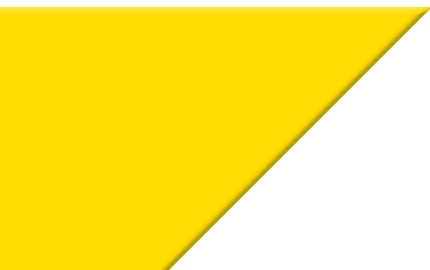


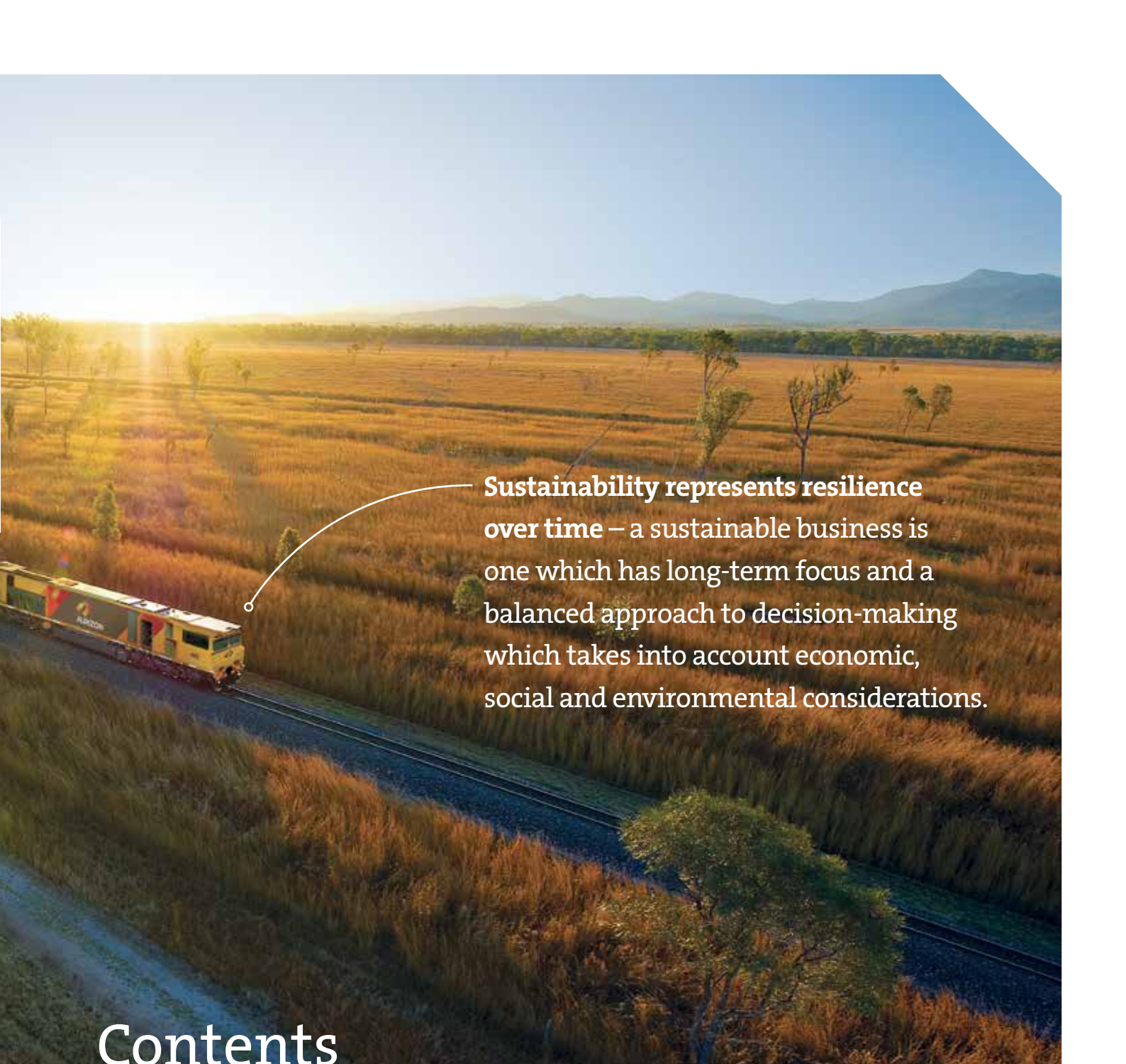


AURIZON BEYOND 2020
SUSTAINABILITY REPORT 2014





AURIZON®



Sustainability represents resilience over time – a sustainable business is one which has long-term focus and a balanced approach to decision-making which takes into account economic, social and environmental considerations.

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Aurizon is here for the long term – we are building a sustainable business delivering lasting value for our shareholders, customers, employees and communities.

Managing Director & CEO Message

It is with pleasure that I introduce our FY2014 Sustainability Report (**Report**), Aurizon's first.

Aurizon, and the customers and communities we serve, share a long history of stability, growth and resilience. It is from this perspective that we now focus on sustainability as part of our transformation to becoming a world-class infrastructure and logistics company.

In the context of sustainability, world-class performance is associated with a strong and enduring social licence to operate and a business model grounded in economic, environmental and social principles.

Since becoming a publicly-listed company in 2010, Aurizon has been committed to delivering key commercial, operational and safety improvements as we pursue excellence in every dimension of the business. This focus has been rewarded with improved financial and operational performance, the creation of significant value for our shareholders, and a much safer organisation for our employees, our customers and the communities in which we operate.

One of the greatest changes at Aurizon has been cultural – the sense of organisational identity and purpose that has developed since becoming a publicly-listed company. We have a sharper customer focus; we better understand our role in the broader economic and social fabric of the community; and values such as safety, integrity and leadership drive our everyday behaviour.

We have set, for example, five-year aspirational targets in our diversity programs to have a workforce consisting of 30% women.

We want to access the best talent, drive the best business outcomes, and nurture a balanced organisational culture and capability.

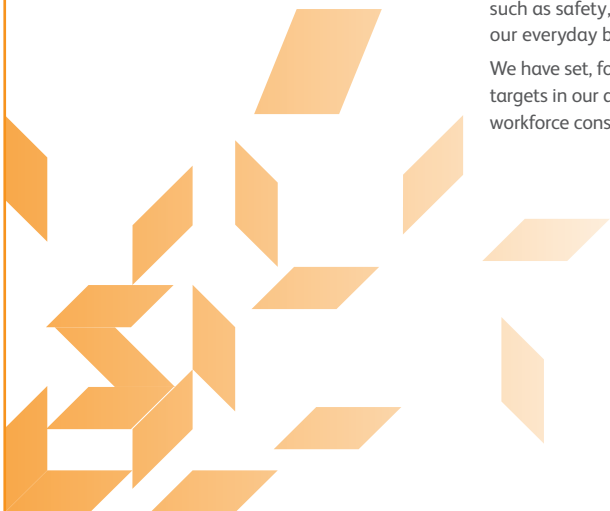
While recent initiatives and goals illustrate an endeavour to become a more sustainable enterprise, we now wish to apply a holistic approach to sustainability. In order to provide this enterprise-wide focus, I appointed the new role of Vice President Sustainability. The creation of this role underlines the importance of sustainability to Aurizon as we strive to ensure that our Company is taking the safest, most efficient and least resource-intensive approach to the services we provide.

The title of this Report is **Aurizon Beyond 2020**, which is indicative of the definition of sustainability at Aurizon. All employees at Aurizon are encouraged to set up the Company for the long term through the twin objectives of transforming the existing business to world-class standard and positioning the Company for continued growth. We seek to achieve these economic objectives while positively contributing to the communities and environments in which we operate.

We recognise that our sustainability program will mature as our Company evolves. As this occurs, we will update our stakeholders by reporting annually on our sustainability program and engaging them in what they believe is important to our continued success.

Having served our customers for 150 years, we are committed to ensuring the sustainability of Aurizon for generations to come.

Lance Hockridge





Vice President Sustainability Message

Sustainability represents resilience over time – a sustainable business is one which has long-term focus and a balanced approach to decision-making which takes into account economic, social and environmental considerations.

I am honoured to have been appointed to the new role of Vice President Sustainability and to have compiled this inaugural Aurizon Sustainability Report.

In contrast to sustainability roles in other organisations, the Aurizon Vice President Sustainability position exists within our commercial division and has an enterprise-wide focus. This was a conscious decision to drive consideration of sustainability within key investment decisions.

As investors, stock exchanges and our customers increase their analysis of sustainability information, we see this role as being a market-facing position. This is also recognition of the Aurizon commitment not only to the sustainability of our Company, but also to working closely with our customers to address an industry-wide focus on sustainability.

Since Aurizon was publicly listed, it has been on a transformation journey which has sought to move towards excellence in our operational, commercial and support functions. From FY2011 to FY2014, this transformation has yielded a reduction of over 90% in our Lost Time Injury Frequency Rate (LTIFR), 120 million tonnes per annum (mtpa) of long-term customer contract renewals, a 10.3 percentage point (ppt) reduction in Operating Ratio and a doubling of Return on Invested Capital to 8.8%.

Aurizon's transformation has been underpinned by, among other things, significant advances in operational areas. These advances have been framed by our Integrated Operating Plan (IOP), which aims to do more with less – rationalising the Aurizon fleet, reducing energy consumption, increasing productivity and coordinating our investment in technology.

Regenerative braking technology and driver advice systems are two recent examples of technology advancements put into action through the IOP which are also reducing the environmental impact of our business. These two programs alone are respectively helping us save 16,000,000 kilowatt hours of electricity and 1,000,000 litres of diesel per year, resulting in a combined reduction in carbon dioxide (CO₂) emissions of over 15,800 tonnes per year.

But we are committed to doing more.

A pillar of the focus on sustainability at Aurizon is this Report. The Report has been prepared in accordance with the core requirements of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. As such, we undertook a materiality assessment that identified nine priority areas which we use as the framework for this inaugural Report.

Coal transportation underpins 61% of Aurizon infrastructure access and haulage revenues, made up of 38% from metallurgical coal (steel producing) and 23% from thermal coal (energy producing). One of the priority areas for Aurizon is therefore the future of coal, or more specifically the long-term viability of Australian seaborne thermal coal.

Aurizon, like many of its customers, acknowledges the scientific consensus in relation to human-induced climate change and the need for multi-lateral effort to address it. Aurizon also understands the global demand for seaborne thermal coal and the unique role that Australia, as an established source of high quality, lower emission thermal coal, can play in addressing this need. It is for this reason, along with efficiency improvements being made to further enhance the cost curve position of Australian coal, that Aurizon is confident of its thermal coal-related investments.

This Report is a key milestone for Aurizon. It represents a consolidation of existing activities within the Company and the beginning of our sustainability conversation. In our next Report we will expand this conversation by reporting against sustainability targets corresponding to key areas of ongoing performance and stakeholder interest. We also aim to use this inaugural Report to gather feedback to inform the design and delivery of future sustainability related initiatives.

To that end, I welcome your feedback and invite you to send your comments on the Report to: sustainability@aurizon.com.au.

George Lippiatt

Sustainability at Aurizon

FY2014 Highlights

ORGANISATIONAL CAPABILITY

PAGE 36

Building a capable and engaged workforce

Our voluntary employee turnover decreased by

23.5%

ENVIRONMENTAL MANAGEMENT

PAGE 26

Reducing our footprint

We had a

2.5%

reduction in our Total Scope 1 and Scope 2 Emissions

SAFETY

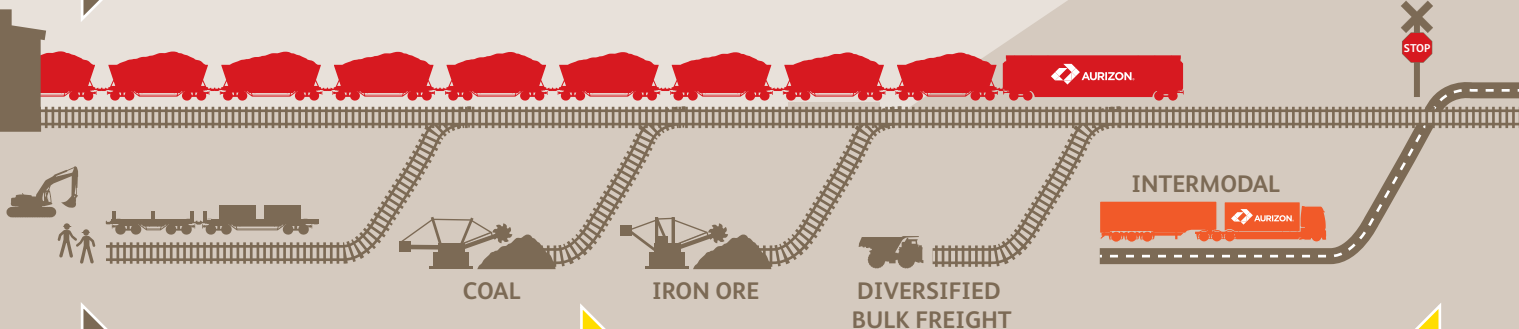
PAGE 12

World-class performance

Our **0.28** Lost Time Injury Frequency Rate and **2.8** Total Recordable Injury Frequency Rate are world class

OPTIMISING OUR FLEET:

Newer generation locomotives are saving **3 million litres** of diesel and reducing CO₂e emissions by **8,000 tonnes** every year



INVESTING IN INFRASTRUCTURE:

We are pursuing investments in greenfield rail and port infrastructure with a potential value of **\$13.5 billion** (subject to a final investment decision)

CUSTOMER PARTNERSHIPS

PAGE 30

Forging long-term relationships

We have a weighted average coal contract length of **7.2 years** and contracted above rail coal volumes of **230mtpa** for FY2015

REGULATORY ENVIRONMENT

PAGE 39

Driving efficiency of development

We maintain and manage **2,670km** of Queensland's heavy haul rail infrastructure

Welcome to Aurizon

Aurizon is a top-50 ASX listed company, with over 7,600 employees, offering rail freight transport and infrastructure services across Australia.

Every day we move more than 700,000 tonnes of coal, iron ore and other minerals, as well as agricultural and general freight, across Australia and on to export markets.

As a rail network operator, Aurizon is also responsible for providing, maintaining and managing access to our Central Queensland Coal Network and associated rail infrastructure.

Our Sustainability Commitments

Our aspiration to deliver world-class performance is underpinned by our three sustainability commitments:

We are committed to building a long-term sustainable business that delivers lasting value for our shareholders, customers, employees and communities.

We aim to take the safest, most efficient and least resource-intensive approach to the services we provide.

We apply a balanced view when assessing risk and making decisions, encompassing social, environmental and economic considerations.

Below we provide a snapshot of some of our key organisational sustainability metrics.

Aurizon Sustainability Scorecard

Metric	FY14	FY13	Change
Return on Invested Capital	8.8%	8.0%	+0.8ppt ↑
Underlying EBIT (\$m)	851	754	+13% ↑
Operating Ratio	77.7%	79.8%	-2.1ppt ↓
Tonnes Hauled (m)	286.6	267.7	+7% ↑
Labour Productivity (NTK/FTE)	9.8	8.5	+15.3% ↑
Turnaround Time (hrs:min)	25.26	27.14	-6.9% ↓
Below Rail Delays (minutes per 100kms)	6.01	9.27	-35% ↓
Signals Passed at Danger (per MTKm)	0.65	0.99	-34% ↓
Derailments (per MTKm)	0.50	0.65	-23% ↓
Diesel Fleet Energy Intensity (L/000GTK)	3.27	3.44	-5.1% ↓
Electric Fleet Energy Intensity (kWh/000GTK)	11.5	12.3	-6.5% ↓
Workforce Availability	96.2%	95.9%	+0.3ppt ↑
Percentage of female employees	13.8%	13.2%	+0.6ppt ↑

Legend

- Improvement in metric performance
- Decline in metric performance

COMMUNITY ENGAGEMENT

PAGE 33

An ongoing conversation

We resolved

86%

of community enquiries within 10 days

OPERATIONAL EFFICIENCY

PAGE 23

Doing more with less

We hauled **18.9mtpa** more than in FY2013 using **83** less locomotives and **1033** less wagons

BUSINESS MODEL

PAGE 15

Building a resilient company

We achieved an Operating Ratio of

77.7%

We're on track to achieve 75% in FY15

FUTURE OF COAL

PAGE 17

Positioning for the long term

IEA forecasts total non-OECD energy generation from coal to increase by **73%** by 2035, with Australia being an established source of high quality, lower emission thermal coal

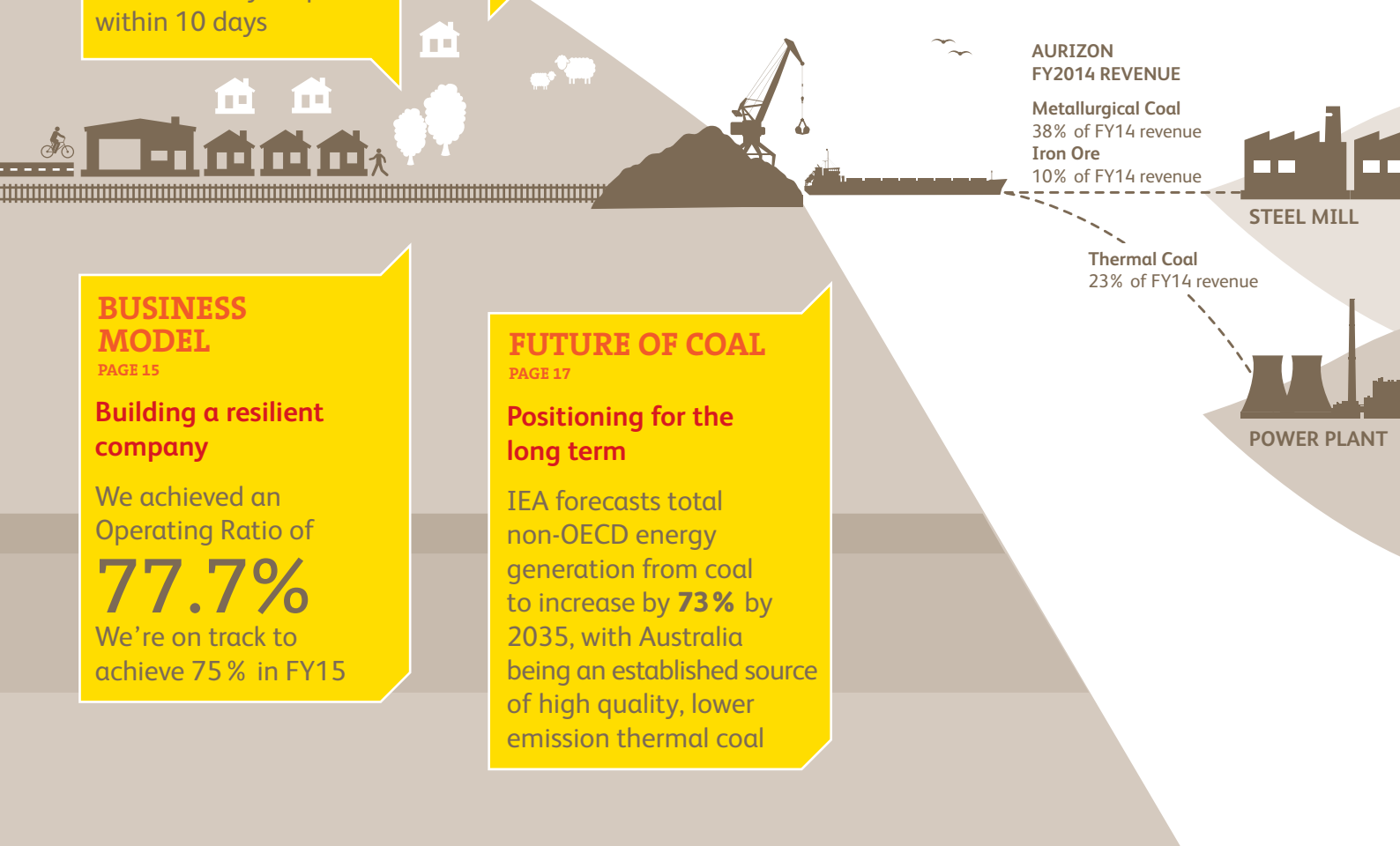
AURIZON FY2014 REVENUE

Metallurgical Coal
38% of FY14 revenue
Iron Ore
10% of FY14 revenue

Thermal Coal
23% of FY14 revenue

STEEL MILL

POWER PLANT





Aurizon's Sustainability Priorities

At the heart of Aurizon's mission and journey is sustainability. We recognise that becoming a sustainable organisation does not happen overnight. It emerges through a concerted effort by all our employees to understand what sustainability means for our organisation and how each of us can contribute to creating a sustainable business to be proud of.

Through employee engagement, stakeholder consultation, internal audit and review, and identifying significant impact areas for internal management and external reporting, we are already adapting what we do and how we do things to maximise sustainable outcomes.

