



Newcastle Coal

INFRASTRUCTURE GROUP



20
18 | Sustainability
Report

welcome

TO NCIG'S 2018 SUSTAINABILITY REPORT

This publication is our second sustainability report and aligns with our internal reporting calendar and the Australian financial year of 1 July 2017 to 30 June 2018. It provides a broad overview of our operations and describes our approach to managing our social and environmental impacts and our performance for the year. We have also included information about our strategy, procedures and goals on topics that are most material for our stakeholders.

For more information about NCIG, or to read our Sustainability Policy, please visit our website www.ncig.com.au.

You can also contact enquiries@ncig.com.au.

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ceo statement

Welcome to our 2018 Sustainability Report. This is our second sustainability report, with this edition emphasising the connection of our business with our stakeholders and the importance of sustainability to our business strategy.

Our approach to sustainability has matured considerably in the past 12 months. We have reviewed our reporting processes, conducted an assessment of material issues and actively sought feedback from some of our key stakeholders on what they would like to see in our sustainability reporting. This has been a fruitful exercise and allows us to demonstrate our key performance outcomes for the fiscal year, but also encourages us to hone in on future challenges for the business and the industry more broadly.

We recognise that we exist in an increasingly carbon-constrained world. There are significant challenges for the coal industry, as we look to provide the greatest social and economic value, while limiting our environmental impacts at both global and local scales. We see encouraging trends both in terms of demand for Hunter Valley coal on the seaborne market, and huge technological advancements in the generation of base-load electricity from coal. While our throughput for the year dropped slightly from the previous financial year, increasing Asian preference for high quality thermal coal bodes well for future demand for Newcastle exports. I was lucky enough to visit the Isogo Thermal Power Station near Tokyo in July, which is a next-generation High Efficiency, Low Emissions (HELE) power plant and routinely receives high quality coal shipped from our terminal. The plant harmoniously integrates into the local surrounds, is 10% more efficient and emits 17% less CO₂ emissions than traditional coal-fired power plants. We are encouraged to know that there are many more new-age power plants currently under construction or being planned by Asian governments.

While we see a role for coal in the global economy to meet future power demand, we also recognise that climate change is a risk not only for governments and communities, but also for business. Our stakeholders have echoed this in their feedback and have stressed the importance of this in our long-term operability and planning. We take on this feedback and will work to incorporate climate change risks into our business planning moving forward, along with other critical challenges facing our business.

At NCIG, we aim to be the leading coal export terminal through our people, plant, processes and performance. To achieve this vision, we actively engage with our stakeholders – our customers, community members, investors, employees, suppliers and government representatives. We work to ensure that the themes most important to them and our business align with our strategic direction. We have also made efforts to ensure these topics feature in this report.

We are committed to the safety of our employees and contractors onsite, and the prevention of injuries and high risk incidents is a primary focus for the business. While any injury to our people is disappointing for everyone, I am very pleased to report that during the year we recorded the lowest number of injuries to our employees and contractors in a 12 month period since the commencement of operations in FY11. Despite this result, we will continue to strive towards making sure people go home from work safe every day.

Our customers value the service and flexibility that our business provides. They also value transparency and honest conversations to ensure we meet their expectations. Throughout the year, we worked hard to ensure that all issues that materially impacted their product were thoroughly investigated and resolved in an appropriate timeframe. We also added value in showcasing our terminal to overseas end-customers through site tours, and producing new media to be shared online and in print.

We maintain a strong environmental performance with a high level of compliance. We continuously improve our processes and plant to ensure we are having the lowest possible impact on the local environment, in particular on air quality and local water resources. As an added bonus, and in recognition of the value we place on environmental outcomes, we were named as one of a select number of recipients from around the world in the 2018 PIANC Working with Nature Awards for our work in restoring wetland habitat on Ash Island. This is in addition to the NSW Mining HSEC Awards for Environment and Safety, which we received in August 2017.

Support for our local community has been a bedrock of NCIG since we began operating in 2010. Over that time, we have donated over \$1.5 million to local community groups, improving educational, health, social and environmental outcomes in the process. One particular story I am most proud of and is a testament of our people's commitment to social causes, was an employee driven initiative to support the 2017 Movember Foundation, raising funds and promoting awareness of mental health. 56 employees and contractors actively participated and our team raised nearly \$40,000 for men's mental health.

I am pleased to present this 2018 Sustainability Report, and hope that you enjoy reading about the year that was and the plans for the future. We would also appreciate any feedback you have on this report, so please feel free to contact us.

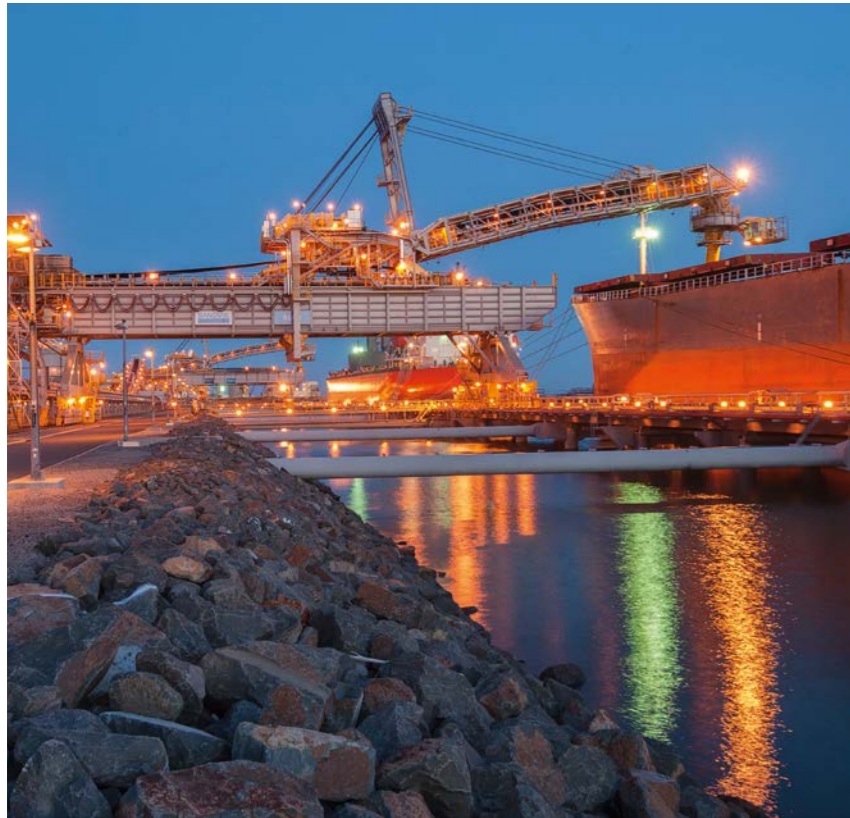
Aaron Johansen | CEO



our business

WE PLAY AN INTEGRAL ROLE IN AUSTRALIA'S COAL EXPORT INDUSTRY

Newcastle Coal Infrastructure Group (NCIG) owns and operates one of Australia's major coal export terminals and plays an integral role in Australia's coal export industry, generating strong economic benefits for the Hunter Region and the State of New South Wales. Coal from our customers is transported by rail through the Hunter Valley Coal Chain to our facilities in the Port of Newcastle, which include rail, coal storage, shiploading and associated infrastructure. Our operations ensure reliability and continuity of coal supply from the Newcastle, Hunter Valley, Gloucester, Gunnedah and Western Coalfields to the global coal export market. Our modern, highly automated operations can run effectively with a lean workforce due to our focus on strong operating and asset management practices. This is evident through our consistently robust plant and operational performance.



OUR TERMINAL

Since we commenced operating in 2010 we have established ourselves as a leading coal export facility, and have integrated a variety of innovative technologies to ensure that we achieve maximum efficiencies.

Our terminal comprises three key components, including:

- **the inbound system**, which unloads trains from two unloading stations that are housed within a single multi-level structure and feeds coal into the stockyard area via conveyors
- **the stockyard**, where coal is unloaded to stockpiles and stored before it goes to the wharf
- **the outbound system**, which loads coal into the vessels.

