

# Related Party Transactions Policy

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# Related Party Transactions Policy

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## 1. Statement of Commitment

- 1.1 The Company recognises that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether they are in the best interests of the Company. The Company is committed to ensuring that all decisions are made in the best interests of the Company as well as ensuring compliance with the law.

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## 2. Introduction

- 2.1 The Board Charter states that Directors are required to take all reasonable steps to manage actual, potential or perceived conflicts of interest. A part of the Board process is the confirmation by all Directors of their independence, which includes the consideration and notification (as required) of any potential or actual conflicts of interest and Related Party Transactions.
- 2.2 The Company's Code of Conduct also imposes an obligation on all Directors and members of the Company's Executive Leadership Team as well as all employees to declare actual and perceived conflicts of interests.
- 2.3 The purpose of this Policy is to provide the Company with the process of identification, review, approval and disclosure of Related Party Transactions. All Related Party Transactions, unless a Pre-approved Transaction, are to be reviewed and approved or ratified, if applicable by the Company's Audit, Governance & Risk Management Committee (the **Committee**).
- 2.4 This policy applies to Directors of the Company.

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## 3. Definition of Related Party Transaction

- 3.1 A Related Party Transaction is any transaction through which a public company provides a financial benefit to a Related Party (such as a Director, their spouse and certain other relatives).
- 3.2 A related party is defined under section 228 of the Corporations Act. Annexure 1 to this Policy provides in illustrative form, a list of potential related parties. Note however that Annexure 1 is not exhaustive and is to be used as a guide only. Whether or not a transaction is a 'Related Party Transaction' must be considered in its context.

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## 4. Definition of financial benefit

- 4.1 A financial benefit includes giving a financial benefit indirectly through an interposed entity, making an informal, oral or non-binding agreement to give the benefit, and giving a benefit that does not involve paying money. Examples (not limited) of "giving a financial benefit" to a Related Party include the following:
- Giving or providing the Related Party finance or property.
  - Buying an asset from or selling an asset to the Related Party.
  - Leasing an asset from or to the Related Party.
  - Supplying services to or receiving services from the Related Party.
  - Issuing securities or granting an option to the Related Party.
  - Taking up or releasing an obligation of the Related Party.

## **5. Identification of Related Party Transactions**

- 5.1 Directors are to promptly notify the Company Secretary of any interests they or an immediate family member has or may have in a Related Party Transaction. These details are recorded in Board confirmations.
- 5.2 At each Board meeting, Directors must disclose or confirm, amongst other things, details of any Related Party Transactions.
- 5.3 On an annual basis as part of year end reporting, all Directors complete a questionnaire which is designed amongst other things, to disclose information about any Related Party Transaction.

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## **6. Review, approval and ratification of Related Party Transactions**

- 6.1 Other than those transactions set out below in the "Pre-approved Transactions" section, any Related Party Transaction or proposed Related Party Transaction is to be notified to the Company Secretary who shall then bring it to the attention and consideration of the Committee.
- 6.2 All Related Party Transactions that are not "Pre-approved Transactions" must be either:
  - On 'arm's length' terms (in accordance with section 210 of the Corporations Act); or
  - be approved by the members of the Company (in accordance with section 208 of the Corporations Act).
- 6.3 The Committee is to be provided with all material facts of the proposed or existing Related Party Transaction including the terms of the transaction, whether those terms are on arm's length and the business purpose of the transaction.
- 6.4 The Committee will consider the information provided in order to determine whether and how to proceed with the proposed transaction. In considering the information, the Committee may seek further advice from appropriately qualified advisers and professionals as required, with the assistance of the Company Secretary.
- 6.5 If the Committee determines that the Related Party Transaction is not on arm's length terms, it must be approved by the shareholders of the Company in accordance with sections 208 and 217-227 of the Corporations Act.
- 6.6 **Factors for consideration in determining whether the transaction is 'arms length'**

A checklist of factors to be taken into consideration (not exhaustive) is set out at Annexure 2 to this Policy.
- 6.7 **Consideration of proposed Related Party Transaction**

Any Director with a material personal interest in a proposed Related Party Transaction must not be present for discussion regarding the proposed transaction and they will not count towards determining whether a quorum exists at the Board meeting.

Any Director with a material personal interest in the proposed Related Party Transaction must leave the room during voting on the proposed transaction.

However, such a Director may be involved in discussions and vote on a proposed Related Party Transaction in which they have a material personal interest if a resolution is passed by the other Directors that satisfies the requirements in section 195 of the Corporations Act and, amongst other things, states that they are satisfied that the interest should not disqualify the Director from voting or being present.

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## **7. Pre-approved Transactions**

- 7.1 Transactions that do not require approval are pre-approved transactions, as follows:
  - Director remuneration approved by the Board.
  - Reimbursement of Director expenses incurred in performing Director duties.

- Payment of indemnities, exemptions, insurance premiums and legal expenses incurred in performing Director duties.
- Transactions in the ordinary course of business that do not exceed \$5,000.
- The benefit is given to the Director in their capacity as a shareholder of the Company and the benefit does not discriminate unfairly against other shareholders of the Company.
- The benefit is given as a result of a Court Order.