To anchor this effort, Aurizon became a participant in the Global Reporting Initiative (GRI) – a world-leading organisation that provides the framework for sustainability reporting as a way for organisations to focus on and contribute to sustainable development.

This Report is based on the GRI G4 Sustainability Reporting Guidelines and describes the impact of Aurizon's operations against the guideline's core elements of economic, environmental, social and governance performance.

At the centre of preparing this Report has been the process of what GRI describes as 'identifying material aspects'. Material aspects are those issues that reflect the organisation's significant economic, environmental and social impacts or issues that substantively influence the assessments and decisions of stakeholders.

Material aspects are also defined by 'aspect boundaries' which describe whether the impact of a material aspect is internal or external to the organisation.

Identifying material aspects is achieved by conducting a thorough materiality assessment, which Aurizon performed earlier this year. We identified and ranked a number of issues important to stakeholders and which may impact on Aurizon as a business.

Nine priority areas were identified as material for Aurizon (refer to Figure 1):

- > Safety
- > Business Model
- > Future of Coal
- > Operational Efficiency
- > Environmental Management
- > Customer Partnerships
- > Community Engagement
- > Organisational Capability
- > Regulatory Environment.

Dedicated sections within this Report address each of these priorities in detail.

As depicted in Figure 2, four issues emerged as high importance to our stakeholders and potential impact to the business. These were:

- > Safety
- > Operational Efficiency
- > Future of Coal
- > Environmental Management.

Through this Report, we provide additional detail on our response to these particular issues.

ASPECT BOUNDARIES

For each of our nine material priorities, we outline the aspect boundaries for our reporting approach in Table 1.

As Aurizon’s subsidiaries, as at 30 June 2014, were integrated within our business, we have assessed where impacts occur for each of our nine material priorities at an operational level rather than at a legal entity level.

We consider that impacts within Aurizon relate to those affecting our Company, including our Corporate, Commercial & Marketing, Operations and Network functions. Impacts occurring outside of Aurizon are those which affect entities and elements which are not included in our consolidated financial statements, such as our customers, suppliers, and the communities and environmental areas in which we operate.

As we continue on our sustainability journey, our boundary assessment will guide our commitment and reporting moving forward. In future reporting years, we intend to further refine and validate our assessment of our value chain and our impacts on this value chain as part of our stakeholder engagement on material priorities.

COMPLETENESS

In defining our material priority areas we took a value chain approach, considering all aspects over which we had influence as well as ownership.

It is for this reason that much of the content of the Future of Coal chapter discusses the impacts, both positive and negative, of the products we haul after they have been utilised on global export markets and how these impacts affect our coal related investments.

This year we have provided specific data and commentary to achieve alignment with the core elements of the GRI G4 Guidelines. We will shortly commence the process of developing a range of measurable, time-bound sustainability targets which we will share and report against publicly, in forthcoming sustainability reports.

Table 1: Aspect Boundaries of Aurizon’s Material Priorities

BOUNDARY WITHIN AURIZON		BOUNDARY OUTSIDE AURIZON			
Aurizon Corporate	Operations & Network	Our customers	Our suppliers	Our communities	Australian Environment
Safety – Committed to the safety of our people, the safety of those we work with, and the safety of the communities in which we operate. Our goal is ZEROHARM , which means no workplace injuries to anyone, ever.					
●	●	●	●	●	
Business Model – Creating a repeatable and resilient business model built on robust, standardised commercial and operational processes to protect our foundation and generate new growth.					
●	●	●		●	
Future of Coal – Assessing and managing our exposure to the resources sector by considering issues such as climate change, long-term customer strategies and industry trends.					
●	●	●		●	●
Operational Efficiency – Taking the least resource-intensive approach to our operations to deliver long-term productivity improvement.					
●	●	●	●		●
Environmental Management – Minimising our impact and interaction with the environment we operate within, in order to conserve resources.					
●	●	●		●	●
Customer Partnerships – Developing long-term partnerships with customers to build sustainable growth and value.					
●	●	●			
Community Engagement – Creating long-term and engaged partnerships with our host communities, based on an open dialogue and the pursuit of mutual benefit.					
●	●			●	
Organisational Capability – Attracting, developing and retaining the high-quality diverse workforce we require to become a world-class employer of choice.					
●	●				
Regulatory Environment – Engaging with government and regulatory authorities to encourage efficient use of, and investment in, our key supply chains.					
●	●	●			

Figure 1: FY2014 Materiality Assessment

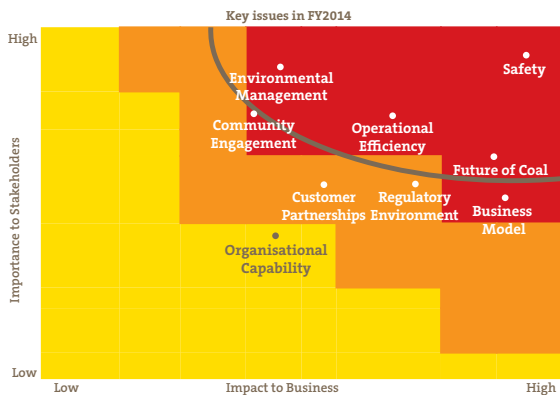
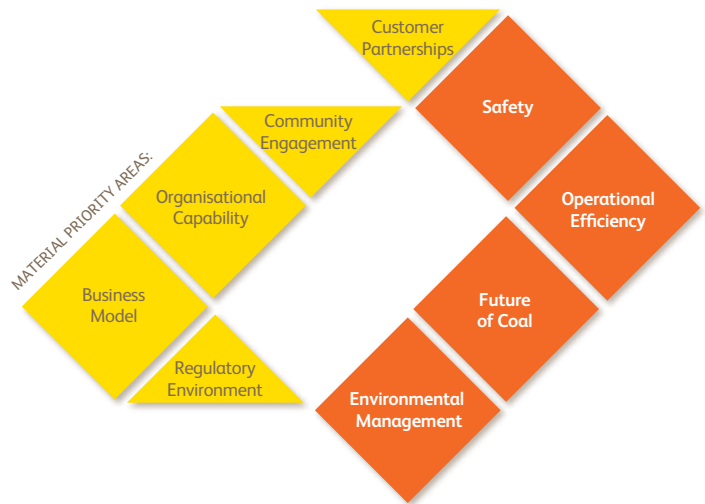


Figure 2: Our FY2014 Material Priorities



SUSTAINABILITY CONTEXT

We understand that our business and its impacts reside within a broader global sustainability context and within this Report we link, wherever relevant, our activities to this wider context.

STAKEHOLDER INCLUSIVENESS

Stakeholder inclusiveness is another key tenet of the GRI and a key feature of any responsive sustainability dialogue.

In defining our material aspects, we consulted broadly with stakeholders within Aurizon and with specific external stakeholders. Although our extensive community engagement activities provide an ongoing source of feedback, we will seek to draw further external stakeholder input into our materiality assessment processes for future reports.

In this Report we seek to respond to our stakeholders' expectations and interests by presenting our sustainability commitment in a thorough yet accessible format and by presenting content without withdrawing from areas of sensitivity or contention.

ENGAGING WITH OUR STAKEHOLDERS

As our assets extend across a large expanse of regional Australia, we have a broad and diverse range of stakeholders, all of whom are important to us.

Our approach to stakeholder engagement involves both formal and informal mechanisms that are tailored to our audience and the engagement outcomes being sought.

Employees and Unions

We engage with our employees by undertaking periodic surveys to assess organisational culture, with a view to achieving a performance that puts us in the top 25% of our industry. Aurizon also recognises the contribution made by our employees at our annual *Excellence Awards* which acknowledge individual and team excellence in the fields of safety, integrity, leadership, passion and courage, and world-class performance.

Throughout FY2014 we consulted extensively with our employees, and the unions who represent them, on the Enterprise Agreements. In the Organisational Capability chapter of this Report, we provide further information on the status of this consultation process and additional detail on the key issues and initiatives relating to our workforce.

Customers

Although we engage with our customers on a daily basis, we seek to supplement this via targeted surveys to ensure we maintain a detailed awareness of customers' needs.

In our Customer Partnerships chapter we expand further on how we are managing our relationships with our customers on an ongoing basis to support our ability to deliver sustainable and mutual growth and value.

Communities

In our chapter on Community Engagement, we describe our approach to engaging with our communities during project planning by addressing any community and landholder concerns raised by our operation, partnering with our communities to deliver rail safety education, and supporting regional and rural charities through our Community Giving Fund program.

Investors

Aurizon publishes detailed investor presentation briefings at least twice a year to coincide with its full year and half year results announcements. These briefings are also webcast live so they can be viewed by all shareholders, thereby ensuring all investors receive the same information at the same time.

We also webcast the Annual General Meeting of shareholders so that all shareholders can view the meeting. Shareholders who are unable to attend can vote directly using electronic means.

Financiers

We work with our financiers to ensure that we plan for the long-term funding needs of our business and manage our funding sources, tenor and maturities.

As our financiers become progressively more engaged with the concept of sustainability through initiatives such as the Principles for Responsible Investment, we look to support their request for environmental, social and governance data, in particular through this Report.

Joint Venture Partners

We collaborate with our joint venture partners to ensure that we identify and monitor trends impacting our projects and to ensure that our expectations regarding environmental and social performance are maintained.

Suppliers

Understanding our value chains is a key ongoing priority to ensure our sustainability. Like all leading organisations, we maintain detailed oversight of our key tier one suppliers to manage continuity of supply, cost and quality expectations, as well as to improve our understanding of the embedded environmental and social impacts in the products and services we source.

We define our key supply chain segments as:

- > Above rail infrastructure – rollingstock and associated parts and components
- > Below rail infrastructure – rail, sleepers and ballast
- > Energy – fuel and electricity
- > Labour services.

Our top three categories of spend in FY2014 were:

- > Bulk fuel – 10% of total expenditure
- > Labour services (trade and skilled) – 8% of total expenditure
- > Traction electricity – 3% of total expenditure.

To better understand the risk of potential social impacts in our supply chain, we seek close engagement with our equipment manufacturers (for example, locomotives and wagons). This is important given the volume of manufacturing that takes place and the potential hazards this work may entail.

Aurizon also partners with a number of its suppliers in order to develop fit-for-purpose products which are best-in-class and will increase the efficiency of Aurizon's operations in a cost-effective manner.

For example, Aurizon is currently partnering with SAP to develop a new Freight Management Transformation (FMT) System. This system will provide Aurizon and our customers with integrated supply chain management by analysing both resource availability and customer demand profiles.

Government and Regulators

Aurizon's Queensland-based below rail infrastructure assets are regulated by the Queensland Competition Authority (QCA). In FY2014, Aurizon liaised heavily with both the regulator and our customers to ensure that all stakeholders are appropriately engaged in relation to our current proposed Access Undertaking, commonly referred to as 'UT4'.

In our Regulatory Environment chapter we expand further on the key regulatory consultation and submissions which we undertook in FY2014.

Industry Groups and Associations

Aurizon is a member and regular contributor to the following associations and groups:

- > Business Council of Australia
- > Australian Industry Group
- > Centre for Economic Development Australia
- > Infrastructure Partnerships Australia
- > Queensland Resources Council
- > New South Wales Minerals Council
- > Association of American Railroads
- > International Heavy Haul Association
- > Australian Logistics Council
- > Freight Rail Operators Group
- > Victorian Transport Association
- > Rail Industry Safety and Standards Board
- > Australia China Business Council.

Non-Government Organisations

Non-government organisations provide an important voice in attempting to ensure that major projects strike the right commercial, environmental and societal balance. To inform future sustainability reports, we are looking to engage with non-government organisations more formally as key participants in materiality assessments. This will enable us to further refine the nature of our sustainability disclosures.

OUR SUSTAINABILITY JOURNEY

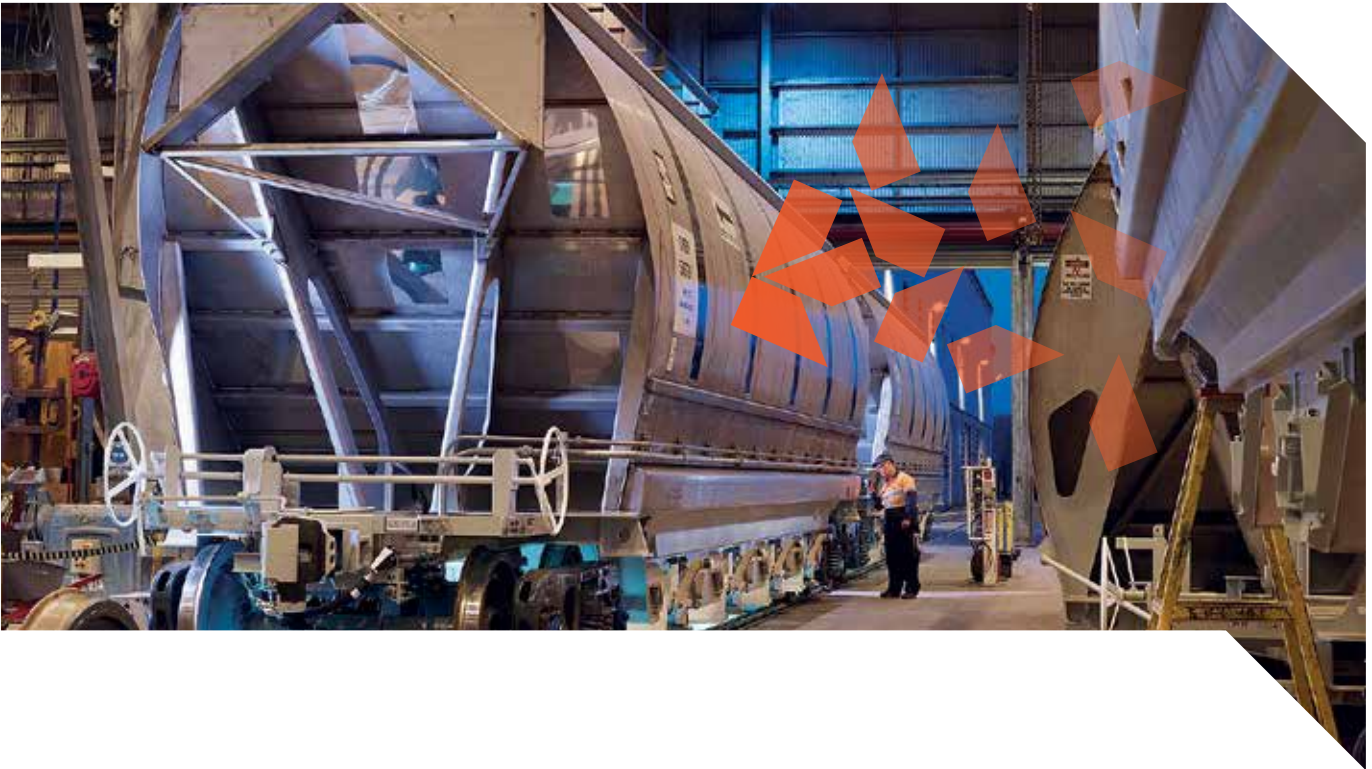
We have commenced our journey to becoming a world leading, sustainable transport business.

As an organisation we have embraced sustainability as a business-wide process by which Aurizon manages its financial, social and environmental risks, obligations and opportunities.

We trust this inaugural Sustainability Report demonstrates our commitment to building a long-term sustainable business that delivers lasting value for our shareholders, customers, employees and communities.

Figure 3: Aurizon Stakeholder Map





Governance

Aurizon is committed to a high standard of corporate governance. Our framework is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

GOVERNANCE AT AURIZON

Board and Committees

The Aurizon Board is responsible for the overall stewardship, strategic direction, governance and performance of Aurizon.

In accordance with its Charter, the Board has established several Board Committees to assist it in discharging its responsibilities and ensuring compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. The Charter of the Board and each of the current standing Board Committees are available on the Company's website.

The Board has approved a delegation of authority that clearly sets out the role and responsibilities of the Board and Management. The delegation of authority is reviewed annually and forms part of the Company's *Corporate Governance Framework*.

Management

The Managing Director & Chief Executive Officer (MD & CEO) is responsible for the development and implementation of business strategies, delivering targeted performance and building our corporate culture to support Aurizon's business objectives.

The MD & CEO leads a monthly CEO Forum attended by the Executive Committee, comprised of the MD & CEO and all Executive Vice Presidents. This meeting facilitates consideration of operational and financial performance as well as other strategic matters requiring Executive Committee attention.

SUSTAINABILITY GOVERNANCE

As represented in Figure 4, tiered strategic forums exist across Aurizon to address sustainability issues based on their material priority and/or impacts.

In FY2014, a Sustainability Steering Committee was established to provide strategic direction in relation to sustainability, assessment of key trends and risks, and ensuring appropriate reporting across the organisation.

The Committee is comprised of senior executives from each of our business functions. As the Chair of this Committee, the Vice President Sustainability has overall responsibility for building a cohesive and coordinated sustainability capability across Aurizon.

Safety and Environmental Management

Aurizon has a Central Safety, Health & Environment Committee (CSHE Committee) to set the enterprise strategy and goals for safety, health and environment. The CSHE Committee is comprised of management and meets monthly to review performance, policies and procedures.

Figure 4: Sustainability Governance at Aurizon



The CSHE Committee is supported by the District Safety Improvement Teams, Function & Sub-Function Central Safety Committees and Communities of Competence.

District and Local Safety Improvement Teams are established in all key regions to coordinate best practice safety initiatives, communicate lessons learnt and ensure our safety message is consistent across all levels and locations of the organisation.

Communities of Competence provide collaborative frameworks to deliver effective outcomes on activities deemed critical by the CSC. In FY2014, our Communities of Competence included Environment, Trackage Safety, Road Safety, Isolation and Lockout, Derailment Prevention, and Signals Passed at Danger.

THE SUSTAINABILITY PROCESS

As described in Figure 5, our annual sustainability process, which is being established through the development of this inaugural Report, sits within a cycle that begins and ends with internal and external stakeholder engagement.

Through our stakeholder engagement, we identify and confirm our sustainability priorities. These priorities feed into our business planning processes and our implementation of initiatives which will contribute to improved sustainability performance.

Central to the sustainability process is our development of this public Report. We are committed to producing this Report on an annual basis in order to:

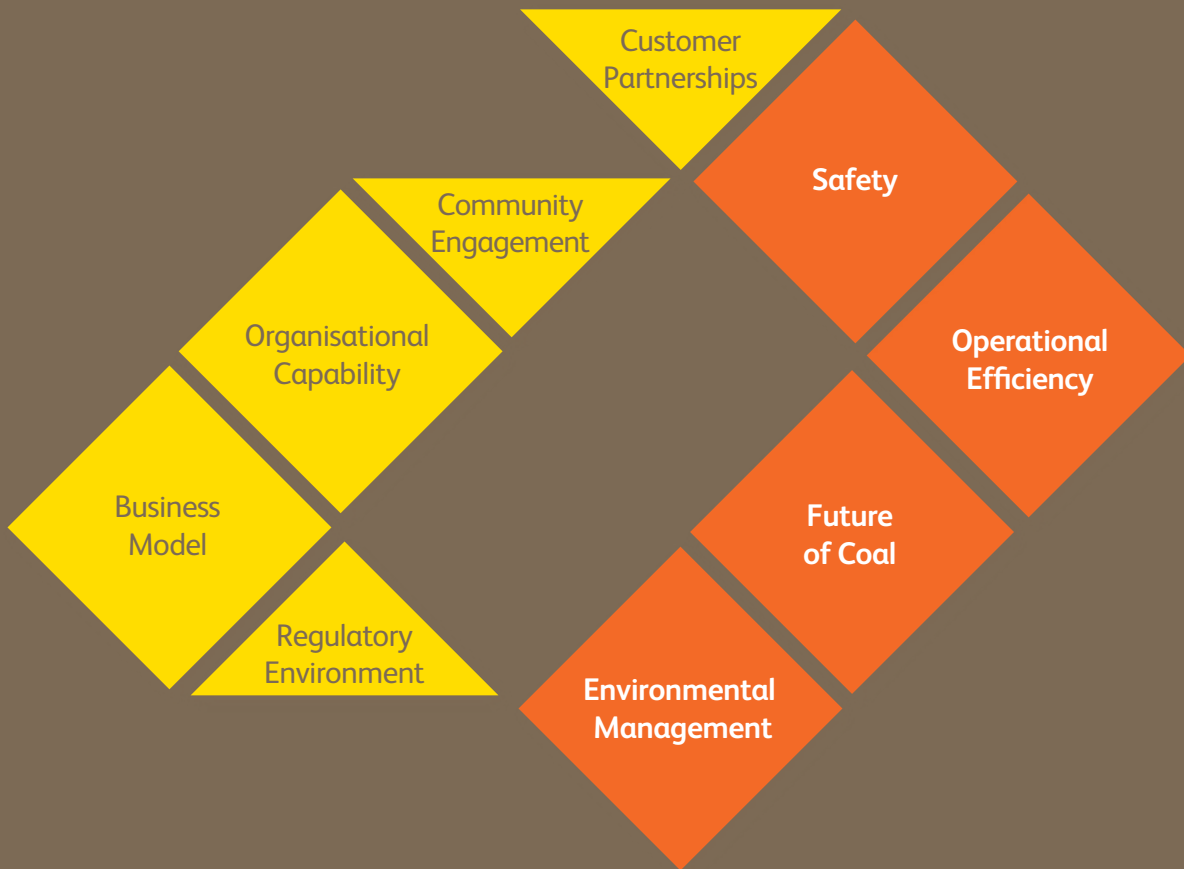
- > Define and discuss the issues which we perceive as being material to the long-term sustainability of our business
- > Highlight the sustainability initiatives we have undertaken during the year and our planned initiatives to build on our past performance
- > Provide a platform for us to engage with our key stakeholders, both during the development of the Report and as part of our ongoing engagement processes.

