



2021 Concise Sustainability Report

Delivering for a
sustainable future



ABOUT AURIZON

Aurizon (ASX: AZJ) is Australia's largest rail-based transport business.

FIGURE 1 AURIZON'S OPERATIONS

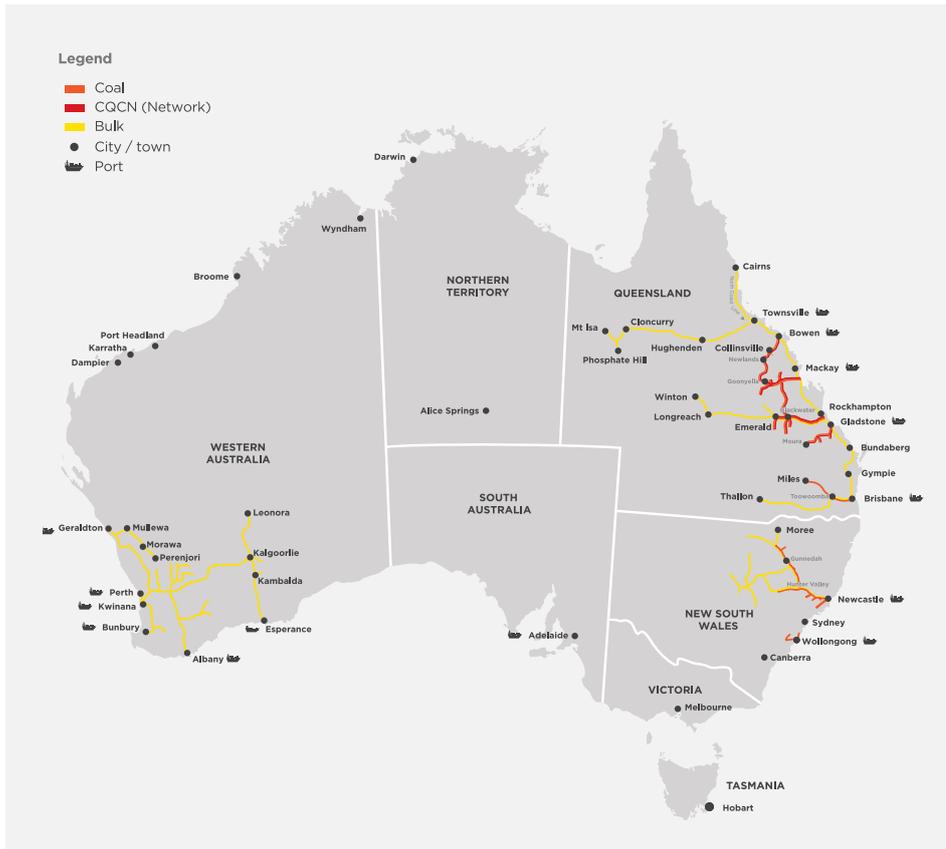
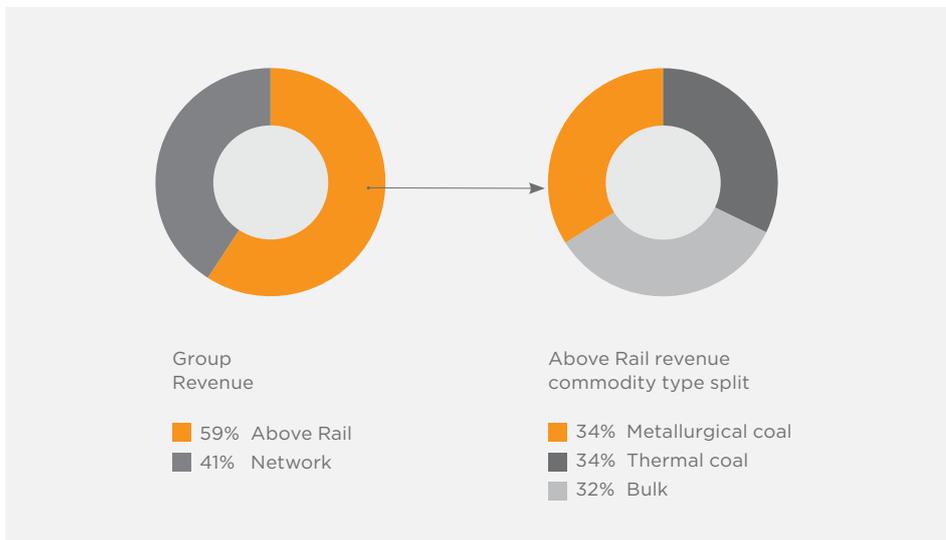


