



SUSTAINABILITY REPORT 2019

Cover Photo: Andrew Morris, Wagon Maintainer based in Newcastle, NSW.

Below Photo: One of our coal trains operating in the Hunter Valley, NSW.



Important Information

Unless otherwise noted, the information presented in this report highlights the operations and activities of One Rail Australia for the calendar year ending 31 December 2019.

GRI Standards

This report is prepared with reference to the Global Reporting Initiative (GRI) Standards. The GRI Standards are a set of internationally-recognised standards used for sustainability reporting. Although our report has not been prepared in accordance with the GRI core option, we have included a GRI Index on page 36 to show where we are aligned.

NGER Reporting

In this report, we use the National Greenhouse and Energy Reporting Act 2007 definition of operational control to determine the scope and boundary of sustainability reporting for the business. Our environment data aligns to our reporting under the National Greenhouse Energy Reporting Scheme for the twelve months ending 30 June 2019. Whilst the data included in this report has not been subject to external assurance, KPMG has undertaken a pre-assurance engagement over the data collection systems used to generate our environment data.

No reliance on this report

This report was prepared by One Rail Australia Pty Ltd (ABN 17 079 444 296) for the One Rail Australia business, which includes its related bodies corporate. While One Rail Australia has endeavoured to ensure the accuracy of the information contained in this report at the date of this publication, it may contain information that has not been independently verified. One Rail Australia makes no representation or warranty as to the accuracy, completeness or reliability of any of the information contained in this report. One Rail Australia owes you no duty, whether in contract or tort or under statute or otherwise, with respect to or in connection with this report, or any part thereof, including any implied representations or otherwise that may arise from this report. Any reliance is entirely at your own risk.

Forward-looking statements

This report may include forward-looking statements that are not historical facts. Forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of One Rail Australia. These statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties, and other factors, many of which are beyond One Rail Australia’s control. As a result, actual results or developments may differ materially from those expressed in the forward-looking statements contained in this report. One Rail Australia is not under any obligation to update these forward-looking statements to reflect events or circumstances that arise after publication. Statements about past performance are not necessarily indicative of future performance.

More information about our business can be found on our website at www.1rail.com.au

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ABOUT ONE RAIL AUSTRALIA

AT A GLANCE

Our aspiration is to be recognised as Australia's leading rail-based logistics partner, delivering value through customer service, operational excellence and innovation.



614
People

MARKETS



NSW, QLD, SA & NT

AUD \$400 MILLION

Annual Revenue



3,700km
Owned/Leased Track

COMMODITIES

Coal, Intermodal,
Bulk Minerals,
Agricultural Products

**50 MILLION
TONNES**

Annual Freight



110
Locomotives



8
Maintenance
Facilities



2,300
Wagons



5
Terminals

CORE VALUES



SAFETY

We are committed to zero injuries to all people.



ONE TEAM

We work as one to get the best outcomes for our customers.



DELIVER

We focus on delivering on our commitments everyday.



GENUINE

We genuinely care and have the courage to do what's right.



ASPIRE

We challenge and innovate to be the best that we can be.

SUSTAINABILITY AT ONE RAIL AUSTRALIA



SOCIAL

In our social pillar, we show how we live our corporate values. We are determined in our commitment to **zero injuries**. We show how we aspire to achieve the best outcomes for our customers. We value our employees and we are closely connected to the communities in which we operate.



ENVIRONMENT

In our environment pillar, we show how we are building resilience from the impact of a global energy transition away from the long-term use of thermal coal. We show the ways in which we contribute to achieving a low carbon world for future generations. We note that policies to encourage more freight on our rail networks could achieve a material reduction in emissions across the freight and logistics industry as a whole.



GOVERNANCE

In our governance pillar, we recognise that strong corporate governance is critical to satisfying our legal and regulatory obligations, ensuring the safety and well-being of our people, upholding our reputation and ensuring that we have clear support from our stakeholders.



Photo: Train Driver Jess Diamoy on the back of one of our coal trains that operate in the Hunter Valley, NSW.

CEO Statement

On behalf of One Rail Australia, I am pleased to present our first Sustainability Report.

Delivering a strong sustainability performance in an open and genuine way will be critical to the long-term success of our business. In this report, we consider our current sustainability policies and practices across three main pillars – social, environment and governance – and we highlight some of the key initiatives that we are working on to build a more sustainable business. We look forward to working with our stakeholders to create a sustainable future.

A new identity

Over the past twelve months, there has been a material change in the ownership of our business. Our founding parent company, Genesee & Wyoming Inc., has sold its interest in the business to Macquarie Infrastructure and Real Assets (MIRA) and PGGM Infrastructure Fund (PGGM).

Alongside this change, we have taken the opportunity to adopt a new name and a fresh brand, One Rail Australia.¹ We have also updated our corporate values and these values will set the foundation for who we are and how we will operate. We have been pleased to retain a connection to our G&W history through the use of our same corporate colours.

We remain committed to operating as a sustainable business. As evidence of this, we refer to our recent GRESB ESG benchmark result of 76/100 (versus a global peer average of 57/100).

Safety first

At an operational level, it is business as usual. Safety is our highest priority and our commitment to zero injuries remains the same. We are proud of our industry-leading safety record. Our record reflects our clear and uncompromising focus on safety across our business every day.

Being connected

We will continue to be a customer-focused organisation and we will challenge and innovate where we see opportunities for creating value within our customer’s logistics supply chain. This includes a strong focus on ESG outcomes.

We are committed to ensuring that all employees feel connected as part of the One Rail Australia team. We recognise that the gender diversity and the age profile of our employees are areas in which we can improve.

We believe in the importance of giving back to the local communities in which we operate, and we will continue to support a range of community-based initiatives.

Transition to a low carbon future

Almost half of our revenue comes from the haulage of high-quality export thermal coal. Over time, the global energy transition is expected to impact the long-term production and export of Australian thermal coal. We will continue to assess our energy transition risks and we aspire to build increased resilience in this area.

Importantly, where freight can be transported on rail instead of by road, a material reduction in carbon emissions can be achieved across the freight and logistics industry as a whole.² We will continue to shine a light on this opportunity and advocate for policy changes to encourage more freight on rail.

In terms of our carbon footprint, the use of diesel fuel to power our locomotive fleet accounts for 96% of our total Scope 1 and Scope 2 CO₂ emissions. We are actively looking at ways to reduce our diesel consumption and therefore reduce the carbon emissions intensity of our business.

We welcome your feedback on our sustainability reporting and performance. Please email us at sustainability@1rail.com.au.

Luke Anderson
Chief Executive Officer



1. Previously Genesee & Wyoming Australia.
2. <https://ara.net.au/value-of-rail>

Our Story

Founded in 1997, One Rail Australia has become one of Australia’s leading rail-based freight and logistics companies.

TIMELINE

1997

As a newly-formed company, One Rail Australia acquires the publicly-owned assets of Australian National’s rail freight business in SA.

2000

One Rail Australia acquires Australian Western Railroad via a 50:50 joint venture with Wesfarmers and expands operations into WA.

2004

One Rail Australia provides crewing, train operations and leased equipment to FreightLink as the new owner and operator of the Tarcoola-Darwin Railway.

2006

One Rail Australia exits its joint venture with Wesfarmers by selling its WA operations and reacquires 100% ownership of its SA operations.

2010

One Rail Australia acquires FreightLink and consolidates its operational presence in central Australia; assets include a concessional lease over the 2,200km standard gauge Tarcoola-Darwin Railway.

2015

One Rail Australia acquires a majority share in Freightliner Australia (as part of G&W’s global acquisition of the Freightliner Group) and expands operations into NSW.

2016

One Rail Australia acquires G-Rail coal haulage business from Glencore; G&W sells 49% minority interest in One Rail Australia and creates a limited partnership with MIRA and PGGM.