Figure 5: Our Annual Sustainability Process



Sustainability

Our material priorities





Safety

World-class performance

Safety is an Aurizon value – we are committed to the safety of our people, the safety of those we work with, and the safety of the communities in which we operate. Our goal is **ZEROHARM**, which means no workplace injuries to anyone, ever.

OUR SAFETY JOURNEY

We have been delivering targeted initiatives to enhance the safety of our employees and our locations. These initiatives have included:

- > **Governance** – Introducing tiered forums across the Company to provide clear leadership, targets and performance monitoring for safety issues
- > **Systems** – Implementing of a fully-integrated Safety, Health and Environment Management (SHEM) data system which has supported the management of incidents, hazards, near misses and safety interactions
- > **Culture and actions** – Requiring manager/supervisor driven action programs, including completion of individual safety plans and the introduction of individual targets for recorded safety interactions
- > **Accountability** – Aligning safety performance with executive remuneration and employee recognition

These initiatives and the associated focus have resulted in a company-wide safety transformation that is reflected in the milestones and measurable improvements outlined in Figure 6.

Protecting our People

We encourage conversations between our employees to identify safe and unsafe behaviours in the workplace (**Safety Interactions**). Safety Interactions are formally recorded conversations between employees at all levels across our organisation which serve to proactively acknowledge good safety practices and address and rectify unsafe behaviours. Since FY2011, our recorded number of Safety Interactions per employee per month has increased 11%, as represented in Figure 7.

The focus on Safety Interactions, combined with the other aforementioned initiatives, has been a key driver in reducing injury frequency rates. As reflected in Figure 8, between FY2009 and FY2014 Aurizon achieved a 96% reduction in Lost Time Injury Frequency Rate (LTIFR) and a 95% reduction in Total Recordable Injury Frequency Rate (TRIFR).

Our FY2014 LTIFR of 0.28 and TRIFR of 2.8 are reflective of world-class performance for the rail industry and demonstrate the outcome of focusing on safety as a core value.

However, we know this is an area in which we can never become complacent or be satisfied with anything less than **ZEROHARM**.

Figure 6: Five Years of Safety Milestones

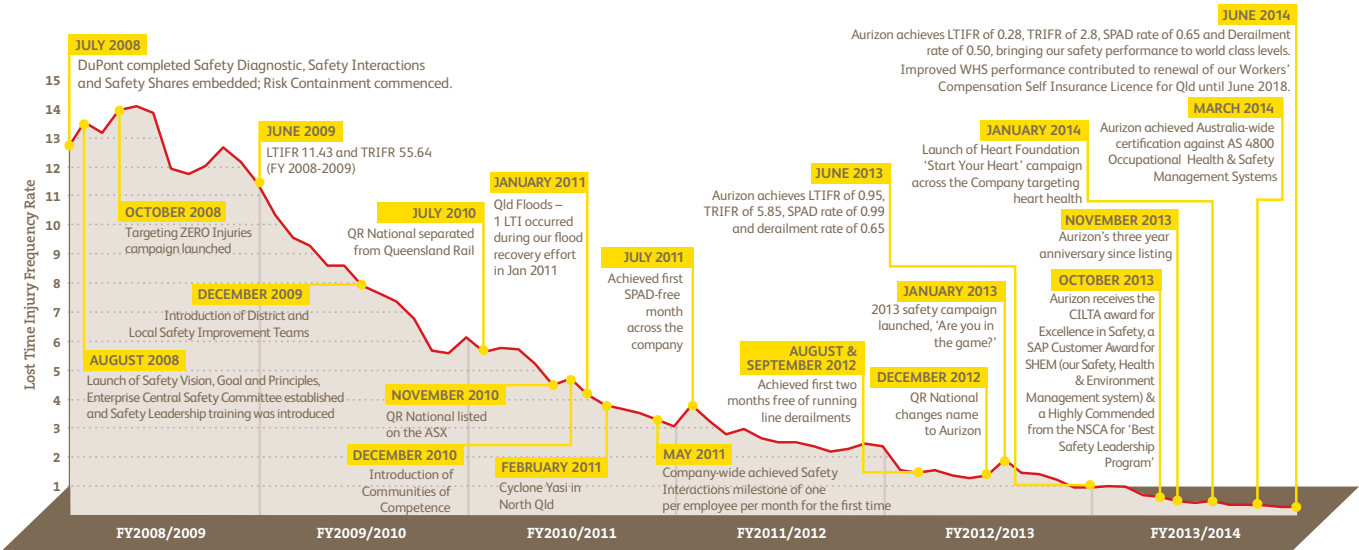


Figure 7: FY2011 to FY2014 Safety Interactions Performance

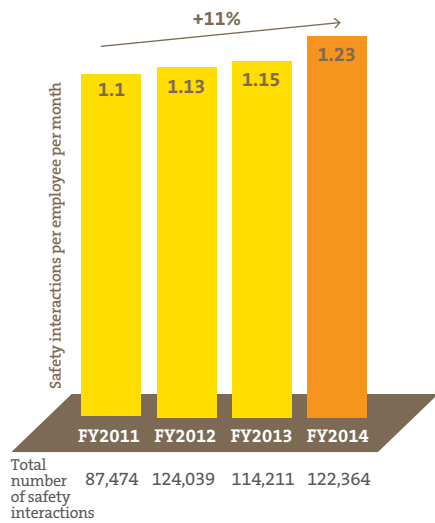
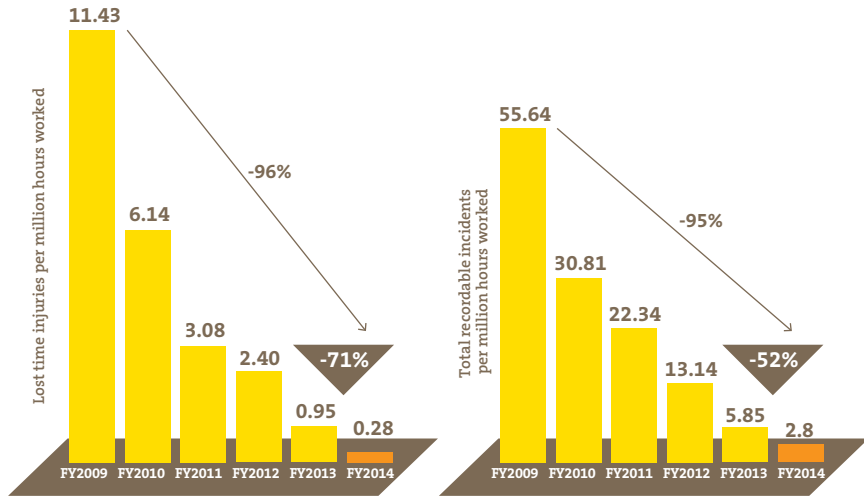


Figure 8: FY2009 to FY2014 LTIFR and TRIFR Performance



OUR PERFORMANCE IN FY2014

Monitoring Operational Safety

Signals Passed at Danger (SPAD) are one measure used by Aurizon to examine safety performance on the rail network. A SPAD reflects an instance in which a train has entered a section of the track without the correct authority, for example, passing a red signal. In FY2014, we achieved a 34% reduction on FY2013 SPADs per million train kilometres (MTKm), from 0.99 to 0.65 SPAD/MTKm.

We also continuously aim to reduce our rate of rail incidents, such as derailments. In FY2014, our derailments/MTKm reduced 23% from 0.65 to 0.50.

As our rail network extends through community and residential areas, we recognise the breadth of our responsibility for promoting rail safety awareness in the communities in which we operate. For example, we collaborated with the Queensland Police Service, Queensland Department of Transport and Main Roads and Brookfield Rail in Western Australia to promote public level crossings safety campaigns.

In New South Wales, we promote rail safety through our sponsorship of the Newcastle Knights in the Hunter Valley region. Our joint rail safety school program has been delivered to more than 12,000 children across approximately 80 primary schools in the Hunter Valley region. Our educational program was recognised recently with an award from the Australasian Railway Association TrackSafe Foundation.

While there were no fatalities on our rail network for the FY2014 period covered by this Report, two Aurizon employees and a contractor were tragically killed in a car accident near Stanwell in Central Queensland in October 2014 while travelling to a crew change point. We extend our deepest condolences to the families, friends and colleagues of those affected by this tragic accident. The safety of our employees remains our utmost priority, and Aurizon remains committed to its ongoing safety goal of ZEROHARM.

Our Employee Safety Performance

In FY2014, we recorded four Lost Time Injuries (LTI) and 40 Total Recordable Injuries (TRI) as illustrated in Figures 9 and 10.

Human factors are a key contributor to the injuries and incidents which have occurred in our workplace. In January 2013, we launched a four-month, company-wide campaign, *Are you in the game when it comes to safety?*, focused on preventing the behaviours of distraction, complacency, rushing and fatigue, as well as reinforcing positive behaviour by profiling teams within the organisation who demonstrated an exemplary approach to safety.

Manual handling tasks involved in rollingstock maintenance are accountable for the majority of our injuries. In FY2014, we rolled out a targeted program to prevent manual handling injuries. Employees were provided with additional training, user-friendly check-sheets, and pictorial images to support improved risk identification and management when conducting these activities.

RECOGNITION

During the past year, Aurizon was pleased to receive industry recognition of our safety achievements through the following awards:

- > *Chartered Institute of Logistics and Transport Australia Industry Excellence Award for Safety* – this award recognises an organisation that has demonstrated a practical and exceptional commitment to excellence in safety in Australian passenger, freight or defence transport or logistics
- > *2013 SAP Customer Awards of Excellence Winner* in the Best Run Analytics category for our SHEM data system
- > Highly Commended at the National Safety Council of Australia (**NSCA**) Safety Awards of Excellence for *Best Safety Leadership Program*
- > *Australasian Railway Association Safety Award* for community safety.

BUILDING ON OUR SUCCESS

Safety underpins Aurizon’s culture and our journey to world-class performance. Our improvement over the last five years is a demonstration of our ability to deliver the results we set out to achieve.

In FY2015, we plan to continue rationalising, simplifying and standardising our safety management systems and rail accreditations while transitioning to the new National Rail Safety Regulator and Investigator Model.

We will also implement a standardised safety, health and environment enterprise training framework and will advance our hazard and near miss identification and risk management processes by implementing efficiency testing and high consequence activity audits.

As we look to Aurizon in 2020 and beyond, our focus is to continue to build self-sustaining capabilities, attitudes and behaviours across all staff and managers. This aspiration supports our goal of **ZEROHARM**, which is fundamental to building a sustainable business.

Figure 9: Breakdown of Injuries by State

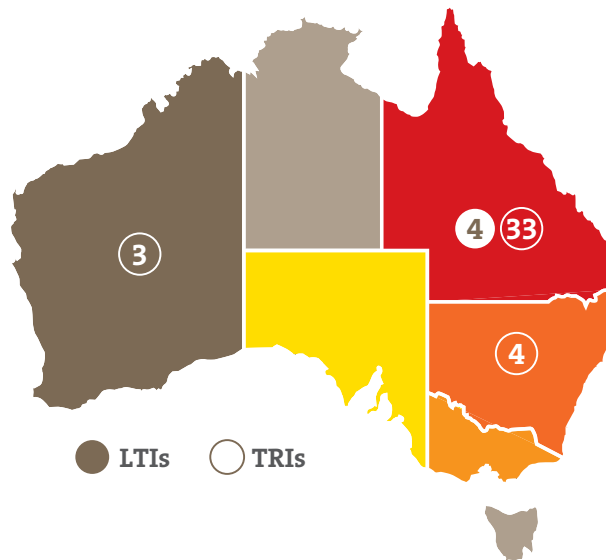
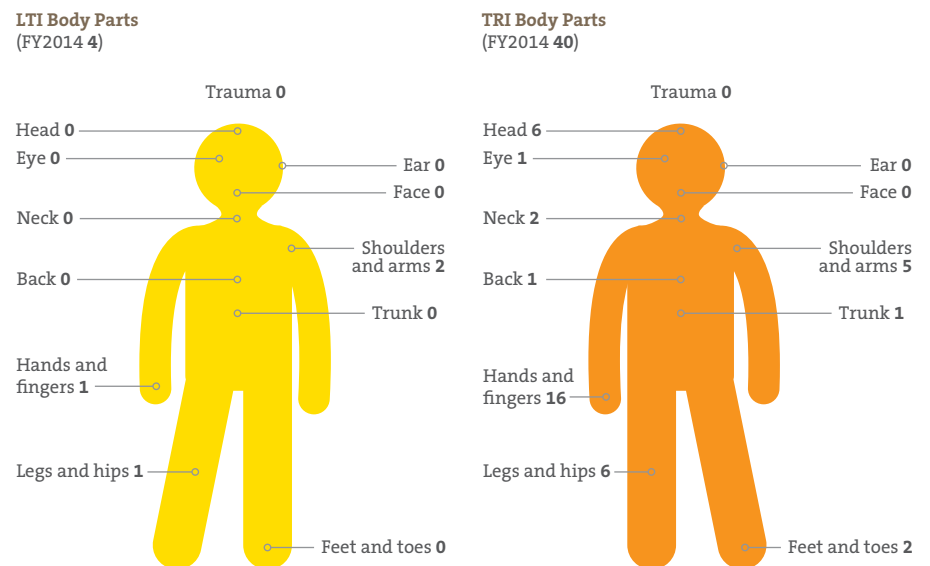


Figure 10: Breakdown of injuries by Type



*Note: body part figures will not always add up to the 'all injuries' figure for the month. This is because multiple body parts can be affected by the one injury event.



Business Model

Building a resilient company

Aurizon aims to create a repeatable and resilient business model, built on robust, standardised commercial and operational processes, to protect our foundation and generate new growth.

To many Australians we are known as the successor of Queensland Rail, which for 150 years has been providing the logistics backbone for the development of Queensland’s economy and enormous endowment of resources.

From a coal-centric Queensland-based company, we have expanded to be a truly national, multi-product infrastructure and transport services business, as illustrated in Figures 11 and 12. This has been driven by organic growth as well as the historic acquisitions of the Interail and Australian Railroad Group (ARG) businesses.

Figure 12: Aurizon FY2014 Revenues by Commodity

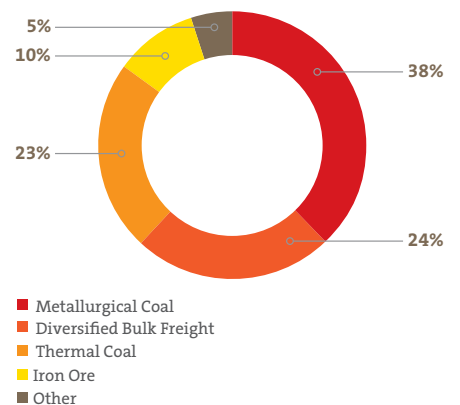
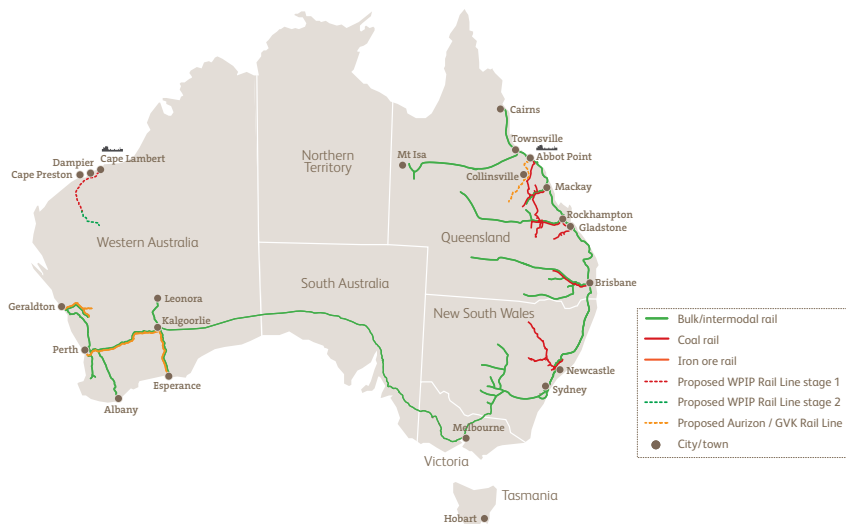


Figure 11: Aurizon’s Operations in Australia



Since listing in 2010, we have been building on a proud legacy by refining the Aurizon commercial and operational model. This focus has been aimed at making our core business more resilient and has included transforming key customer contracts to new form arrangements and developing an Aurizon Integrated Operating Plan (IOP).

The IOP is the cornerstone of our rail operations transformation, delivering value for our shareholders and customers across our national operations in the coal, iron ore and freight supply chains. The transformation associated with the IOP and post-initial public offering new form coal contracting is highlighted through:

- > A reduction in **Operating Ratio (OR)** – by standardising our fleet, using fewer resources to move more tonnes and actively driving an OR of 75 % by encouraging ownership of the goal across the organisation
- > An increase in **Return on Invested Capital (ROIC)** – by providing ongoing improvement in revenue quality and capital efficiency.

Our OR and ROIC during the period FY2011 to FY2014 is set out in Figure 13 and 14.

The performance of Aurizon against the key metrics of OR and ROIC highlights our endeavour to create a world-class business. However, Aurizon has a history of looking beyond its current horizons. Four years after privatisation, and as we close in on our target of OR 75 %, it is an appropriate time to secure growth options and refine our strategic focus.

APPROACH TO INVESTMENT

Aurizon has a specific process in place to assess all potential investment opportunities. This includes assessment against our Enterprise Risk Management Framework which is based on the internationally recognised *Standard for Risk Management* (AS/NZS ISO 31000:2009).

When the Company makes an investment decision with respect to the deployment of capital into long-life assets, it is informed by various specialists who conduct wide-ranging research, analysis and forecasting in order to fully assess the opportunity and associated risks.

These assessments include, for example, future commodity demand and supply scenarios, emerging technologies, and potential policy changes in domestic and international markets. It will also include detailed analysis of potential customers involved, including the resource quality and the cost curve of the underlying project.

Consistent with our growth focus, Aurizon is pursuing two transactions which provide opportunities to develop, operate and integrate new bulk supply chains:

- > From the Galilee Basin in Queensland, in partnership with GVK, an Indian based conglomerate, and Hancock, a renowned bulk commodity mine project developer
- > In the West Pilbara in Western Australia, in partnership with Baosteel Resources, the world’s second largest iron and steel producer, American Metals & Coal International (AMCI), a privately owned natural resources company, and POSCO, a multinational steel-making company headquartered in Korea.

Both of these transactions will be subject to Board approval as well as a number of key conditions and downstream undertakings being met.

These transactions demonstrate Aurizon’s ambition and readiness to pursue new avenues for growth by leveraging the Company’s core capabilities of designing and operating multi-customer supply chains.

BUILDING ON OUR SUCCESS

The IOP and commercial practices implemented since the initial public offering in 2010 will be fundamental to the future success of these growth projects which, subject to a future Board ‘final investment decision’, have the potential to transform the long-term nature and footprint of the Aurizon business. Given this, Aurizon is currently revising its enterprise strategy and looks forward to providing more information to stakeholders at an appropriate juncture in the future.

In the interim, the ongoing focus on operational efficiency, productivity and cost control will continue with the aim of driving towards OR 75 % and below.