FIGURE 2 AURIZON'S REVENUE (FY2021)¹



What we deliver

Our purpose is to grow regional Australia by delivering bulk commodities to the world. In FY2021, we transported more than 250 million tonnes of Australian commodities, connecting miners, primary producers, and industry with international and domestic markets.

We provide customers with integrated freight and logistics solutions across an extensive national rail, road and port network that traverses Australia. We have a fleet of around 600 locomotives and 12,500 wagons.

We also own and operate one of the world's largest coal rail networks, the Central Queensland Coal Network (CQCN), a critical piece of infrastructure supporting approximately 90% of Australian metallurgical coal export volume.

As shown in figure 1, our operations primarily span Queensland (QLD), New South Wales (NSW), and Western Australia (WA). Our biggest economic footprint is in regional Queensland, where our employees support our coal haulage business, deliver bulk commodities, and ensure that the CQCN is running safely and efficiently. Our key operational areas are broken into three business units: Coal, Bulk and Network.

Together, our Coal and Bulk haulage businesses are referred to as 'above rail', while our Network business is referred to as 'below rail'. As shown in figure 2, approximately two-thirds of our above rail revenue relates to coal, with our Bulk business contributing to the remaining one-third.

Regional focus

We have more than 4,800 employees, with around 80% living and working in regional Australia. We recognise that as a business it is vitally important that we are a genuine contributor to our communities, in addition to being a local employer.

We are committed to continuing to develop strong local relationships with local businesses and suppliers across our regional footprint. In FY2021, we have spent approximately \$1.2 billion with suppliers from across our operations.

Growing our Bulk business

The Bulk business contributes a third of our above rail revenue from the haulage of a range of bulk commodities, such as iron ore, bauxite, alumina, base metals, grain, livestock, and fertiliser-related products. The business also provides supply chain services to customers, including ballast cleaning, hook-and-pull, and port services.

While Coal and Network form our solid cash flow core, the Bulk business provides potential for growth outside of coal markets. While we have traditionally focused on bulk rail markets across Australia, we realise there is an opportunity to capture further growth by expanding our services into adjacent production-to-port value chain segments.

Bulk adds more muscle to Port Services

During FY2021, our Bulk business again signalled its growth ambitions with the acquisition of ConPorts, a stevedoring, bulk storage and handling business at the Port of Newcastle, NSW. Now a part of Aurizon Port Services (APS), the business currently provides services for export of about 500,000 tonnes of mineral concentrates annually. It includes a direct interface between rail and sea transport, with a dedicated private rail siding where wagons can be unloaded adjacent to the shipping berth.

This is now the second business under the banner of APS, following the acquisition of Townsville Bulk Handling and Storage in March 2020. These acquisitions aim to extend supply chain services beyond our core rail capability, and to seize growth opportunities in bulk haulage markets in Australia.

Historically supported by more traditional drivers of bulk commodity demand such as infrastructure development, opportunities are now emerging in new economy markets (figure 9 and figure 11) and with increasing global food consumption (figure 10).