Any Pre-approved Transactions must be consistent with the exceptions set out in the Corporations Act.

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## **8. Pre-approved Transactions**

- 8.1 For any proposed Related Party Transaction which is determined under section 6 of this Policy not to be on arm's length terms, nor a Pre-approved Transaction, member approval at a general meeting must be obtained by using the procedure set out in sections 217 – 227 of the Corporations Act and summarised below.
- 8.2 The general meeting materials seeking member approval for Related Party Transactions sent by the Company to its members must provide sufficient information to members to enable them to decide whether or not the financial benefit to be given to a Related Party is in the interests of the Company.
- 8.3 An independent expert's report may be required for any transaction requiring shareholders' approval to provide an adequate valuation of a financial benefit. The independent expert will be selected and engaged by the Directors who do not have an interest in the Related Party Transaction. The independent expert will be independent of the Company's external auditor and Directors.

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## **9. Disclosure**

- 9.1 Subject to the Corporations Act and applicable accounting standards, all Related Party Transactions are to be disclosed in the Company's Annual Report and are subject to any ASX Listing Rule requirements concerning disclosure to ASX.

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## **10. Review**

- 10.1 The Committee will review this Policy annually.

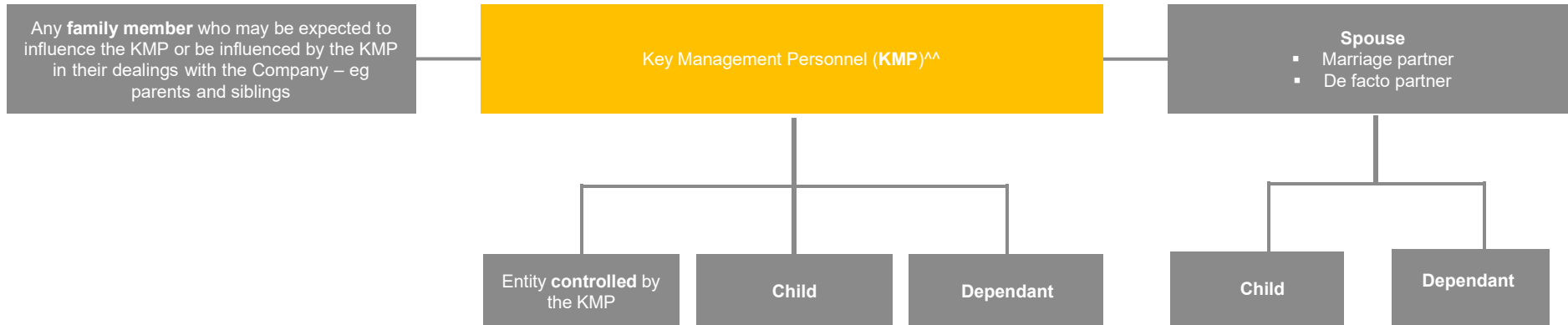
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## **11. Contact**

- 11.1 If you are in any doubt regarding any aspect of this Policy you should contact the Company Secretary.
- 11.2 Compliance with the law and the requirements set out in this Policy is the responsibility of all Directors, officers, senior executives, employees and consultants of the Company. Any guidance provided in or under this Policy does not affect individual responsibility.