Figure 13: Operating Ratio FY2011 – FY2014

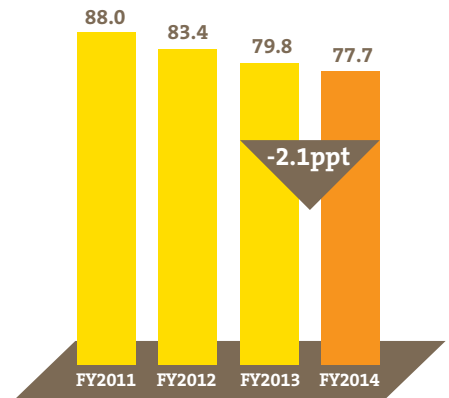
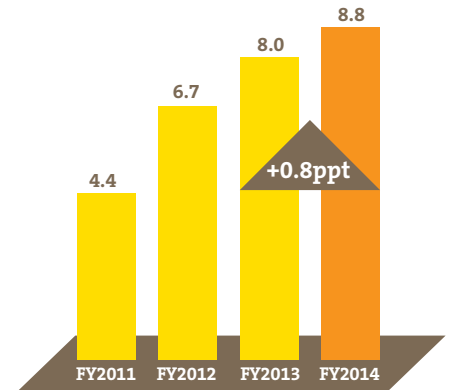


Figure 14: Return on Invested Capital (ROIC) FY2011 – FY2014





Future of Coal

Positioning for the long term

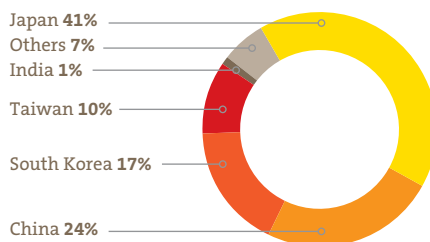
Aurizon recognises the need to assess and manage our exposure to the resources sector by considering issues such as climate change, long-term customer strategies and industry trends.

Aurizon, like many of our customers, acknowledges the Intergovernmental Panel on Climate Change’s (IPCC) finding that “human influence on the climate system is clear” is based on a scientific consensus that climate change is occurring and that it is substantially human induced¹. Their forecasts indicate the significant risks which climate change poses and they highlight the need for international cooperation to effectively mitigate Greenhouse Gas (GHG) emissions and adequately address climate change².

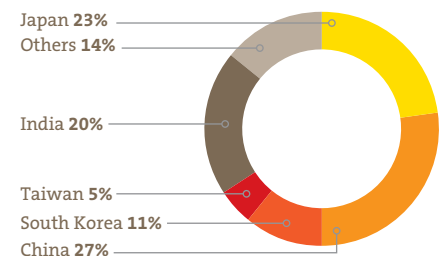
Recent predictions regarding the form and timing of climate change interventions have introduced the question of ‘stranded assets’ to the wider fossil fuels sector. It has been suggested that an eventual strengthening in international emissions reduction legislation will impose absolute regulatory or economic barriers to fossil fuel demand that will undermine the value of thermal coal based investments. In the coal sector, stranded assets discussions have focused on thermal coal (coal used in power generation) because metallurgical coal which is used in oxygen-based steelmaking has no current available substitute.

Figure 15: Exports of Australian Seaborne Coal by Destination

Thermal coal exports by destination
FY2014 – total 194Mt



Metallurgical coal exports by destination
FY2014 – total 180Mt



Source: Australian Bureau of Statistics (customised report) and Aurizon internal analysis.

1 Based on the findings of the IPCC Fifth Assessment Report, 2013.
2 Intergovernmental Panel on Climate Change, Mitigation of Climate Change, 2014.

It is important to address these perspectives given the extent of our present involvement in thermal coal export infrastructure. Specifically, 61 % of Aurizon FY2014 revenues were associated with coal, of which:

- > 38 % related to metallurgical coal
- > 23 % related to thermal coal.

Figure 15 illustrates the exports of Australian seaborne coal by destination.

Therefore, the remainder of this section of the Report focuses specifically on the long-term fundamentals of thermal coal as a fuel source for energy generation.

Aurizon approaches this matter via objective analysis of aggregate world energy demand, and in the context of balancing economic growth with the transition to a lower carbon environment.

As such, we point to four overarching drivers of Australian seaborne thermal coal demand as set out in Figure 16. While there are other drivers, such as the cost-curve position of specific mine assets, in our view these four overarching drivers demonstrate the unique strengths of the Australian seaborne thermal coal assets to which Aurizon is presently linked.

GLOBAL ENERGY DEMAND

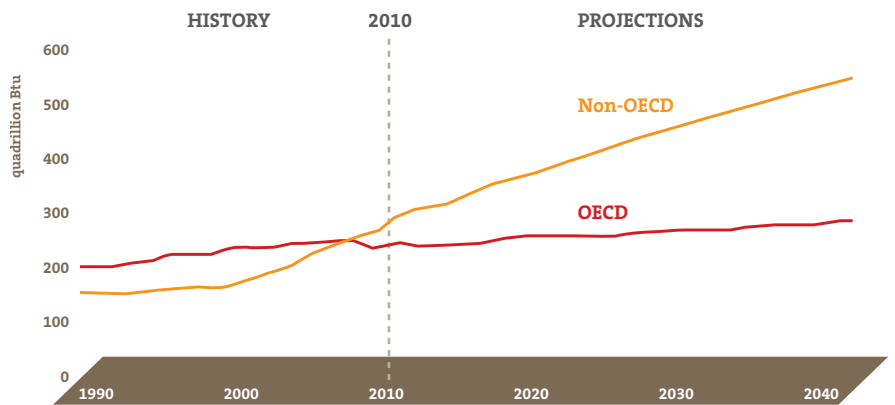
Whilst projections for energy demand growth across some Organisation for Economic Cooperation and Development (OECD) countries vary, both the International Energy Agency (IEA) and US Energy Information Administration (EIA) predict continued and significant growth in global energy demand. This will be spurred principally by non-OECD countries as depicted in Figure 17, where a significant social and economic driver remains providing access to electricity as shown in Figure 18. Aspirations for improved living and health standards in these emerging economies are enshrined in government and economic policy settings. The delivery of low-cost base-load electricity is considered critical to achieving these aspirations. This will, in turn, drive demand for low-cost, efficient energy sources.

Despite the enormous economic and energy infrastructure development over the past decade, according to the IEA, over 1.3 billion people (18 % of the world’s population) still currently lack access to electricity. The IEA in its World Energy Outlook predicts that “developing Asia [will] see the number of people without access to electricity almost halve between 2011 and 2030”.

Figure 16: Drivers of Australian Seaborne Coal Demand

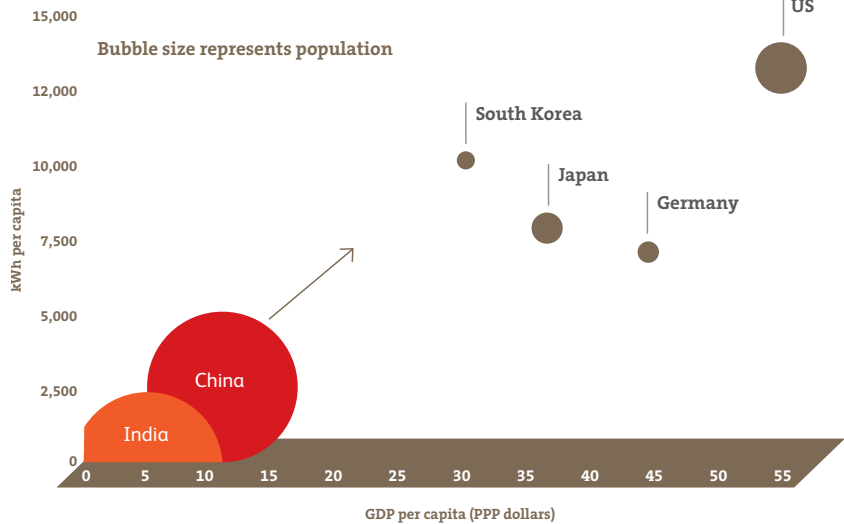


Figure 17: World Energy Consumption 1990–2040



Source: EIA, International Energy Outlook, 2013.

Figure 18: Per Capita Electricity Consumption Versus Per Capita Income By Key Countries



Source: IMF, World Bank and Aurizon Analysis, 2011 data.

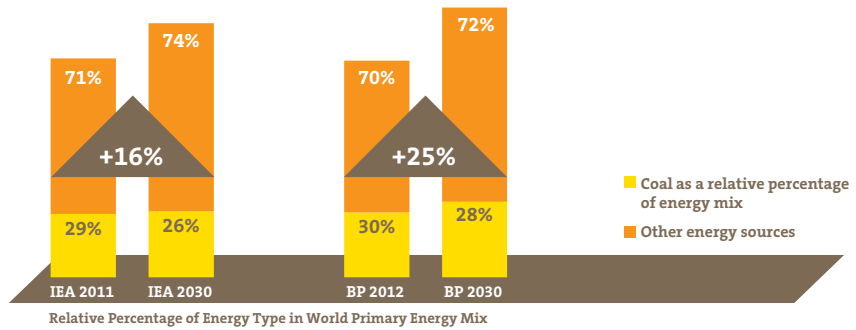
THERMAL COAL'S SHARE OF THE GLOBAL ENERGY MIX

The second driver is the ongoing role that thermal coal will play in servicing this sustained increase in global energy needs. According to most forecasts, coal will be a smaller contributor to global electricity generation than currently, but only as an overall percentage of the total mix and in the context of a greater demand for energy. As such, and according to the IEA and BP, the total quantum of thermal coal demand is still expected to increase over the medium to long term (see Figure 19).

When data is focused on non-OECD countries, the role for thermal coal in satisfying absolute increases in energy demand is further highlighted as illustrated in Figure 20.

Ultimately the cost, reliability and availability of seaborne thermal coal will underpin its ongoing role as a critical element of the global energy mix.

Figure 19: Current and Future Demand for Coal in the Global Primary Energy Mix



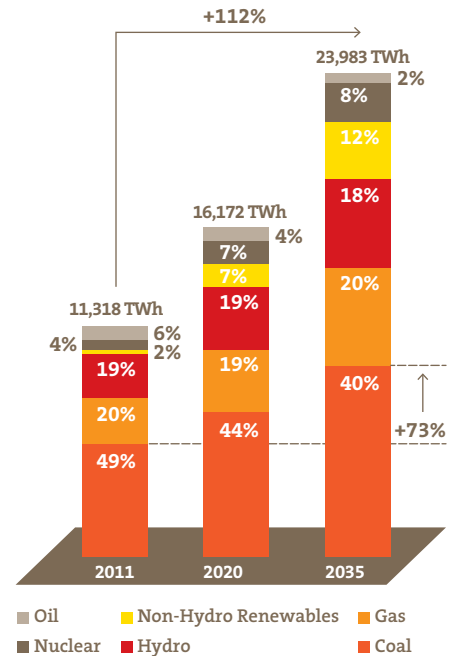
Source: IEA 'World Energy Outlook' 2013; New Policies Scenario; 'BP Energy Outlook 2035' 2014; and Aurizon Analysis.

“Southeast Asia’s coal-fired capacity doubles between 2011 and 2020, reaching 80GW, and doubles again between 2020 and 2035, rising to 160GW.

“Expansion of coal-fired capacity is sustained throughout the projection period. The trend is driven by coal’s availability and affordability in the region, which makes it attractive compared with gas.”

International Energy Agency, *Southeast Asia Energy Outlook*, 2013

Figure 20: Non-OECD Electricity Generation by Source (TWh, share)



Source: IEA 'World Energy Outlook' 2013, New Policies Scenario and Aurizon Analysis.

COAL QUALITY

Although coal is commonly thought of in singular terms, there are a variety of thermal coal types available for power generation with corresponding qualities.

The key determinants of thermal coal quality are its calorific value, as well as its ash and sulphur content. These attributes also relate to:

- > GHG emissions – in general, the higher the calorific value the less coal is required for a given amount of energy, resulting in less global CO₂ emissions per unit of energy generated
- > Particulate and sulphur emissions – which have localised air quality impacts and stem from residual sulphur and ash post-combustion.

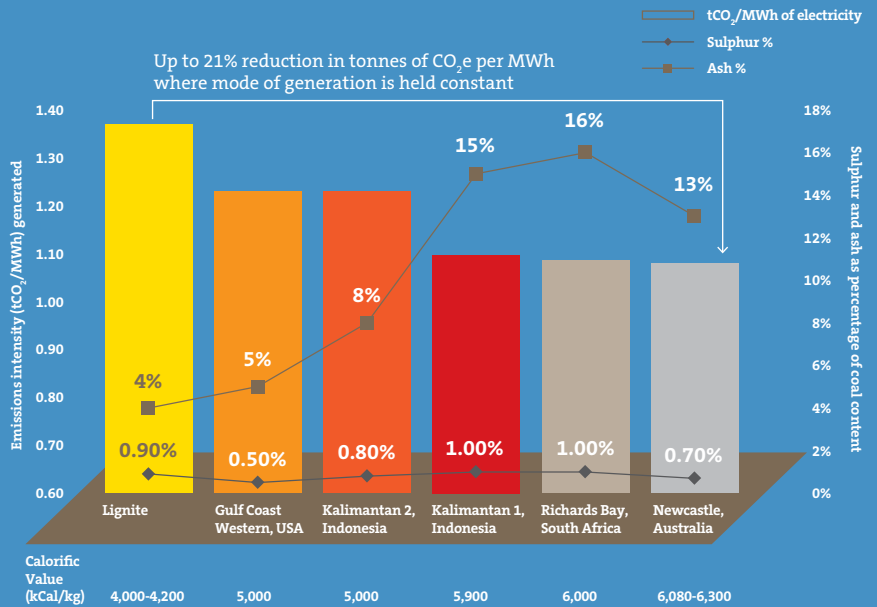
In assessing the net impact of coal quality, calorific value, sulphur and ash content should be considered in unison. In particular, given the growing demand for energy, it is important to focus on the reduction of CO₂, sulphur and ash per megawatt hour (MWh) of energy generated rather than assessing pre-combusted coal on the basis of some but not all of these core coal quality criteria.

Figure 21 compares the combined qualities of the major sources of seaborne thermal coal. The published benchmarks do not describe the exact qualities of all the coal within the defined regions but rather the relative characteristics towards which these benchmarks converge.

The thermal coal that Aurizon transports from the Bowen, Surat and Hunter Valley Basins is broadly consistent with the Newcastle benchmark, which possesses a higher calorific value. It therefore produces less carbon emissions per MWh of electricity generated than most other major sources of seaborne thermal coal, and up to 21% less emissions than lignite (brown coal).

Accordingly, where it displaces a lower quality coal, in particular lignite, Australian higher calorific value thermal coal presents an opportunity to reduce CO₂ emissions, increase power generation efficiency and improve air quality per unit of energy generated.

Figure 21: Carbon Emission Intensity and Sulphur and Ash Content



Source: Platts Coal Methodology and Specification Guide, September 2014, and Coal Marketing International Advanced Coal Science. <http://www.coalmarketinginfo.com/advanced-coal-science/>

Refer to Appendix for methodology and assumptions



COAL TECHNOLOGY

There are current and developing technologies which provide the fourth driver of thermal coal demand. These include the latest, most efficient, forms of thermal electricity generation as well as complementary (but longer-term) opportunities for the capture and storage of CO₂ emissions.

The predominant modes of coal-fired power generation from least efficient to most efficient are defined as sub-critical, supercritical and ultra-supercritical. The most efficient coal-fired power generation, supercritical or ultra-supercritical technologies, provides significant CO₂ emission reductions per unit of energy.

Figure 21 demonstrated the CO₂ emission avoidance when high calorific black coal displaces brown coal in the context of the same mode of power generation. Figure 22 demonstrates the emissions reductions achievable when high calorific value black coal is used in conjunction with high efficiency power generation. It highlights the potential for up to 48% avoidance in GHG emissions from the least efficient composite of brown coal and sub-critical generation versus black coal and ultra-supercritical generation.

An additional technology which has the potential to significantly de-carbonise coal fired power generation is carbon capture and storage (CCS). Capturing and storing power plant emissions has the capacity to sequester the bulk of combustion-related emissions, and would significantly prolong the use of fossil-based fuels well beyond current projections. Although a significant amount of research and development will be required to make CCS technically and economically feasible, it has the potential to radically reduce the emissions profile of all forms of fossil fuel based energy generation.

SUMMARY

Based on the aforementioned drivers, the future for thermal coal exports from Australia is considered robust: increasing global energy demand; increasing volumes of thermal coal needed to meet demand into the future; and the favourable quality characteristics of Australian thermal coal and technology which can significantly reduce emissions per MWh of electricity generated.

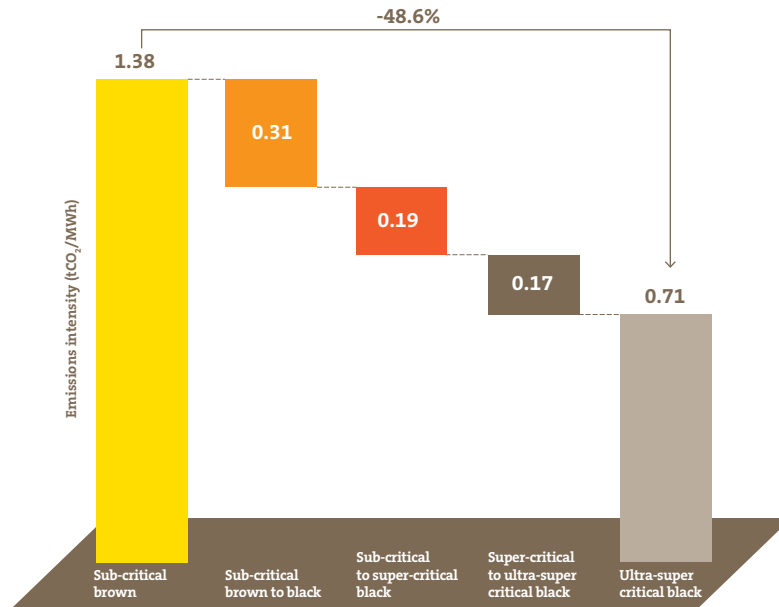
Whilst there is a clear need for multilateral effort to mitigate climate change, this must be balanced with the dual imperatives of economic growth and equitable access to energy.

For Aurizon, this provides a clear indication that our infrastructure and planned investments to support the transportation of a range of materials, including thermal coal, remain sustainable.

BUILDING ON OUR SUCCESS

Like any infrastructure and haulage provider, it is important for us to monitor the present and future demand for the products we haul. We will continue to work with customers and industry to monitor political and macroeconomic trends and the influence they may have on our portfolio of investments.

Figure 22: Electricity Sector Emissions Abatement Potential



Source: Department of Energy Resources and Tourism Australia, *A Cleaner Future of Power Stations*, 2010³.
 Known assumptions: Assumes an 85% generation capacity factor in all instances.
<http://industry.gov.au/Energy/Documents/sustainability-and-climate-change/DiscussionPaperCleanerFuturePowerStation.pdf>

Primary categories of coal-fired power generation

The classifications sub-critical, supercritical and ultra-supercritical relate to the pressure within boilers that produce steam to drive the turbines within coal-fired power plants. Sub-critical power plants typically operate at an average efficiency of 34%, supercritical at 39% and ultra-supercritical at 43%. The higher the efficiency, the less coal is required to produce a given amount of electricity.

“CCS offers the potential to reduce CO₂ emissions to less than 100 g/kWh. Programmes to demonstrate large-scale, integrated CCS on coal-fired power units are under way in many countries. Some deployment of CCS is anticipated in the 2020s, with broader deployment projected from 2030-35 onwards.”

Source: International Energy Agency, *Technology Roadmap*, 2012

CASE STUDY

GALILEE TRANSACTION

Aurizon is progressing discussions with GVK Hancock to acquire a 51 % interest in Hancock Coal Infrastructure Pty Ltd, the entity which holds the Abbot Point T3 Port Project and Galilee Rail Project. The proposed joint venture with GVK Hancock (GVK) would progress the development of a greenfield rail network and a new multi-user coal terminal at Abbot Point.

The proposed transaction would allow Aurizon to expand its rail network into a new coal basin, and by investing into the port project it would allow Aurizon to expand its business across the supply chain. This is consistent with Aurizon’s strategy to develop, operate and integrate bulk supply chains across Australia.

Completion of the proposed transaction, including upfront consideration from Aurizon, would be subject to the satisfaction of a number of conditions, including satisfactory due diligence, final Board approvals, third party approvals and negotiation of final terms and definitive documentation.

Aurizon investment

This transaction has the potential to lay the foundation for new long-term growth for Aurizon and to generate commercial returns for shareholders. Significant capital investment from Aurizon would be delayed until financial close and be subject to a final investment decision (FID) by the Aurizon Board. Financial close would not only require FID by Aurizon, but also significant and equivalent undertakings by other parties in the Galilee coal value chain, including offtake agreements from one or more Asian power plants that are expected to be commissioned to the specific characteristics of Galilee Basin coal. These plants are expected to have an operating life of between 40-60 years³.