FIGURE 9 TOTAL MINERAL DEMAND FROM CLEAN ENERGY TECHNOLOGIES⁸

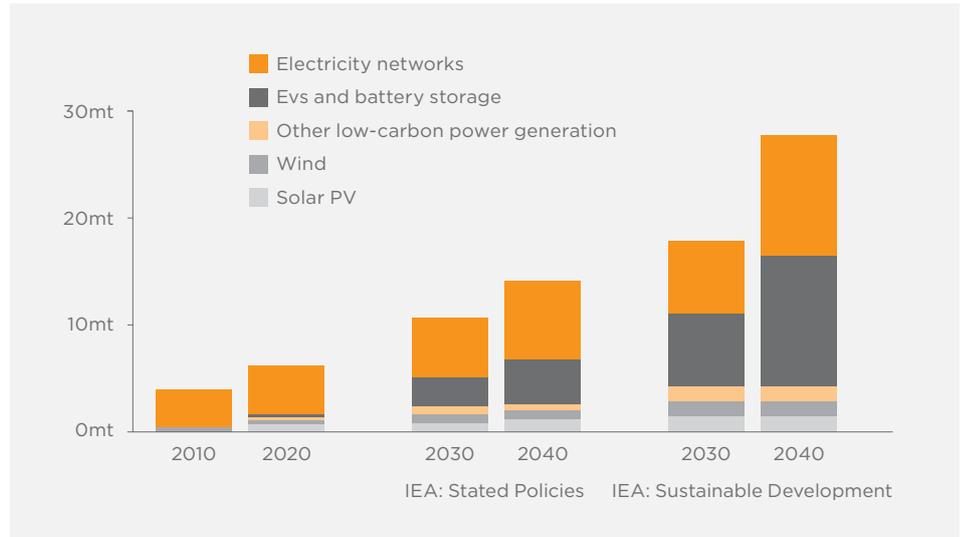


FIGURE 10 FOOD CONSUMPTION (CALORIE CONSUMPTION PER CAPITA)⁹

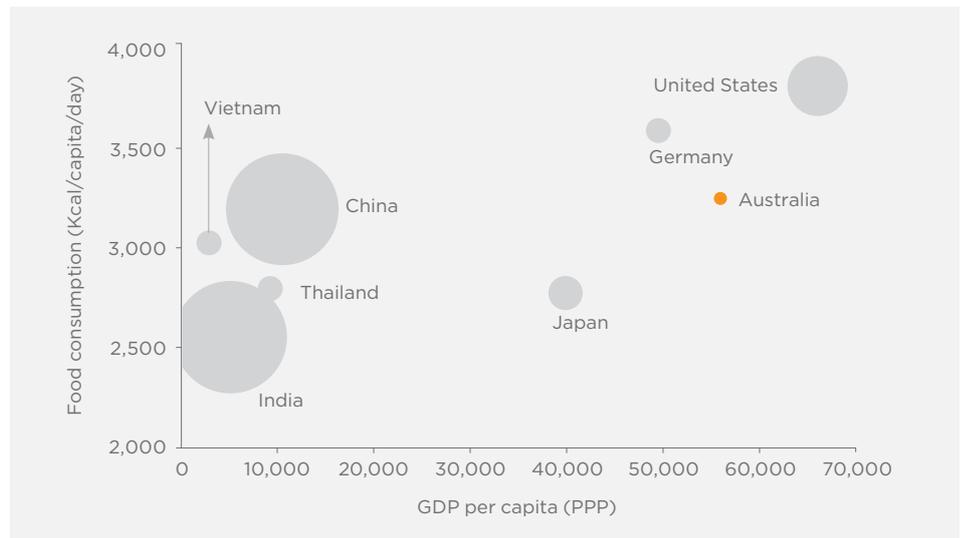
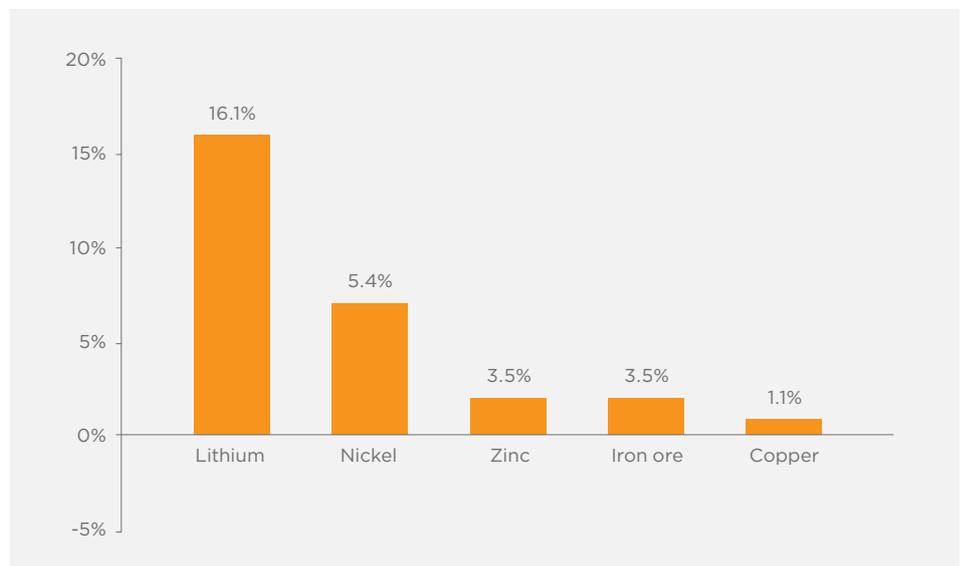