On average, 20 trains are unloaded per day and we have a stockyard capacity of 4.5 million tonnes. There are three shipping berths that can receive Cape class ships up to 300 metres long, carrying up to 165,000 tonnes of coal.

An important part of our facility is the ability to sample coal prior to being deposited on stockpiles. This allows the measurement and recording of coal grade and quality including the moisture, chemical makeup and ash content.

“we aim to be the leading coal export terminal through our people, processes, plant and performance”

2018



7,246
TRAINS UNLOADED



53.4 MT
LOADED ONTO
544 VESSELS



US \$800
MILLION REFINANCED
IN INTERNATIONAL
MARKETS



300 MT
LOADED SINCE
COMMENCING
OPERATIONS
(JANUARY 2018)

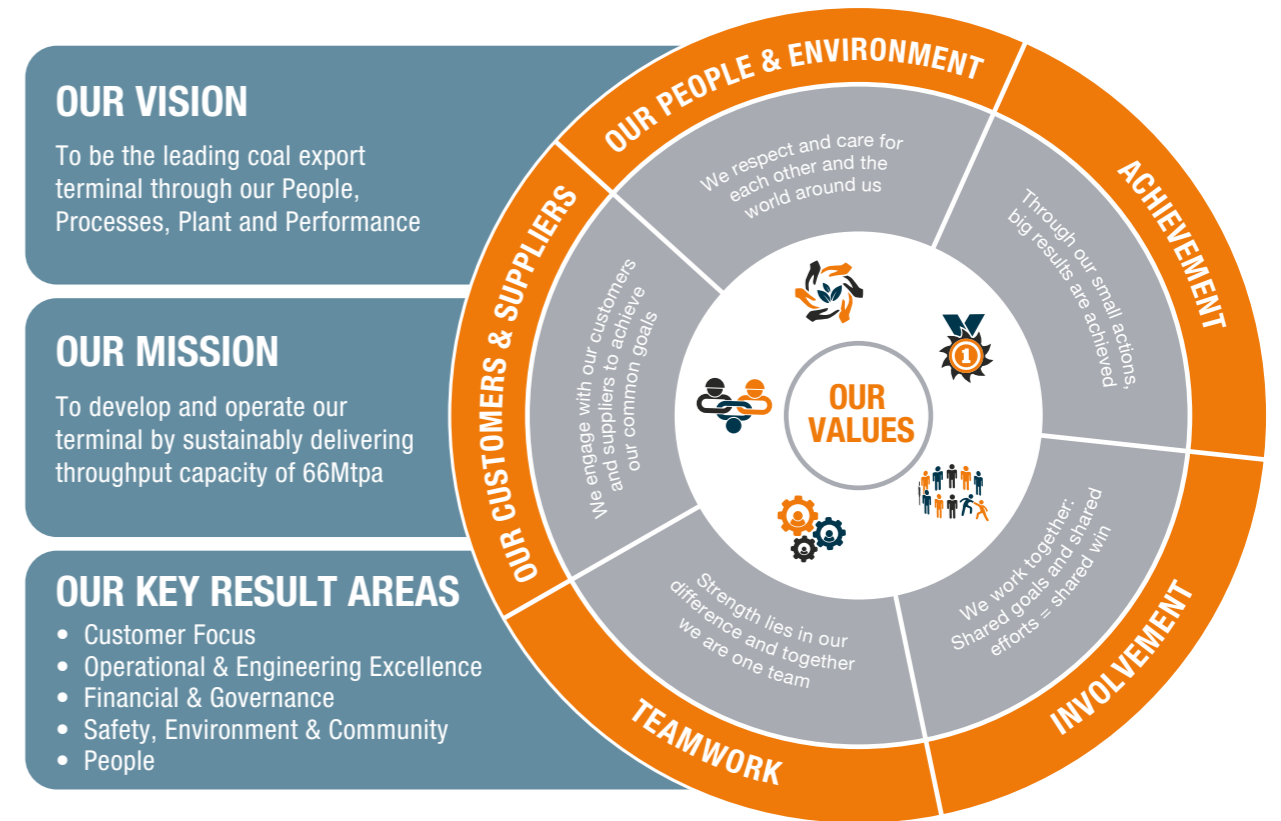


3 YEAR
CAPACITY
OPTIMISATION
PORTFOLIO
COMPLETED

OUR APPROACH TO SUSTAINABILITY

Our vision is to be the leading coal export terminal through our people, processes, plant and performance.

We strive to make a significant contribution to our local region ensuring a sustainable business model. Using our values to guide our everyday actions, we measure and manage five specific themes, which we call our Key Result Areas (KRAs). This helps us to remain focused on achieving high levels of performance in a sustainable way, and assists us to meet the expectations of our stakeholders.



OUR SUSTAINABLE DEVELOPMENT POLICY

Our Sustainable Development Policy outlines our commitment to identify, evaluate and manage our risks, and to promote and improve our performance in achieving sustainable development.

We monitor and manage our KRA performance based on our key performance indicators. Every year, as part of our planning cycle, we review these indicators to ensure we continue to work hard to deliver on our policy objectives, leading to long-term sustainable value.

By managing costs and delivering a quality service, we assist our customers to realise the true value of their commodity. By developing our systems, we protect and enhance the environment around us. By supporting our people and our local community, we ensure that we make lasting economic, environmental and social contributions to Newcastle and the Hunter Region.

You can find our Sustainable Development Policy on our website www.ncig.com.au





OUR STAKEHOLDERS

Our stakeholders are central to our business and our success, so we work closely with them to understand their concerns and expectations. During the year we surveyed our staff, spoke with investors and reviewed and analysed our community engagement data and enquiries register. We also routinely met and consulted with our customers regarding our service delivery. We are members of the Hunter Business Chamber, the NSW Minerals Council and the Hunter Valley Coal Chain Coordinator, all of which we value highly as forums for sharing knowledge and gaining insight and we use their feedback to help us improve the way we do things.



OUR MATERIAL TOPICS

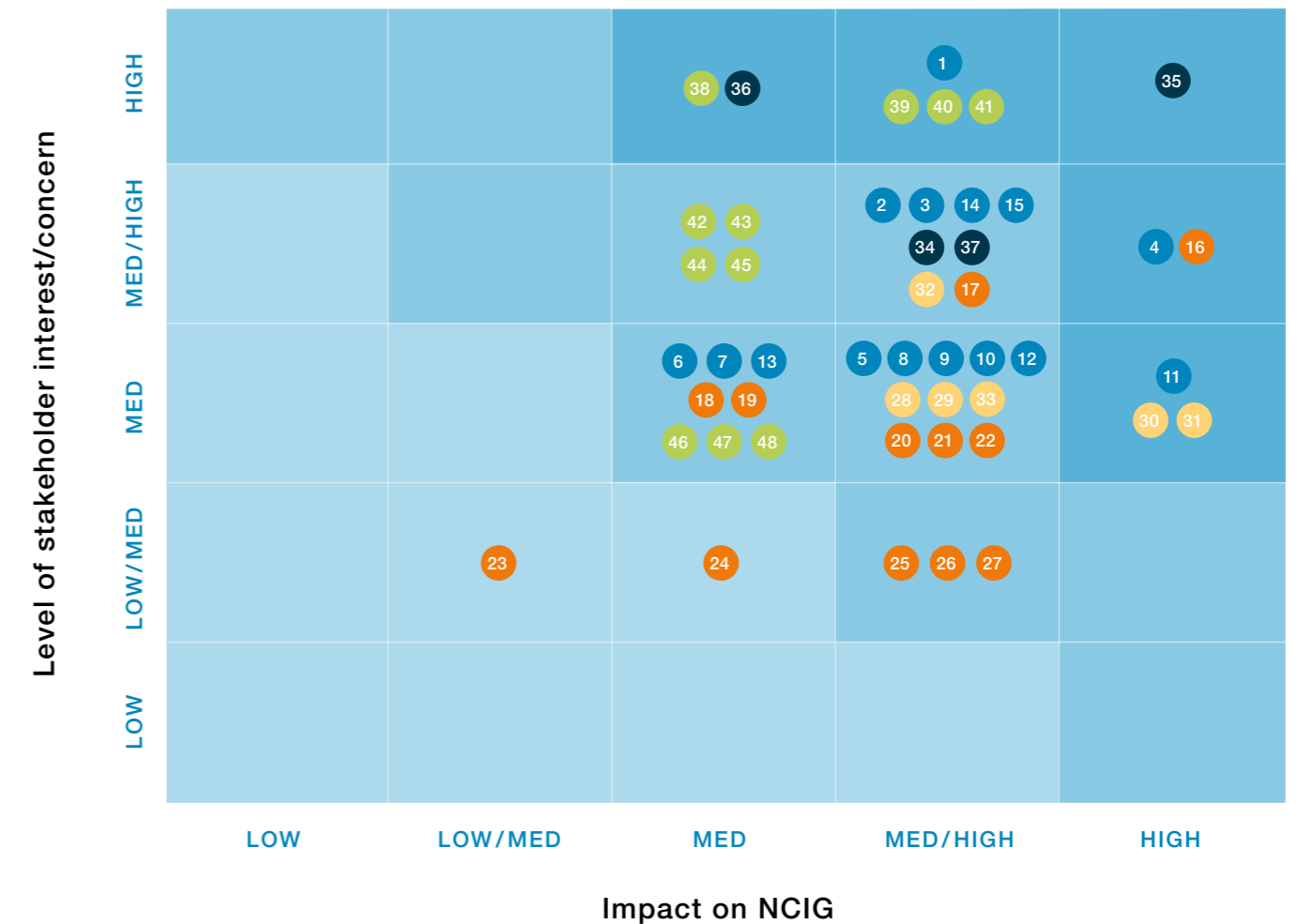
Our industry faces several sustainability related challenges, from the management of dust, water and noise, to staying on top of innovation, digitisation and market demand. Although coal remains an important raw material and a critical component of the energy mix, the expectations of our stakeholders are changing.

