencies and Regulators	Federal and State governments, local governments, State agencies.	Royalties, taxes, compliance, approvals, policy, mine closure planning, maximising resource extraction.	Meetings with agency and regulator representatives and other meetings as required. Direct engagement with Ministers and senior policy advisors.
Financiers	Banks and financial institutions.	Financial performance, business strategy, operational performance, share value, social licence to operate.	Regular meetings and other interactions.
Yancoal's Suppliers	Yancoal's key suppliers include mining manufacturers, service providers and consultants.	Ongoing purchases, local procurement.	Regular meetings, contract management and other interactions.
Industry Associations	Minerals Council of Australia, NSW Minerals Council, QLD Resource Council, Coal21.	Policy and regulatory formation.	Advocacy alongside industry partners. Participation in meetings, dialogues and forums.

DEFINING OUR MATERIAL ESG TOPICS

At Yancoal, we report on risks and opportunities relevant to the environmental, social and governance impacts of our operations, and therefore influence the decisions of stakeholders. The content of our inaugural 2018 ESG Report has been shaped by the materiality assessment that was independently facilitated during the reporting period. This process helps us identify, understand and prioritise the ESG topics that are material to both Yancoal and our stakeholders. We intend to review the relevance of these topics on an annual basis to ensure Yancoal is well positioned to respond to shifting stakeholder and business priorities.

To determine our material topics, we undertook a process of identification, prioritisation and validation through workshops with executives and senior Company representatives.

STEP 1: IDENTIFICATION

We identified the environmental, social and governance topics that could impact Yancoal and our stakeholders. An initial list of topics was collated using a range of inputs including:

- Peer benchmarking;
- Existing regulatory and legislative requirements, as well as potential changes;
- ESG reporting standards, including the HKEx ESG Reporting Guide, ASX Corporate Governance Principles – Recommendation 7.4 and GRI Reporting Standards;
- Existing and emerging sectoral trends; and
- Investor focus areas.

STEP 2: PRIORITISATION

A materiality workshop was held with representatives of Yancoal's management team to socialise identified topics and discover any additional topics. These topics were prioritised by rating the significance of the environmental, social and governance impacts and the substantive influence on the decisions of stakeholders.

STEP 3: VALIDATION

Following the materiality workshop, the material topics were socialised with the Yancoal Environment and Community Forum, including Site and Corporate Environment and Community Managers, and HSEC, to communicate results.

The table below outlines our material topics and associated definitions. We have also listed the section of the report where we have discussed each topic in further detail. The sequence of material topics listed below is consistent with the structure of the content in the forthcoming sections, and does not reflect the level of prioritisation or risks associated with each of these material topics.

MATERIAL TOPIC	DEFINITION	RELEVANT SECTION
Corporate Governance	Operating with integrity and in line with corporate governance principles and ethics. Compliance with laws and regulations.	**Our Way – The Yancoal Way**
Trust	Stakeholder perceptions and trust in Yancoal's strategic objectives and governance processes.	**Engaging with our stakeholders**
Climate Change, Energy and Emissions	Identification and management of climate-related impacts on our business, including the monitoring of our emissions and energy operational footprint.	**Climate Change, Energy and Emissions**
Water Use and Management	Effective use and management of water resources, including the potential impacts of finite water supply.	**Water Use and Management**
Rehabilitation and Biodiversity	Planning for rehabilitation of environmental impacts over the short and long term, and the management and conservation of biodiversity in operating areas.	**Rehabilitation and Biodiversity**
Mine Closure and Post-Mining Land Use	Responsible and fit for purpose site closure of our assets and responsibility to drive subsequent land uses that benefit local communities post mining.	**Mine Closure and Post-Mining Land Use**
Air Quality and Noise	Management of material exposures to air quality and noise arising from our operations.	**Air and Noise Impacts**
Our People	Attracting, retaining and developing our people. Promoting a diverse workplace.	**Our People**
Health and Safety	Management of the health and safety of our employees and contractors, including mental health and wellbeing, and preparedness for emergencies.	**Health and Safety**
Community Investment and Local Procurement	Investment in local communities that positively impacts the wellbeing of these communities, including the engagement and procurement of local suppliers.	**Community Investment and Supply Chain Management**

ENVIRONMENTAL ASPECTS

Operating to stringent environmental management approvals, licences and conditions, Yancoal continues to work with Federal and State Government departments and regulatory bodies to ensure full transparency in its environment and community performance and reporting.

Yancoal's HSEC sets the direction for the Company's continued commitment to operating its mines to meet its relevant environment, health and safety legislative requirements. Yancoal's overall approach to the management of environment and community impacts is directed by the Environment and Community Policy and supported by Yancoal's Corporate and Site Environmental Management Systems and Strategies as well as being underpinned by various regulatory approved Environment and Community management plans specific to each operation.

With the significant acquisitions of the Coal & Allied assets in 2017, in 2018 Yancoal developed and implemented a corporate Environmental Management System (EMS). The Yancoal EMS is an umbrella document which also includes the Yancoal Environment and Community Policy and other relevant environment and community polices and standards and has been designed to complement and support each operation in the management of environment and community affairs.

THE PURPOSE OF THE YANCOAL EMS IS TO:

- Provide a governance structure for Environment and Community Management at Yancoal owned and/or managed mining operations; and
- Set minimum environment and community management requirements that are to be implemented at each of the relevant operations.

Yancoal's operations are subject to various environmental licences and conditions of approval from both Federal and State regulatory bodies. Compliance with these environmental approvals and regulations is a critical priority for Yancoal operations.

All operations are required to undertake (and review) environment and community risk assessments which identify environment and community aspects that may have an impact on the local environment and community. Relevant controls and other mitigation measures are developed and implemented to assist in the management of these impacts. Aspects, impacts, controls and other mitigation measures are required to be documented in accordance with Yancoal's Environment and Community Aspects and Impacts Register Standard and relevant statutory approvals.

GOING BEYOND COMPLIANCE

Yancoal has an Independent Environmental Assurance Audit (IEAA) program that operates on a two-year cycle. The purpose of the IEAA program is to provide the Yancoal Board, the HSEC and Senior Management with an overview of environmental compliance, performance and assurance across its owned and managed coal mining operations. The IEAA assists Yancoal in maintaining a culture of excellence in environmental governance, compliance and performance across all its operations.