2020

G&W exits the One Rail Australia limited partnership; business is rebranded to One Rail Australia.³ One Rail Australia commences rail freight operations in QLD.

3. Previously Genesee & Wyoming Australia or GWA.

Our Operations

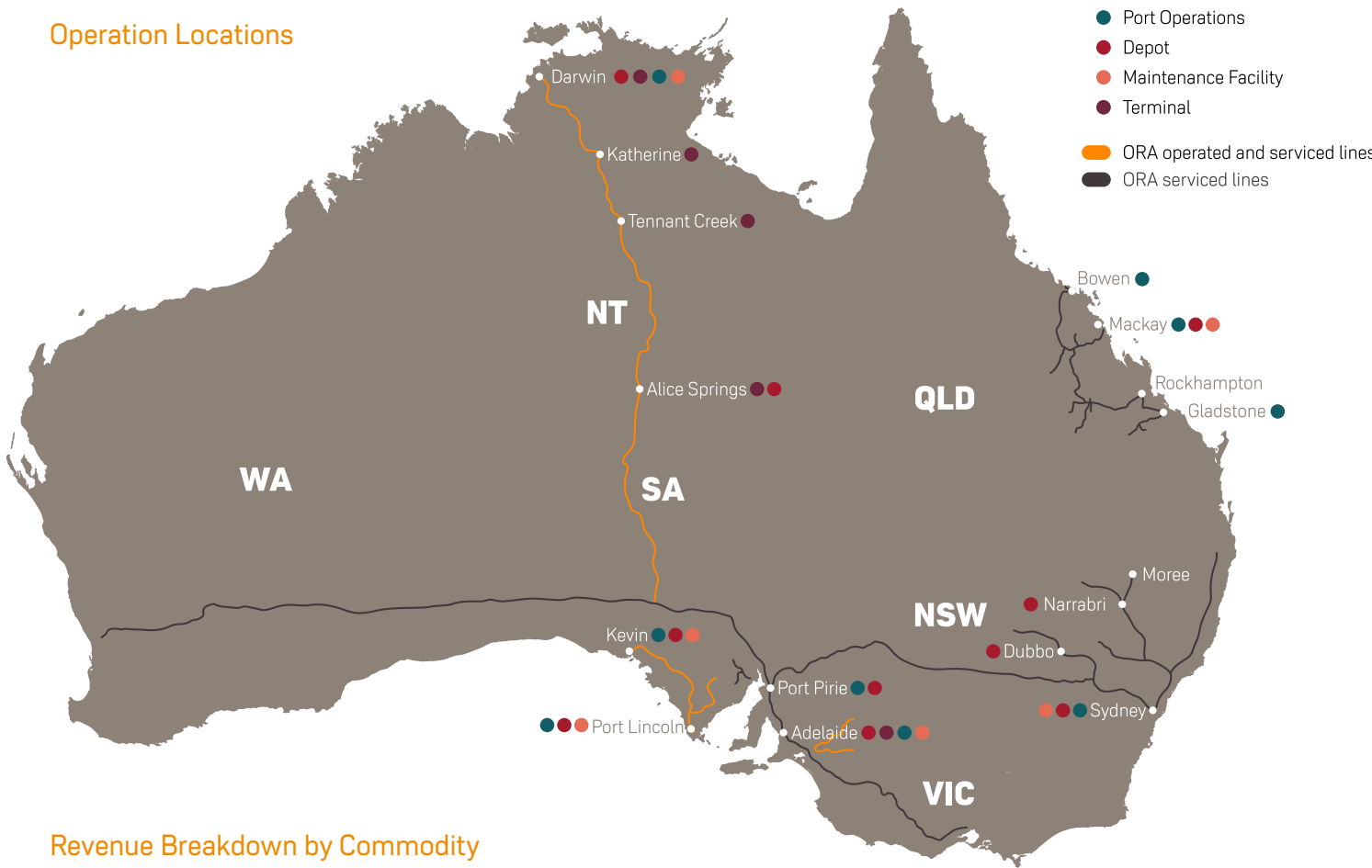
Our head office is based in Adelaide, SA and we have operations across central, northern and eastern Australia including NSW, QLD, SA and the NT.

We operate the 2,200km standard gauge Tarcoola-Darwin Railway⁴ as well as a number of regional railway lines across SA.

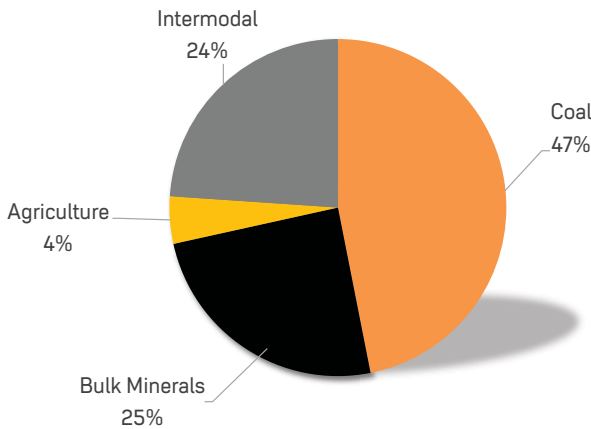
Our rail-based logistics services for customers include:

- an intermodal service along the Adelaide-to-Darwin corridor providing a logistics lifeline to the Northern Territory;
- containerised and bulk haulage of export commodities such as grain and minerals; and
- haulage of export thermal and metallurgical coal from the NSW Hunter Valley and Central Queensland Coal Networks.

Operation Locations



Revenue Breakdown by Commodity



4. Under a long-term arrangement with SA and NT Governments.

OUR APPROACH TO SUSTAINABILITY

Photo: One of our bulk minerals trains operating in South Australia.

We recognise that sustainable business practices:

- ✓ are increasingly important to our customers;
- ✓ show how we value our employees;
- ✓ underpin our social licence to operate from the community; and
- ✓ are essential to the ongoing support of our lenders and our investors who provide capital for our business to operate.

The purpose of our first Sustainability Report is to provide a picture of our current sustainable business practices.

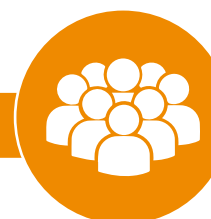
We will continue our work in identifying and measuring key sustainability metrics within our business that will help us to assess and improve our ESG performance over time.

We recognise that certain areas of sustainability in our business are not within our control. In these areas, we will challenge and seek to influence our customers and suppliers, aspiring to be a positive influence for change.

Materiality

With the support of KPMG, we conducted a materiality assessment to identify a list of sustainability topics that we believe have the most relevance and the most potential impact on our business. In this process, we also considered the areas of sustainability reported by our customers, peers and other external stakeholders.

For our 2019 sustainability report, the topics that we believe to be the most material are:



Social

SAFETY

We are committed to zero injuries for all people including employees, contractors, customers, suppliers and communities who depend on us for their safety every day.

CUSTOMERS

We aspire to challenge and innovate, to provide a high-quality service and achieve the best outcomes for our customers. We have a clear focus on delivering on our commitments every day.

PEOPLE

We are committed to building a workplace culture that is inclusive, collaborative and respectful, where our employees feel connected as part of One Team and aspire to be the best that they can be. We will continue to support our local communities.



Environment

GLOBAL ENERGY TRANSITION

We are committed to building resilience in our business from impacts that are related to climate change and in particular, the global transition away from the long-term use of thermal coal.

A LOW CARBON FUTURE

We will seek out ways to contribute to a low carbon world for future generations. We will also act responsibly in protecting and preserving our natural environment.



Governance

MANAGING RISK

Effective risk management plays a critical role in positioning us to prepare for, and respond to, threats and opportunities in our operating environment.

REGULATION AND ACCOUNTABILITY

We are committed to having strict compliance with industry laws and regulation. We also aim to be genuine, transparent, and accountable in the way that we connect with our stakeholders.