FIGURE 11 AUSTRALIA SUPPLY GROWTH (CAGR 2020-2026), SELECTED COMMODITIES¹⁰



Coal

We play a significant role in Australia's coal supply chain, with approximately two-thirds of Australia's coal exports using our below rail Network and/or carried by our above rail business.

Given the quality and the cost competitiveness of Australian coal, the opportunity remains for Australia — and therefore, our business and our customers — to continue supplying Asia's coal requirements.

Rather than global consumption, demand for Australian coal is dependent on seaborne-traded markets, which are increasingly concentrated in Asia (figure 3). Although metallurgical and thermal coal are similar in terms of the method of extraction and preparation, the differing properties of the two coal types mean that there are distinct markets and, therefore, drivers of future demand.

Enterprise strategic planning

We undertake scenario analysis as part of our Strategy in Uncertainty framework to enable the business to evaluate capital, fleet, and haulage opportunities, and importantly, sustainability in the context of climate change risks. A key component of this analysis is understanding the drivers of demand and supply for the commodities we haul.

Our management team and Board are directly engaged in identifying the scenarios for consideration, as well as developing plans and initiatives to position the organisation to mitigate risks and take advantage of opportunities. This strategic process is repeated every six months to ensure that our strategic priorities are continually updated to proactively respond to emerging market dynamics and opportunities.

The coal export volume scenarios developed in FY2021 are shown in figure 4. For the first 10 years, under all but one scenario, there is positive growth Australian coal exports to 2030. However, there is naturally greater divergence in the second decade (2031-40) as export volumes fall under four of six scenarios over that 10-year period.

FIGURE 3 EXPORT DESTINATIONS FOR AUSTRALIAN COAL (FY2021)²

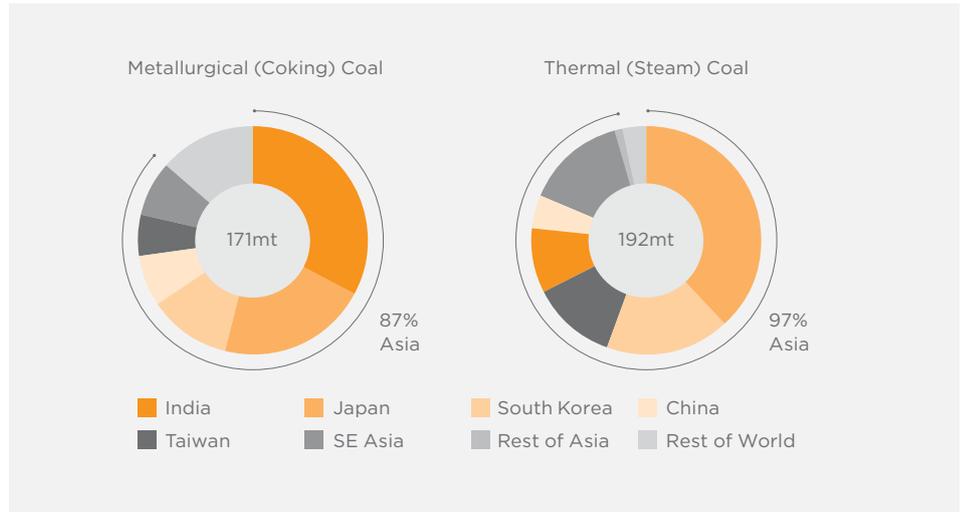


FIGURE 4 STRATEGY IN UNCERTAINTY COAL VOLUME SCENARIOS³



Future of seaborne metallurgical coal

Driven by urbanisation and associated infrastructure development, India and South-East Asian nations have the opportunity to increase steel usage, as measured on a per capita basis. Crude steel production has grown by 3.8% per annum in India over the past decade, driving demand for metallurgical coal (figure 5).