The Galilee Basin represents a strong development opportunity for the next phase of Australian resource sector growth with a 6.2bt endowment of high-calorific, low-sulphur thermal coal. Aurizon’s view is that the development of the Galilee Basin will ultimately proceed due to fundamentals driving long-run demand for high quality Galilee Basin thermal coal.

GVK’s Alpha Coal Project is a particularly high quality, low ash thermal coal as shown in Figure 23.

The beneficial quality and attributes of GVK’s coal asset position the product very favourably compared to lower quality coal currently being imported or sourced domestically by the Asian economies.

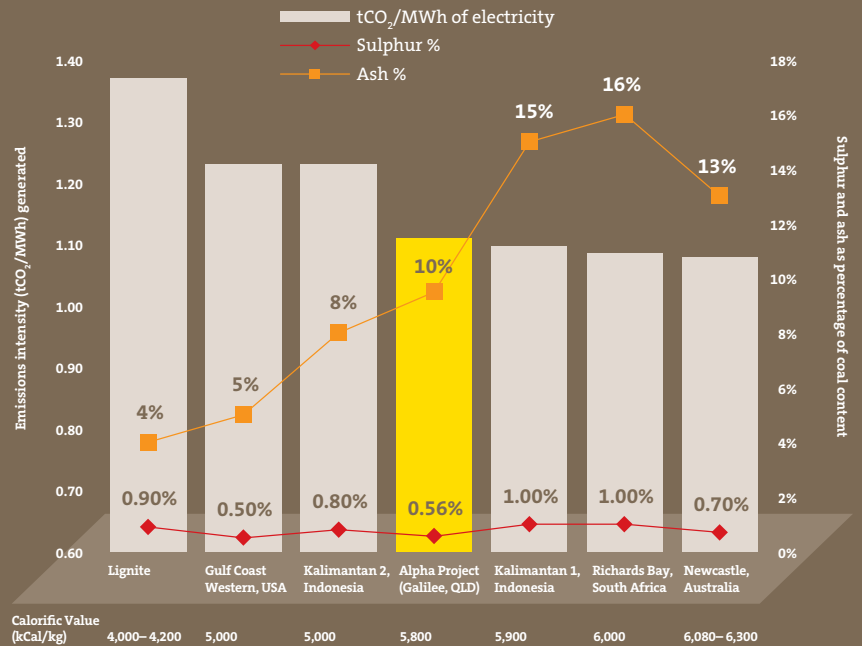
Proposed supply chain

The biggest challenge for the Galilee Basin is its ~500km distance from the port. However, the scale of GVK’s proposed mines and the lower operating costs required to mine the potential deposits remain a major commercial advantage. As opposed to an entirely greenfield rail project, Aurizon and GVK have discussed a staged and commercially prudent rail and port solution which will save more than \$1 billion upfront by utilising Aurizon’s brownfield infrastructure, the Central Queensland Coal Network.

This provides not only a low cost and commercially deliverable rail and port solution, but also limits environmental and community impacts by reducing the amount of greenfield rail corridor required.

The proposed development of the rail and port infrastructure is expected to attract an investment in Queensland of up to \$6 billion and provide over 1,300 jobs during construction and around 300 long-term jobs once operational⁴. Once developed, the projects have the potential to unlock the Galilee Basin’s significant resources with the potential to attract investment of up to \$28 billion and create up to 28,000 jobs⁵.

Figure 23: Alpha Coal Properties Relative to Other Global Coal Sources



Sources: Coal Marketing International, *Advanced Coal Science* <http://www.coalmarketinginfo.com/advanced-coal-science/>. Alpha Project Coal specifications obtained through GVK Hancock website: <http://gvkhancockcoal.com/our-advantage/high-quality-coal>. Refer to Appendix for methodology and assumptions.

3 Australian Bureau of Resources and Energy Economics, 'Resources and Energy Quarterly', September 2014, p48
 4 Aurizon, ASX Market Announcement, Aurizon and GVK Hancock – Galilee Basin Proposal, 25 November 2013
 5 Department of State Development, Infrastructure and Planning, Galilee Basin State Development Area, 2014. <http://www.dsdp.qld.gov.au/coordinator-general/galilee-basin-state-development-area.html>



Operational Efficiency

Doing more with less

Aurizon is committed to taking the least resource-intensive approach to our operations to deliver long-term productivity improvement.

A core part of our strategy is a multi-year, world-class transformation program across all our operations. Our Integrated Operating Plan (IOP) is the cornerstone of this transformation. The IOP is an enterprise-wide initiative to redefine and improve upon our core business model in order to drive continuous, sustainable and repeatable improvements in our core business.

In FY2014, we pursued our least resource-intensive approach through a focus on:

- > Delivering productivity improvements
- > Reducing our energy consumption
- > Minimising waste.

These initiatives are driving additional benefits through reductions in our capital and operational expenditure as shown in Table 2.

Table 2: Our Key Operational Metrics Continue to Demonstrate Year-on-Year Improvement

Metric	FY2014	FY2013	% Change
Operating Costs Operational costs per net tonne kilometre (\$/000 NTK)	40.2	44.5	-9.7%
Asset Productivity NTK/Active loco (m)	114.9	95.3	+20.5%
Asset Productivity NTK/Active wagon (m)	4.9	4.1	+17.8%
Labour Productivity NTK/FTE	9.8	8.5	+15.3%
Fleet Energy Intensity Litres of diesel/ thousand gross tonne kilometres (L/000GTK)	3.27	3.44	-5.1%
Fleet Energy Intensity Kilowatts/ thousand gross tonne kilometres (kWh/000GTK)	11.5	12.3	-6.5%

DELIVERING PRODUCTIVITY IMPROVEMENTS

Increasing the Productivity of our Assets

Asset productivity has been a key area of focus for our Operations team. The significant uplift in our locomotive and wagon productivity in FY2014 (20.5% and 17.8% respectively) has been driven by:

- > Rightsizing the fleet
- > Review of train configurations
- > Reducing turnaround time and payload improvements.

Maximising Payloads

In FY2014, we increased our payload by an average of 3% across our Queensland Coal Corridors. Figure 24 shows the increase in payload by corridor in FY2014.

Optimising our train lengths is one way in which we are maximising each payload path. We achieved significant improvements through the implementation of longer trains. For example, in the Blackwater system in FY2014, an additional two wagons were added to diesel trains and an additional 10 wagons were added to electric trains resulting in 275 less train trips required across the year.

Fewer train starts also contributes to reductions in our labour costs, increased asset utilisation and improved network capacity.

Increasing the Productivity of our Workforce

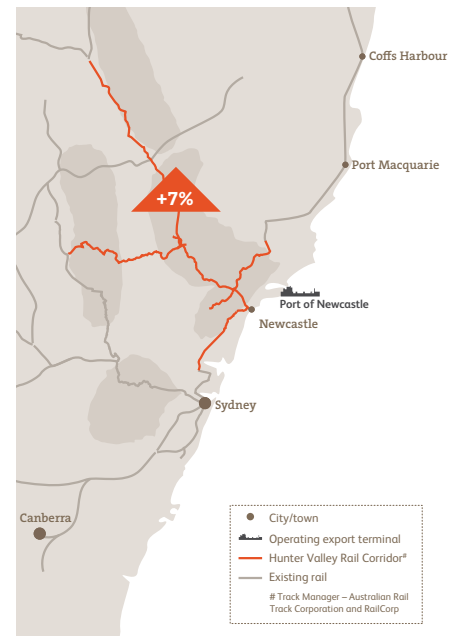
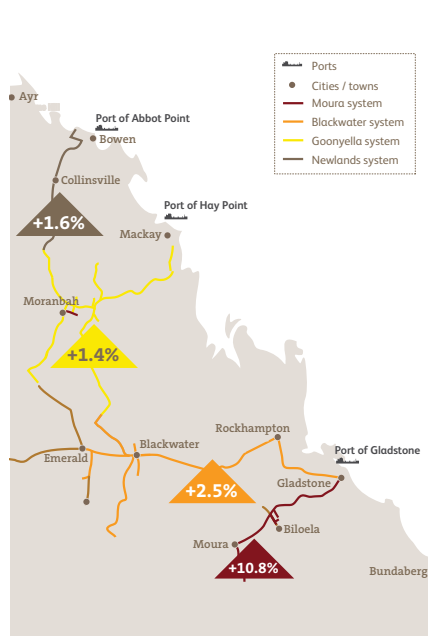
Employee productivity measures continue to be an area of focus. The 15.3% increase in our labour productivity was supported by:

- > Renewed focus on daily crew productivity (measured in footplate hours) through review of train crew configurations and operations to maximise workloads
- > Improved system productivity through reduction in cycle times, increased payloads and on time arrivals.

REDUCING OUR ENERGY CONSUMPTION

Transportation, by its nature, is an energy intensive service. In FY2014, diesel and electricity used to power our fleet represented 13% of our total expenditure. As such, Aurizon progressively assesses our energy consumption to identify opportunities for improving the efficiency of operations.

Figure 24: FY2014 Improvement in Payload Tonnes per Corridor



We have committed to reducing our fuel consumption intensity by 4% year-on-year through to FY2017 as shown in Figure 25. Driving this improvement is a shared accountability across our organisation – our 4% goal is embedded within the Enterprise Key Performance Indicators applied to employee performance. In FY2014, we were proud to achieve a 4.8% fuel intensity reduction across our diesel fleet.

In addition to our diesel reduction target, we are committed to achieving a 3% year-on-year reduction in our fleet electricity consumption intensity through to FY2017 as shown in Figure 26. In FY2014, we managed to double this target by achieving a 6.5% electricity consumption reduction across our electric fleet.

Three of our headline programs which have underpinned these results include:

- > Automatic Engine Start/Stop
- > Driver Advisory Systems
- > Regenerative Braking.

Figure 25: Actual and Forecast Diesel Locomotive Energy Intensity from FY2013 to FY2017

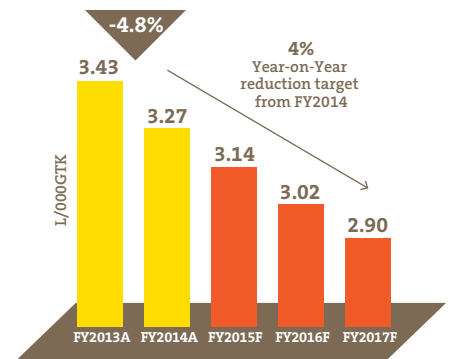
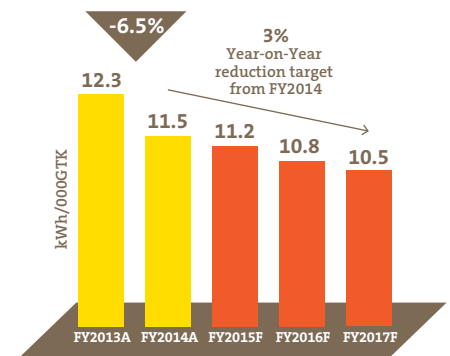


Figure 26: Actual and Forecast Electric Locomotive Energy Intensity from FY2013 to FY2017



MINIMISING WASTE

Fleet Replacement and Rationalisation

Improvements in fleet utilisation and train design have enabled us to cascade newer coal locomotives into the bulk mineral and intermodal fleet in Queensland. By decommissioning our oldest and least fuel efficient locomotives it is estimated that savings of over 3 million litres of diesel could be realised annually, amounting to over 8,000 tonnes of avoided CO₂e emissions per annum.

Aurizon has also commenced a program to rationalise our rollingstock fleet, intending to have 28% fewer locomotives and 12% fewer wagons by 2018. This standardisation will allow us to reduce waste from the procurement of spare parts and reduce our maintenance operating costs.

As part of this decommissioning process, over 2,300 wagons were sold for waste recovery in FY2014, thus avoiding unnecessary waste entering landfill.

We are further reducing our maintenance footprint through the implementation of new inspection technology. Our wheel and track condition monitoring system provides a targeted approach to identify when parts are required to be repaired or replaced, allowing us to decrease the frequency of scheduled maintenance and minimising the downtime of our assets.

'DRIVE TO 75' GRADUATE CHALLENGE

As part of the FY2014 Graduate Development Program, graduates were introduced to the 'Drive to 75' Team Challenge Program. Teams formed from different locations and disciplines to collaborate, actively engage and implement sustainable solutions within our business which support our target of achieving an Operating Ratio of 75% in FY2015 (being our 'Drive to 75').

Over three months, the teams identified potential opportunities to improve operational efficiency through waste reduction, sale of idle or surplus assets, reuse of materials, improving service utilisation, efficiencies in maintenance processes and generating additional revenue.

The implemented changes resulted in over half a million dollars of benefit for Aurizon and the potential for \$1.7 million in recurring benefits.

BUILDING ON OUR SUCCESS

As we continue to drive ongoing operational efficiency improvements towards 2020, Aurizon has developed a multi-year Integrated Technology Plan. This Plan is a key component of the Aurizon IOP and will aim to provide a roadmap for continued rail operations transformation.

Creating a world-class business starts with establishing a world-class core from the inside out – our pursuit of operational efficiency is establishing a resilient and productive foundation for our ongoing success.

EFFICIENCY PROGRAMS



Automatic Engine Start Stop (AESS)

To date, Aurizon has equipped over 60 diesel locomotives, approximately 10% of our active fleet, with AESS technology. This system targets unnecessary idling – a key source of avoidable fuel consumption – by automatically shutting down the engine if it has been idling for more than 20 minutes. AESS is estimated to deliver diesel savings of over 200,000 litres per year, representing more than 500 tonnes of avoided CO₂ emissions.

Regenerative Braking

Regenerative braking allows energy to be recovered and reused instead of lost as heat. In the case of Aurizon's locomotives, when the dynamic brake is used to slow a train, electricity generated by the traction system is captured and returned to the overhead electrical power distribution system. The returned electricity can then be used by other trains operating on the same network.

Since October 2013, Aurizon has trialled regenerative braking capability on over 100 locomotives in the Goonyella and Blackwater coal systems.

On board measurement has indicated potential savings of up to 12%. Based on energy fed back to the network, it is estimated that over 16 million kilowatt hours were saved in the 12 months to 30 June 2014, representing 13,100 tonnes of avoided CO₂e emissions.

Driver Advisory System (DAS)

The DAS is a real-time, in-cab display to advise the driver of the optimal speed profile (based on track grade, curvature, signals, crossings, speed restrictions and required journey time) in order to optimise fuel efficiency whilst meeting section runtimes.

During a 12 month trial on the Newlands corridor, the DAS was a major contributing factor in saving 1,000,000 litres of diesel fuel by 30 June 2014, that is, 2,700 tonnes of CO₂e emissions.

The full rollout of DAS more widely across the Coal and East Coast Freight locomotive fleets could result in approximately 2.95 million litres (or 113,900GJ) of diesel savings per annum.



Environmental Management

Reducing our footprint

Aurizon aims to minimise our impact and interaction with the environment wherever we operate, in order to conserve resources.

AURIZON'S ENVIRONMENTAL IMPACTS

Approximately 90% of Aurizon's total energy consumption and CO₂ emissions relate to the operation of our diesel and electric fleet of over 750 active locomotives.

Our GHG emissions in FY2013 and FY2014 are shown below in Table 3.

Table 3: Organisational GHG Emissions Profile

Emission Source	FY2014	FY2013	YoY Change
Scope 1 (ktCO ₂ e)	765	755	+1.3%
Scope 2 (ktCO ₂ e)	427	467	-8.6%
Total emissions	1,192	1,222	-2.5%

As highlighted in the Operational Efficiency chapter of this Report, we are committed to reducing our own environmental impacts through company-wide targets to reduce our locomotive diesel and electricity consumption.

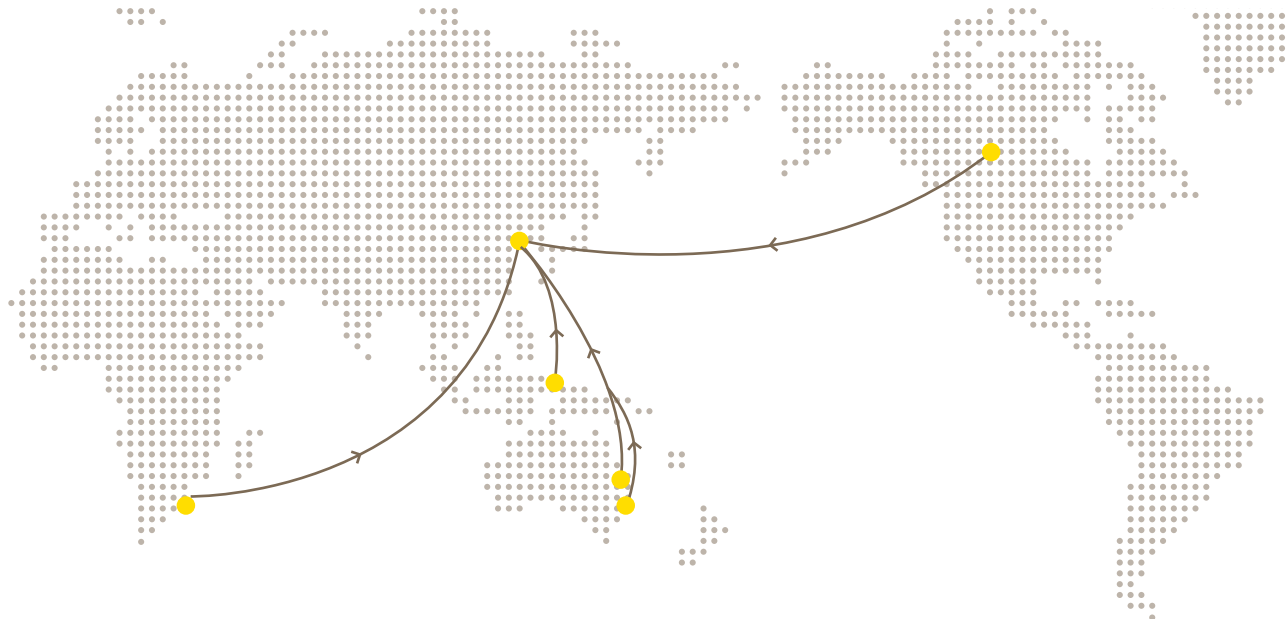
COMPLIANCE

Aurizon is committed to managing its operational activities and services in an environmentally responsible manner to meet legal and social obligations.

We are pleased to report that in FY2014, Aurizon did not incur any monetary fines or sanctions for any non-compliance with operational regulatory requirements or environmental conditions of our project approvals.

Environmental compliance across the Company is achieved through employee environmental awareness training, incident reporting through our Safety, Health and Environment Management data system, periodic internal audits and monthly reporting through the Environment Community of Competence to the Central Safety Health & Environment Committee.

Figure 27: Map of Seaborne Coal Routes from Key Global Coal Ports to China



Notifiable incidents (which are required to be reported to the relevant regulator) are reported to the Aurizon Board. In FY2014, we had four notifiable incidents (refer to Table 4).

Table 4: Notifiable Spills in FY2014

Location	Volume	Material
Wiggins Island Rail Project	3,000 litres	Generator diesel
Rockhampton Locomotive Depot	Undetermined	Wastewater
Redbank Workshop	Undetermined	Degreaser
Mt Isa Freight Distribution Centre	800 – 1,000 litres	Sodium nitrate

All incidents were reported to the relevant regulatory authority within the required statutory timeframes and sites were appropriately remediated, where required.

BIODIVERSITY

In FY2014, Aurizon secured close to 300 hectares of vegetation offsets across Queensland.

When planning our projects and conducting our operations, Aurizon seeks to avoid adverse impacts on native biodiversity by adopting the principles of ecologically sustainable development through implementation of our Environmental Planning and Assessment Procedure.

TRANSPARENCY IN OUR REPORTING

The Carbon Disclosure Project (CDP) is an international, independent, not-for-profit organisation which compiles corporate climate change information for the investor community. We were proud to be recognised as a finalist for *Best New Reporter* in the CDP ASX 200 Climate Leadership Awards for our inaugural participation in CDP reporting in 2013. Aurizon is committed to continue reporting in the Carbon Disclosure Project in 2014 and beyond.

We also report our energy consumption and GHG emissions annually through the Australian National Greenhouse and Energy Reporting scheme.

MOVING FROM ROAD TO RAIL

We encourage our customers to choose rail and to choose Aurizon when determining their freight transport solutions. By using rail over longer distances, our customers can achieve improved operational, safety and environmental outcomes whilst reducing their land transportation carbon footprint.

Rail freight represents an energy efficient and lower emissions intensity method of transport compared with road. Per tonne kilometre, rail freight produces ten times less CO₂ as road freight, whilst also generating almost ten times less in accident costs⁶.