SOCIAL

Photo: Operations Manager Ben Cribb at our Wagon Maintenance Centre in Newcastle, NSW.

1 Safety

We are committed to zero injuries for all people including employees, contractors, customers, suppliers and communities who depend on us for their safety every day.

Our business operates within a high-risk safety environment. We operate and maintain fast-moving, heavy industrial equipment. We operate and maintain 3,700 kilometres of track infrastructure including across remote regions of Central Australia. We also operate and maintain active level crossings that are used by members of the public on a regular basis.

We take very seriously our duty of care for keeping people safe and we work hard to maintain an uncompromising safety culture across all areas of the business.

Our Safety Management System Framework includes:

- External safety audits
 - ▶ ONRSR Rail Safety Audit (annual)
 - ▶ ONRSR Compliance inspections of our operating environment (usually four per annum)
- Internal processes
 - ▶ Overall review of our Safety Management System⁵ (annually)
 - ▶ Safety and Environment Council (bi-monthly meetings – attended by Chief Operating Officer (Chair), Chief Executive Officer, Chief People Officer, Chief Financial Officer and other senior leaders within the business)
 - ▶ Safety Audits (19 audits were completed in 2019)
 - ▶ Rail Safety Performance Report (annual)
 - ▶ Safety Performance in monthly CEO Board reports
 - ▶ Fortnightly Safety Calls (chaired by Chief Operating Officer with all employees encouraged to participate where practical)
 - ▶ Employee Safety Reward program
 - ▶ Monthly tracking and display of safety results in many depots
 - ▶ Safety Act Observations (over 1,800 observations were recorded in 2019)

Did you know:
One of our freight trains can weigh up to 13,000 tonnes.

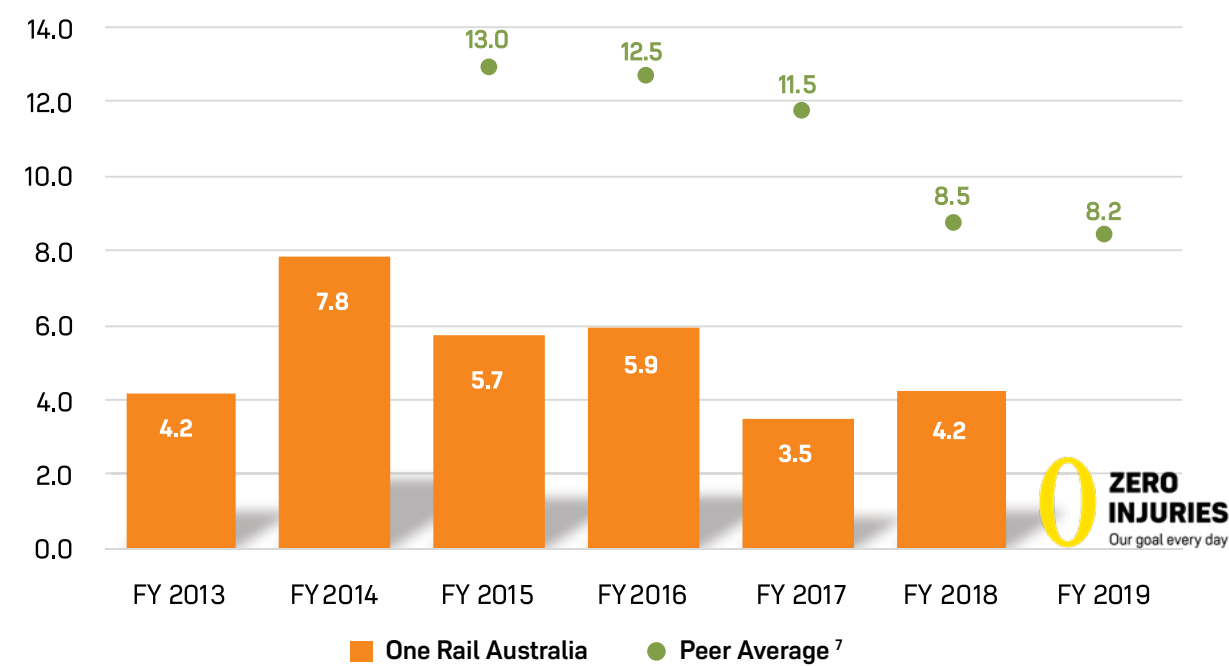
Our Risk and Audit Committee has oversight responsibilities for all of our safety systems and processes.

As part of our digital strategy, we continue to investigate opportunities for investment in technology and systems to reduce our safety-related risks.

5. Using a risk-based process, where lower risk activities are reviewed less frequently.

Our primary safety measure is our Total Recordable Injury Frequency Rate (TRIFR).⁶ This records all reportable injuries to employees per million employee hours worked. In 2019, we are proud to have achieved our target of **zero injuries** across the business. We have had zero lost time injuries over the past three years.

Total Recordable Injury Frequency Rate (TRIFR)



G&W Company Awards

2017 – G&W TYRONE C. JAMES AWARD G&W region with lowest 3-year average injury frequency rate

2018 – G&W CHAIRMAN’S AWARD G&W region with the lowest injury frequency rate

2018 – G&W PRESIDENT’S AWARD G&W region with most improved safety performance

2019 – G&W CHAIRMAN’S AWARD G&W region with the lowest injury frequency rate

2019 – G&W TYRONE C. JAMES AWARD G&W region with lowest 3-year average injury frequency rate

6. Aligns to Australian Standard AS 1885.1-1990. Due to the quality of data available, our TRIFR result shown in this report excludes contractors. Nonetheless, contractors make up a relatively small proportion of our total workforce and we would not expect a TRIFR result inclusive of contractors to be materially different.
7. Based on TRIFR data disclosed by our closest peers in the Australian rail freight industry.

2 Customers

We aspire to challenge and innovate, to provide a high quality service and achieve the best outcomes for our customers. We have a clear focus on delivering on our commitments every day.

We operate in a competitive rail freight industry and we understand that our customers have the opportunity to choose from a number of rail freight operators and in many cases, may also have a road freight alternative. We believe it is vital that we continually strive to deliver a high-quality service and to demonstrate genuine value within our customer’s overall logistics supply chain.

Many of our customer agreements have contractual key performance indicators (KPIs) that we monitor and report on a regular basis.

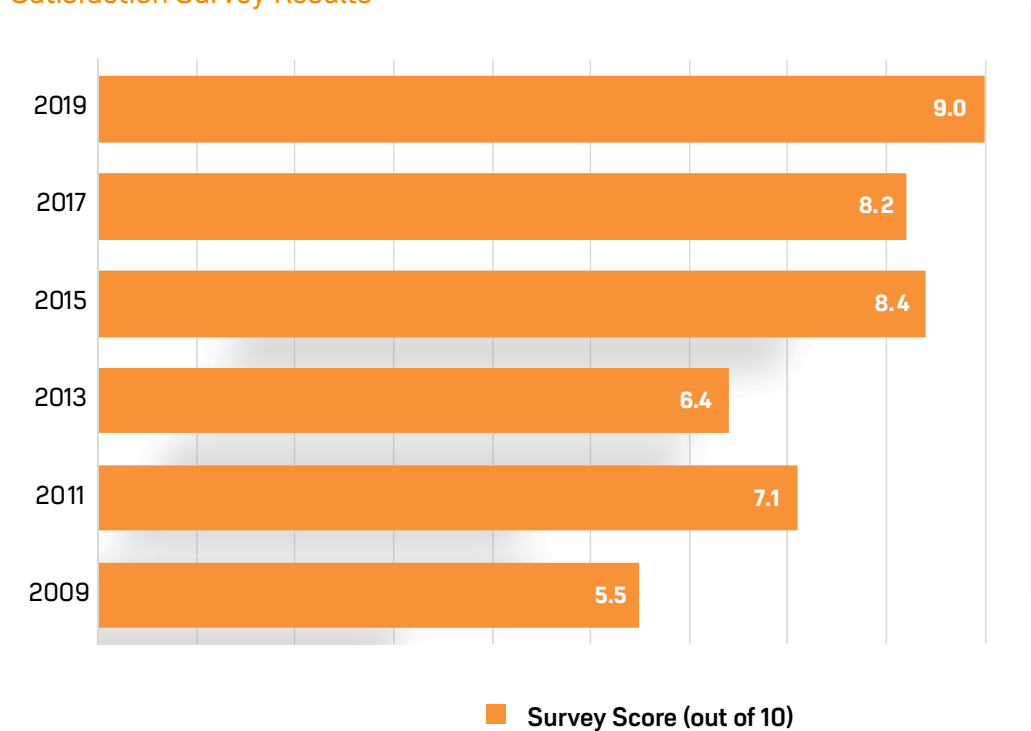
In our view, our approach of empowering our local management builds strong connections with our customers and allows for quick resolution of issues or problems. In certain regional locations, we are co-located on site and have been for many years.