The IEAA Program assesses, using a risk-based approach, the effectiveness of each site's EMS and supporting management plans along with a review of compliance with relevant approvals and licences, with a particular focus on each site's identified environmental risks.

The scope of each IEAA considers:

- The general environmental performance of each operation including relevant site EMS documentation, environmental management plans and actions from internal and external audits as undertaken; and
- Key relevant State and Federal legislative and regulatory requirements.

In 2018, four IEAAs were completed. These included Moolarben, Mount Thorley Warkworth, Ashton and Austar. Findings from each of the IEAAs were communicated to HSEC and the wider Yancoal Environment and Community personnel via the bi-annual Environment and Community Forums. Stratford, Duralie and Yarrabee will be audited under the IEAA in 2019.

CLIMATE CHANGE, ENERGY AND EMISSIONS

CLIMATE CHANGE

Yancoal acknowledges it has a role to play in mitigating the emissions generated by its operations and supporting research into low-emission technology to assist the reduction of downstream emissions from the consumption of coal products.

The Company also recognises the growing interest by stakeholders regarding the potential risks and opportunities posed to our business and the broader sector as a result of an anticipated global shift towards a lower-carbon economy.

Recognising this, the Board continues to consider the Taskforce on Climate-related Financial Disclosures (TCFD) Recommendations, established by the G20 Financial Stability Board, as the framework to guide our climate-related disclosures. The considerations include the desire for greater transparency in the way we are identifying and mitigating the potential risks posed by any changes to our external environment such as from policy, legal, market demand, reputational and technological perspective.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

Yancoal reports its operational direct (Scope 1) and indirect (Scope 2) emissions and energy consumption data on an annual basis in line with the Australian National Greenhouse and Energy Reporting (NGER) legislation and has implemented systems and processes for the collation and calculation of the data required by the Federal Clean Energy Regulator (CER).

In addition to this, the Australian Government's Safeguard Mechanism legislation, which has been in place since July 2016, requires facilities whose net covered emissions exceed the safeguard coverage threshold of 100,000 tCO_2-e per year (per facility) to keep their emissions at or below a baseline set by the CER.[2] Exceedances of the baseline may result in financial carbon liabilities. The updated Safeguard Mechanism legislation was released in February 2019 and requires all organisations to transfer baselines over to either industry default or site-specific calculated baselines prior to 30 June 2020. Yancoal did not incur any financial carbon liability during the Reporting Period and is in the process of evaluating the implications of the updated Safeguard Mechanism legislation.

Overall, on an operational control basis, Yancoal's total Greenhouse Gas (GHG) emissions for the period ended 30 June 2018 totalled 1,957,514 tCO_2-e (Table 1), which represents a material reported increase (~90%) from the previous year.[3] This material increase can be almost entirely attributed to the acquisition of the Coal & Allied assets, the Mount Thorley and Warkworth open cut mines, in September of 2017. The emissions intensity per tonne of ROM coal produced **decreased** when compared to the previous year at 0.046 tCO_2-e/ROMt (Table 1).

The majority of the Company's Scope 1 emissions relate to fugitive emissions associated with its operational underground mining operations and open cut mines, decommissioned mines, and combustion of fuel. Scope 2 emissions stem from the consumption of electricity purchased from the grid.

2 'Covered Emissions' are defined as direct (Scope 1) emissions.

3 While Yancoal as manager has operational control over the emissions and energy consumption data for Premier and Cameby Downs for the purposes of complying with the NGER legislation, these facilities have been excluded from the figures reported here consistent with the scope and boundary of the HKEx disclosures.

TABLE 1: SCOPE 1 AND 2 EMISSIONS AND EMISSIONS INTENSITY[4]

INDICATORS	2018	2017
Total Scope 1 emissions tCO_2-e	1,625,139	909,405
Total Scope 2 emissions tCO_2-e	332,375	180,210
Total Emissions tCO_2-e	**1,957,514**	**1,089,615**
Total ROM production	**42,768,145**	**22,631,148**
Emissions intensity tCO_2-e/ROMt	**0.046**	**0.048**

While Yancoal does not currently calculate its Scope 3 emissions associated with the consumption of its coal products, we actively support the development of technologies aimed at reducing the emissions intensity of these downstream activities. This stance includes supporting the research and continued development and installation of high efficiency, low emissions (HELE) technologies in coal fired power stations.

Yancoal's energy consumption is driven predominately by its diesel fuel consumption across its operations, followed by electricity consumption. Again, driven by the acquisition of the Coal & Allied assets in September 2017, the Company's total energy consumption increased significantly compared to the previous year. The overall energy intensity per tonne of ROM[5] coal produced also increased by 5%.

TABLE 2: ENERGY CONSUMPTION AND ENERGY CONSUMPTION INTENSITY[4]

INDICATORS	2018	2017
Energy consumption from fuel combustion (GJ)	7,995,587	4,006,858
Energy consumption from electricity (GJ)	1,457,235	775,734
Energy consumption from oils and greases (GJ)	165,525	90,368
Energy consumption from flaring (GJ)	103,655	–
Energy consumption from other sources (GJ)	54,966	51,319
Total energy consumption (GJ)	**9,776,968**	**4,924,279**
Total ROM production	**42,768,145**	**22,631,148**
Energy intensity/ROMt	**0.229**	**0.218**

4 Scope 1 and 2 Emissions, Energy Consumption and respective intensities are based on the Australian fiscal year NGER data as submitted to the Clean Energy Regulator.
5 ROM: Run of Mine Production for the fiscal year.