## Annexure 1 - Illustration for determining potential Related Parties

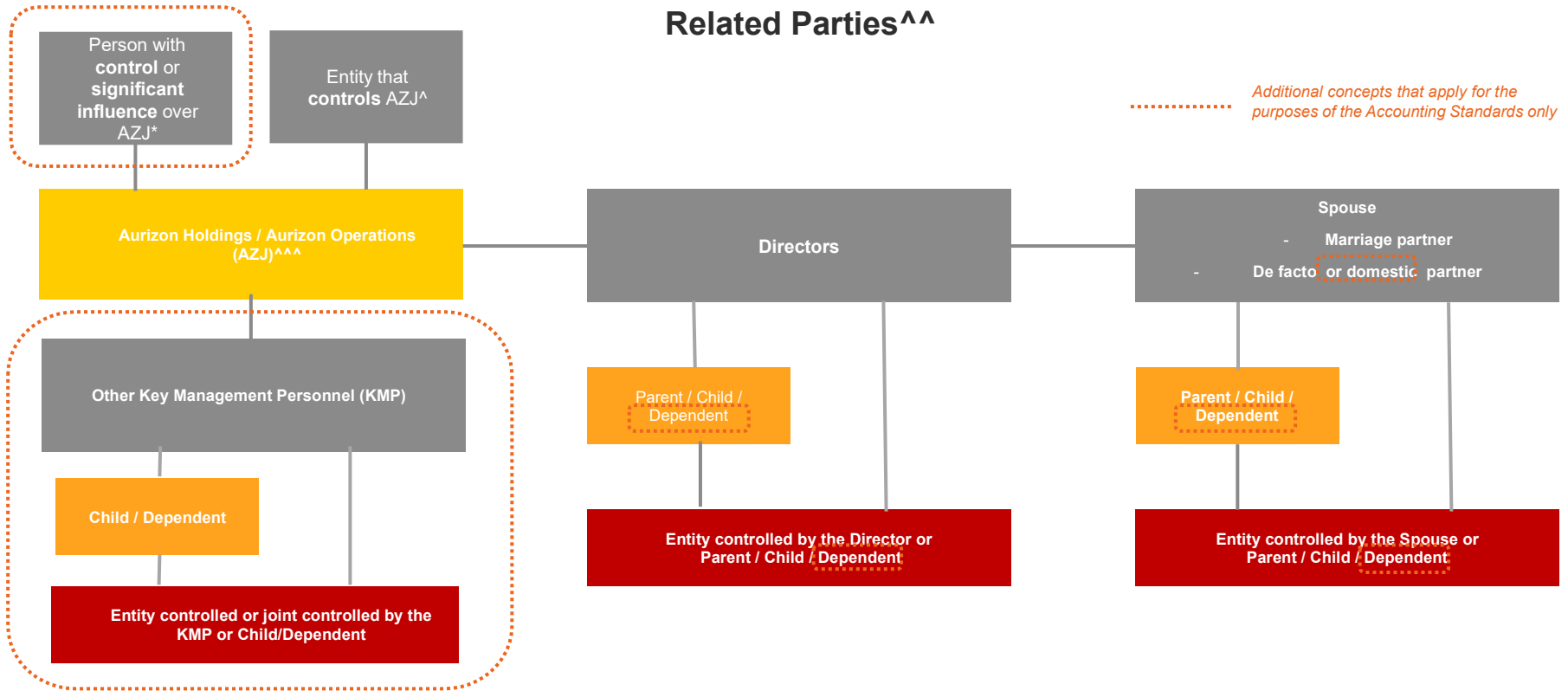
### Closely Related Parties^



^ **Note:** as defined in section 9 of the Corporations Act.

^^ **Note:** KMP are those persons having authority and responsibility for **planning, directing** and **controlling** the activities of the Company (either directly or indirectly), including any **director** (whether executive or otherwise) of the Company – see AASB 124.

## Related Parties^^



<sup>^</sup> **Note:** For the purposes of the Corporations Act, any entity that **controls** AZJ (as well as the directors, their spouse, parents / children and any entity controlled by any of them) is also a Related Party. <sup>^^</sup> **Note:** as defined in section 228 of the Corporations Act. <sup>^^^</sup> **Note:** as section 228 of the Corporations Act applies in relation to public companies generally and the concept in AASB 124 relates to "reporting entities" – each concept will therefore will also apply to Aurizon Operations.

<sup>\*</sup> **Note:** For the purposes of the Accounting Standards, a person who **controls** or **jointly controls**, or has **significant influence** over AZJ (as well as their spouse / children / dependants and any entity **controlled** by that person or in respect of which the person has **significant influence** or is a member of the **key management personnel**) are also Related Parties. **Control** under the Accounting Standards includes **joint control** and close family members extends to any family member who may be expected to **influence** or be **influenced by** the relevant person in their dealings with AZJ.

The following persons are also deemed to be Related Parties of AZJ under the Corporations Act: (a) an entity or person who was a Related Party at any time **within the last 6 months**; (b) an entity that believes or has **reasonable grounds** to believe that it is likely to become a Related Party at **any time in the future**; and (c) an entity that is **acting in concert** with a Related Party on the understanding that the Related Party will receive a **financial benefit** if AZJ gives the entity a financial benefit.

## Annexure 2 – Factors for considering whether a transaction is “arm’s length”

Questions and factors for consideration		Yes	No
1.	Is the transaction a Pre-approved Transaction?		
2.	How do the terms of the overall transaction compare with those of any comparable transactions on an arm’s length basis? Note: If there is no comparable transaction available, this may be an indication that shareholders’ approval is required for the proposed transaction.		
3.	Are there any other options available to the Company? (For example, has a process for tender occurred?)		
4.	Has any expert advice been received by the Company (including any professional or expert advice from appropriately qualified advisers)?		
5.	Are the terms of the proposed transaction fair to the Company and on the same basis that would apply if the transaction did not involve a Related Party?		
6.	Are the terms of the proposed transaction on terms that are less favourable to the Related Party than arms length?		
7.	Are there business reasons for the Company to enter into the proposed transaction?		
8.	Will the proposed transaction impair the independence of the relevant director?		
9.	What are the implications for the Company’s financial position and performance?		
10.	What is/was the nature and content of the bargaining process, including whether the Company followed robust protocols to ensure that conflicts of interest were appropriately managed in negotiating and structuring the transaction (for example was there a competitive tender, reference to any unique or unusual terms/content)?		

Note: If it is not clear that the potential transaction is on arms length terms, then external independent advice from appropriately qualified advisers should be sought, after which shareholders’ approval should be sought.