In November 2017, we worked with a corporate sustainability specialist and conducted a materiality assessment to understand the issues our stakeholders consider most important and ensure that our reporting is as relevant as possible. We reviewed our existing data and survey responses and held face-to-face interviews and meetings. We also considered external trends, compliance requirements and future sector challenges.

Being acutely attuned to the expectations of our investors and financiers, we also engaged with several of our lenders to ascertain what they would like to see in our sustainability reporting. This action has opened up important dialogue on sustainability issues and climate change risk and improvement of our reporting in these matters.

The materiality assessment and other engagement activities during the year resulted in a matrix that reflects our significant economic, environmental and social issues. Overall there is demand for strong operational performance, a safe place to work, well-managed environmental impacts and systems, and accountability. Our performance on our material issues are included throughout this report.

MATERIALITY MATRIX



KEY

BUSINESS

- 1 Regulatory Compliance
- 2 Future of Coal
- 3 Financial Performance
- 4 Long-term Operability
- 5 Role in Coal Chain
- 6 Local Economy
- 7 Government Relations
- 8 Innovation
- 9 Productivity
- 10 Asset Management
- 11 Plant Capacity
- 12 Data Integrity
- 13 Cyber Security
- 14 Risk Management
- 15 Governance

PEOPLE

- 16 Safety
- 17 Road Safety
- 18 Diversity & Inclusion
- 19 Gender Equality
- 20 Health & Wellbeing
- 21 Training
- 22 Productivity
- 23 Retention/Absenteeism
- 24 Benefits
- 25 Talent Management
- 26 Remuneration
- 27 Recognition

CUSTOMERS

- 28 Vessel Turnaround
- 29 Goals
- 30 Customer Care
- 31 Operational Delivery
- 32 Reputation
- 33 Loading Capability

COMMUNITY

- 34 Community Support
- 35 Access to Information
- 36 Grievance Mechanism
- 37 Transparency

ENVIRONMENT

- 38 Rail Emissions
- 39 Air Quality
- 40 Noise
- 41 Pollution Incident Response
- 42 Emissions
- 43 Water Quality (discharges)
- 44 Land Use & Biodiversity
- 45 Climate Change
- 46 Water Use
- 47 Energy Efficiency
- 48 Waste & Recycling



GOVERNANCE & RISK MANAGEMENT

We understand that our stakeholders value strong business practices such as risk management and governance. We also strive to ensure the long-term financial sustainability of the terminal combined with the lowest long-term average toll charge for our customers. For this reason we focus on disciplined and prudent cost and risk management, and ensure all financial activities are conducted within a strong governance framework. This is driven fundamentally through a risk management approach, focused on capturing and assessing the most important business-wide risks at a corporate level and prioritising the management of these risks moving forward.

Throughout the year several improvements were made to the way we manage our critical business risks. Major improvements include:

- a new corporate compliance management software system
- continued integration of the Project Management Framework (PMF), resulting in a more consistent approach to business-critical project delivery
- implementation of the next generation of NCIG's Treasury Management System (VRX), which streamlines our treasury management and reporting processes to investors
- updating our fatal risk protocols – the processes that manage the key safety risks at the terminal
- developing a Community Engagement Plan for future engagement and investment in our local community
- developing a long-term financial strategy for the business

INNOVATION & INFRASTRUCTURE

We are always exploring new, innovative and cost-effective ways to continuously improve the performance and long-term reliability of our plant and operations. During the year several innovation and infrastructure projects were undertaken, including:

- collaboration with Aurizon, one of our rail haulage providers, to design and permanently install the associated infrastructure and control logic to allow for the unloading of distributed power (DP) trains. The DP trains are longer than standard trains and allow for a significant increase in haulage tonnes per train movement
- migration of several IT workloads from an on-premise infrastructure to a cloud-based solution. This allows for a reduction in physical infrastructure and associated capital replacement costs, as well as costs of ongoing support and maintenance
- completion of a multi-year plant efficiency upgrade portfolio, including increases to our train unloading rates in 2018
- control system improvements to improve the performance of stacker reclaimers

“we strive to increase efficiency through innovation”

2018 at a glance

NCIG prides itself on its ability to deliver results. Performance across our KRAs was encouraging, with the majority of our goals achieved. While our performance is important, the way we measure ourselves and communicate our results builds trust with our stakeholders.

Below provides an overview of our key measures and performance.

PERFORMANCE ITEM	GOAL	ACHIEVED	
Operational & Engineering Excellence			
Operating Capability	6.0 Mt/month	6.0 Mt/month	✓
Gross Unloading Rate	8,350 tph	8,572 tph	✓
Gross Load Rate	5,550 tph	5,422 tph	✗
Vessel Turnaround Time	3.0 days	3.8 days*	✗
Project Delivery	Full delivery of all business critical projects	All except 2 projects complete (partial complete)	—
Customer Focus			
Operational Process Incident Management	85% completion	90% Completion	✓
Customer Interactions	120 interactions	120 interactions	✓
Safety, Environment and Community			
Total Recordable Injury Frequency Rate	9.0 injuries/million hours	7.6 injuries /million hours	✓
Environment and Community Complaints	3	1	✓
Re-accreditation of HSEC Management System	AS4801 & ISO14001	AS4801 & ISO14001	✓
People			
Staff Absenteeism	3.0%	2.8%	✓
Staff Turnover	7.0%	2.0%	✓
Finance			
Operating cost/Actual operating capability tonne	Within Budget	3% Below Budget	✓
Refinancing of S-Class and Senior Bank Debt			✓
Implementation of Compliance Management System			✓

*Impacted by weather, pilot and tug restrictions



our people

OUR PEOPLE ARE KEY TO OUR SUCCESS

Our people are key to our success and this is reflected in our values and everything we do. We take great pride in our business and have total commitment to the health, safety and wellbeing of all employees, contractors, visitors and the environment in which we operate. We continuously review and improve our systems and procedures, and engage with our workforce, offering various training and development opportunities, and a health and wellbeing program.

SYSTEMS AND PROCEDURES

Our core values of health, safety and wellbeing are reflected in all of our plans and actions and are practically applied and supported by a whole of workplace approach. We have developed our own Work Health and Safety Management System based on relevant legislation and regulation, and throughout the year we undertook several actions to enhance it.

Accreditation to Australian and International Standards

A certification audit of the health and safety component of our NCIG Health, Safety, Environment and Community System was conducted against the Australian Standard AS/NZ4801 and the international standard OHSAS18001. The auditor, SAI Global, found no non-conformances or outstanding actions and we achieved accreditation to both standards.