EMISSIONS AND ENERGY EFFICIENCY MEASURES

Yancoal strives to identify and implement emissions and energy efficiency opportunities where appropriate, with a key driver for these activities being the relationship between these efficiencies and cost savings. Key **oppotunities** during the reporting period included the continuation of the following:

- The Mount Thorley Warkworth site continues to be a participant of the NSW Energy Savings Scheme. Under this scheme in 2018, the site completed two projects and achieved energy savings of 21,671 MWh. Since commencing its participation in this scheme under Coal & Allied in 2013, key energy savings implementations have included the replacement of two electric shovels with higher efficiency models, the installation of variable speed drivers in the Coal Handling and Preparation Plants, the replacement of two compressors with higher efficiency ones and leak elimination, transformer overhauls, and energy management education program to foster awareness and behavioural change. Further initiatives are planned for 2019.
- Ashton Underground Mine sent 2,749,482 m^3 of waste gas to the on-site flare plant during the reporting period. In addition to assisting with managing operations safely, the combustion of methane-rich waste gas via the flare plant as opposed to free venting assisted in reducing the emissions intensity of this operation.

Refer to the **Water Use and Management, Rehabilitation and Biodiversity**, and **Air and Noise Impacts** sections for further commentary on initiatives in place to reduce impacts on the natural environment.

WATER USE AND MANAGEMENT

We recognise that water is a highly valued, shared and finite resource and acknowledge stakeholder interest in how Yancoal manages and uses this resource within its operations. Water is an essential resource for Yancoal's mining activities, and is used across many aspects of our operations, including: the washing of coal; dust suppression; and in essential services, such as fire-fighting systems and human consumption. During the reporting period, operations were able to source, and secure water resources fit for purpose across all operations. Yancoal is committed to the efficient use of water resources in a responsible manner and is committed to ensuring that leading practices in water management are put in place across all our operations.

Yancoal recognises that water management is a highly complex issue. We have in place risk-based surface and groundwater management plans that guide the day-to-day interactions of operations and water sources to mitigate water impacts and risks. Operations also employ various water reticulation systems, which assist in the recycling of water to ensure maximum use across our operations.

Yancoal recognises the value and benefits of having in place a robust water accounting and reporting framework. We are continuing to assess and evaluate the implementation of a fit-for-purpose framework to enable all operations to account and report water use in line with leading industry practice, such as the MCA Water Accounting Framework, which will inform critical business decision making around the management of water.

TABLE 3: WATER CONSUMPTION, USE OF PRODUCTION WASTEWATER AND WATER DISCHARGE

	FRESHWATER CONSUMPTION	OFFICE WATER (POTABLE)	TOTAL WATER CONSUMPTION	UTILISATION OF PRODUCTION WASTEWATER/ RECYCLE
	Kilolitre (kL)	Kilolitre (kL)	Kilolitre (kL)	Kilolitre (kL)
Total	**9,221,205**	**4,056,629**	**13,277,834**	**13,422,446**
Total ROM production			**42,768,145**	
Water Consumption Intensity kL/ROMt			**0.310**	

REHABILITATION AND BIODIVERSITY

Yancoal recognises its stewardship role in the temporary ownership of lands and the important part we play as land stewards. We ensure that the land we use is rehabilitated to a standard in accordance with regulatory criteria and closure commitments as prescribed in various approvals.

Yancoal manages across its operations approximately 14,083 hectares in biodiversity offset lands. Biodiversity offset management plans are in place to manage and improve the quality and integrity of offset lands to assist in the management of key ecological communities. Significant resources are deployed across a range of activities to meet our statutory obligations around the management of Biodiversity offsets. Some of these activities include weed and feral pest management, land remediation works and scheduled flora and fauna ecological surveys.

Yancoal also has approximately 30,000 hectares of agricultural lands that are managed in strategic partnership with key lessees. Our current agricultural land holdings support commercial agricultural operations in beef, sheep (both wool and lambs), and dairy. Yancoal's rural property strategy aims to support local communities associated with each of our mine sites and to create sustainable rural holdings. We enter into rural licence agreements for the aggregated lots with best practice agricultural managers in order to ensure ongoing productive use of our rural lands, and to improve the asset value of this land over the term of the agreement.

TABLE 4: DISTURBANCE AND REHABILITATION INDICATORS[6]

INDICATORS	2018	2017
Total Area (ha) disturbed during the reporting period	242	190
Cumulative Area (ha) disturbed	6,667	6,425
Total Area (ha) rehabilitated during the reporting period	217	190
Cumulative Area (ha) rehabilitated	3,565	3,348
Ratio of Rehabilitation to Disturbance	**53%**	**52%**

MINE CLOSURE AND POST-MINING LAND USE

Mine closure planning is a significant element in the mine planning and design process at Yancoal. Yancoal recognises stakeholder interests in fit for purpose site closure of our assets, and the impact mine closure planning has to drive subsequent land uses and values post mining. Yancoal continues to investigate industry leading practices in the planning and closure of its mine assets to ensure that it meets its statutory obligations to successfully relinquish mining tenements.

Yancoal is developing a comprehensive Mine Closure Policy framework to provide guidance and ensure consistency across the Yancoal Group in mine closure planning and development.

Key to the successful relinquishment of tenements is a post-mining land use which demonstrates rehabilitation to the agreed closure criteria. Post-Mining land use analysis conducted as early as possible in the life-of-mine planning and design process attempts to identify a viable land use option and is envisaged to form a key element in the Mine Closure framework.

AIR AND NOISE IMPACTS

Yancoal acknowledges that potential impacts from operational activities in the form of both air and noise emissions is a concern for both our internal and external stakeholders.

At Yancoal, all operations strive to minimise the emissions of dust as a result of operational activities and to comply with relevant statutory obligations. Operations which generate air quality impacts have an Air Quality Management Plan to guide and assist operational personnel in the day-to-day management of activities to minimise emissions and mitigate against potential impacts on the general health and amenity of the surrounding environments in which we operate. The generation of airborne emissions can be considered under three distinct categories:

- Wind Generated Emissions: wind erosion of exposed surfaces, including stockpiles, overburden dumps and active pit areas, among others;
- Wind Sensitive Emissions: loading, dumping, emplacement, (essentially wherever material falls through the air); and
- Wind Insensitive Emissions: wheel generated dust from hauling, and dust from blasting and drilling (where the amount of dust does not predominantly depend on the wind speed at the time).