Some of our customers have expressed their intention to move from road freight, to rail and intermodal transport:

- > **GrainCorp** – The transformation of our storage and logistics network has, “the potential to return up to 1 million tonnes to rail...removing up to 25,000 heavy vehicle movements each year, improving road safety and reducing road maintenance, emissions and heavy vehicle noise”⁷.
- > **Woolworths** – “Woolworths developed a National Transport Strategy that aimed to...improve safety, improve the impact its supply chain has on the environment and the community, [and to] maintain or improve cost and service to the customer... a major initiative identified to help deliver these outcomes was the need to increase the amount of freight moving on rail”⁸.

⁶ Deloitte Access Economics for The Australasian Railway Association, *The True Value of Rail*, 3 June 2011.
⁷ Graincorp, *Project Regeneration Fact Sheet* <http://graincorp.com.au/regeneration>
⁸ Logistics Association of Australia Ltd, *WOOLWORTHS – on track*. <http://www.laa.asn.au/pdf/ldaarticles/BN1.pdf>

Table 5: GHG Emissions Impact from the Global Transport of Coal

Mine of Origin (to Qinhuangdao Port, China)	Transport Emissions Intensity (ktCO ₂ e/Mt p.a.)	Transport Emissions as a % of Coal Combustion Emissions
Mpumalanga Coal Fields, South Africa	66.8	2.3%
Powder River Basin, USA	68.6	2.4%
Kalimantan, Indonesia	34.1	1.2%
Hunter Valley, Australia	50.0	1.7%
Galilee Basin, Australia	46.6	1.6%
Bowen Basin, Australia	45.8	1.6%

Assumptions (refer to Appendix)

GLOBAL TRANSPORTATION OF COAL

Aurizon recognises that environmental impacts from the transportation of products which we haul extend beyond our rail networks. Whilst a fraction of the impact from coal combustion, incremental efficiencies from transport can play a role in a global effort to reduce climate impact.

A beneficial characteristic of Australian seaborne coal is its proximity to East Asian demand. For example, the emissions generated from transport of thermal coal from the Powder River deposits in Montana in the United States are significantly more than those from rail and shipping thermal coal from Australian mines, as shown in Table 5.

Figure 27 depicts the major seaborne routes for the global supply of coal to China. Table 5 illustrates the differences in the GHG emissions impact from each of these routes. It is clear that Australian seaborne coal offers opportunities to make marginal improvements in the total life cycle emissions from coal power generation.

BUILDING ON OUR SUCCESS

Whether in the context of the Wiggins Island Rail Project or any other major project development, our social licence to operate hinges on our demonstration of careful environmental stewardship. By drawing on our project development experience and the most current approaches to environmental impact management, we look to preserve this licence as we grow our business in the years ahead.

CASE STUDY

WIGGINS ISLAND RAIL PROJECT

Testament to our ability to deliver major projects in sensitive ecological environments is the ongoing successful management of Stage 1 of the Wiggins Island Rail Project (WIRP) near Gladstone in Queensland. WIRP is an \$858 million development subject to strict environmental conditions and oversight.

To date, we have met or exceeded all of our regulated and voluntary environmental undertakings on this significant project.

Key highlights of the WIRP Environmental Management Plan include:

- > Securing 244 hectares of native vegetation as part of our commitment to offset clearing activities associated with the project. All of these offsets are located within the Great Barrier Reef Catchment. We will deliver a net positive impact to the region by securing over twice the amount of vegetation than will be cleared.
- > Following the 800m diversion of Beaks Creek, an extensive program of ecological monitoring has shown the steady return of endemic aquatic species and vegetation diversity to pre-diversion levels.
- > The construction of 'bat boxes' within vegetation adjoining areas of the rail line which a local population of microbats had previously used as breeding and nesting habitat.





Customer Partnerships

Forging long-term relationships

Aurizon has a diverse range of customers across Australia. Our vision is to develop long-term partnerships with customers to build sustainable growth and value.

As well as the provision of access to the Central Queensland Coal Network (CQCN) through our below rail business, Aurizon provides haulage services for coal, iron ore and freight to over 90 contracted customers across the country. Aurizon’s customers range from small local businesses to multinational organisations and span the resources, agriculture and general freight industries.

We understand that the depth and breadth of our customer relationships are critical to the ongoing economic sustainability of our business.

Our haulage contracts are predominantly long term in nature and we have serviced a number of our customers for several decades. Our weighted average coal contract length as at 30 June 2014 was 7.2 years and we have contracted coal volumes of 230mtpa for FY2015.

We recognise that by entrusting us to service them for extended periods, customers depend on us to provide cost-effective solutions that enable them to compete against other supply chains in the global resources industry. We understand this and seek to support the competitiveness of the Australian resources supply chain.

As outlined in Figure 28, from FY2013 to FY2014, our overall actual tonnages increased by 7%.

Figure 28: FY2013 and FY2014 Actual Tonnages

Actual Tonnages	FY2014	FY2013	YoY Change
Coal (mtpa)	210.4	193.7	+8.6%
Iron ore (mtpa)	29.9	24.7	+21.1%
Freight (mtpa)	46.3	49.3	-6.1%
Total	286.6	267.7	+7.0%

CUSTOMER CONTRACTS

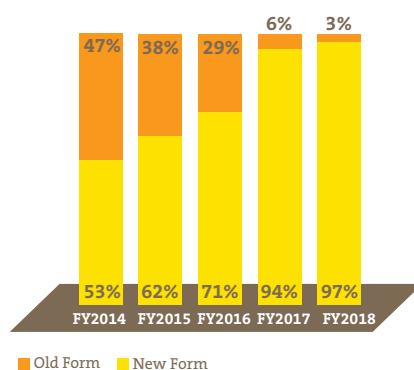
Since listing, Aurizon has focused on the retention of key customer contracts and revenue streams to ensure a stable base for the business. This strategy has proved successful as highlighted by the securing of up to 120mtpa in FY2013 (see Figure 29), the majority of which were contract retentions.

The success of our contracting strategy, combined with long contract terms, not only provides Aurizon with stable revenue sources but also provides Aurizon and its customers with a platform to work together to enhance supply chain operations.

In 2009, Aurizon started implementing a new form coal contract regime under which Aurizon is provided with stable revenue streams in exchange for undertaking to meet prescribed performance metrics. The percentage of new form and old form contracts is highlighted in Figure 30.

Figure 29: Contracts Secured in FY2013⁹

Customer	Tonnage in mtpa (up to)	Term
BMA/BMC	65	~12
Whitehaven	16	~12
Rio Tinto	12	~10
Xstrata	14.6	~10
Ensham	5.5	~12
Jellinbah Group	4	~10
Cockatoo Coal	3.5	~10

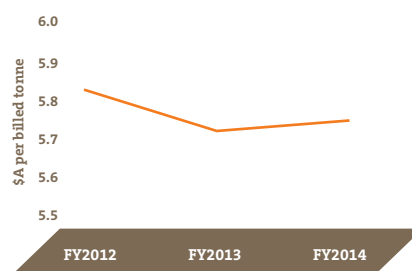
Figure 30: Percentage of Old Form and New Form Coal Volumes FY2014 – FY2018¹⁰

These performance metrics can result in either a performance bonus or deduction. In FY2014, the ratio of performance bonuses to performance deductions exceeded 17. In other words, for every dollar lost as a performance deduction, we earned \$17 in performance bonuses.

COST COMPETITIVENESS FOR CUSTOMERS

Aurizon is focused on delivering value for our customers. From FY2012 to FY2014, the average Aurizon coal above rail customer rate has decreased by 1.3% in real terms, as illustrated in Figure 31. This highlights the value of our operational efficiency measures and our eagerness to improve the cost competitiveness of the Australian supply chain for our customers.

Figure 31: Average above rail coal rate (\$A June 2014 real)



Source: Aurizon Analysis. Nominal \$A converted into June 2014 \$A using CPI (as sourced from Australian Bureau of Statistics).

Aurizon is also focused on increasing customer throughput, in turn reducing our customers' average unit rate of production. We achieve this increase in throughput by:

- > Increasing total payloads
- > Reducing train turnaround time
- > Reducing system delays.

To monitor our ongoing throughput performance we track turnaround times to measure the time taken to deliver a service commencing upon train departure from the yard and ending upon commencement of the same train's next yard departure. Figure 32 sets out the improvement in our turnaround times on the CQCN since FY2013.

Figure 32: CQCN Coal Turnaround Times

System	FY14 (hrs:min)	FY13 (hrs:min)	YoY Change
Blackwater	30.54	35.25	-13.4%
Goonyella	21.57	23.08	-6.5%
Moura	22.24	24.33	-8.6%
Newlands	22.57	22.59	-0.1%
All Systems	25.26	27.14	-6.9%

We also track below rail delays exceeding a 15 minute threshold by measuring the additional minutes until a path becomes available. This metric includes delays to a service which is subsequently cancelled. Our below rail delay improvement since FY2013 is set out in Figure 33.

Figure 33: FY2014 Below Rail Delays by System (Average delay greater than 15 minutes)

System	FY14 (mins)	FY13 (mins)	YoY Change
Blackwater	3.97	9.37	-58%
Goonyella	7.29	8.96	-19%
Moura	5.07	10.28	-51%
Newlands	9.57	9.41	+2%
All Systems	6.01	9.27	-35%

CUSTOMER SATISFACTION

In FY2014, we undertook an extensive customer engagement exercise to better understand what drives satisfaction among our customers and to identify key areas for improvement. Of the customers approached, 90% agreed to participate in the process which yielded a number of clear, valuable and actionable insights.

Foremost among these is that we need to continue to do more to meet our customers core need, namely, the reduction of operating costs through innovative service delivery solutions.

We also acknowledge the interdependency between our business and that of our customers. As such, in the current challenging operating environment, our ability to partner with our customers is critical to our mutual success.

PARTNERING WITH END CUSTOMERS

Aurizon places significant weight on developing new customer relationships in order to generate long-term growth opportunities for the business. Two specific examples include transactions aimed at developing, operating and integrating bulk supply chains to support:

- > Greenfield GVK Hancock mines from the Galilee Basin
- > Greenfield Baosteel, American Metals & Coal International (AMCI) and POSCO mines in the West Pilbara.

These transactions highlight Aurizon's willingness to partner with end customers; those that are in the business of generating energy or steel. Partnering with these end customers provides Aurizon with direct insight into the demand dynamics for the underlying commodity, information that will be critical to the development of greenfield supply chains.

⁹ From Aurizon FY2013 Annual Results Presentation.

¹⁰ Old Form/New Form coal volumes are based on forecast contracted volumes.



DRONE TECHNOLOGY

A key investment to support real-time analysis of the resilience of our network is the recent commissioning of unmanned aerial vehicles (often referred to as ‘drones’).

The unmanned aerial vehicles conduct condition monitoring of bridges and overhead electrical traction systems by capturing high definition visual images as well as infra-red photos to identify hot joints.

The use of drones significantly improves our asset coverage and allows us to conduct inspections without downtime to track availability and capacity. They also minimise the need for employees to be exposed to the heights and electrification risks that come with manual asset assessment.

IMPROVING RESILIENCE

As a result of its tropical location, the CQCN is subject to various geographic and natural hazards, including land slips, bushfires, extreme heat, cyclones and flooding.

Queensland’s recent disruptive climatic events have underscored the importance of enhancing the resilience of weather-exposed infrastructure. Although no business can ever be entirely weather proof, at Aurizon we have performed thorough analysis and implemented programs to strengthen the resilience of our network so that the impact of extreme weather events on our customers is minimised as far as practicable. We also receive regular briefings from the Bureau of Meteorology, and are looking to work with industry to incorporate the impacts of climate change in our assessment of future weather patterns.

In response to this risk profile, we have strengthened our resilience capability through the implementation of a Network Condition (**NETCON**) program to prevent, prepare, respond and recover from natural events in order to minimise disruptions to network availability and the financial cost of recovery.

Design – Resilience is embedded into the engineering of our network assets. Advanced hydrology mapping and 2D/3D catchment modelling is used to understand historic flood levels (over the last 50 and 100 years), in order to guide the design and placement of catchments, culverts, railway formation, bridges and track. Critical infrastructure (such as electrical assets) is located as high as possible, and at a minimum, above 1 in 100 year flood levels.

Preparedness – Our NETCON program outlines annual storm season preparation procedures which include checks of drainage, vegetation growth, ballast supplies, culverts, pipes, culvert slabs, placement of flood rock and inventory supplies. In summer, we also conduct extensive rail corridor vegetation management to mitigate the risks of bushfires.

Ongoing monitoring – Aurizon has invested in early warning systems to maximise response times. Real-time flood detection monitoring systems are linked to rain gauges, slip detectors and live camera feeds from remote weather stations. We are also using unmanned aerial vehicles, known as drones, to conduct asset condition monitoring.

Site strengthening – A number of initiatives have been undertaken to improve the resilience of our existing assets, including culvert upgrades and renewals, in-service drain restoration and maintenance, movement of signalling assets above flood plains, targeted formation repair and bridge strengthening.

Disaster response and recovery capability – We have clearly defined and rehearsed processes for incident response and management which include the activation of a Network Operations Incident Management Team and an Onsite Response Team to conduct an initial assessment and commence recovery plans.

Customer communication – We ensure regular and clear communication with our customers before, during and after disruptive events.

BUILDING ON OUR SUCCESS

Having heard and understood the insights from our customers, we will continue to improve the alignment of our service delivery with the needs of our customers and to look for opportunities to share the value we derive from our focus on operational efficiency improvements.

We are enhancing our customer partnerships by coordinating better supply chain performance and we are building on our success in this regard through the development of a new Freight Management Transformation (**FMT**) System.

The FMT will transform Aurizon’s above rail coal, iron ore and freight operations, covering the processes of order management through to delivery and billing. It will provide Aurizon and its customers with end-to-end visibility across the supply chain by analysing both resource availability and customer demand profiles.

We have also committed to action plans which will drive our customer focus and deliver improvements in operational and service delivery in 2015 and beyond.



Community Engagement

An ongoing conversation

Aurizon aims to create long-term and engaged partnerships with the communities in which we operate based on an open dialogue and the pursuit of mutual benefit.

UNDERSTANDING OUR IMPACTS

We recognise that commercial rail operations can affect communities. We take seriously our responsibility to be accessible and responsive in addressing concerns.

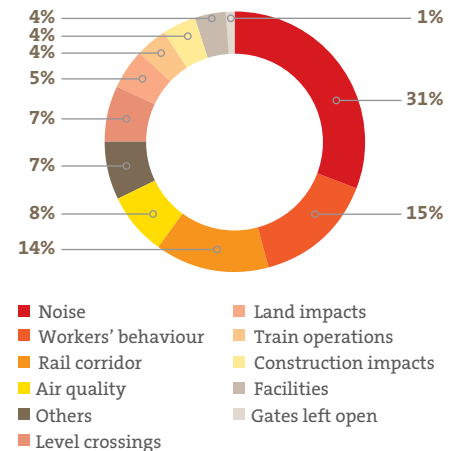
To facilitate effective engagement with our communities, our Community Engagement and Stakeholder Relations teams provide an ongoing interface for our stakeholders in both regional and urban centres. We have also introduced the *Aurizon Community Engagement Charter* to ensure consistent and accountable feedback mechanisms.

Our *Community Engagement Charter* underpins all of our community interactions, including ongoing engagement surrounding our existing rail network, intermodal activities and project-specific engagement required for Aurizon's new greenfield investments.

Over the FY2014 reporting period, we received a total of 215 community complaints, as shown in Figure 34. The issues of most frequent public concern were:

- > Noise (including 'wheel squeal')
- > On-road driver behaviour
- > Rail corridor issues (such as weed management, fencing or unauthorised access to properties)
- > Air quality related issues (primarily associated with coal dust).

Figure 34: FY2014 Community Concerns



Our performance for complaints resolution is guided by a one to three day acknowledgement performance indicator and a three to 10 day resolution performance indicator. Figure 35 shows the speed with which we were able to resolve complaints in FY2014.



Veneering at a mine site



Weather and air quality monitoring station

Figure 35: FY2014 Complaints Performance

Status of Enquiry	Total	1 - 3 Days	4 - 10 Days	> 10 Days	%
Closed	209	132	47	30	97%
In Progress	6	3	1	2	3%
Total	215	135	48	32	
% of Total		63%	22%	15 %	100%

In addition to community issues, we also monitor the issues raised by the landholders with whom we frequently interact. These may relate to land access, gates and livestock, land impacts such as flooding and erosion, or construction impacts such as stockpiling, laydown or private level crossings.

REDUCING WHEEL SQUEAL

Wheel squeal can occur as trains travel around curved tracks. This is primarily caused by friction between the steel wheel and steel rail. As noise is the largest category of complaints we receive, we focus closely on responding, assessing and identifying suitable opportunities to minimise its impact in a timely manner.

In the operation of our CQC network, Aurizon undertakes scheduled rail maintenance and asset renewal programs, including rail grinding and ballast cleaning. This assists in reducing wheel squeal by providing the optimal interface between the train wheel and rail.

In addition, Aurizon considers all available technologies to minimise rail noise, including installation of rail lubrication equipment to reduce friction on suitable stretches of track.

In our above rail operations, Aurizon undertakes scheduled maintenance of our locomotive and wagon fleet, including wheel re-profiling and wheel replacement.

Outside of the CQC, we work with other network providers to identify areas where lubricant and other noise reduction methods can be applied, including through providing rail grinding services. We also undertake targeted maintenance of rollingstock in relation to any problems identified as a result of monitoring data provided by track owners.

Additionally, our engineering and technology teams regularly collaborate with state authorities by sharing information and engineering support to promote innovation in managing railway noise.

MANAGING COAL DUST

Coal dust management is another area where we are implementing world-class solutions to minimise our impact on local communities.

Along with our supply chain partners, we have undertaken extensive research into methods of coal dust mitigation. In Queensland, this has resulted in the development of the *Central Queensland Coal Dust Management Plan* and the *South West System Coal Dust Management Plan*.

These plans implement several world-class practices recognised to significantly reduce coal dust emissions, including:

- > **Veneering** – applying an environmentally safe, biodegradable polymer to the surface of loaded coal in wagons. This polymer forms a hardened crust which helps to prevent dust lift-off from the loaded coal in transit
- > **Improved wagon loading practices and profiling** – correct loading practices and profiling of wagons significantly improves the effectiveness of veneering and reduces the amount of coal which drops off during transit
- > **Monitoring systems** – weather and air quality is now actively monitored on each of the four systems in the CQC to determine the effectiveness of the dust mitigation measures. This data is collated by external environmental consultants and is provided directly to relevant state environmental agencies.

The use of these mitigation practices has been shown to reduce coal loss dust by up to 75%, dependent on factors such as coal type and climatic conditions.

In the Hunter Valley, Aurizon is working with our coal supply chain partners to conduct studies to identify further opportunities to reduce coal dust as part of the Hunter Rail Corridor Users and Operators Group. Aurizon is also an industry representative on the Lower Hunter Reference Group which is led by the New South Wales Environmental Protection Authority to respond to community concerns around visible dust.

COMMUNITY SAFETY AT LEVEL CROSSINGS

In Queensland, Aurizon has been working closely with the Queensland Police Service to target the 10 level crossings on the Central Queensland Coal Network (CQCN) which have had the highest number of near misses and collisions.

Over the past three years, Aurizon has also spent more than \$15 million to upgrade level crossings on the CQCN and the Company has contributed \$10 million towards the Gracemere overpass in Queensland which opened in May 2013. This allowed two high-risk level crossings located in that community to be closed. Aurizon has also conducted a number of school visits in Central Queensland to promote rail safety in recent years.

In Western Australia, Aurizon works closely with Brookfield Rail to conduct school visits and community engagement activities.

STAKEHOLDER ENGAGEMENT AROUND MAJOR PROJECTS

Our *Community Engagement Charter* also requires that, for projects of sufficient scale, we develop specific community and stakeholder engagement plans.

The purpose of project specific engagement plans is to ensure that the baseline conditions in any host community are captured prior to project activities commencing. This allows any associated impacts to be properly quantified and mitigated as necessary. Wherever practicable, we also look to incorporate the output of this consultation into the project development cycle in order to minimise potential impacts.

As of the end of FY2014, 100% of major capital works projects and 80% of capital works programs had specific community engagement plans.

In FY2013, Aurizon was awarded Highly Commended in the *Public Relations Institute of Australia – Queensland State Awards for Excellence* in the category of Corporate Social Responsibility for the GAPE project, as well as commended in the *Public Relations Institute of Australia National Excellence Awards* in the category of Corporate Social Responsibility for the GAPE project for community consultation in 2012.

CULTURAL HERITAGE

Whether or not it is subject to a specific Native Title Agreement, Aurizon acknowledges that all of the land on which we operate has Traditional Owners. We also acknowledge and seek to preserve the cultural heritage values of land.