Life Saving Rules

We reviewed the management of onsite critical risks, which resulted in the revision of the procedures and auditing processes that have potentially fatal consequences. Our new Life Saving Rules Procedure better ensures adequate emphasis is applied to these risks.

Safety Citizen Survey

A Safety Citizen Survey was conducted as a means of gaining feedback on our safety system from the workforce. Participation was high amongst employees and contractors with 95% completing the voluntary survey. A number of areas for improvement were identified and initiatives have since been initiated to address them, including:

- willingness to report errors
- approach to incident investigation
- quality of safety briefings
- involvement in safety initiatives and committees.

An action plan has been developed to drive improvements in these areas.



SAFETY AND PROTECTION

The health, safety and well-being of our people is a key priority and the prevention of injuries and high-risk incidents is a primary focus. Our commitment to safety and wellbeing is achieved through cooperation and teamwork with those working at our site.

Unfortunately, during the year, a total of five injuries to employees and contractors were recorded. The injury types comprised one lost-time, two medical treatments and two first aid treatments. Although this is the lowest number of injuries we have had in a 12 month period since we commenced operating in 2010, our goal remains keeping our people safe and free from any injury.

We encourage active reporting of all injuries and incidents, no matter how minor. This helps us to identify the areas we need to focus on to continue to protect our people, to prevent high-risk incidents, and to improve workplace safety. When benchmarking total recordable injuries against other comparable coal export terminals in Australia and Canada, we have the third lowest number of injuries with 11 in total. We also have the lowest injury severity rating across the same peer group, with the equivalent of zero lost shifts across the 12 month period to December 2017.

ZERO INCIDENT PROCESS TRAINING

NCIG's Zero Incident Process (ZIP) behavioural safety program is an important foundation of our safety culture. ZIP focuses on the PERSON component of Safety Culture – in particular focusing on gaining greater insight into how our brain works, and how we can use this information to assist our people to get home safely.

All new employees who joined NCIG over the past two years have been trained on ZIP to ensure that there is a consistent understanding of its principles across the business. The findings from our Safety Citizen Survey were also incorporated into the ongoing implementation program for ZIP to ensure that focus remains on the most appropriate areas.

OUR CULTURE

We recognise that our business is dependent upon the quality, reputation and productivity of our people. We place a high emphasis on workplace culture and make considerable investment in understanding and addressing concerns and challenges. We regularly review, analyse and plan to ensure that our people objectives are achieved.

Key Objectives

Our People and Communication Strategy for 2017-2022 prescribes nine key objectives that set the direction for related activities across the business and helps us meet our organisational goals. Examples include having a low voluntary turnover, which during the year remained steady at 2%, and having a low absenteeism rate, which was 2.8%.

Employee Engagement Survey

In April 2017 we conducted an Employee Engagement Survey, which helped us identify areas for improvement. An off-site meeting was held in September 2017 and cross-departmental teams explored business improvement ideas. A number of initiatives have since been developed to improve communication and non-financial recognition.

TRAINING AND DEVELOPMENT

Maintaining employee competency is a key focus for our people management. We are committed to investing in training for our employees, in particular from a compliance, competence and personal development perspective. During the year we conducted a complete overhaul of our training framework to ensure that employees undertaking technical work are assessed as competent in the critical skills that are required for their role.

New Graduate Program

We also commenced an inaugural graduate program in July. We employed a business graduate from the University of Newcastle and will provide them with workplace learning and development in several areas of business. The two-year program will be extended in 2018 to include another graduate who will have an Environment and Sustainability focus. He or she will learn various skills including environmental monitoring and community liaison.

Apprenticeship Program

In December, two apprentices completed their mechanical and electrical apprenticeships and have since gained full-time employment, one at NCIG, and one with our major maintenance contractors. Both apprentices were part of our inaugural four-year apprentice training program, which commenced in 2013. Following a competitive recruitment process, two new apprentices have been appointed to the program and commenced their training in January 2018.

HEALTHY HEARTS AND MINDS

Employee Assistance Program

During the year we ran several initiatives to promote mental health and wellbeing. Our new Employee Assistance Program (EAP) provider has been a catalyst to promote the different services offered by the firm, and has helped us identify issues related to trauma and crisis, as well as relationship building, dealing with stress and general mental wellbeing. There has been a notable increase in uptake of the service.

Health Assessments

Biennial health assessments were completed in September and October 2017, which are considered a critical component of Bounce, our health and wellbeing program. Participation is voluntary, and 86% of employees completed the process, which is up 6% since our last assessment in 2016. The overall average health score was maintained above 75/100, which is considered indicative of excellent health. In 2017, Bounce was acknowledged for health excellence by the NSW Minerals Council at its annual Hunter HSEC Awards.

Future Focus

Despite an increase in our workforce's median age, our health is generally improving, which is at odds with the Australian population trend. The health assessment results highlighted new areas of future focus such as body composition, sleep and alcohol awareness.



“we are committed to the education and development of our people”



RESPECTFUL WORKPLACE TRAINING

NCIG values a respectful workplace. During the year we improved awareness of equality, discrimination, harassment and bullying by running a series of Respect at Work workshops. These events also became platforms to launch our new policies on Equity and Diversity, Respectful Workplace and the Fair Treatment Procedure.

Our entire workplace completed the training, with many employees providing positive feedback, particularly the importance of inclusion in the workplace.



6 EMPLOYEES
SPONSORED
FOR TERTIARY
EDUCATION



4,814
HOURS SPENT
ON EMPLOYEE
TRAINING



2%
VOLUNTARY
TURNOVER RATE



47 HOURS
OF TRAINING
PROVIDED
PER EMPLOYEE
(ON AVERAGE)

2018



6% INCREASE
EMPLOYEE HEALTH
ASSESSMENT
PARTICIPATION
(FROM 2016)



MAINTAINED AVERAGE
HEALTH SCORE ABOVE
75/100



\$40,000
RAISED FOR
MOVEMBER
FOUNDATION



AWARD
AT HSEC MINERALS
COUNCIL FOR BOUNCE
PROGRAM



94%
SAFETY PROCEDURE
AVERAGE AUDIT
SCORE



MENTAL HEALTH AWARENESS

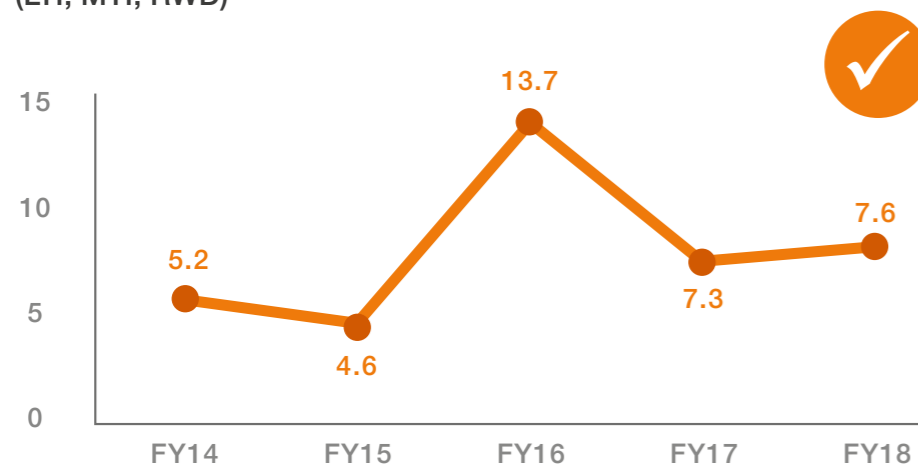
In November, 56 of our employees and contractors supported The Movember Foundation, a charity that addresses some of the biggest health issues faced by men: prostate cancer, testicular cancer, mental health and suicide prevention.

Through a number of fundraising and mental health awareness events, the NCIG team raised nearly \$40,000. NCIG committed to match the donations up to the value of \$25,000 which it donated to Lifeline Newcastle to support local mental health initiatives.

INJURY REPORTING

In 2018, we set a target to keep our total recordable injury frequency rate below nine incidents per million hours worked. We are happy to report that we achieved this with five injuries occurring during the year, however we will continue to strive towards ensuring people do not get injured at work.