We respect and value that we have long-term relationships with many of our key customers. Across our current top 10 customers, for example, we have delivered an average of 13 years of continuous service history. For two of our current top 10 customers, our continuous service history is in excess of 20 years.

We conduct an online customer satisfaction survey every two years through a leading independent research firm, JD Power. The survey uses questions to assess a customer’s level of satisfaction across a range of topics including the performance of our locomotive and wagon equipment, quality and consistency of our services, availability and performance of our crews, responsiveness of our sales and marketing representatives, accuracy and timeliness of our invoicing as well as overall organisational support.

From a survey score of 5.5 in 2009, we achieved our highest score to date of 9.0 in the 2019 survey.

Customer Satisfaction Survey Results



Going forward, we plan to invest in new systems and technology across the business and we see opportunities to deliver step-changes in connectivity and efficiency with our customer’s supply chains.



Photo: Customer operations in the Northern Territory.



Photo: Customer loading activity in South Australia.

CASE STUDY - AUSTRALIAN DEFENCE FORCE

One Rail Australia has been pleased to partner with the Australian Defence Force (ADF) for rail haulage services of their military vehicles and equipment over the 2,700km rail journey between Darwin in the Northern Territory and Adelaide in South Australia (including moves to the ADF training base near Port Augusta).

ADF equipment on a recent exercise included land rovers, tractors, bushmasters, prime movers, bulldozers, earthmovers, tanks and armoured personnel carriers with up to 700 tonnes being conveyed on a single intermodal train service. As well as haulage services, we provide load restraint procedures, loading and unloading supervision and staging areas for road interface.

"We are proud of the way that we safely deliver this unique and challenging haulage operation. We are pleased to achieve a transit time for our customer of just three days instead of weeks by road. Our haulage service for the ADF demonstrates our strong capabilities in large-scale logistic solutions, significantly reducing the number of road vehicles that would otherwise have been assigned for these exercises. On rail, we are able to provide faster, safer logistics with substantially less carbon emissions."

Luke Anderson, CEO, One Rail Australia



Photo: Train loading activity for an ADF movement between Adelaide and Darwin.



Photo: Jamie Korte, Jason Jamieson and Trevor McNab – Train Drivers, QLD.



Photo: Our Track Maintenance team working in Katherine, NT.



Photo: Staff from Head Office – R U OK Day 2019.

3 People

We are committed to building a workplace culture that is inclusive, collaborative and respectful, where our employees feel connected as part of One Team and aspire to be the best that they can be. We will continue to support our local communities.

Health and Well-being

We have a wide range of initiatives to promote the health and well-being of our employees including:



Employee Assistance Program (EAP) – a 24/7 voluntary, confidential and complimentary counselling service available to all employees and their families



An internal online communications tool (**"The Platform"**) that provides regular corporate news updates as well as health and wellbeing advice and people news



Mental health initiatives including R U OK Day, motivational speakers and trained mental health staff



One Team Value Rewards program recognising outstanding contributions by employees

Recognition awards for key milestone years of service with the business



Outplacement Support and career advisory services for any employees who are made redundant



Special Leave policies including carers leave and parental leave as well as programs that facilitate a return to work such as flexible working



After-hours security escort for employees to access staff carparks when working late



Shopping **discounts** and other cashback benefits

Banking benefits and salary packaging



Paid **COVID-19** leave
Free **flu** vaccinations



Photo: Amy Jorgensen and Belinda Feodoroff, Train Drivers based in Sarina, QLD.

Diversity

In Australia, the percentage of female staff employed by rail freight operators is an average of 11%.⁸ Our percentage of female employees is below the industry average at 8%.

The average age for employees in the rail industry is 45 years (compared to a national average of 41 years).⁹ In terms of age profile, we are in line with the industry average.

We recognise that the balance of participation by female and younger employees in the Australian rail industry will take time to change. We believe in the value of a diverse workforce and we will seek out ways to improve our gender and age diversity.

We are pleased to note that, at a senior leadership level, we have an equal number of male and female employees. We also note 35% of all new employees in the business for 2019 were trainees or apprentices.

Training and Development

We recognise the importance of developing our people through education, training and development.

We have a dedicated operational training unit within the business and where practical undertake our own in-house training.

In the Federal Government’s Australian Training Awards, One Rail Australia was awarded “Finalist” in the South Australian “Trainee of the Year” category for 2008, 2009, 2010, 2011 and 2013. In 2019, we were awarded “Employer of the Year for Apprentices and Trainees” by the Whyalla Chamber of Commerce, SA.

All office-based employees undertake an annual performance review with their manager.

We provide financial support and paid study leave to employees who wish to pursue further education to improve their opportunities for career advancement.

We are also currently investing in new technology and systems across the business and many of our employees will have an opportunity to gain new system-based skills and experience.



Photo: Graeme Murphy, Training Co-ordinator based in Newcastle, NSW.




Photo: Wagon Maintainers Dan Davey and Andrew Morris based in Newcastle, NSW.


8. Gender Diversity Report of the Australasian Rail Workforce – ARA, March 2020.
9. <https://www.australianindustrystandards.org.au/rail-irc-skills-forecast-2019>

Community Engagement


We play an important role in supporting our local communities. Recent examples of our community support initiatives include:




We provide paid leave for employees who are voluntary members of a recognised community service group such as the **South Australian Country Fire Service**.




In 2018, we signed a three-year sponsorship deal with the **City of Whyalla**, the **Whyalla Maritime Museum** and the **Whyalla Model Railway Society** to support the model railway display, drawing attention to the importance of rail in the community but also the importance of track safety.




In 2019, we donated a diesel-electric locomotive and a bulk grain hopper wagon to the **Port Lincoln Railway Museum** to use as a memorial to the role that the railway has played on the Eyre Peninsula in South Australia.




We support the **TrackSafe Foundation** – a harm-prevention charity that aims to reduce collisions, injuries and fatalities on the rail network to create a better workplace for rail employees.



We support **Variety The Children's Charity** – a charity that supports kids and their families through many difficulties including sickness, disability and disadvantage.



We provide financial support to the **Royal Flying Doctor Service**, **St Vincent de Paul Society** and the **Australian Red Cross**.



“One Rail Australia (formerly Genesee & Wyoming Australia) has been a member of the TrackSAFE Foundation since 2013. Their valuable support has helped TrackSAFE to increase community awareness about suicide, trespass and level-crossing incidents across the rail network and to highlight the impact of these potentially traumatic incidents on everyone involved, particularly train drivers and other rail employees.”

Heather Neil, Executive Director





Indigenous Cultural Heritage

We sponsor the One Rail Australia **Indigenous Achievement Award** as part of the Annual Northern Territory Young Achiever Awards. This Award acknowledges and celebrates the commitment of young indigenous people in achieving or participating in excellence.

We provide an annual financial contribution to the **Graham (Polly) Farmer Foundation** which provides academic, career and cultural enrichment for Aboriginal students in the Port Augusta region, SA.