We have recently finalised our *Aboriginal Cultural Heritage Manual* which establishes standardised processes for the management of Aboriginal cultural heritage across all of our activities.

The manual provides a framework for developing cooperative relationships with Traditional Owners, which includes, but goes far beyond, the development of cultural heritage management plans.

COMMUNITY INVESTMENT

As noted further on page 37, we support regional communities by employing local residents. We are also committed to a diverse portfolio of community investments and partnerships targeted at national, regional and local levels. In parallel, Aurizon also maintains its Community Giving Fund which has distributed cash grants to approximately 150 charities in addition to specific disaster-based contributions since its inception in 2011.

Our Community Giving Fund is making a world of difference across regional Australia. One of the fund recipients in FY2013 was Life Education WA Inc. Life Education provides health education in lower and middle primary schools including cyber safety and education on drugs, alcohol and smoking. The Aurizon Community Giving Fund's cash grant will enable Life Education WA to have an educator based in Geraldton, with a mobile learning centre to deliver programs to approximately 5,000 students in four schools in the mid-west region.

Our Community Giving Fund provides grants of up to \$20,000 for projects relating to health and wellbeing, community safety and education to charities in regional and rural Australia.

BUILDING ON OUR SUCCESS

Maintaining our social licence to operate within host communities relies on clear evidence of shared value creation and long-term sustainability. This will continue to be a priority for Aurizon and a key area of disclosure in our sustainability reporting into the future.

“Non-profit groups and charities have been doing it tough lately, so we want to do what we can to help them out.

“For many of these community organisations the work they are able to do is dependent on the generosity of the corporate sector and we want to be one of the companies supporting grassroots programs that really make a difference.

“The Community Giving Fund has grown with the support of our own employees who we encourage to spread the word about this program in their own communities.”

Lance Hockridge, MD & CEO, Aurizon



Organisational Capability

Building a capable and engaged workforce

Aurizon aspires to attract, develop and retain the high-quality diverse workforce we require to become a world-class employer of choice. Aurizon is building a collaborative, capable and engaged workforce, passionate about delivering world-class service to its customers.

At Aurizon, our people underpin our success. Building organisational capability has not been easy in the Australian resources sector in recent years. Employee turnover, skills shortages, legislative changes and an aging workforce have been key challenges for all Australian companies and substantively remain so. We therefore continue to be focused on this key imperative.

DIVERSITY

As Aurizon continues on its path of cultural transformation from the days of government ownership, we look for a key indicator of this to be the diversity of our workforce and, in particular, the growth in the number of female employees.

Aurizon has made a major commitment to improving gender diversity in the workplace by signing a two-year empowerment partnership with the Australian National Committee for United Nations (UN) Women. Aurizon is also a signatory to the UN's *Women Empowerment Principles* which have been signed by just under 600 companies worldwide and only 12 in Australia.

The Company has a *Diversity Policy* in recognition that workforce diversity presents a rich source of innovation and creativity that builds organisational capability and performance.

To ensure diversity is treated as a whole-of-organisation priority, our MD & CEO heads our Diversity Council. We have a *Diversity Plan* currently being implemented and monitored, and *Diversity Action Plans* in place for each functional leadership team which are reviewed on an annual basis.

Diversity Action Plans identify key actions the leadership team is committed to achieving in various areas of work. These can include addressing unconscious bias, promoting flexible work options, equitable recruitment targets and development.

The Aurizon Board and the Remuneration, Nomination & Succession Board Sub-Committee receive annual updates on the Company's diversity metrics, including analysis of trends. Our total headcount by gender and new employees by gender metrics are set out in Figures 36 and 37.

Figure 36: Total Head Count By Gender

Gender	FY2014	FY2013	YoY Change
Male	6,581	6,917	-0.6%
Female	1,057	1,052	+0.6%
Total Employees	7,638	7,969	-331

Figure 37: New Employees By Gender

Gender	Number of FY14 Hires	Percentage of FY14 Hires
Male	466	76%
Female	148	24%

This year our MD & CEO announced our target of increasing the number of female employees across our business to 30% from its current base of 13.8%.

This is a bold target and one that is reflective of our commitment to a transformative cultural agenda that is no longer beholden to historical notions regarding the role of women within heavy industry.

Diversity is not about a ‘tick in the box’ process for our Company. Our leadership has taken an interventionist approach – we understand that things need to be ‘shaken up’ in order to demonstrate the value and power of diversity. Improved diversity is widely recognised to challenge the ‘group-think’ which is often attributed to systemic failures in risk management and organisational ambition. Diversity is so much more than the ‘right thing to do’.

During FY2014, the percentage of women in our Management Leadership Team increased from 21% to 26%, whilst the percentage of women in our middle management increased from 30% to 34%.

We are also achieving significant improvement in our retention of women, as shown in Figure 38. For the first time, our female voluntary turnover rate is the same as the Company’s overall voluntary turnover rate.

Figure 38: FY2012-14 Female Employee Turnover Rate

	FY14	FY13	FY12	FY12-14 Change
Female employee turnover	5.4%	10.5%	15.5%	-10.1ppt

Another example of our diversity is demonstrated through our Executive Committee. With representation from six different nationalities, Aurizon has actively sought management with international experience in order to capitalise on a diversity of thought and range of perspectives when considering key business matters.

We were proud to be the recipient of the 2014 Australasian Rail Industry Award for Workforce Diversity. The Workforce Diversity Award is aimed at recognising organisations that have identified a diversity issue within their business and have developed and delivered targeted initiatives designed to improve the issue.

Indigenous Employment

We presently have 2.6% self-disclosed employees of Aboriginal and Torres Strait Island origin. We accept this does not sufficiently reflect the Indigenous populations in our areas of operation – it is therefore an area where we look to drive improvement.



In 2011, we became a signatory to the Australian Employment Covenant (AEC). We are committed to having at least 400 Aboriginal and Torres Strait Islander employees working across our organisation.

Since the signing of the AEC, Aurizon has been working with local communities to further Indigenous employment. A variety of employment strategies (including site visits, school talks, Indigenous careers fairs and work experience) are being used to provide a pipeline into Aurizon, whether it is through trainees as drivers or network controllers, school-based apprenticeships or graduates.

We have also committed to the commencement of an Indigenous pre-employment program in 2015 and to piloting a transition to leadership program for Indigenous supervisors.

Furthermore, we have reviewed our recruitment practices to ensure there are no barriers for Indigenous applicants and members of management have undertaken training to build understanding and awareness of unconscious bias and how it can influence key decision-making in recruitment, promotion and development opportunities.

Pride in Diversity

In 2014, Aurizon founded its lesbian, gay, bisexual, transgender and intersex (LGBTI) network for employees and allied supporters. The network group provides resources for developing tools, education and communication strategies that support building a more inclusive and innovative culture. All of our employees are encouraged to join regardless of sexual orientation.

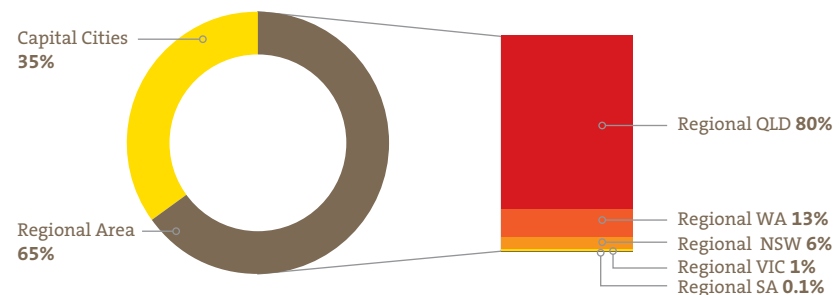
Aurizon is also proud to be a member of *Pride in Diversity* – Australia’s first and only not-for-profit workplace program designed to assist Australian employers with the inclusion of LGBTI employees.



Regional Employment

Aurizon has a long and proud history of supporting the communities in which our people live and work. As demonstrated in Figure 39, the vast majority of our workforce reside and work in regional communities.

Figure 39: Aurizon workforce by location as at 30 June 2014



INVESTING IN OUR PEOPLE

Aurizon has launched a new capability development strategy aimed at building a world-class railway talent pool.

The program focuses on building employee capability and awareness of the interconnectivity of a railway through:

- > The Railway Foundation Program which aims to develop railway technical breadth
- > The Railway Business Simulation which aims to build commercial acumen
- > Practical skills in front-line leadership to drive a culture of continuous improvement.

A key initiative of our capability program is knowledge sharing to ensure the effective transfer of the industry leading knowledge of some of our longer tenured railroaders to our less experienced team members.

Our aim is to improve our results whilst developing the values and behaviours which make Aurizon the company it is.

UNDERSTANDING OUR CULTURE

Aurizon recognises the direct link between organisational performance and culture. With a view to understanding its culture, Aurizon undertook a survey of its employees in 2012. Following that process, management has continued to identify the Company's preferred culture and to map out a plan to achieve it.

As an enterprise, we are working to become more market focused and disciplined in our execution. To this end, Aurizon has identified four key areas of focus for our business in order to achieve this culture. These include:

- > Culture and climate
- > External orientation
- > Coordination and control
- > Leadership.

We continue to monitor our progress against these areas of focus.

WORKFORCE AVAILABILITY AND TURNOVER

We are focused on the availability of our workforce to ensure we can respond to customer requirements. Workforce availability measures the percentage of rostered or scheduled days that employees complete and is a key indicator of organisational culture. As demonstrated in Figure 40 below, our average monthly availability has increased to above 96% in FY2014 and Aurizon is targeting to improve this measure to above 97% in the future.

Figure 40: FY2014 Workforce Availability

	FY14	FY13	YoY Change
Average monthly workforce availability	96.2%	95.9%	+0.3ppt

Another key organisational capability metric is the total voluntary employee turnover rate. Developing and maintaining the workforce required to run and grow the Aurizon business is critical and we are pleased that in FY2014 voluntary turnover reduced to 5.4% as indicated in Figure 41.

Figure 41: FY2014 Employee Turnover

	FY14	FY13	YoY Change
Total employee turnover	947	1,678	-43.6%
Total employee turnover rate (%)	12.2%	20.6%	-8.4ppt
Total voluntary employee turnover	421	551	-23.6%
Total voluntary employee turnover rate (%)	5.4%	6.8%	-1.4ppt

INDUSTRIAL RELATIONS

Since our initial public offering, Aurizon has sought to negotiate updated Enterprise Agreements (EA) across our business with the aim of aligning the nature of these agreements with our Australian peers and competitors.

The renegotiation of the New South Wales Coal Operations EA was successfully approved by the Fair Work Commission in May 2014.

In Western Australia, the Aurizon (Western Australia) Rail Operations EA was approved by the Fair Work Commission on 9 October 2014, and in-principle agreement with unions has been reached on the Aurizon (Western Australia) Rollingstock Maintenance EA. A ballot of employees will now be held to approve this EA, closing on 20 November 2014.

In Queensland, Aurizon has made an application to the Fair Work Commission to terminate our existing EAs. The matter is being heard by the full bench of Fair Work Commission from 5-13 November 2014.

For over a year, Aurizon has been bargaining with unions and employee delegates on three new EAs that cover approximately 5,000 Queensland-based employees. Those negotiations, which have been facilitated by the Fair Work Commission, have not yet succeeded in producing a mutually agreeable outcome. In the interim, we put our proposed replacement enterprise agreements to ballot. Employees voted in favour of one of the three proposed EAs, that being the proposed Aurizon Staff EA covering 'white collar' staff. The approval of the Aurizon Staff EA is now under challenge from the unions.

The remaining two EAs covering our 'blue collar' workforce remain the subject of bargaining with the unions. We remain focused on replacing our current EAs with industrial arrangements which allow flexible, modern and competitive work practices that are sustainable for our employees and Aurizon as a listed company.

BUILDING ON OUR SUCCESS

Our past and present success is a composite of years of personal passion and effort. However our aspirations do not end there – we have much to achieve before our organisational profile reflects the ambitions of the new Aurizon, not least, in the areas of culture, gender diversity and Indigenous employment. This is why we continue to focus significant attention on these core ingredients of our future success.



Regulatory Environment

Driving efficiency of development

Aurizon seeks to encourage efficient use of, and investment in, key supply chains by engaging with government and regulatory authorities.

AURIZON'S REGULATORY ENVIRONMENT

Aurizon operates within a highly regulated environment, as demonstrated by the list of regulatory stakeholders set out in Figure 42. Virtually all of the revenue earned in Australia for the transportation of goods by rail is either:

- > Regulated revenue, such as from the Central Queensland Coal Network (**CQCN**) managed by Aurizon Network, a ringfenced subsidiary of Aurizon Holdings Ltd which in FY2014 derived 48% of Aurizon underlying EBIT
- > Earned by acquiring regulated services, for example, from the Australian Rail Track Corporation (**ARTC**) for access to the Hunter Valley Coal Network and for access to the Interstate Network.

In addition, a number of Commonwealth and State Government decisions can affect Aurizon's commercial performance to varying degrees.

Regulation is an important feature of all stable economies. However, the breadth of our exposure presents a potential risk if we do not have the ability to inform government policy and regulatory

considerations. As a result, Aurizon maintains Public Policy and Regulatory teams, as well as an active government engagement program with the Federal and State Governments. In addition, our Commercial and Marketing team has a strong capability managing access to networks it operates on.

Aurizon adopts an evidence-based approach in its engagement with governments and regulators. It has gained positive recognition by governments and regulators as an industry thought leader in a number of significant policy and regulatory areas.

During FY2014 and in the period since then, Aurizon and Aurizon Network have undertaken the following activities:

1. Continued negotiation on a new Access Undertaking for the CQCN
2. A submission to the Federal Government *Competition Policy Review*
3. Submissions proposing the introduction of a competitively neutral land freight transport framework.

Details on each of these activities are presented in the following sections.

CQCN ACCESS UNDERTAKING

Regulation of the CQCN is overseen by the Queensland Competition Authority (QCA) via approval of an Access Undertaking that sets out the general terms and conditions, including pricing principles, for the third-party access to this network.

The last Access Undertaking (known as **UT3**) was approved by the QCA in October 2010. In accordance with the regulated process, UT3 expired on 30 June 2013. Transitional arrangements are currently in place and will continue until the QCA delivers a final decision on a new undertaking (known as **UT4**).

Details of Aurizon Network’s activities and stakeholder engagement in the UT4 process are outlined in Figure 43.

REGULATION OF GREENFIELD INFRASTRUCTURE

In December 2013, the Prime Minister and Minister for Small Business announced the establishment of a major review of Competition Policy. This review is led by Professor Ian Harper and has become known as the Harper Inquiry.

Aurizon has sought to participate strongly in this process. Our submission can be found at the Competition Policy Review website: <http://competitionpolicyreview.gov.au>

A primary focus of this submission is the future regulation of greenfield infrastructure, reflecting Aurizon’s strong focus on significant new investment in rail and port infrastructure in West Pilbara in Western Australia, as well as in Queensland as part of the development of major thermal coal mines in the Galilee Basin.

Aurizon is seeking a substantial change to the current Competition Policy arrangements for greenfield infrastructure to give investors long-term certainty that they will be able to secure a return on investment commensurate with the risk taken.

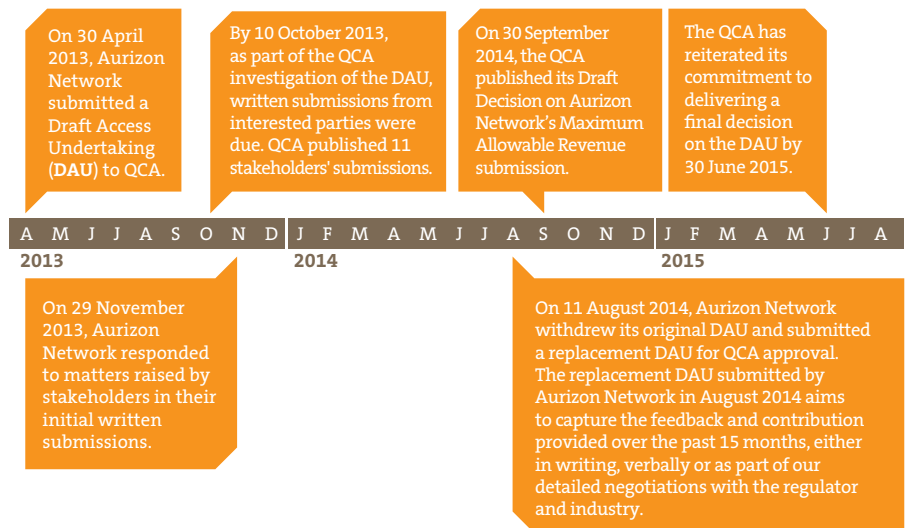
Aurizon has therefore proposed to the Harper Inquiry that it should develop a comprehensive greenfield infrastructure reform package that requires governments to determine up-front, before capital is committed, what competition policy arrangements should apply to new infrastructure development.

In contrast with the 1990s, Australia currently finds itself in intense competition for highly internationally mobile capital from a range of countries. In addition, high levels of investment in new infrastructure is required to ensure Australia continues to record strong economic growth.

Figure 42: Aurizon’s Regulatory Stakeholders

Legislation	Regulators
<ul style="list-style-type: none"> > Competition and Consumer Act 2011 (Cth) > Queensland Competition Act 1997 (QLD) > Transport and Administration Act 1998 (NSW) > Rail Corporations Act 1996 (VIC) > Railways Access Act 1998 (WA) > Code: Railways Access Code 2000 (WA) 	<ul style="list-style-type: none"> > ACCC (Hunter Valley and Interstate) > QCA (QLD) > IPART (NSW) > ERA (WA) > ESC (VIC)
Regulatory Undertakings	Network Providers
<ul style="list-style-type: none"> > QR Network 2010 Undertaking > Queensland Rail > ARTC Hunter Valley > ARTC Interstate Access Undertaking > NSW Rail Access Undertaking 	<ul style="list-style-type: none"> > QR Network > Queensland Rail > Brookfield > ARTC > Country Regional Infrastructure Authority > Vic Track > RailCorp

Figure 43: CQCN Access Undertaking (UT4) Consultation Process



It is therefore critical that:

- > New Australian resource developments are highly efficient and, as a result, internationally competitive
- > Investors in these projects, and the associated rail-port facilitating infrastructure, are able to earn an appropriate rate of return, commensurate with risk

The Harper Inquiry’s draft report, released on 22 September 2014, lends support to Aurizon’s position on the arguments as to why the National Access Regime should not be applied to greenfield infrastructure in the mining sector. The Inquiry’s final report is due by March 2015 and Aurizon will be making a further detailed submission to the Review in support of its position.

“As a critical enabler of economic growth, the efficiency and effectiveness of infrastructure directly impacts Australia’s future economic and individual prosperity.”

Source: Department of Infrastructure and Regional Development, *Trends Infrastructure and Transport to 2030, 2014*

A COMPETITIVELY NEUTRAL LAND FREIGHT TRANSPORT FRAMEWORK

A key barrier to competitive neutrality and to a truly integrated freight market across road and rail is the current inconsistent regulation between the two modes. This inconsistent regulatory position treats each mode of freight transportation as a separate industry and a separate market. As a consequence, regulatory impediments to competitive neutrality between rail and road transport continue to work against the objective of improving the efficient use of infrastructure and the efficiency of freight movements across Australia.

The inconsistent treatment of rail freight compared to road has, despite government policy seeking to significantly increase the market share of rail in the freight sector, contributed to the large modal shift from rail to road that has occurred on long-haul freight routes shown in Figure 44.

Aurizon therefore supports the introduction of a full cost recovery system of direct mass-distance-location (MDL) charging for heavy vehicles on major highways and arterial roads where there is direct competition between road and rail, particularly for long-haul freight. It does not support applying this proposed new pricing system to regional and rural roads or light vehicles.

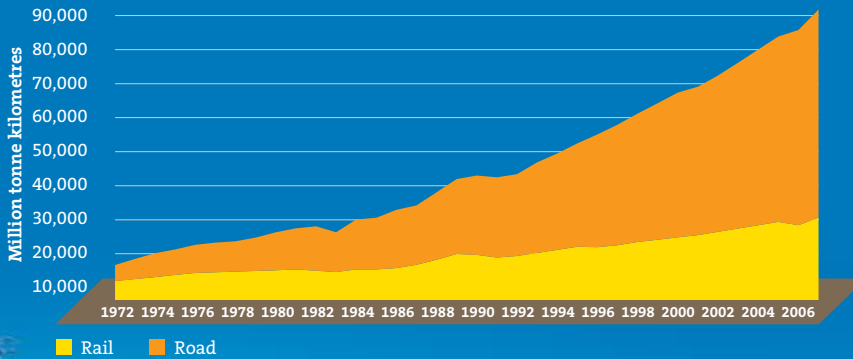
Aurizon has made a number of submissions to Federal and State Governments on the benefit of introducing a competitively neutral access pricing system for road freight versus rail freight in the context of the reform agenda of the Council of Australian Governments (COAG).