As shown in figure 6, Australia has the lowest average transportation and port costs compared to other major seaborne metallurgical coal export nations.

FIGURE 5 INDIA CRUDE STEEL PRODUCTION (MILLION TONNES)⁴

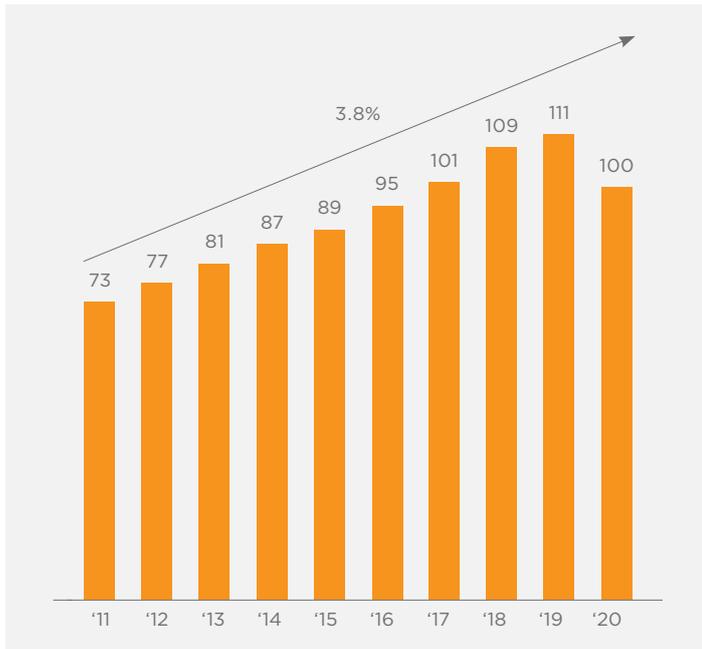
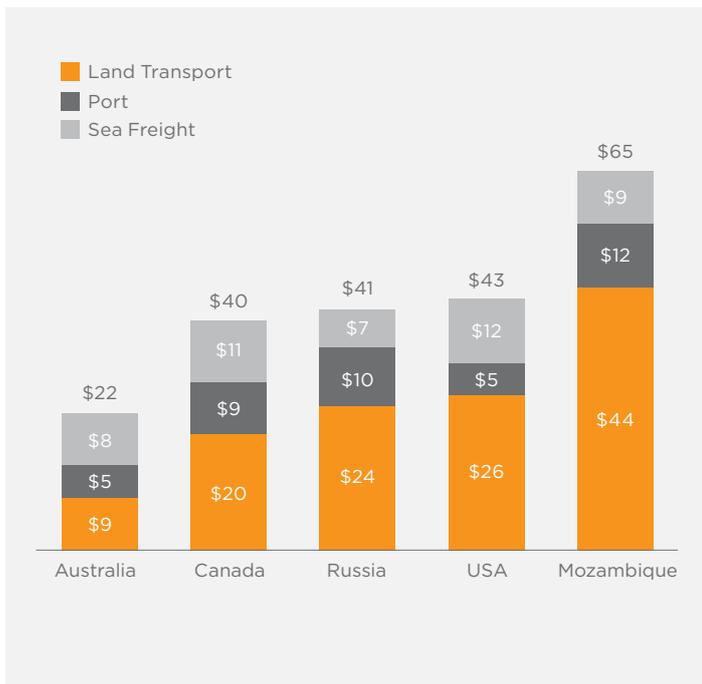


FIGURE 6 LAND TRANSPORT, PORT, AND SEA FREIGHT COSTS FROM MAJOR METALLURGICAL COAL EXPORT COUNTRIES TO INDIA (USD/T)⁵



Future of seaborne thermal coal

Although it is recognised that thermal coal-fired power generation will reduce as a percentage in the global energy mix, thermal coal generation in Asia is likely to be more resilient because it is driven by a relatively young existing coal-fired generation fleet (figure 7).