We also monitor and preserve cultural heritage sites along the railway lines that we operate and maintain in South Australia and the Northern Territory including **indigenous heritage sites** along the Tarcoola-Darwin railway.



Photo: 2019 One Rail Australia Indigenous Achievement Award winner Rikki Bruce with Shane Hennessy, Operations Manager (SA/NT).



4 Global Energy Transition

We are committed to building resilience in our business from impacts that are related to climate change and in particular, the global transition away from the long-term use of thermal coal.

Around the world, there is broad government and institutional support for reducing over time the use of thermal coal (predominantly for power generation activities). This support includes promoting increased use of fuels with lower carbon intensity (such as natural gas) and promoting more power generation from renewable sources.

We provide rail haulage services for export thermal coal from the NSW Hunter Valley and within this business we have:

- ✓ a demonstrated track record of strong operating efficiency and performance;
- ✓ a relatively new locomotive fleet (average age of eight years);
- ✓ a service performance that has consistently exceeded the key performance metrics of our customers; and
- ✓ increased the number of trainsets and expanded our customer base from our initial market entry in 2011.

From a risk management perspective, the haulage of export thermal coal in NSW represents a material part of our business (47% of total revenue in 2019). If, for example, there were to be a sustained, structural decline in the volume of thermal coal exported from the NSW Hunter Valley, over time this could have an impact on our financial performance. Also, if there were a material increase in the sensitivity to our coal exposure across the Australian banking and insurance markets, this could affect the availability and cost of our borrowings and insurance programs. Some of the key factors that we consider in understanding and assessing our thermal coal risk are:

- Long-term Rail Haulage Contracts** – We have long-dated contracts with our coal customers. These contracts create some resilience within our business from the potential impact of lower export thermal coal volumes.
- Market Demand / Supply in Asia** – Approximately 90% of all Australian export coal is destined for Asia.¹⁰ We therefore closely monitor the market demand and supply trends in this region.

Strong energy growth continuing in Asia¹¹

- Energy demand in Asia to increase by 37% by 2040 (under the IEA's 'Stated Policies' scenario).
- Energy demand in India expected to double by 2040.
- Asia accounts for 90% of all coal-fired capacity built in last 20 years worldwide.
- Coal power plants in Asia are **12 years old** on average.

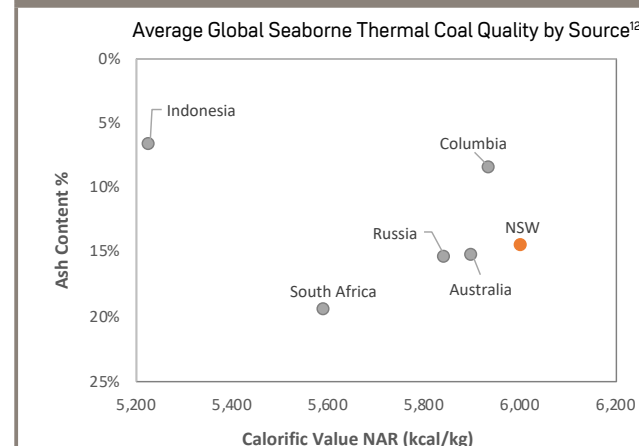
Coal-fired power still part of Asia's energy mix in 2040

AME Consulting Group forecasts that a decline in thermal demand from China and Japan will be offset by strong demand increases in emerging economies such as Vietnam, India and Malaysia through higher levels of urbanisation and industrial activity.

Thermal coal's share of electricity generation in Asia is expected to fall from 58% today to around **40% by 2040**.

- High-Quality Export Coal** – The mines that we service in the NSW Hunter Valley generally produce high-quality, low-cost thermal coal. On average, this coal has a higher energy content and achieves better efficiencies than seaborne coal that is produced from other regions. In principle, power stations that use coal with a higher energy content (calorific value) will burn less volume of coal to produce the same megawatt hours of electricity.

Competitive, high-quality NSW thermal coal



Impact on carbon emissions

“Ending or reducing NSW thermal coal exports while there is still strong long-term global demand would likely have little or no impact on global carbon emissions. Most coal consumers would be likely to source their coal from elsewhere and much of this coal would be lower quality compared to NSW Coal.”

Source: NSW Government – Strategic Statement on Coal Exploration and Mining in NSW, 2020

10. BP Statistical Review of World Energy 2020. Asia includes Japan, South Korea, China, India and Other Asia Pacific.

11. IEA World Energy Outlook 2019.

12. AME Estimates.

ENVIRONMENT



Photo: One of our coal trains arriving at a loading facility in the Central Queensland Coal Network.

4. **Technology** – We monitor developments in low carbon technologies that could achieve lower emissions without replacing thermal coal, such as new supercritical coal-fired generation and carbon capture, utilisation and storage (CCUS).

“Moving away from coal is not easy anywhere, but it is easier ... when existing assets are older, and substitutes are readily available. In Asia, electricity demand is rising fast and coal plants are around 12 years old on average. Reducing emissions from this stock of coal-fired assets poses **difficult social and economic questions** for policy makers.”

“The adoption of CCUS in many of Asia’s young power plants would be necessary to bring the world into line with a **pathway for achieving international goals** on climate, air quality and energy access.”

Source: IEA World Energy Outlook 2019, IEA Coal 2019.

Thermal or steaming coal – primarily used in a combustion process to generate electricity.

Metallurgical or coking coal – a raw material used in the manufacture of steel for the construction industry.

Current and future strategic responses to managing our thermal coal risk:

1. **Commodity Diversification** – Currently, we haul a range of commodities such as thermal coal, iron ore, steel, copper, manganese, gypsum and grain. We are actively pursuing growth in our bulk commodities that could deliver additional earnings and reduce our thermal coal exposure. We have internal targets and we track the diversity of our commodity earnings.
2. **Preference for High Quality Thermal Coal** – For potential new business opportunities in the thermal coal market, we take coal quality into account early in our decision-making process and we prefer opportunities with competitive, high quality thermal coal.
3. **Coal Diversification** – There are two main types of coal based on end-use: metallurgical coal and thermal coal. We recently commenced operations in the Central Queensland Coal Network (CQCN). Approximately 65% of coal produced in the CQCN is metallurgical coal and approximately 35% is thermal coal. We expect that our CQCN operations will allow us to generate additional earnings from a mix of both metallurgical and thermal coal, reducing the relative contribution of thermal coal to our business (i.e. revenue from thermal coal as a percentage of total revenue).

In our view, metallurgical coal has lower climate change related risks than thermal coal. The IEA notes that “industrial coal demand is more resilient because the substitution possibilities are more limited for some industrial processes than for power.”¹³ We have internal targets and we track the diversity of our coal earnings.
4. **Homogenous and Flexible Locomotive Fleet** – The locomotives used across our NSW coal operations are high horsepower, standard gauge equipment with an average age of only eight years.¹⁴ These units are not specific to the haulage of coal. In addition to the locomotives acquired in 2016, we have redeployed some existing locomotives to our coal business (previously used in the haulage of bulk commodities in other parts of our business). From a strategic perspective, we aim to retain a homogenous and flexible high horsepower locomotive fleet. This will allow us to continue to pivot haulage capacity between different commodities in response to changes in market conditions.

We provide more information on how we manage our thermal coal risk as part of our overall risk management framework in our Governance section later in this report.

We are committed to continually improving our understanding and assessment of the risks posed by carbon emission reduction policies and strategies. We also aim to deliver on strategic initiatives that will build increased resilience within our business.

13. IEA World Energy Outlook 2019.
14. Asset life of approximately 40–50 years.

5 A Low-Carbon Future

We will seek out ways to contribute to a low carbon world for future generations. We will also act responsibly in protecting and preserving our natural environment.