Aurizon has also submitted to the Federal Government’s recently completed National Commission of Audit on this issue, as well as the Harper Inquiry. The National Commission of Audit has expressed strong support for the introduction of MDL charging for heavy vehicles. The draft report of the Harper Inquiry also strongly endorsed the arguments in favour of a competitively neutral road freight charging system.

BUILDING ON OUR SUCCESS

Informing policy and regulatory considerations through an effective relationship with government across Australia will continue to be a key priority at Aurizon. This is not only because a substantial portion of our present and future EBIT stems from a regulated network and major greenfield infrastructure developments but also because of the broader benefits of introducing a competitively neutral pricing system for road and rail freight transportation.

Figure 44: Total Interstate Freight Movements in Australia, 1972 – 2007



Source: BITRE, Interstate freight in Australia: Report 120, April 2010



Glossary

Word	Definition
Above rail	Rollingstock and associated parts and components
Below rail	Track, electric infrastructure, signalling and associated rail infrastructure of the regulated Central Queensland Coal Network
Brownfield	A site which has previously, or is currently, used for industrial or commercial purposes
Bt	Billion tonnes
CoC	Community of Competence
CO₂e	Carbon dioxide equivalent
CCS	Carbon capture and storage
CSHE Committee	Central Safety Health and Environment Committee
CQCN	Central Queensland Coal Network
Derailment	Derailment occurs where one or more rollingstock wheels leave the rail or track during railway operations
EA	Enterprise Agreement
EBIT	Earnings Before Interest and Tax
EBIT Margin	Underlying earnings before interest and tax divided by total revenue and other income
GHG	Greenhouse Gas
Greenfield	A site which has not been subject to development
GRI	Global Reporting Initiative
IOP	Aurizon's Integrated Operating Plan. Available at www.aurizon.com.au/Downloads/IOP % 20for % 20website.pdf
IPO	Initial public offering
kWh	Kilowatt hour
LTIFR	Number of lost time injuries per million hours worked by our employees
mt	Million tonnes
MTIFR	Number of medically treated injuries per million hours worked by our employees
MTKm	Million tonne kilometre
mtpa	Million tonnes per annum
MWh	Megawatt hour
NETCON	Aurizon's Network Condition asset monitoring program
ntk	Net tonne kilometre – unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio or OR	1-EBIT Margin, expressed as a percentage
pa	Per annum
Payload	Represents the total weight which can be carried per train
PPP	Purchasing power parity – used to determine the relative value of different currencies

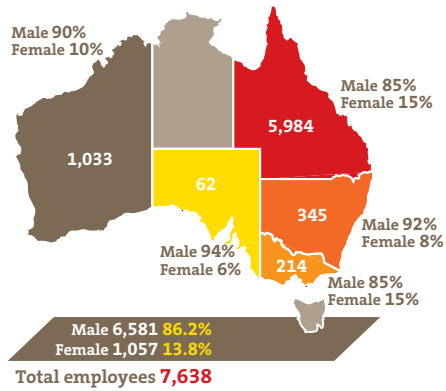
Word	Definition
ppt	Percentage point
QCA	Queensland Competition Authority
Return on Invested Capital or ROIC	ROIC is defined as net operating profit less adjusted taxes divided by invested capital. It is a measure of how well a company generates cash flow relative to the capital invested in the business
Ringfencing	Describes Aurizon's below-rail business obligations under its Access Undertaking with the Queensland Competition Authority (QCA), to avoid situations that might give rise to a conflict of interest or breach of confidentiality in an integrated operation
Rollingstock	Equipment which provides transportation capability on our railways, such as locomotives and wagons
Scope 1 Emissions	Emissions from operations that are owned or controlled by the organisation
Scope 2 Emissions	Emissions that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the organisation
Safety Interaction	Formally recorded conversations related to safety matters between Aurizon employees
SHEM	Safety, Health and Environment Management data system
SPAD	Signals Passed at Danger. Reflects an instance in which a train has entered a section of the track without the correct authority
tonne	One metric tonne, being 1,000 kilograms
Tonne kilometres	The product of tonnes and distance
TRIFR	Total Recordable Injury Frequency Rate
Turnaround time	Time taken to deliver a service commencing upon train departure from the yard and ending upon commencement of the same train's next yard departure
Turnover	Total number or rate of employees who ceased employment with Aurizon during a specified period
UT3	Access Undertaking approved in 2010 by the Queensland Competition Authority which sets out the general terms and conditions for third-party access to the Central Queensland Coal Network
UT4	Draft Access Undertaking currently undergoing review by the Queensland Competition Authority
Voluntary Turnover	Total number or rate of employees who ceased employment with Aurizon voluntarily during a specified period.
Workforce Availability	Calculated as (Employee Time Planned – Unscheduled Leave) / Employee Time Planned
World class	Benchmarked as the performance of Class I railroads in the North America
YoY	Year-on-year
ZEROHARM	Aurizon's goal to deliver a working environment in which there are no injuries, to anyone, ever

Datasheet – Our Employment Profile

GENERAL WORKFORCE INFORMATION

Our total head count as at 30 June 2014 is 7,638 employees.¹¹

Figure 45: Workforce by State and Gender

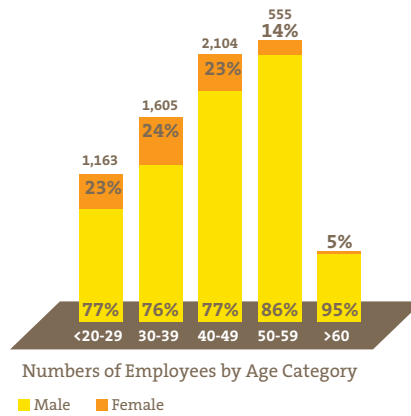


AGE PROFILE OF OUR WORKFORCE

Table 6: Employees by Age Category

Category	Number of Employees	Percentage
Under 30 Years	1,163	15.2%
30 – 50 Years	3,709	48.6%
Over 50 Years	2,766	36.2%
Total	7,638	100%

Figure 46: Workforce by Age and Gender



WORKFORCE DIVERSITY

Table 7: Employees by Diversity Group

Diversity Group	Percentage
Aboriginal and Torres Strait Islander (ATSI)	2.6%
Non-English Speaking Background (NESB)	6.1%
Self-reported disability	3.3%
Female representation	13.8%

Table 8: Board of Directors Composition

Board of Directors and (including MD & CEO)	FY2014
Total number	10
Percentage female representation	20%
Percentage over 50	90%

¹¹ In our 2013-2014 Annual Report, we report our total Full-Time Equivalent (FTE) personnel as 7,524 people.

Table 9: Employees by Employment Type

Employee Contract	Male Total	Total %	Female Total	Total %	Total
Permanent Full-Time	6,445	87.6%	913	12.4%	7,358
Permanent Part-Time	9	10.0%	81	90.0%	90
Fixed Term Full-Time	70	62.5%	42	37.5%	112
Fixed Term Part-Time	–	0.0%	6	100.0%	6
Casual	57	79.2%	15	20.8%	72
Total	7,638				

Table 10: Workforce by Employment Category

Category	Number	Female	Minority Group	Under 30 Years	Between 30 -50 Years	Over 50 Years
Senior Management	85	24%	7%	0%	62%	38%
Management	519	34%	11%	8%	69%	24%
Non-Management	7,034	12%	11%	16%	47%	37%

WORKFORCE BY EMPLOYMENT TYPE

Of our 7,638 employees, 88.6% are covered by collective bargaining agreements.

WORKFORCE BY EMPLOYMENT CATEGORY

The Executive Committee is supported by our Executive Leadership Team (ELT) and Management Leadership Team (MLT). Collectively, these groups include all senior leaders within Aurizon. Accordingly, ‘Senior Management’ in Table 10 above, refers to all members of our Executive Committee, ELT and MLT.

REMUNERATION

Table 11 set out our remuneration ratios for female to male employees. The ratio per employee category is calculated as the annualised average FTE total remuneration.

Total remuneration includes fixed remuneration and any additional benefits whether payable directly or indirectly, in cash or in a form other than cash, such as bonus payments (including performance pay), superannuation, discretionary pay, overtime and site allowance.

The 0.67 ratio in the Senior Management ratio outlined in Table 11 is reflective of an absence of women within the Executive Committee which comprises the highest tier of executive remuneration.

Table 11: Remuneration Ratio by Employment Category

Employee Category	Remuneration Ratio Women:Men
Senior Management	0.67
Management	0.87
Non-Management	0.9

Appendix –

Future of Coal and Environmental Management Methodology and Assumptions

Reduced Emissions from Higher Calorific Value Coal

- > The calorific value and CO₂ content of coal was taken from Carbon Marketing International and corroborated with *Platts Coal Methodology and Specifications Guide, September 2014*.
- > The energy content of the coal was converted from kcal/kg coal to kWh/kg coal.
- > Benchmark indicates relative position, and assumes CO₂ content commensurate with coal types of that energy density. All benchmark calorific values on Gross As Received (**GAR**) basis, except Richards Bay which is Net As Received (**NAR**).
- > The calculation of the CO₂ from combustion was based on the known stoichiometric ratio of C:CO₂ and assumed 100% combustion of the CO₂ in the coal.
- > The emissions intensity of generation was calculated assuming an average power station efficiency of 38%.

GHG Emissions Impact from the Global Transport of Coal by Mine of Origin as a Percentage of Total Transport and Combustion Emissions

- > Panamax used for shipping with a dead weight cargo capacity of 70,000 tonnes.
- > Emissions associated with one way trip only.
- > Locomotive haulage distances based on the longest trip (i.e. from the mine furthest distance from port).
- > Emissions associated with transloading between different modes of transportation are excluded.
- > Sea distances obtained from www.sea-distances.org; conversion of shipping fuel to CO₂ emissions based on DEFRA conversion factors.

Table 12: Transport emissions intensity factors by method of transport

Emission Factors	g CO ₂ e/tkm	Source
Shipping		
Ship – Cape Size	2.7	<i>National Technical University of Athens Laboratory for Maritime Transport, Ship Emissions Study (May 2008)</i> , http://www.martrans.org/documents/2008/sft/final%20report%20v10.2.pdf
Ship – Handymax Size	6.3	<i>National Technical University of Athens Laboratory for Maritime Transport, Ship Emissions Study (May 2008)</i> , http://www.martrans.org/documents/2008/sft/final%20report%20v10.2.pdf
Ship – Panamax Size	4.7	<i>National Technical University of Athens Laboratory for Maritime Transport, Ship Emissions Study (May 2008)</i> , http://www.martrans.org/documents/2008/sft/final%20report%20v10.2.pdf
Locomotives		
South Africa (coal trains)	14.2	<i>Transnet Sustainability Report 2014</i> ; IPCC https://www.ipcc.ch/pdf/special-reports/sroc/Tables/t0305.pdf . Calc – (1000/66.1) x 0.941 = 14.2
USA (coal trains)	7.5	<i>Analysis of Railroad Energy Efficiency in the United States, 2013</i> , http://www.mountain-plains.org/pubs/pdf/MPC13-250.pdf
Hunter Valley	7.3	Internal Aurizon analysis
Galilee	8.8	Internal Aurizon analysis

Table 13: Ship type mix by port

Port	Source
Richards Bay	http://www.platts.com/latest-news/coal/london/south-african-richards-bay-coal-terminal-exports-26805105
Ridley Terminal	http://www.bloomberg.com/news/2013-01-31/panamax-ships-seen-hauling-55-of-coal-traded-globally-by-2014.html
Newcastle	http://www.bloomberg.com/news/2013-01-31/panamax-ships-seen-hauling-55-of-coal-traded-globally-by-2014.html
Abbot Point	http://www.bloomberg.com/news/2013-01-31/panamax-ships-seen-hauling-55-of-coal-traded-globally-by-2014.html
Balikpapan	http://www.bloomberg.com/news/2013-01-31/panamax-ships-seen-hauling-55-of-coal-traded-globally-by-2014.html

Global Reporting Initiative Index Table

Indicator	Description	Information or Relevant Location within this Report	Omission	Page
GENERAL STANDARD DISCLOSURES				
STRATEGY AND ANALYSIS				
G4.1	Statement from the most senior decision maker of the organisation	<i>Managing Director & CEO Message</i>	–	1
ORGANISATIONAL PROFILE				
G4.3	Name of the organisation	Aurizon Holdings Limited	–	–
G4.4	Report primary brands, products and services	<i>Business Model</i>	–	15
G4.5	Location of organisation's headquarters	175 Eagle Street, Brisbane, QLD Australia 4000	–	–
G4.6	Number and name of countries of operation	<i>Business Model</i>	–	15
G4.7	Nature of ownership and legal form	The entity is Aurizon Holdings Ltd. Refer to Aurizon Annual Report 2013-14, 'Notes to the consolidated financial statements', Page 95 for further details on Aurizon's subsidiaries. ¹	–	–
G4.8	Markets served	<i>Future of Coal</i>	–	17
		<i>Customer Partnerships</i>	–	30
G4.9	Scale of organisation:			
	> Total number of employees	<i>Organisational Capability</i>	–	36
	> Total number of operations	<i>Business Model</i>	–	15
	> Net revenues	Refer to Aurizon Annual Report 2013-14 for additional information.	–	–
	> Total capitalisation broken down in terms of debt and equity			
	> Quantity of products or services provided	<i>Customer Partnerships</i>	–	30
G4.10	Employee numbers by:		Data disclosed is only for employees and does not include 'supervised workers'.	
	> Employment contract/type			
	> Gender	<i>Datasheet – Our Employment Profile</i>	Aurizon is in the process of implementing improved tracking of data for supervised workers.	43-44
	> Supervised workers			
	> Region			
G4.11	Percentage of total employees covered by collective bargaining agreements	<i>Datasheet – Our Employment Profile</i>	–	43-44
G4.12	Description of supply chain	<i>Aurizon's Sustainability Priorities</i>	Information has not been provided with regards to total number of suppliers, location of suppliers, and monetary value of payments made to suppliers. We will seek to further define our supply chain and the characteristics of our suppliers in future reporting years.	7

¹ On 4 August 2014, Aurizon entered into an agreement to sell its wholly owned logistics subsidiary CRT Group (CRT) to Qube Logistics (Aust) Pty Limited, a subsidiary of Qube Holdings. The sale is subject to a number of conditions, with settlement expected in December 2014.

Indicator	Description	Information or Relevant Location within this Report	Omission	Page
G4.13	Significant changes during the reporting period	No significant changes during the reporting period regarding Aurizon's size, structure, ownership or supply chain.	–	–
G4.14	Report whether or how the precautionary approach or principle is addressed by the organisation	<i>Business Model</i>	We do not use the term 'precautionary principle', however we outline our risk management processes for operational planning and investment decisions.	16
G4.15	External charters, principles or other initiatives to which Aurizon subscribes or endorses	<i>Organisational Capability Environmental Management</i>	–	36, 37, 27
G4.16	Memberships of associations	<i>Sustainability Priorities</i>	–	8
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4.17	Entities included in the organisation's consolidated financial statements or equivalent documents	Refer to Aurizon Annual Report 2013-14 (Financial Report, page 60) for additional information	–	–
G4.18	Process for defining the report content and the aspect boundaries	<i>Aurizon's Sustainability Priorities</i>	–	5-6
G4.19	All material aspects identified in the process of defining report content	<i>Aurizon's Sustainability Priorities</i>	–	5-6
G4.20	Aspect boundary for each material aspect identified (within organisation)	<i>Aurizon's Sustainability Priorities</i>	–	6
G4.21	Aspect boundary for each material aspect identified (outside of the organisation)	<i>Aurizon's Sustainability Priorities</i>	–	6
G4.22	Effect of any restatements of information in previous reports	N/A – As this is our first report, no restatement of information is required.	–	–
G4.23	Report significant changes from previous reporting periods	N/A – As this is our first report, no significant changes from previous reporting period.	–	–
STAKEHOLDER ENGAGEMENT				
G4.24	List of stakeholders engaged	<i>Aurizon's Sustainability Priorities</i>	–	7-8
G4.25	Basis for identification and selection of stakeholders	<i>Aurizon's Sustainability Priorities</i>	–	7-8
G4.26	Approach to stakeholder engagement	<i>Aurizon's Sustainability Priorities</i>	Aurizon has reported its approach to stakeholder engagement, however detail on the frequency of engagement by type and by stakeholder group has not been disclosed, as this is not formally monitored. In future reporting years, we will seek to report this information.	7-8
G4.27	Key stakeholder topics and concerns	<i>Aurizon's Sustainability Priorities</i>	–	7-8

Indicator	Description	Information or Relevant Location within this Report	Omission	Page
REPORT PROFILE				
G4.28	Reporting period	Financial Year 2013 – 2014 (1 July 2014 – 30 June 2014)	–	–
G4.29	Date of most recent previous report	N/A – This is our first report.	–	–
G4.30	Reporting cycle	Planned reporting cycle is annual.	–	–
G4.31	Contact point	<i>Vice President Sustainability Message</i>	–	2
G4.32	GRI option chosen	Core	–	–
G4.33	Current policy and practice with regards to external assurance	This FY2013/14 Sustainability Report has not been assured. We will consider external assurance in future years.	–	–
GOVERNANCE				
G4.34	Governance structure of the organisation including committees of the highest governance body	<i>Governance</i>	–	9-10
ETHICS AND INTEGRITY				
G4.56	Organisation's values, principles, standards and norms of behaviour	<i>Governance</i>	–	9-10
SPECIFIC STANDARD DISCLOSURES				
DISCLOSURES ON MANAGEMENT APPROACH				
G4.DMA	Report why an Aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	Please refer to relevant material priority section in this report.	–	–
CATEGORY: ECONOMIC				
ASPECT: ECONOMIC PERFORMANCE				
G4 – EC1	Direct economic value generated and distributed. Economic value retained.	<i>Business Model</i>	–	15
G4 – EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	<i>Future of Coal</i>	–	17-22

Indicator	Description	Information or Relevant Location within this Report	Omission	Page
CATEGORY: ENVIRONMENTAL				
ASPECT: ENERGY				
G4 – EN3	Energy consumption within the organisation	<i>Operational Efficiency</i>	–	24
G4 – EN5	Energy intensity	<i>Operational Efficiency</i>	–	24
G4 – EN6	Reduction of energy consumption	<i>Operational Efficiency</i>	–	24
ASPECT: EMISSIONS				
G4 – EN15	Direct GHG emissions (Scope 1)	<i>Environmental Management</i>	–	26
G4 – EN16	Energy indirect GHG emissions (Scope 2)	<i>Environmental Management</i>	–	26
G4 – EN19	Reduction of greenhouse gas (GHG) emissions	<i>Operational Efficiency</i>	–	25
ASPECT: EFFLUENTS AND WASTE				
G4 – EN24	Total number and volume of significant spills	<i>Environmental Management</i>	–	27
ASPECT: COMPLIANCE				
G4 – EN29	Significant fines and non-monetary sanctions	<i>Environmental Management</i>	–	26
ASPECT: TRANSPORT				
G4 – EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations	<i>Environmental Management</i>	–	27-28
ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS				
G4 – EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	<i>Community Engagement</i>	–	33

Indicator	Description	Information or Relevant Location within this Report	Omission	Page
CATEGORY: SOCIAL				
ASPECT: LABOR PRACTICES AND DECENT WORK				
G4 – LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<i>Organisational Capability</i>	Note: Turnover has been calculated based on monthly closing balance and average for annual turnover versus employee numbers as at the end of the reporting period. Turnover is not disclosed by region as this information is currently unavailable. Aurizon is implementing improved tracking of data within our HR management systems. We aim to disclose this breakdown in FY2015.	37-38
ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4 – LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	<i>Datasheet – Our Employment Profile</i>	–	44
G4 – LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender	<i>Safety</i> <i>Organisational Capability</i>	Aurizon reports Workforce Availability as the inverse of an absentee rate. Occupational disease rates are not monitored separately to our Lost Time Injury and Medically Treated Injury rates reported.	13-14 38
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY				
G4 – LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	<i>Datasheet – Our Employment Profile</i>	–	43
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN				
G4 – LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	<i>Datasheet – Our Employment Profile</i>	–	44
ASPECT: LOCAL COMMUNITIES				
G4 – SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	<i>Community Engagement</i>	–	35
G4 – SO2	Operations with significant actual and potential negative impacts on local communities	<i>Community Engagement</i>	–	33-35
ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY				
G4 – SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	<i>Community Engagement</i>	–	33
ASPECT: PRODUCT AND SERVICE LABELING				
G4 – PR5	Results of surveys measuring customer satisfaction	<i>Customer Partnerships</i>	–	31

Notes

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