On average, Australia's export thermal coal has the highest energy content and relatively low ash content, when compared to most other major sources of seaborne thermal coal (figure 8).

FIGURE 7 AVERAGE AGE OF COAL-FIRED ELECTRICITY CAPACITY⁶

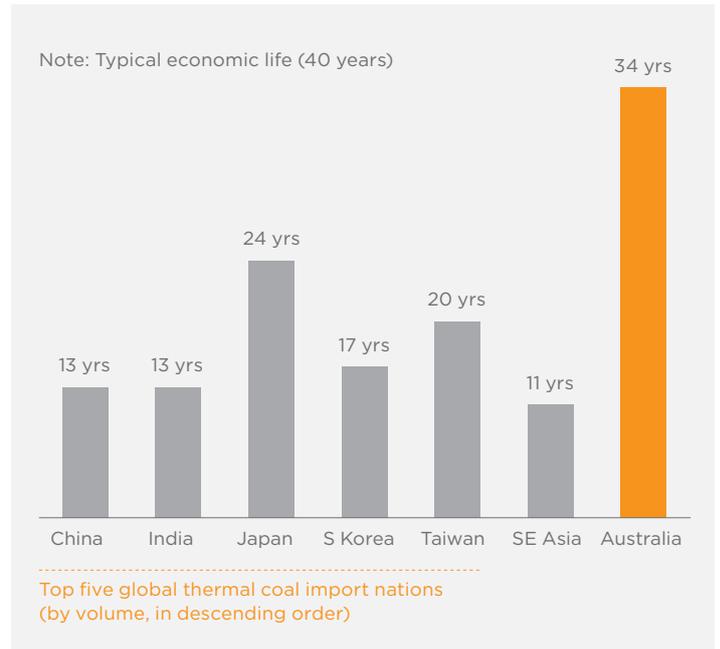
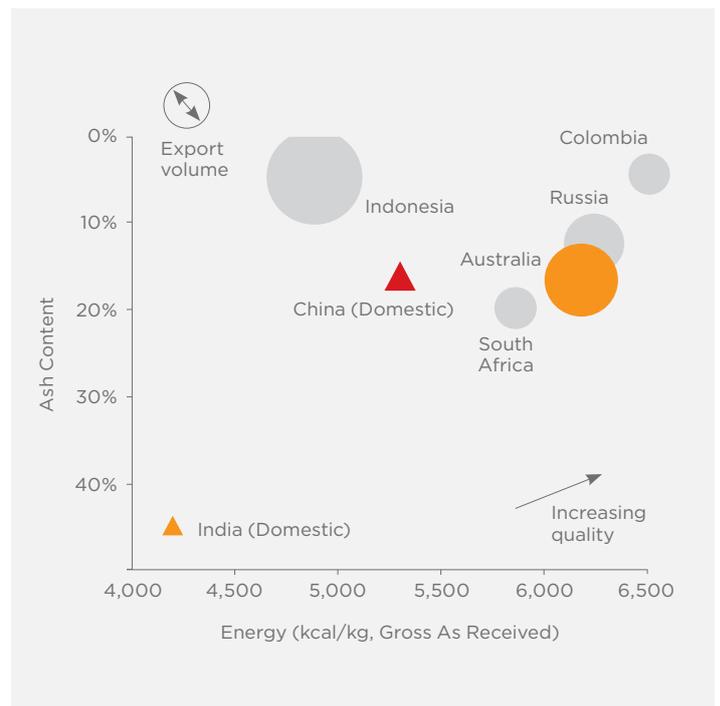


FIGURE 8 THERMAL COAL ENERGY AND ASH CONTENT⁷



Climate Change and Environment

Managing climate change risk

We acknowledge that climate change is having direct and indirect impacts on industry and the global economy.