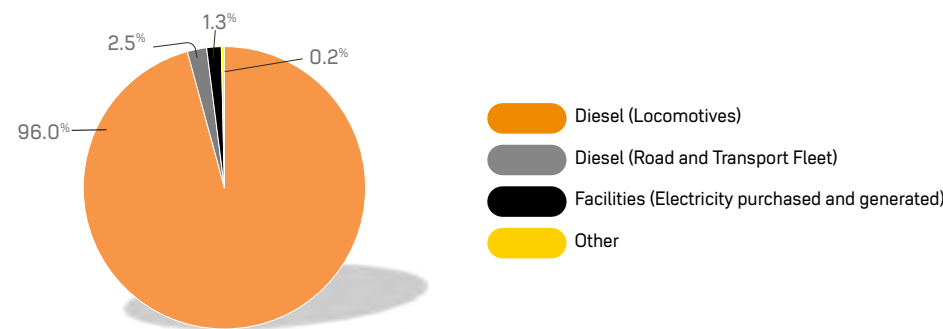
Adopted in 2015, the Paris Agreement aims to reduce the emission of gases that contribute to global warming.¹⁵ Specifically, the Agreement aims to limit the increase in global average temperatures to “well below 2° Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5° Celsius”.¹⁶ The Agreement has been signed by 197 countries including Australia.

In this context, we will seek out new and innovative ways to reduce our carbon emissions intensity over time. We will also continue to advocate for policy change for an increase in the use of rail over road for the movement of freight goods. In our view, a meaningful modal shift towards rail could provide a step-change in avoiding carbon emissions across the Australian freight and logistics industry.

Reducing our Carbon Emissions Intensity

Within our operations, the consumption of diesel fuel by our locomotive fleet is our principal source of carbon emissions (96% of total Scope 1 and Scope 2 CO₂ emissions in FY 2019).

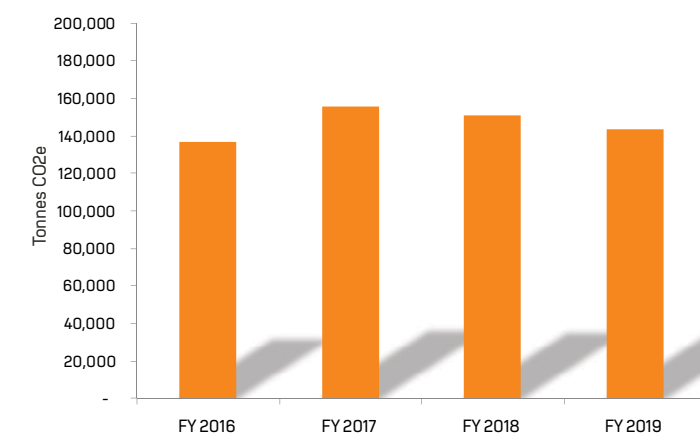
Scope 1 & 2 CO₂ Emissions by Source



Since FY 2016, our total Scope 1 and Scope 2 CO₂ emissions have increased by approximately 5%. This directly reflects an increase in our haulage volumes.

Our primary measure of environmental performance is emissions intensity – measured as kilograms of CO₂ equivalent (CO₂e) per thousand gross tonne kilometres (kGTK). This measure allows for the year-on-year variability in our haulage volumes (often the result of fluctuations in commodity markets). In FY 2019, we achieved an emissions intensity of 9.2 kgCO₂e / kGTK.

Total Scope 1 & 2 CO₂ Emissions



15. Paris Agreement under the United Nations Framework on Climate Change.

16. <https://unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement>.

Using the Science-Based Targets initiative criteria¹⁷, we have started to identify and assess a range of opportunities that could deliver lower carbon emissions intensity over time. With the different opportunities in mind, we are developing a strategy for setting targets to reduce our carbon emissions intensity. We will look to embed these targets in our annual 5-year strategic planning process.

1. Fuel Switching

Fuel switching refers to the use of renewable energy sources (instead of diesel) for locomotive power. Examples include biodiesel, hydrogen, regenerative batteries and liquid natural gas (LNG). Fuel switching would be one of the most effective ways for rail operators to reduce their carbon emissions.

The technology in this area continues to evolve over time. In our current market, the commercial application of renewable fuel technologies within our locomotive fleet would need to overcome a number of risks and challenges. These include:

- potential damage to locomotive engines and impact on equipment warranties;
- reduced operating performance of our equipment;
- ensuring consistent quality standards and broad access to an alternative fuel supply within the regions in which we operate;
- investment in alternative fuel delivery and storage infrastructure within the regions in which we operate;
- affordability of retrofitting renewable fuel equipment on existing locomotives and/or the cost of new eco-friendly locomotives;
- cost of early replacement of existing locomotives well ahead of their scheduled retirement date; and
- compliance with our operational safety standards as well as industry safety regulation.

We will continue to engage with different organisations within our supply chain (including major fuel suppliers and locomotive equipment manufacturers) to foster the development of renewable fuel solutions for locomotive power in Australia.

2. Fuel Efficiency Measures

We are actively pursuing a range of fuel efficiency measures across the business including:

- where possible, ensuring that our locomotives are switched off¹⁸ when motive power is not required on certain locomotives such as running empty out to loading sites or when idling;¹⁹
- installing a driver advisory system in certain parts of our fleet to optimise the fuel efficiency for each journey based on trailing load, weather and route conditions;
- deployment of newer locomotives with better fuel efficiency and better emissions control technology;
- exploring the potential for longer trains for increased fuel efficiency; and
- continuing to investigate hybrid-fuel options for our motor vehicle fleet.

3. Installation of Renewable Power

We recently installed rooftop solar panels at the Motive Power Centre and Operations Centre in Adelaide. Installed capacity broadly aligns with daytime energy consumption at these sites and we expect to see 15–30% reduction in energy costs. We continue to investigate the feasibility of installing roof-top solar panels at other sites across our business.

17. <https://sciencebasedtargets.org>

18. Auto engine stop/start systems have been installed on some locomotives.

19. Except where required to maintain critical components such as braking and battery systems.



Photo: One of our intermodal services operating on the Tarcoola-Darwin Railway.



Photo: Environmental inspection along the Tarcoola-Darwin Railway.

4. Energy Efficiency Measures

We are working to replace older metal-halide lighting across our sites with modern energy efficient LED lighting. Since 2016, we have replaced 350 metal-halide lights, achieving an estimated saving of up to 5% on our electricity bills at these locations. We continue to investigate the feasibility of installing LED lighting at other sites across our business where lighting accounts for a significant proportion of electricity use.

Avoided Emissions

In Australia, roughly half of all freight transportation is delivered by rail.²⁰ There is clear evidence that the transport of more freight by rail would achieve materially lower carbon emissions compared to road.

According to the Australasian Railway Association, “road freight produces **16 times** more carbon pollution than rail freight per tonne kilometre”.²¹

We continue to advocate for policy in Australia that recognises the level of carbon emissions that could be avoided if there were more freight volumes on rail. Through our formal stakeholder engagement plan, we are in regular communication with industry organisations, regulatory and statutory authorities, and government representatives on this issue.

Responsibilities for Protecting the Environment

Our Environmental policy sets our commitment to managing our business operations and activities in an environmentally-responsible manner.

Since 2009, we have reported on our annual environmental performance under the National Greenhouse and Energy Reporting (NGER) framework. Reported data includes greenhouse gas emissions, energy consumption and energy production.

We have also adopted the Rail Industry Safety and Standards Board (RISSB) Code of Practice for the Management of Locomotive Exhaust Emissions. The code focuses on the management of particulate matter produced by freight locomotives and for rail operators to progressively upgrade locomotives at overhaul to reduce particulate emissions.

We conduct periodical environmental inspections along the Tarcoola-Darwin railway and report on the status of environmental issues in the corridor, such as contamination, vegetation management, soil erosion, feral animals, livestock strikes and fire management.

As part of our commitment to engaging with local communities, we have a formal environmental complaints procedure and we track the number of environmental complaints received.