Operations which have the potential to create air quality impacts have continuous, real-time air quality monitoring stations that send notification alarms to selected operational personnel of real-time air quality results. This enables personnel to make real-time operational changes as required. Real-time weather stations are also deployed across operations to provide accurate site weather conditions, which assist in the management and mitigation of emissions from activities. Selective sites also employ predictive weather forecasting tools. These enable mining and environmental operational personnel to plan in advance for potential severe weather conditions and to adjust operational activities accordingly to minimise emissions.

6 Rehabilitation defined as area(s) shaped, topsoiled and seeded. Includes areas under ongoing active management (i.e. not relinquished).

Noise emissions from the operation of large-scale industrial machinery are also managed in a proactive manner across all Yancoal operations. Common noise generating activities across Yancoal's operations include the operation of:

- Exploration and blasting drill rigs;
- Blast events;
- Fixed plant such as Coal Handling and Processing Plants (CHPP);
- Rail loading facilities; and
- Heavy machinery operations such as excavators, loaders, haul trucks and dozers.

Real-time noise monitoring networks, with response alarms, are in place at key operations to assist in the management of noise emissions. Noise attenuation of selective machinery and infrastructure is also employed where reasonable and feasible, to minimise noise generation and emission. Regular service and maintenance schedules are also in place to ensure that machinery is continually operated in accordance with manufacturer's specifications.

Other common industry leading practices adopted across various Yancoal operations to minimise and mitigate against excessive noise generation and emissions include:

- The operation of support fleet during the daytime only;
- The procurement of sound attenuated principal equipment;
- The utilisation of Dura Tray fleet[7] in noise onerous areas;
- The use of targeted acoustic bunding;
- The adoption of multilevel dumping operations; and
- The reduction in volume of reversing sirens and startup alarms.

Across each of Yancoal's operations, all employees, contractors and visitors undertake site-specific induction programs. These programs inform and educate individuals regarding both their individual and collective statutory obligations around the generation and emission of substances from operations. Yancoal regularly reviews induction programs to ensure that changes in operational status and obligations are communicated.

COMMUNITY COMPLAINTS

During the Reporting Period, Yancoal received 436 community complaints across its owned and managed operations. In relation to air quality matters, 100 community complaints were received, slightly up on 2017 results of 80 community complaints. For noise amenity, operations received 233 community complaints during the Reporting Period, down significantly from 305 noise related community complaints for 2017.

Community complaints are investigated in accordance with the relevant operation-based policies and procedures. In exceptional cases, a response from operations may include the reallocation or rescheduling of activities into areas less sensitive to community receivers. In the case of extreme weather events, this may involve the temporary relocation or stoppage of operations to minimise air and noise emissions. Selective operations have employed designated Community Response Officers who liaise between community members and site operational personnel to ensure a direct interface and response to community concerns.

AIR EMISSIONS REPORTING

Yancoal submits its annual National Pollutant Inventory (NPI) report in accordance with the Australian regulations. The NPI provides interested parties with information about substance emissions in Australia. In 2018, Yancoal's key NPI reportable pollutants are provided in Table 5.

TABLE 5: 2018 REPORTABLE NPI POLLUTANTS[8]

SOURCE	CARBON MONOXIDE	OXIDES OF NITROGEN	PARTICULATE MATTER (PM10)	SULPHUR DIOXIDE	VOLATILE ORGANIC COMPOUNDS
	KG	KG	KG	KG	KG
Ashton	14,100	43,000	118,000	25	4,120
Austar	41,626	93,783	297,041	61	8,613
Duralie	57,130	160,110	1,180,500	104	12,920
Moolarben	1,202,400	2,026,000	3,680,600	2,144	155,600
Mount Thorley Warkworth	870,479	1,978,690	8,677,225	1,752	118,519
Stratford	6,360	22,820	304,606	12	2,040
Yarrabee	945,800	2,170,000	4,028,470	1,288	129,780
Total	**3,137,895**	**6,494,403**	**18,286,442**	**5,386**	**431,592**

7 Moolarben Coal only.
8 The 2018 fiscal year Reportable NPI Pollutant figures disclosed are consistent with the data submitted to the Australian Government's Department of Energy and Environment.

WASTE MANAGEMENT

We recognise that Yancoal waste management arising from our operations is important to the operation of Yancoal's business, as the risk of not managing waste efficiently may impact the natural environment. Yancoal's approach to waste management is outlined in each site's Environmental Management Plan and/or Strategy, to ensure relevant legislative requirements are met as required. Hazardous and non-hazardous waste is collected and either recycled or disposed of by third party providers. For Yancoal, hazardous waste is mainly comprised of effluents and waste oils, while non-hazardous waste includes scrap steel, mixed solid waste and timber.

During the Reporting Period, Yancoal's waste decreased by 12%, while the overall proportion of waste recycled remained consistent from the previous year at approximately 60%.

TABLE 6: HAZARDOUS AND NON-HAZARDOUS WASTE RECYCLED AND DISPOSED[9]

INDICATORS	2018	2017
Total: Hazardous Recycled kg	2,755,947	2,878,572
Total: Hazardous Disposed kg	117,437	127,120
Total: Non-Hazardous Recycled kg	3,168,697	3,777,417
Total: Non-Hazardous Disposed kg	2,079,998	2,503,738
Total: Contained (On Site) kg	1,853,524	2,062,800
Total Hazardous and Non-Hazardous Waste kg	**9,975,603**	**11,349,647**
Percentage of total waste recycled	**59%**	**59%**

TAILINGS DAM MANAGEMENT

Yancoal recognises stakeholder interests in the safe management of Tailings Storage Facilities (TSFs) and is continually updating operational plans and procedures to ensure the adoption of industry leading practices in the safe management, rehabilitation and closure of our TSFs. TSFs across Yancoal operations are managed in accordance with relevant regulatory obligations. Each site undertakes comprehensive risk assessments and scheduled inspections as part of the management of its TSFs to identify risk areas with the storage and management of tailings. Statutory safety inspections form an integral part in the management of TSFs and are conducted by government regulatory bodies in each jurisdiction as required.

LEGAL AND REGULATORY COMPLIANCE

Yancoal is not aware of any material non-compliance with laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Reporting Period that have a material impact on Yancoal.