Total Recordable Injury Frequency Rate (LTI, MTI, RWD)



BELOW TARGET OF 9



67% REDUCTION IN TOTAL INJURIES
(includes lost time, medical treatment, restricted work and first aid injuries)



our customers

WE WORK CLOSELY WITH OUR CUSTOMERS TO ACHIEVE THEIR BEST POSSIBLE OUTCOME

Our customers are leading coal producers in the local region and broader NSW. We recognise that each customer has their own needs and that these needs will change with time. We always work to obtain the best possible outcome for each individual customer whilst balancing the interests of the collective customer group.

goals for 2019

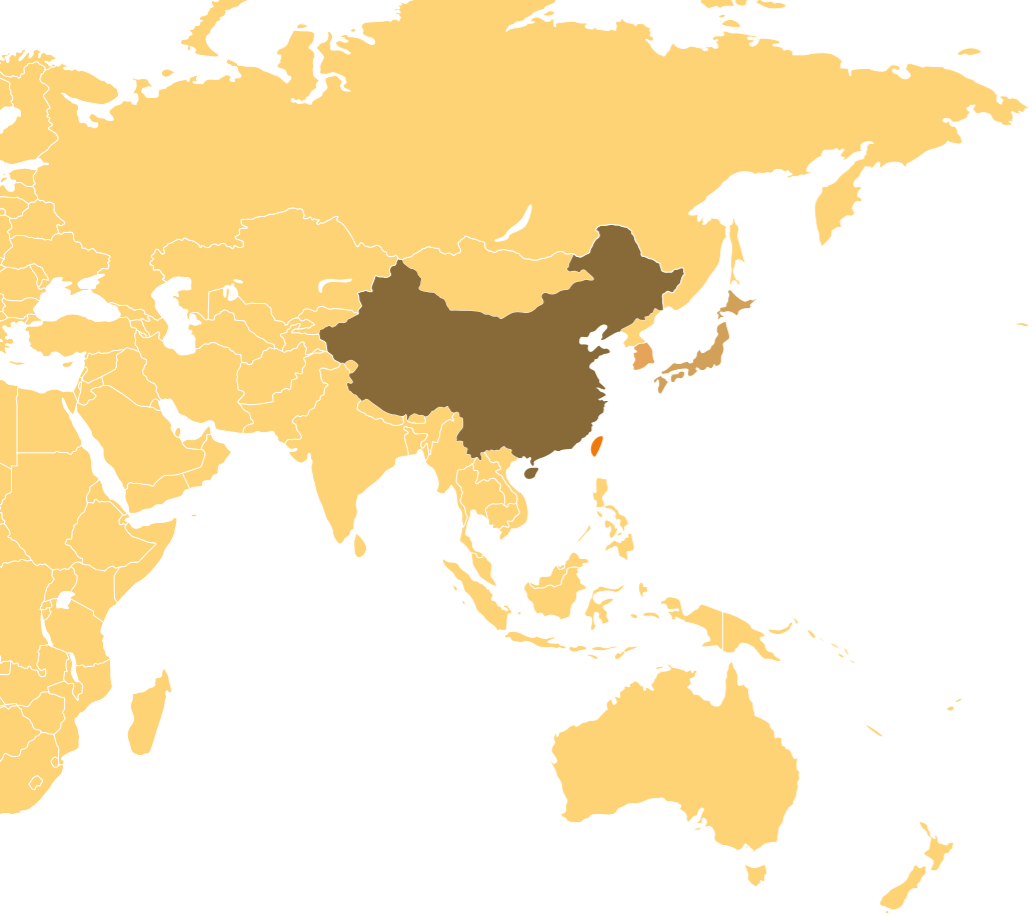
Total Recordable Injury Frequency Rate (TRIFR) of less than 9.0 injuries per million hours worked

Zero High Potential Near Hit (HPNH) incidents

Complete an Employee Satisfaction Survey and improve on employee morale from last survey

Staff absenteeism below 3%

Revise health assessment to include body composition, sleep and alcohol



Major Export Locations

- JAPAN (30%)
- CHINA (28%)
- SOUTH KOREA (17%)
- TAIWAN (12%)
- OTHER (13%)*

Major export destinations for *Other include Thailand, Singapore, Indonesia, Vietnam, India, Philippines, Netherlands, Malaysia, Chile and New Zealand

WHO OUR CUSTOMERS ARE

Our customers include BHP, Yancoal, Whitehaven Coal, Peabody, Centennial Coal and Idemitsu. We connect their coal mines in Newcastle, the Hunter Valley, Gunnedah, Gloucester and Western Coalfields of New South Wales to the rest of the world. We do this by providing a quality service and ensuring that capacity is available to meet their expectations.

QUALITY CUSTOMER SERVICE

NCIG's customer focus extends beyond the delivery of coal handling services. In addition to achieving the required throughput and capacity to match demand, we also strive to deliver a positive experience for our customers.

Operating Costs

We provide industry leading performance on operating costs per tonne by continuously focusing on controllable expenditures. Despite an increase during the year when compared to the long-term trend, our results were better than forecasted by three per cent.

Vessel Turnaround Time

During the year our customers continue to realise the benefit of our rapid vessel turnaround times, which came in marginally above recent past years at 3.8 days. This increase strongly correlates to periods of port movement restrictions, primarily attributed to weather conditions that made it unsafe for vessel movements. We also track vessel turnaround times excluding delays associated with

vessel commercial terms and coal availability at the port. Customers who routinely scheduled their trains ahead of vessel arrival enjoyed an average of just 2.4 days from the time of vessel arrival off port until departure. This remains consistent with our aim to provide our customers a demurrage neutral service.

New Logistics Software System

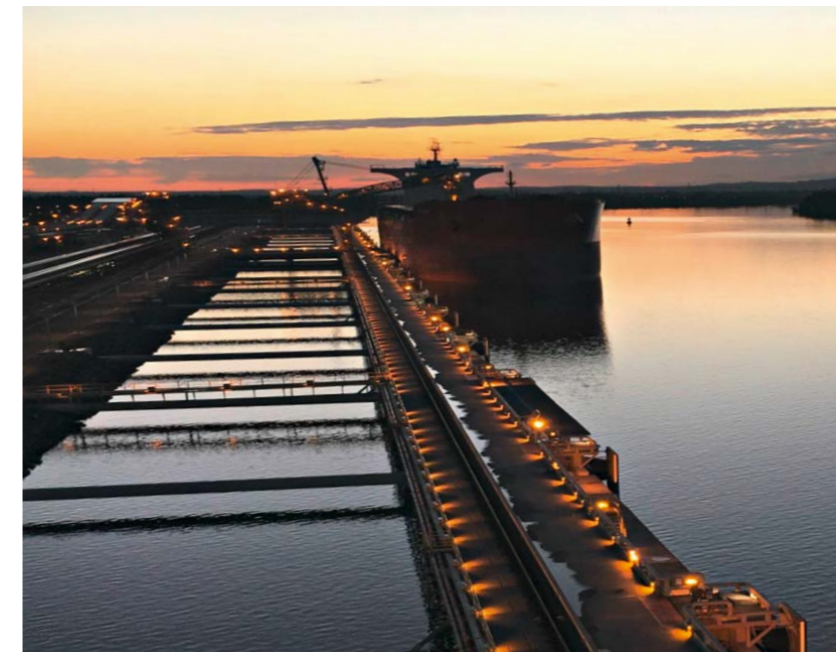
Throughout the year we developed a new suite of software systems to revolutionise our customers' experience. The software is also expected to improve electronic handling for stack and reclaim tasks within scheduling and control systems. Following the completion of underlying system architecture, security, and logic development phases, the end-user functionality has begun being rolled out in stages. A maintenance scheduling module and on-demand training reporting is expected to be released mid-2018 and a complete rollout to customers by March 2019. This rollout will introduce a customer portal to streamline the exchange of data between us and our customers. NCIG internal users will also gain access to Day of Operations Systems for task management and task level scheduling. This will provide a more user-friendly interface for customers' transactions and improve the data integrity and plan stability.