20. Australia Infrastructure Audit 2019 – Infrastructure Australia.
<https://www.infrastructureaustralia.gov.au/sites/default/files/2019-08/Australian%20Infrastructure%20Audit%202019%20-%205b.%20Freight%20Transport.pdf>
21. https://ara.net.au/sites/default/files/u647/ARA-Deloitte_Value%20of%20Rail_summary.pdf



6 Managing Risk

Effective risk management plays a critical role in positioning us to prepare for, and respond to, threats and opportunities in our operating environment.

Overall responsibility for risk management sits with the Board²² with assistance from the Risk and Audit Committee (RAC). The RAC is appointed by the Board and must comprise of at least three Directors of the Board (including one independent Director).²³ Typically, the RAC meets quarterly.

The RAC Charter outlines roles and responsibilities of the RAC, including risk policy framework; risk assessment process; risk audits and reporting on material events; safety management systems; and the company’s insurance program.

The RAC is supported in its risk responsibilities by our Safety and Environment Council (SEC). The SEC includes members from the Senior Leadership Team as well as senior operational managers from across the business.

Key elements of our risk framework include:

- **Risk Appetite Statement** – a statement that expresses the level of risk that the business is willing to take and how it might balance threats and opportunities in striving to achieve its aspiration and its strategic goals. Specific risk tolerance levels apply to the following categories: safety, environment, legal and contract, operations, financial and reputation.
- **Risk Tolerability Matrix** – provides detailed criteria to be used in risk assessment and an authority guide for when risks should be escalated to certain levels within the business.
- **Risk Registers** – includes an enterprise-wide risk register that considers both threats and opportunities for the business and a detailed operational risk register that focuses on risk threats specific to rail safety and workplace health and safety. These registers allow for risks and their treatments to be recorded, assigned, prioritised and monitored.

Our risk management framework is based on guidance contained in Australian Standard AS/NZS ISO 31000.

Identifying and managing ESG-related risks is embedded within our overall risk management framework. The Board receives regular reports that include our ESG performance (including environmental and safety incident and audit reports). The Board considers ESG-related risks and opportunities at least annually as part of our strategic planning process and is responsible for the approval and release of our annual Sustainability Report.

The RAC considers a range of ESG-related threats and opportunities within our risk registers. These risks are assessed and managed in the same way as all other risks. We provide more details on our climate-related risks in our Environment section earlier in this report.

ESG-related objectives are included in the objectives of the Senior Leadership Team.

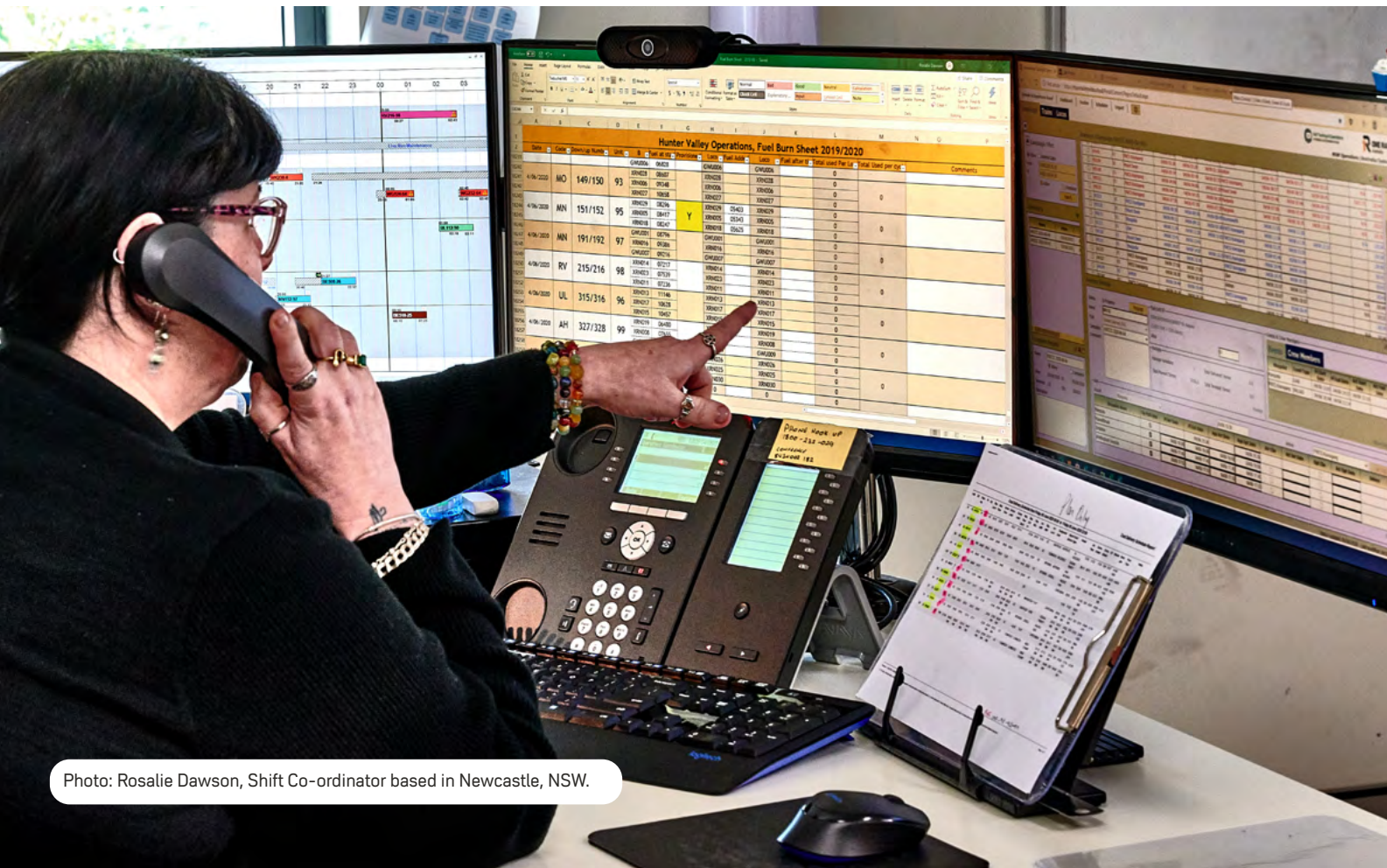


Photo: Rosalie Dawson, Shift Co-ordinator based in Newcastle, NSW.

ESG Performance

Since 2018, we have participated in the annual GRESB ESG Benchmarking process, providing our stakeholders with an independent, objective assessment of our overall ESG performance.

In our GRESB result for FY 2018, we achieved an overall score of 76/100 (compared to a global peer average of 57/100) and we ranked within the top 10% of all infrastructure assets globally.²⁴

22. References to the “Board” are to the board of the company that is the managing partner of the One Rail Australia limited partnership.
23. Currently our RAC includes two independent Directors.
24. The 2019 GRESB assessment covered 393 assets from across 57 countries on 6 continents with gross asset value of participants of \$US471bn.

7 Regulation and Accountability

We are committed to having strict compliance with industry laws and regulation. We also aim to be genuine, transparent, and accountable in the way that we connect with our stakeholders.