9 Waste data for Yarrabee was unavailable for the reporting period due to the service provider not tracking data to allow for transparency. Yancoal has implemented data reporting requirements with service providers to ensure consistency across the Group.

SOCIAL ASPECTS

OUR PEOPLE

Yancoal recognises that people are our most important asset and is committed to maintaining and promoting workplace diversity and inclusion. This includes a commitment to the following:

- Equal employment opportunities;
- Fair employment practices and anti-discrimination laws; and
- A workplace free from any kind of discrimination, harassment or intimidation of employees.

All employment with Yancoal is voluntary and Yancoal complies strictly with the applicable employment laws and does not employ any child labour. Yancoal has a range of formal and informal processes in place to ensure our people work in an environment that is conducive to productivity, safety and teamwork. We have the following mechanisms in place to facilitate this:

- Annual employee performance development reviews, which provide opportunities for feedback and improvement;
- Annual employee engagement surveys, which enable the Company to better understand how its people are experiencing working at Yancoal and identify opportunities for improvement;
- Informal meetings between management and employees; and
- Learning and development opportunities.

Yancoal has a suite of human resources polices covering a range of issues. They include:

- Code of Conduct;
- Diversity Policy;
- Workplace Behaviour and Anti-Discrimination Policy;
- Gifts and Benefits Policy;
- Leave Policy;
- Parental Leave Policy;
- Working Flexibly Policy; and
- Performance Review and Development Policy.

These policies are reviewed at regular intervals to ensure currency and are reflective of changing regulatory and societal expectations. Our policies are made available to our people via our intranet and through our employee induction programs conducted across all operations.

DIVERSITY

Diversity assists in Yancoal's ability to attract, retain and develop the best talent, create an engaging workplace, deliver the highest quality services to our customers, and continue growing our business.

Recognising the under-representation of women in senior executive positions and on the Board, an updated Diversity Policy was developed in 2018 by the Nomination and Remuneration Committee (formally approved by the Board), to actively facilitate a more diverse and representative management and leadership structure.

KEY 2018 INITIATIVES

During 2018, key People-related initiatives included the following:

- **Succession Planning and Leadership Development:** In line with Yancoal's significant growth over recent years, we recognise that strong leadership is required across the organisation to drive this continuous transformation agenda. To support the development of our management and employees into our leaders of the future, to ensure business continuity and to solidify the organisation for future success, Yancoal partnered with Mercer during 2018 to design a Talent Management Roadmap. Implementation of this Roadmap commenced roll-out in 2019.
- **Introduction of salary continuance and life insurance for salaried employees:** Consistent with People being at the heart of Yancoal's values, and as part of Yancoal's refreshed People Strategy, the Yancoal Group Insurance Plan was introduced during 2018. This Plan will provide eligible employees with Salary Continuance Insurance and Life Insurance benefits. Employees are automatically included as a member of the policy when employed in an eligible role within the Company.

Other key initiatives included the:

- Roll-out of a culture program to support the launch of the refreshed 'Our Way – The Yancoal Way' beliefs and values;
- Release of the updated Code of Conduct and refresh training was provided to all employees; and
- Continued focus on the integration of employees from the Coal & Allied acquisition.

TRAINING AND DEVELOPMENT

Yancoal continues to invest in developing our people and supporting business leadership. During 2018, the focus of our training and development was on safety, the Yancoal Our Way values and leadership programs. In 2019, there will be an ongoing emphasis on leadership development across various management levels, as well as training focused on our Code of Conduct and other corporate governance themes.

Yancoal operations continually update and deliver relevant training seminars to employees regarding new and updated policies and procedures. In addition, comprehensive training packages are delivered to relevant personnel to ensure that their knowledge and skills to perform their duties at work are contemporary and, where applicable, are in accordance with relevant legislation and regulations.

LEGAL AND REGULATORY COMPLIANCE

For the Reporting Period, Yancoal is not aware of any material non-compliance with laws and regulations relating to employment and labour policies and/or practices, or any incidents that would have a material impact on Yancoal relating to the use of child or forced labour during the Reporting Period.

TABLE 7: DIVERSITY OF GOVERNANCE BODIES AND WORKFORCE[10]

INDICATORS	2018 COUNT		2018 %		2017 COUNT		2017 %	
	Female	Male	Female	Male	Female	Male	Female	Male
Number/Percentage of Directors and employees by gender by employment category								
Board	1	10	9%	91%	0	11	0%	100%
Executive Committees	1	11	8%	75%	1	6	14%	86%
Senior Management	1	22	4%	96%	0	21	0%	100%
Departmental Management	11	72	13%	87%	7	68	9%	91%
Frontline Employees	255	2,215	10%	90%	257	2,250	10%	90%

10 The following definitions have been applied in this table: Senior Management includes Corporate General Managers, site General Managers and site Operational Managers; Departmental Managements includes all employees with 'Manager' in position title, excludes Supervisors; Frontline Employees includes all employees below Departmental Managers.

TABLE 8: WORKFORCE BY GENDER, GEOGRAPHICAL REGION, AGE GROUP AND EMPLOYMENT TYPE[11]

INDICATORS	2018	2017
Number of employees	**2,592**	**2,614**
By gender		
Female	**269**	265
Male	**2,323**	2,349
By geographical region		
New South Wales	2,257	2,272
Queensland	333	341
Western Australia	2	1
By age group		
Below 30	242	246
30-50	1,627	1,672
Over 50	723	696
By employment type and gender		
Permanent (Female)	241	237
Permanent (Male)	2,287	2,304
Fixed Term (Female)	17	11
Fixed Term (Male)	30	35
Part Time (Female)	9	14
Part Time (Male)	3	2

11 Workforce data includes all employees that receive salaries and wages. It excludes contractors. Workforce data by 'employee type and gender' excludes casual employees during the respective reporting periods.

TABLE 9: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER[12]

INDICATORS	2018	2017
Number and rate (%) of new hires	367 (18%)	361 (17%)
By gender		
Female	56	54
Male	311	307
By geographical region		
New South Wales	317	291
Queensland	50	70
By age group		
Below 30	85	93
30-50	227	214
Over 50	55	54
Number and rate (%) of employee turnover	327 (14%)	249 (12%)
By gender		
Female	41	46
Male	286	203
By geographical region		
New South Wales	281	211
Queensland	46	38
By age group		
Below 30	36	42
30-50	202	66
Over 50	89	141
Average tenure	7.6 years	5.6 years

12 While the number of new employee hires and employee turnover is broken down by gender, geographical region and age group, the rate is only disclosed for the total new employee hires and total employee turnover in the respective reporting periods.