Bespoke Services

Throughout the year we continued to provide a personalised approach to the services we offer our customers so that they can obtain the best benefit possible from the terminal. This year we assisted Rio Tinto and Yancoal with their terminal requirements during the acquisition process. We also assisted customers with managing specialty products and provided bespoke services to assist them to secure new contracts.

Quality Management Procedures

Throughout the year we increased focus on our quality management responsibilities. This involved the implementation of formal procedures for the management, investigation, consultation and reporting of an operational incident with impact on our customers' product. We will continue to refine our handling procedures next year, and will develop a Quality Management System that incorporates elements of ISO9001 to ensure that we can continue to meet our customers' needs and enhance their satisfaction.



CUSTOMER ENGAGEMENT

Monthly Meetings

Our approach to customer engagement includes hosting monthly meetings to discuss their specific issues and general industry topics. This year we worked collaboratively on the scoping requirements and design of our logistics management software and consulted on updates to our *Operations Guidelines and Terminal Handbook*.

Terminal Visits

We are proud to welcome visitors to our terminal and throughout the year have facilitated more than 70 site visits for customers, as well as existing and prospective coal buyers. We produced and distributed brochures and video content that describe our terminal's capability, and have actively supported and participated in various collaborative coal chain forums. This helps ensure that our customers' needs are taken into consideration in industry wide improvement initiatives.

2018



90%
PROCESS INCIDENT
INVESTIGATIONS
COMPLETED WITHIN
SEVEN DAYS



OVER 120
CUSTOMER
INTERACTIONS



NEW
OPERATIONS OVERVIEW
BOOKLET PRODUCED
AND DISTRIBUTED



3% LOWER
OPERATING COSTS
THAN FORECAST



NEW
CORPORATE
VIDEO PRODUCED

SHIPPER AWARDS

We value our customers and constantly communicate with them about vessel, stockpile and railing plans. We meet formally with our customers, commonly referred to as shippers, each month (except January) and discuss matters such as coal quality, shipping documentation, incidents and efficiency metrics. We respect their requirements and take on board their feedback.

In December, our meeting for the year is a relatively social occasion to celebrate the year that's been and to present the shippers with awards. Some awards are serious, most are light-hearted and tongue-in-cheek. Drawing on the most interesting and challenging events of the year, we single out various performances such as the slowest vessel load rate (Boycott Award, in honour of the legendary slow batsman), and the slowest train (Crufts Award for best dog in show). With new faces in the customer team every year we also celebrate the Rookie of the Year. The coveted Richie McCaw perpetual trophy (named after a fierce international rugby player), is given to a person who played by the rules, possibly going beyond them, but who always had their team's best interests at heart.



our environment

WE ARE COMMITTED TO MANAGING OUR IMPACTS AND PROTECTING OUR ENVIRONMENT

We manage our operations as best we can to limit our impact on local air quality, water resources, noise amenity and local biodiversity. We make every effort to meet all regulatory requirements, and the expectations of our stakeholders. Information about our environmental procedures can be found on our website, alongside environmental assessments, management plans and monitoring data.

goals for 2019

Zero Material Process Incidents*

Continue strong customer focus and maintain an equivalent level of customer interaction and feedback

*an incident with a significant consequence for NCIG or a related third party

“we are committed to providing critical infrastructure to a global market”

REGULATORY COMPLIANCE

NCIG is subject to significant environmental regulation in respect of its operations, land development and construction activities, governed by both State and Federal authorities. Environmental management processes are in place and have been maintained throughout the year to ensure continuing compliance against all regulatory requirements. We are obliged to facilitate audits and provide relevant authorities with regular updates on our activities and the compliance status of our terminal. During the year there were no breaches of environmental regulation. Our most recent statement provided to the NSW Department of Planning and Environment confirmed that there was just one minor non-compliance, which involved the installation of a community enquiries sign. This action was completed in June 2018.

ENVIRONMENTAL MANAGEMENT SYSTEM

We have strengthened our environmental processes and procedures year-on-year since we began operating. In 2017 our environmental management system achieved accreditation to the internationally recognised standard ISO14001, and this year a certification maintenance audit was conducted by external auditors SAI Global, who identified full compliance and no outstanding actions.

AIR QUALITY

Air quality management is a key concern for our industry and our neighbours. During the year we initiated a project with the aim to better manage and mitigate dust generated from the stockyard during high-wind events. A comprehensive options assessment was undertaken encompassing both control systems modifications and physical controls and a new project will include the trialling of alternative dust suppression controls to stockpiles during the next high-wind season.

We actively participate in the Steering Committee for Hunter Valley Rail Corridor Air Quality, which was originally formed by industry stakeholders in the Hunter Valley Coal Chain. This group provides a focus on the topic of dust emissions from trains and the potential for health and environmental impacts. The adoption of a consistent approach across the industry and a focal point for interaction with regulators, such as the NSW Environmental Protection Authority, has seen effective management throughout the year.

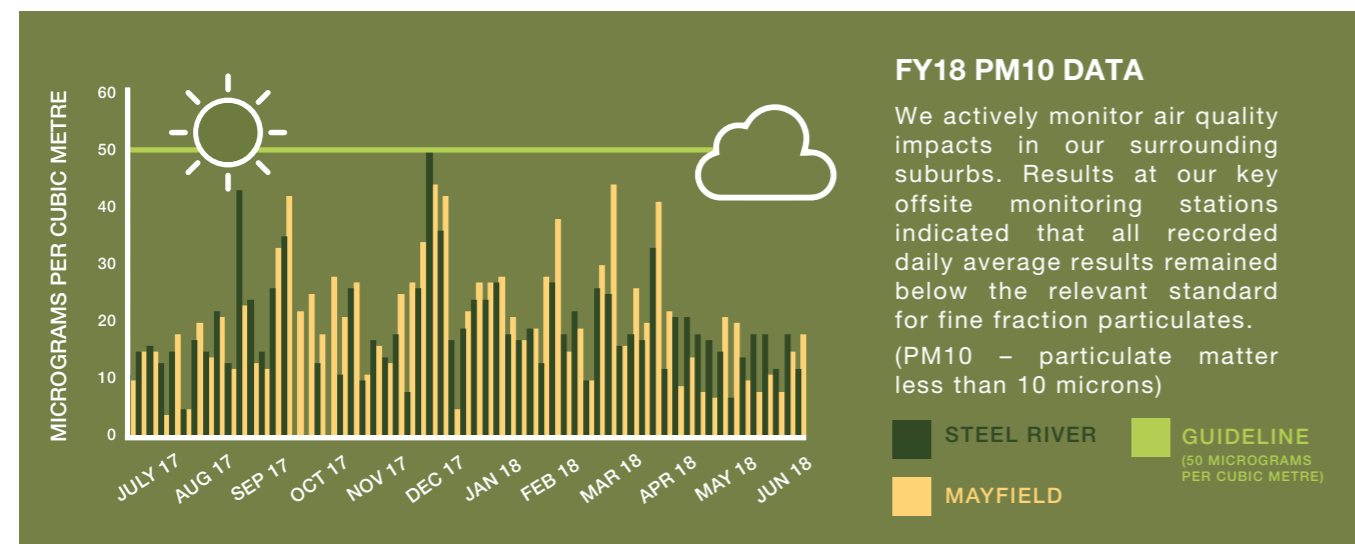
2018

ISO14001
ACCREDITATION
MAINTAINED

ZERO
MAJOR NON-
COMPLIANCES AGAINST
APPROVAL OR LICENCE
CONDITIONS

OFF-SITE AIR QUALITY
MONITORING RESULTS
BELOW
RELEVANT NATIONAL
STANDARDS*

*applies to Total Suspended Particulates, PM10 and Depositional Dust as monitored by NCIG



NOISE

NCIG operates under strict noise limits to manage impacts on our surrounding neighbourhoods and suburbs. We monitor regularly to ensure that our plant operates in compliance with these limits. We aim to maintain our plant to ensure that noisy machinery and equipment is identified proactively and swapped out before it becomes a major amenity issue.

During the year our routine monitoring demonstrated that we maintained compliance with all noise limits in nearby suburbs. We commit to continuously monitoring and maintaining our strong noise performance from our operations.

ENERGY

The plant and machines that allow NCIG to operate year-round utilise a high amount of energy, which is almost entirely provided from electricity generated from the grid. While electricity is important to our operations, we recognise that energy efficiency is important for the environment and our community.