Since 2017, we have incorporated recommendations from the Financial Stability Board's Final Report: *Recommendation of the Task Force on Climate-related Financial Disclosures* (TCFD) in our annual Sustainability Report. During FY2021, we published our first Climate Strategy and Action Plan (CSAP), outlining our position on climate change, underpinned by long-term strategies and associated actions to mitigate climate risk and take advantage of climate-related opportunities, including a target of net-zero operational emissions by 2050.

Although our business is exposed to transition and physical risks, we are also well positioned to take advantage of climate-related opportunities. The CSAP is built on three key pillars:

1. Manage risk and build resilience
2. Deliver decarbonisation
3. Create carbon abatement opportunities.

Rail freight policy

In April 2021, our Managing Director and CEO Andrew Harding was appointed Chair of the Freight on Rail Group (FORG), which is an industry body representing rail freight industry businesses in Australia. As part of its advocacy, FORG is engaging with governments and regulators on benefits of rail, such as:

- **Environment:** Road freight produces 16 times more carbon pollution than rail freight per tonne kilometre¹¹.
- **Safety:** Rail is a far safer mode of transport than road, with the freight volume carried by one freight train equivalent to the volume carried by 150 semi-trailer trucks¹². Over the course of a year, the freight task carried by one train removes the need for thousands of truck journeys on our roads, reducing congestion and enhancing safety outcomes.
- **Productivity:** Significant economic and productivity gains are achievable where there are large volumes of freight and/or where the freight is carried over longer distances.

FIGURE 12 SAFETY IN ACTION



Safety and health

In FY2021, we continued to embed our updated enterprise safety strategy. This strategy (Safety in Action) was implemented to focus and prioritise improvements to our safety systems and culture, and to achieve our safety goal of protecting ourselves, each other, and the communities in which we operate. Safety in Action leverages three key components that, if actively considered and applied, enable our people to be safe at work.

The three components of the strategy are:

- well-designed, planned, and resourced work

- executed by engaged and enabled people
- informed by risk.

Safety in Action continues to drive our focus as we engage with our teams, identify, and execute improvements to our safe systems of work, and how we report on safety performance.

Our safety leadership program, Leading for Safety, equips operational leaders with skills to effectively lead Safety in Action.

1 Group revenue pie chart: Above Rail excludes Coal track access revenue. Above Rail revenue pie chart: Track access revenue for both Coal and Bulk excluded. Revenue allocation for Coal based on estimated volume split.
 2 Australian Bureau of Statistics.
 3 These are scenarios, not predictions or forecasts, and do not constitute definitive outcomes for Aurizon. It is difficult to predict which, if any, of these scenarios might eventuate. Further details of the scenarios, assumptions, and levers to model free cash flow are described in detail in our June 2021 Investor Day presentation. BF-BOF: Blast Furnace-Basic Oxygen Furnace. DRI/EAF: Direct Reduction Iron/Electric Arc Furnace.
 4 World Steel Association.
 5 Wood Mackenzie Coal Cost Curves (Data: May 2021; Reference Year: 2021). Wood Mackenzie Global Coal Markets Tool (Data: 2020 2H, Reference Year: 2021), Sea freight export terminal assumptions: US - East Coast; Canada - West Coast; Australia - Hay Point.
 6 S&P Global Market Intelligence, World Electric Power Plants Database (March 2021) as at 2021, capacity weighted. Australia included as reference. South East Asia excludes Indonesia. Economic life sourced from International Energy Agency, *World Energy Investment 2018*.
 7 Wood Mackenzie, India Ministry of Coal (*India Coal Directory 2019-20*).
 8 Mineral demand from clean energy technologies: International Energy Agency (IEA), The role of critical minerals in clean energy transition. Key minerals included: cobalt, copper, lithium, nickel, and rare earth elements.
 9 GDP (Purchasing Power Parity; international dollars): International Monetary Fund (2019 data). Population: International Monetary Fund (2019 data). Food Supply: Food & Agriculture Organization of the United Nations (kcal/capita/day, 2018 data).
 10 Office of the Chief Economist, Research and Energy Quarterly (March 2021).
 11 Deloitte Access Economics 2017, *Value of Rail: The Contribution of Rail in Australia*.
 12 NSW Government: Consultation Paper: Clean Air for NSW (2016).