HEALTH AND SAFETY

At Yancoal, the health and safety of our people is our highest priority and we remain committed to achieving our goal of zero injuries. We will never compromise on safety.

The HSEC sets the direction for the Company's continued commitment to operating its mines to the highest safety standards in accordance with legislative requirements. This approach is formalised in Yancoal's Health and Safety Policy. Working with Yancoal's executive and senior management teams, the HSEC is chaired and led by members of the Yancoal Board, providing external oversight of the Company's operating and reporting standards. Together, Executive management and the Committee continue to set the direction for a culture of continued improvement, with the leadership, capabilities, systems and reporting procedures needed to be a leader in safety management.

Each mine implements proactive strategies to update and monitor its safety standards, behaviours and reporting to ensure operations are aligned and focused on achieving Yancoal's aspirational goal of zero harm. Taking responsibility for the safety of all employees, contractors and visitors, Yancoal continues to implement robust safety and risk awareness and management practices across all areas of its operations.

Yancoal's TRIFR and LTIFR both steadily improved during the reporting period compared to the previous year. There was an overall reduction on a site-by-site basis in the number of work-related incidents as well as a reduction in the number of high consequence, lost time injuries, notwithstanding the significant increase in the number of hours worked following the acquisition of the Coal & Allied operations. These improvements reflect the Company's continued emphasis on safety and the ongoing implementation of the Core Hazard Critical Control program.

TABLE 10: SAFETY METRICS

INDICATORS	2018	2017
Number and percentage of workers covered by an occupational health and safety management system	100%	100%
Number and rate of fatalities as a result of a work-related injury	–	–
Number of high consequence work-related injuries (LTIs)	42	45
Lost Lime Injury Frequency Rate (per one million hours worked)	4.94	10.96
Number of recordable work-related injuries (LTI, RWI, MTI)	83	76
Total Recordable Injury Frequency Rate (per one million hours worked)	9.77	18.52
Main types of work-related injury	Soft Tissue Muscle/Tendons	Soft Tissue Muscle/Tendons
Number of hours worked	8,494,974	4,103,600

CORE HAZARD CRITICAL CONTROL PROGRAM

Yancoal commenced the roll-out of the Core Hazard Critical Control program in 2017, with the objective of increasing control over rare, but potentially significant, events, by identifying Core Hazards within the workplace and associated Critical Controls to prevent significant consequences. The implementation of the Core Hazard Critical Control program continued across 2018, with the focus on mandating and implementing verification activities around Critical Controls to ensure they are implemented and operating as designed across sites.

Key activities completed during the reporting period in relation to the Core Hazard Critical Control program included:

- The completion of two 'Bowties', including the identification of Critical Controls and creation of Verification Sheets and Active Monitoring Sheets. The 'Bowtie' method is a risk assessment method that can be used to analyse and communicate risk scenarios.
- Identified seven Core Hazards, and successfully implemented 31 Critical Controls in response to those hazards.
- Continued the ongoing verifications for all implemented Core Hazards, including:
  - 36 Open Cut Active Monitoring Sheets completed; and
  - 31 Underground Active Monitoring Sheets completed.
- Transitioned the former Coal & Allied operation, Mount Thorley Warkworth, across to the Yancoal Core Hazard Approach.

The Health, Safety and Environment Committee regularly attends the mine sites as part of its work and engages directly with employees on health and safety matters. While key advances were made during the reporting period, we have the following objectives in place for 2019 to further progress this work:

- The implementation of controls to mitigate the risk of the four remaining Core Hazards;
- Continue to verify Critical Controls identified for implemented Core Hazards in accordance with our schedule; and
- Audit the Core Hazard implementation and Critical Control verifications across our operations.

MENTAL HEALTH AND WELLBEING

During the reporting period, Yancoal conducted a review of the business' wellbeing programs and approval was given for a pilot to be conducted to establish the feasibility of a formalised Yancoal Mental Health Program. The pilot is programmed to be completed in 2019 and subject to its efficacy, the program is proposed to be implemented across Yancoal in 2020.

LEGAL AND REGULATORY COMPLIANCE

Yancoal is not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period that have a material impact on Yancoal.

COMMUNITY INVESTMENT

Yancoal is committed to supporting the communities in which it operates, investing in projects and initiatives that make a genuine positive difference and lasting change. Yancoal's community investment approach includes two key pillars – its **Community Support Program** and **Corporate Partnering Program**.

YANCOAL CORPORATE PARTNERING PROGRAM

The Yancoal Corporate Partnering comprises a number of (generally multi-year) partnerships with third parties which align to Yancoal's purpose and the needs of the local communities.

As at 31 December 2018, Yancoal has established partnerships with:

- **The Clontarf Foundation:** The Clontarf Foundation exists to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal and Torres Strait Islander men and by doing so equips them to participate meaningfully in society.

  During the reporting period, Yancoal completed its second year of a rolling three-year partnership with the Clontarf Foundation, providing $100,000 to support Indigenous youth education services throughout Australia.

- Queensland University of Technology: Yancoal has committed $600,000 over three years to support the Queensland University of Technology's Cancer and Ageing Research Program (CARP). In its first year of this partnership, Yancoal's funding has enabled the employment of two full-time cancer researchers within the CARP team to advance their research and help facilitate cancer clinical trials, which will benefit all Australians.

TABLE 11: 2018 COMMUNITY PARTNERING PROGRAM CONTRIBUTIONS

CORPORATE PARTNERSHIPS	ANNUAL AMOUNT	PARTNERSHIP TERM
The Clontarf Foundation	$100,000	3 years (rolling)
Queensland University of Technology	$200,000	3 years

CASE STUDY – THE CLONTARF FOUNDATION

Project: Education and Employment

Value: $300,000

Term: 2017 – 2019

Since opening its first academy for 25 boys in 2000, the Clontarf Foundation has grown to cater for over 8,000 boys in 121 schools across Western Australia, the Northern Territory, South Australia, Victoria, New South Wales and Queensland.