One Rail Australia operates within a tightly regulated industry and is required to comply with a range of industry-specific laws and regulations. We work hard to be closely engaged with our regulatory oversight bodies and other industry stakeholders including:

- Office of the National Rail Safety Regulator (ONRSR)
- AustralAsia Railway Corporation (AARC)
- Essential Services Commission of South Australia (ESCOSA)
- Clean Energy Regulator (CER)
- Environment Protection Authorities in SA, NT and NSW (EPAs)
- Rail Industry Safety and Standards Board (RISSB)

Industry Association Memberships



We believe that we have a strong foundation for regulatory compliance and stakeholder accountability through:

BOARD COMPOSITION Two (2) out of six (6) members of the Board are independent Directors (one of which is the Chairman).	RISK & AUDIT COMMITTEE In addition to risk, the RAC has tax, accounting, auditing and financial reporting responsibilities. These include the performance of internal and external audit functions as well as oversight of internal financial controls and procedures.	SUSTAINABILITY STRATEGY Identified as one of our key priority initiatives, we continue to develop our sustainability strategy with a focus on improved disclosure as well as delivering continued improvements in ESG performance.
STAKEHOLDER ENGAGEMENT PLAN We have a register of all stakeholders with lead responsibility assigned to each member of the Senior Leadership Team. We undertake a formal review of our stakeholder engagement on a bi-annual basis and seek out new ways to build stronger connections.	DIGITAL STRATEGY A new digital strategy has been developed and is currently being implemented. We are looking to improve efficiency, communications, customer and employee engagement, and visibility of the business within the market. We continue to explore new digital means to be better connected with our stakeholders. Examples include a new, online employee communications tool (The Platform) and the launch of our new corporate website.	HR POLICIES AND PROCEDURES Our HR policies and procedures promote compliance with industrial relations legislation, support and protect our employees, and promote a workplace that reflects our core values. Policies are reviewed periodically to ensure that the objectives are still relevant for the business and that the policies remain current with legislation and industry best practice.

Code of Conduct and Ethics

We place great importance on adhering to the highest standards of ethical and professional behaviour. We have developed a Code of Conduct and Ethics that sets out essential requirements and specific guidelines that govern responsible business practices. All employees undertake annual training in our Code of Conduct and Ethics including anti-corruption policies and procedures. We are all personally responsible for holding ourselves and those around us to the standards set out in the code.

Human Rights and Modern Slavery

According to the International Labour Organisation, 40 million people around the world are victims of modern slavery with almost two-thirds in the Asia-Pacific region.²⁵ Under recent Commonwealth legislation, we are now obliged to report annually on the risks of modern slavery in our operations as well as in our supply chains. Our first Modern Slavery Statement is due to be published shortly.

25. 2017 Global Estimates of Modern Slavery and Child Labour, International Labour Organisation.



Photo: Our wagon maintenance facility in Newcastle, NSW.

Our Performance

		UNITS	2019	2018
OPERATIONS	Above-Rail Freight Volumes	Million Tonnes	50.6	50.7
	Above-Rail Freight Volumes	kGTK	15,816	16,998
SOCIAL	TRIFR ²⁶	#	0.00	1.65
	LTIFR	#	0.00	0.00
	Customer Satisfaction Survey ²⁷	#	9.0	8.2
	Total Number of employees	#	614	653
	% Female employees – Total	%	8.1%	7.5%
	% Female employees – Senior Leadership	%	50.0%	42.9%
	% Female Board Members	%	0%	0%
	Average Employee Age	Years	45.4	45.3
	Employee Voluntary Turnover	%	7.7%	5.1%
ENVIRONMENT ²⁸	Community Giving	\$	\$109,400	\$108,000
	Scope 1 emissions	tCO2e	141,739	149,151
	Scope 2 emissions	tCO2e	2,074	2,104
	Total Scope 1 and 2 emissions	tCO2e	143,813	151,255
Total Scope 1 and 2 Emission Intensity		kgCO2e / kGTK	9.2	9.3

Note. Data in the table is based on Calendar Year unless noted otherwise.

26. TRIFR data is presented in the table above on a calendar year basis (1 January – 31 December). The TRIFR data shown in the Safety section of this report is presented on a financial year basis (1 July – 30 June) for the purpose of peer comparison.
27. Survey is only conducted every two years, 2018 data refers to our 2017 Survey Result.
28. All environmental data aligns to the relevant NGER period for the year ending 30 June.

GRI Index

STANDARD TITLE	GRI REF	DISCLOSURE TITLE	LOCATION OF DISCLOSURE
Gen	102-1	Name of the organisation	One Rail Australia
Gen	102-2	Activities, brands, products, and services	About One Rail Australia
Gen	102-3	Location of headquarters	Our Operations
Gen	102-4	Location of operations	Our Operations
Gen	102-5	Ownership and legal form	Our Story
Gen	102-6	Markets served	Our Operations
Gen	102-7	Scale of the organisation	Our Operations
Gen	102-8	Information on employees and other workers	People
Gen	102-9	Supply chain	Our Operations
Gen	102-10	Significant changes to the organisation and its supply chain	Our Story
Gen	102-11	Precautionary Principle or approach	Governance
Gen	102-12	External initiatives	CEO Statement, Regulation and Accountability
Gen	102-13	Membership of associations	Regulation and Accountability
Gen	102-14	Statement from senior decision-maker	CEO Statement
Gen	102-15	Key impacts, risks, and opportunities	Materiality
Gen	102-16	Values, principles, standards, and norms of behaviour	Our Approach to Sustainability
Gen	102-18	Governance structure	Governance
Gen	102-29	Identifying and managing economic, environmental, and social impacts	Materiality
Gen	102-30	Effectiveness of risk management processes	Managing Risk
Gen	102-40	List of stakeholder groups	Materiality
Gen	102-41	Collective bargaining agreements	People
Gen	102-42	Identifying and selecting stakeholders	Materiality
Gen	102-43	Approach to stakeholder engagement	Materiality
Gen	102-44	Key topics and concerns raised	Materiality, Regulation and Accountability
Gen	102-45	Entities included in the consolidated financial statements	CEO Statement, Company website
Gen	102-46	Defining report content and topic boundaries	Important Information
Gen	102-47	List of material topics	Materiality
Gen	102-50	Reporting period	Important Information
Gen	102-51	Date of most recent report	Important Information, CEO Statement
Gen	102-52	Reporting cycle	Important Information

STANDARD TITLE	GRI REF	DISCLOSURE TITLE	LOCATION OF DISCLOSURE
Gen	102-53	Contact point for questions regarding the report	CEO Statement
Gen	102-54	Claims of reporting in accordance with the GRI Standards	Important Information
Gen	102-55	GRI content index	GRI Index
Mgmt	103-1	Explanation of the material topic and its boundary	Materiality
Mgmt	103-2	The management approach and its components	Materiality
Mgmt	103-3	Evaluation of the management approach	Materiality
Eco	201-2	Financial implications and other risks and opportunities due to climate change	Managing Risk – climate related risk, Global Energy Transition
Eco	205-2	Communication and training about anti-corruption policies and procedures	Regulation and Accountability
Env	302-1	Energy consumption within the organisation	A Low-Carbon Future
Env	302-3	Energy intensity	A Low-Carbon Future
Env	302-4	Reduction of energy consumption	A Low-Carbon Future
Env	305-1	Direct (Scope 1) GHG emissions	A Low-Carbon Future
Env	305-2	Energy indirect (Scope 2) GHG emissions	A Low-Carbon Future
Env	305-4	GHG emissions intensity	A Low-Carbon Future
Env	305-5	Reduction of GHG emissions	A Low-Carbon Future
Bio	304-3	Habitats protected or restored	A Low-Carbon Future
Emp	401-1	New employee hires and employee turnover	People, Our Performance
Soc	403-1	Occupational health and safety management system	Safety
Soc	403-4	Worker participation, consultation, and communication on occupational health and safety	Safety
Soc	403-5	Worker training on occupational health and safety	Safety, People
Soc	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety
Soc	403-8	Workers covered by an occupational health and safety management system	Safety
Soc	403-9	Work-related injuries	Safety
Soc	404-2	Programs for upgrading employee skills and transition assistance programs	People
Soc	404-3	Percentage of employees receiving regular performance and career development reviews	People
Soc	405-1	Diversity of governance bodies and employees	People, Regulation and Accountability
Soc	408-1	Operations and suppliers at significant risk for incidents of child labor	Managing Risk
Soc	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Managing Risk
Soc	413-1	Operations with local community engagement, impact assessments, and development programs	People