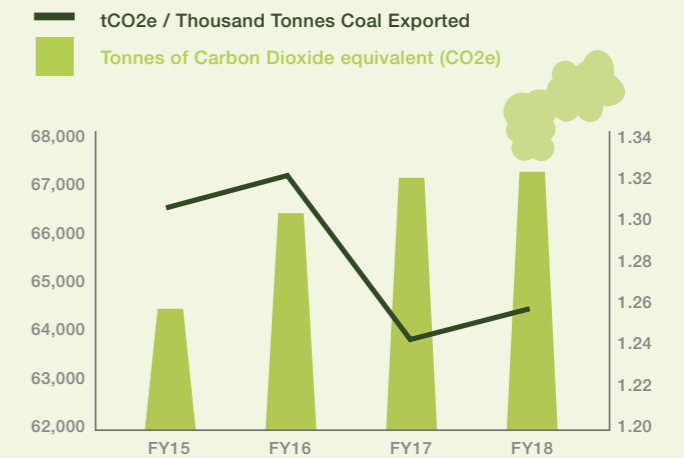
Our Assets Team conducted a feasibility assessment during the year to change out ageing conveyor drives. An important aspect of this work was to ensure that the new drives will work with a high level of efficiency. We expect that the first new drives will be installed and commissioned in early 2019, which will improve outcomes for coal handling and energy efficiency.



EMISSIONS

Each year we track carbon dioxide emissions from our plant and from the electricity generated offsite that we need to operate. This year, there was a minor increase in emissions, which is mostly due to electricity consumption. We plan to understand this better by conducting a carbon footprint assessment in 2019.

FY18 Greenhouse Gas Emissions



BIODIVERSITY

NCIG is located adjacent to the Hunter Wetlands National Park, an area of international significance. In late November 2016, we completed the construction of a migratory shorebird habitat on Ash Island, which is part of the park. This project involved the authorised removal of mangroves and the installation of an automated smart gate in order to sustainably manage the created habitat.



“we strive for the best standards in environmental management”



CARING FOR OUR HABITAT

NCIG actively manages a Compensatory Habitat and Ecological Monitoring Program (CHEMP), a multi-stakeholder project that offsets ecological impacts from the development of our terminal. Through a collaborative effort involving the National Parks and Wildlife Service (landowner) and the Office of Environment and Heritage (regulator), the CHEMP has achieved strong results to date.

Strong technical input has been provided by researchers from the University of New South Wales and the University of Newcastle. The process has resulted in strong ecological outcomes across two offset sites, including:

- repeat Green and Golden Bell Frog breeding events in NCIG habitat
- proliferation of an Endangered Ecological Community – coastal saltmarsh
- the recording of 11 migratory bird species utilising the shorebird constructed habitat, including the endangered Curlew Sandpiper.

During the year, the CHEMP was awarded the Environmental Excellence category at the NSW Minerals Council's HSEC Excellence Awards.

INTERNATIONAL RECOGNITION

Our efforts to manage biodiversity were awarded a Working with Nature Certificate of Recognition by PIANC at a ceremony held in Panama City in May. PIANC is the world association for waterborne transport infrastructure, and NCIG was named as one of a select number of recipients from around the world for our work in restoring wetland habitat on Ash Island. The 'Working with Nature' Awards are announced every four years and aim to acknowledge initiatives that promote a proactive, integrated approach to sustainable infrastructure projects. NCIG was the first Australian, and one of only ten projects worldwide, to have received the award.

WASTE AND RECYCLING

As part of our commitment to improving our waste management, two new initiatives were implemented during the year.

We participated in a locally-based waste management pilot program, the Plastic Police Program® to recycle soft plastics, introducing a new recycling stream onsite, and organising several employee engagement activities. We also set ourselves a recycling target of 65%, which we achieved. We are proud of the effort that we are putting into responsible handling of waste from our site.

FY18 Monthly Recycling Rate



= 68% RECYCLING RATE



POLLUTION PREVENTION

The implementation of control measures to prevent hydrocarbons entering the Hunter River from the shiploader's long travel drive system continued. We also completed annual testing of our Spill and Pollution Incident Response Plan (SPIRMP), which is valuable to our environmental management system and important in identifying opportunities for improvement.

WATER

Protecting Water Quality

During the year we commenced a review of our site water management system to identify options that can reduce risks associated with water discharge events. The initiative resulted in a new project that will commence next year. It will implement a number of identified infrastructure changes and will continue further investigation on a number of larger infrastructure options, while continuing to review the risk associated with discharge during high rainfall. In addition to this, a redesigned rear launder system was installed on both shiploaders, with a focus on water reduction and the elimination of coal build up areas, which could pose a potential fire risk.

Using Water Efficiently

During the year all departments at NCIG collaborated to develop our Water Efficiency Management Plan, targeting a number of improvements to address water usage onsite in the next three and a half years. We consulted with several stakeholders including the local water utility, Hunter Water.



FY18 Water Usage

- POTABLE WATER 468 (ML)
- CAPTURED WATER 437 (ML)

goals for 2019

- Continue business-critical projects on Dust & Discharge Water
- Investigate additional options for water recycling and efficiency
- Plant 500 trees and plants around the terminal
- Maintain recycling rate of 65%
- Utilise recycled plastic in at least one application onsite
- At least one breeding event in the NCIG Green and Golden Bell Frog Compensatory Habitat
- Rollout sustainability engagement program
- Complete carbon footprint site assessment

2018



65% RECYCLING TARGET EXCEEDED



NEW SOFT PLASTIC RECYCLING STREAM INTRODUCED



ZERO REPORTABLE ENVIRONMENTAL INCIDENTS UNDER LEGISLATION



11 MIGRATORY BIRD SPECIES RECORDED IN NCIG COMPENSATORY HABITAT



our community

WE INTERACT AND CONNECT WITH OUR LOCAL COMMUNITY

We believe that we have a responsibility to contribute to the community in which we operate, and being connected to our community is an important part of our approach to sustainability. We welcome constructive interaction and actively engage and cooperate with our community to hear their feedback and concerns.

COMMUNITY ENGAGEMENT

During the year, we improved our involvement with the community by developing our *Community Engagement and Investment Plan*. We hope that the revised plan will ensure that our communication, consultation and resource allocation is as effective as possible.

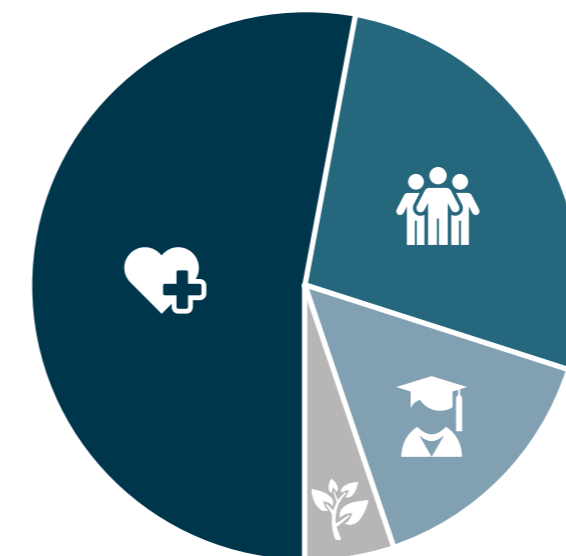
The plan identifies our current engagement and investment activities and outlines new activities to be implemented over the coming 12 to 24 months. New activities include diversifying our community investment, proactively re-engaging with our community stakeholders and seeking to communicate with our external stakeholders on new media platforms.

COMMUNITY INVESTMENT

Our community investment activities aid organisations, charities, community groups or sporting organisations within the Hunter Region. A strong emphasis is placed on projects or programs that fall under one of our community investment focus areas of community involvement, environment, physical and mental health, and education. Throughout the year we contributed over \$250,000 to our local community.

Our Community Support Program specifically caters for community organisations that seek funding assistance for an event, small project or to purchase equipment. We aim to support sustainable community groups, who provide value to the community but need a little extra funding to see their project succeed. During the year we received more than 80 applications, with 46 groups successful in obtaining funding. This financial contribution has seen a substantial community impact for environmental restoration, sporting programs, community services as well as other grass roots community groups.