The Foundation aims to source funding equally from Federal government, State government and from private enterprise participants such as Yancoal.

The foundation believes that failure to experience achievement when young, coupled with a position of under-privilege, can lead to alienation, anger and to more serious consequences. As a prelude to tackling these and other issues, participants are first provided with an opportunity to succeed, and in turn, to raise their self-esteem. The foundation works by using the existing passion that Aboriginal and Torres Strait Islander boys have for football to attract the boys to school and keep them in school. Their program is delivered through a network of academies across Australia, established in partnerships with local schools. Any Aboriginal or Torres Strait Islander male enrolled at the school is eligible to participate in the Clontarf Academies.

The Clontarf Academies provide an important school-engagement mechanism for many at-risk students who would otherwise not attend or have low school attendance. Full-time, locally based Clontarf staff mentor and counsel students on a range of behavioural and lifestyle issues while the school caters for their educational needs.

Academy activities are planned within the focus areas of education, leadership, employment, wellbeing and sport. In order to remain in the programme, participants must continue to work at their schooling and embrace the objectives of the Foundation. Members must consistently endeavour to:

- Attend school regularly;
- Apply themselves to the study of appropriate courses; and
- Embrace the academy's requirements for behaviour and self-discipline.

Upon completion, graduates are assisted in finding employment. Specialist Clontarf Employment Officers are engaged to assist graduates with finding employment and provide continued mentoring and support once employment has been secured.

COMMUNITY SUPPORT PROGRAM

Going beyond its established role as a key employer, Yancoal's Community Support Program is specifically designed to invest in projects, programs and initiatives capable of making a difference to the lives of others. Each year, Yancoal allocates funds at a site level to support community groups and programs operating across the areas of:

- Health;
- Social and Community;
- Environment; and
- Education and Training.

During the reporting period, Yancoal's Community Support Program invested more than $380,000 into local initiatives across Australia. The Community Support Program funding has enabled the development and implementation of educational and training projects, and supported critical research into the detection and prevention of cervical cancer, the rescue and rehabilitation of protected local wildlife, the sponsorship of key community events, groups and clubs, the refurbishment of community facilities; and helped support disadvantaged community support groups who may otherwise struggle to achieve their funding targets.

TABLE 12: 2018 COMMUNITY SUPPORT PROGRAM CONTRIBUTIONS

	TOTAL AMOUNT	NUMBER OF RECIPIENTS	SOCIAL AND COMMUNITY	HEALTH	ENVIRONMENT	EDUCATION AND TRAINING
Total	$382,764	116	79	4	3	30

COMMUNITY SUPPORT PROGRAM CASE STUDY – UNGOOROO ABORIGINAL CORPORATION

Project: Mental and Other Health Services

Value: $110,000

Term: 2017 – 2018

Ungooroo Aboriginal Corporation (UAC) is a multifaceted 100% Aboriginal-owned Non-for-Profit organisation operating the only shop front organisation in the Upper Hunter, providing culturally appropriate and holistic General Practice, Medical, Allied Health, Mental Health Services and other community services directly to the Aboriginal community.

The Project specifically targeted:

- Increasing level of Health Services – Enabling UAC to address the current gaps in service provision for Aboriginal people, particularly in areas of Mental Health and Psychology Services;
- Enabling Ungooroo to become a centralised hub for essential health services – Building capacity in health services for the Aboriginal (and non-Aboriginal) communities of the Upper Hunter, in particular the Singleton, Muswellbrook and Upper Hunter Local Government Areas; and
- Financial Independence and Sustainability – Creating a financially sustainable business model that generates income independent of outsourced funding, therefore reducing reliance on financial support from funding bodies.

Project funding enabled UAC to increase service capacity and build an efficient patient referral system to qualified general practitioners, enhancing their standing as a centralised hub for a variety of health services in the Upper Hunter region. Funding also assisted UAC in gaining accreditation from Australian General Practice Accreditation Limited as an Aboriginal Medical Centre. This accreditation, along with increased service provision and targeted promotion of services through local and social media, newsletters and community health days, all contributed significantly towards the financial sustainability of UAC.

SUPPLY CHAIN MANAGEMENT

Yancoal is committed to supporting economic development in the communities in which we operate. Our approach to procurement is guided by the requirements outlined in Yancoal's Procurement Policy. This includes requirements relating to the consideration of the health, safety and environmental practices and performance of suppliers.

Following the introduction of the Australian Modern Slavery legislation in 2018, Yancoal is in the process of reviewing its approach to supply chain management in preparation for issuing our first Modern Slavery Statement in 2021.

Across our operations, our highest value contractors in 2018 were for mining services and equipment, haulage, rail and port services. 80% of expenditure on these services was obtained from local suppliers/service providers, which was an increase of 26% compared to 2017.[13] There was no significant change to Yancoal's supply chain in 2018.

TABLE 13: SUPPLIERS BY GEOGRAPHICAL REGION AND SPEND

INDICATORS	2018	2017
Number of key suppliers[14]	**111**	**151**
By region		
New South Wales	72	113
Queensland	25	28
Other Australian States	**14**	**10**
Total payments to local suppliers (AUD)[15]	**766,786,189**	**725,447,525**
Total payments to all key suppliers (AUD)	**952,385,126**	**1,136,961,787**

PRODUCT STEWARDSHIP

Resource optimisation is achieved by a comprehensive exploration program and integrated mine planning and design schedule, and by adopting leading industry practices and innovations in the extraction and processing phase to ensure maximum yield. Yancoal engages third-party rail and port service providers to transport, stockpile and transfer product to clients who independently engage third-party shipping service providers for transport to respective clients.

LEGAL AND REGULATORY COMPLIANCE

Yancoal is not aware of any material non-compliance of laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the Reporting Period that have a material impact on Yancoal.

13 'Local suppliers' are defined as suppliers that are located in the respective State of Yancoal's operations. They exclude government agencies and departments, energy retailers and community sponsorships.

14 'Key suppliers' are defined as suppliers of products and/or services to Yancoal whose contract spend exceeded AUD$1 million during the respective reporting period, excluding payments to government agencies and departments, energy retailers and community sponsorship payments.

15 Payments based on Australian fiscal year.

APPENDIX A: ESG GUIDE CONTENT INDEX

In 2018, Yancoal complied with the 'comply or explain' provisions set out in the 'ESG Reporting Guide' in the ESG Report in order to comply with R13.91(2)

LEGEND			
'Comply or explain' disclosure requirement		**Recommended disclosure**	
HKEx ESG Reporting Guide		**GRI Standards**	**Locations of Disclosure or Remarks**
A. ENVIRONMENTAL			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environment and Community Aspects (pages 8-14)
KPI A1.1	The types of emissions and respective emissions data.	GRI 305 Emissions Disclosure: 305-6	Air and Noise Impacts, Table 5 (page 12)
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305 Emissions Disclosure: 305-1, 305-2, 305-4	Table 1: Scope 1 and 2 Emissions and Emissions Intensity (page 10)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste Disclosure: 306-2(b)	Table 6: Hazardous and Non-Hazardous Waste Recycled and Disposed (page 14). Hazardous waste intensity not disclosed as not deemed material to Yancoal.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste Disclosure: 306-2(a)	Table 6: Hazardous and Non-Hazardous Waste Recycled and Disposed (page 14). Non-hazardous waste intensity not disclosed as not deemed material to Yancoal.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	GRI 305: Emissions Disclosure: 305-5	Emissions and energy efficiency measures (pages 11)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI 306: Effluents and Waste	Waste Management (page 14)
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.		Environment and Community Aspects (pages 8-14)
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302: Energy Disclosure: 302-1 and 302-3	Table 2: Energy Consumption and Energy Consumption Intensity (page 10)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not covered by GRI	Table 3: 2018 Water Consumption, Use of Production Wastewater and Water Discharge (page 11)

HKEx ESG Reporting Guide		GRI Standards	Locations of Disclosure or Remarks
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	GRI 302: Energy Disclosure: 302-4	Emissions and energy efficiency measures (page 11)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	GRI 303: Water Disclosure: 303-3	Water Use and Management (page 11)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	Not applicable to Yancoal's business
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.		Environment and Community Aspects (pages 8-14)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Yancoal-specific approach.	Environment and Community Aspects (pages 8-14), including Air and Noise Impacts (page 12)
B. SOCIAL			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Our People (pages 15-20)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	GRI 102-8: Information on employees and other workers GRI 405: Diversity and Equal Opportunity Disclosure: 102-8 (a, b and c), 405-1 (b-ii)	Table 8: Workforce by gender, employment type, age group and geographical region (page 17) Table 7: Diversity of Governance Bodies and Workforce (page 16)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401: Employment Disclosure: 401-1(b)	Table 9: New hires and employee turnover (page 18)
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Employee and Contractor Health and Safety (page 20)

HKEx ESG Reporting Guide		GRI Standards	Locations of Disclosure or Remarks
KPI B2.1	Number and rate of work-related fatalities.	GRI 403: Occupational Health and Safety Disclosure: 403-2	Table 10: Safety metrics (page 19)
KPI B2.2	Lost days due to work injury.	GRI 403: Occupational Health and Safety Disclosure: 403-2	Table 10: Safety metrics (page 19)
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		Employee and Contractor Health and Safety (pages 19-20)
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Our People – Training and Development (page 15)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Not covered by GRI	Training data has not been disclosed as data is not available for the Reporting Period. Yancoal is implementing processes in place to capture future data.
KPI B3.2	The average training hours completed per employee by gender and employee category	GRI 404: Training and Education Disclosure: 404-1	Training data has not been disclosed as data is not available for the Reporting Period. Yancoal is implementing processes in place to capture future data.
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Our People (page 15)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI 408: Child Labour and GRI 409: Forced or Compulsory Labour Disclosure: 408-1(c) and Disclosure 409-1(b)	Our People (pages 15-16)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A	Our People (pages 15-16)
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.		Supply Chain Management (page 23)
KPI B5.1	Number of suppliers by geographical region.	GRI 102: General Disclosures Disclosure: 102-9	Table 13: Suppliers by geographical region (page 23)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A	Yancoal does not currently have systems in place to disclose on this KPI. To be considered in future reporting periods.

Aspect B6: Product Responsibility			
HKEx ESG Reporting Guide		GRI Standards	Locations of Disclosure or Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Product Stewardship (page 23)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	Not applicable to Yancoal's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A	Not applicable to Yancoal's business
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	Not applicable to Yancoal's business
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	Not applicable to Yancoal's business
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A	Not applicable to Yancoal's business
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Our Way – The Yancoal Way, including Code of Conduct (pages 3-4)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	GRI 205: Anti-Corruption Disclosure: 205-3	Anti-Bribery and Anti-Corruption (page 4)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosure 102-17 – Mechanisms for advice and concerns about ethics	Code of Conduct (page 3)
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment (page 21)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203: Indirect Economic Impacts Disclosure: 203-1	Community Investment (page 21)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201: Economic Performance Disclosure: 201-1(a-ii)	Community Investment (page 21)

APPENDIX B: GLOSSARY

ASX	Australian Securities Exchange
CARP	Cancer and Ageing Research Program
COAL21	Australian coal industry investment in low emission technology
EMS	Environmental Management System
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas Emissions
GRI Standards	Global Reporting Initiative's 2016 Reporting Standards
HELE	High Efficiency Low Emissions
HKEx	The Stock Exchange of Hong Kong Ltd
HSEC	Health, Safety and Environment Committee
IEAA	Independent Environmental Assurance Audit
LTIFR	Lost Time Injury Frequency Rate
MCA	Minerals Council of Australia
NGER	National Greenhouse and Energy Reporting legislation
NPI	National Pollutant Inventory
ROM	Run-of-Mine
TRIFR	Total Recordable Injury Frequency Rate
TCFD	Taskforce on Climate-Related Financial Disclosures
TSF	Tailings Storage Facility
UAC	Ungooroo Aboriginal Corporation

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