FY18 Community Investment



A SOCCER PROGRAM THAT IS KICKING GOALS

In 2016 Mark Midson created an inclusive soccer program for children with special needs such as autism and developmental delays. His desire to create the program was inspired by his two autistic sons, Bailey and Fletcher.

Mark wanted somewhere his children could be active and play sport alongside friends. He established his own program and by 2017 had a squad of 18 children. Yet there were many more who had missed out because of a lack of funding. Mark then successfully applied to NCIG's Community Support Program and in the last season 65 children with different levels of ability took part in what is now known as The Edgeworth FC Arnett's Program.

"It's not only the kids who get so much out of this program, it's the parents too" said Mark's wife, Mel. "We all know and understand what life is like with a child who has special needs; it's nice to be able to talk about the ups and downs with others who have similar stories."

"we understand the importance of supporting the local community"



NEW COLD STORAGE AT SOUL CAFÉ

Ensuring the disadvantaged have a warm meal on the table is now easier for Newcastle's Soul Café thanks to NCIG's donation that was used to purchase a new refrigeration system. The purpose-built fridge freezer combination allows the café to store an additional 6,800 litres of perishable items, facilitating greater meal planning, bulk purchasing and storage.

Soul Café provides hundreds of free meals every week for the highly disadvantaged, many of whom are homeless, have a mental illness or substance abuse issues, or live in poverty.

Soul Café CEO Rick Prosser said the new refrigeration system would have a monumental impact on their operations.

"We're totally thrilled at what this is going to do for us in serving the poor and the needy. It greatly increases our capacity to rescue and steward food."

NCIG's maintenance team provided ongoing support and advice to the café, helping it to select and source the right equipment and ensuring it meets all necessary safety codes and regulations.

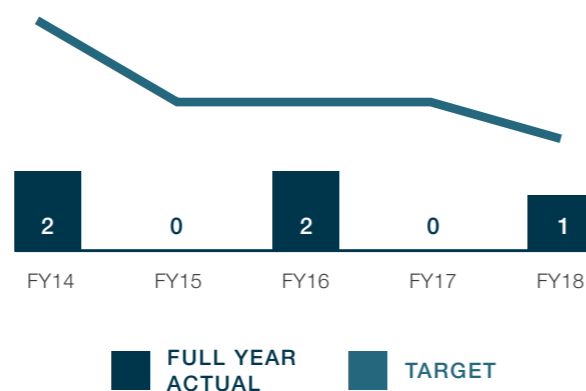
NCIG was one of three funding partners for the purchase of the refrigeration unit, with Port of Newcastle and Orica also contributing towards the costs.

FEEDBACK & COMPLAINTS

During the year a very limited number of enquiries and complaints were received from community and we worked closely with stakeholders to address and resolve their concerns.

Of the limited number of enquiries we received, only one was found to have been due to NCIG operations, which was a dust complaint from a neighbouring industrial facility. NCIG continues to improve its dust management system to ensure we have the lowest possible impact on the environment, including surrounding industries.

Registered Complaints FY14-18



goals for 2019

- Establish regular community meetings
- Develop & implement Community Partnership Program
- Offer site bus tours for the community
- Develop or support an education program with local schools
- Enhance engagement through use of social media platforms
- Support the John Hunter Children's Hospital through the 2018 NCIG Charity Ball together with our contractors and suppliers



our suppliers

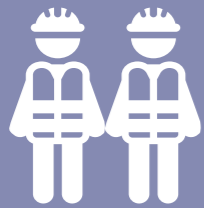
WE VALUE THE SERVICE OUR SUPPLIERS PROVIDE

At NCIG, we greatly value our suppliers – so much so, they form part of our core values. They are integral to many features of our business, particularly maintenance, supply and human resources. We invest heavily in the businesses that support us, and are proud of the contribution we make to the economy, both locally and across the country.

2018



\$47.9 MILLION
SPENT ON GOODS &
SERVICES IN LOCAL
REGION



15 NEW
LOCAL CONTRACTORS
& SUPPLIERS
ENGAGED IN 2018



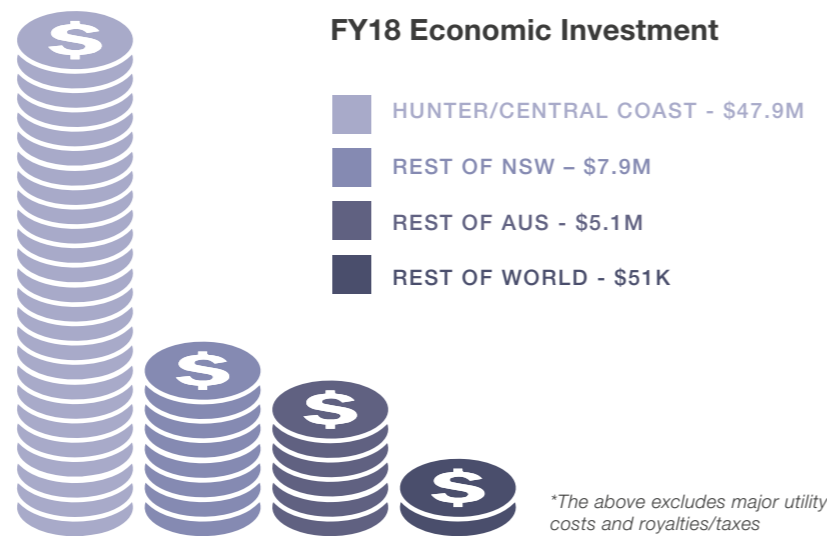
OVER 170
LOCAL CONTRACTORS &
SUPPLIERS ACTIVELY IN
BUSINESS WITH NCIG

OUR APPROACH TO PROCUREMENT

NCIG relies heavily on the supply of products and services from local businesses. We have a strong tradition of engaging local contractors, across maintenance, engineering, human resources and other specialist services. Many of our critical supply partners are based in Newcastle and the broader Hunter Region.

SUPPORT FOR LOCAL ECONOMY

We aim to source as much as possible locally and make a substantial contribution to the local and regional economy through the procurement of goods and services. In 2018, NCIG spent almost \$48 million on goods and services in the local region and over \$55 million in New South Wales. Our contractors and suppliers are critical to the ongoing operation of our business and we value the service they provide.



NCIG has worked closely with its existing key contractors during 2018. We have improved our processes to ensure that our working relationships remain strong and that there are mutually beneficial outcomes for NCIG and the businesses that support us. New initiatives and outcomes include:

- monthly and quarterly contract reviews introduced for NCIG and contractor representatives
- 15 new local contractors and suppliers engaged in 2018



Focus for the Future

We believe that constant review of our measures and targets into the future will ensure we are a sustainable business. This year we maintained some measures, while developing new ones that we believe align us better with our stakeholders needs and expectations. Some key focus areas are described below.

Target Operating Capability

We have revised our target operating capability, accounting for consistency in industry measures around shipping movements. The Turnaround Time (TAT) of vessels remains an important aspect of product delivery to the end customer, and while we did not meet our target during the year, due to weather and pilot and tug restrictions, we remain committed to the same target for next year.

Customer Care

For our customers, we understand that responsiveness to process incidents and stewardship of their product are important issues. For this reason, we aim to manage our operations so there is no material impact on NCIG processes or other stakeholders in the coal chain.

Health & Safety

We remain committed to a low injury rate moving forward. We want to ensure that we manage our key safety risks and avoid any incidents with a high potential consequence.

Environmental Complaints

Our environmental performance will always be a key component of how we measure ourselves, and so we have committed to our previous goal of less than three registered environmental complaints.

Employee Engagement

The morale of our employees is important to the business. We have previously conducted employee satisfaction surveys and once again we aim to improve on our past performance, while maintaining our low levels of absenteeism. The development of our people is important, and we aim to assist them in completing their individual development activities.

Governance

Governance and compliance are important for maintaining our strong reputation and we are committed to continuously managing our material risks. We aim not to breach any material compliance obligations.

goals for 2019

Evolve the contractor feedback process in all new and revised contracts

Work with our suppliers to ensure our procurement is conducted responsibly and ethically



Newcastle Coal

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