



Australia's leader in safe, innovative,
and sustainable rail freight solutions

ESG Report FY2020

A yellow Pacific National NR44 locomotive is shown from a low angle, moving along a track. The locomotive has blue and white diagonal stripes on its side. The Pacific National logo and the number NR44 are visible on the side. The background is dark and industrial, with a blue and yellow diagonal graphic element in the top right corner.

pacificnational
NR44

www.pacificnational.com.au

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Note: Images used throughout this document were taken prior to the outbreak of COVID-19 in 2020. Social distancing measures have since been implemented across Pacific National.

As Australia's largest private rail freight company, and a provider of essential services during the COVID-19 pandemic, Pacific National is proudly doing its part by hauling the goods and commodities that are essential to keeping our nation's economy functioning. We work **24 hours a day, seven days a week, 365 days of the year**, to operate the railway services which links critical supply chains right across the breadth and width of our vast country.





About this report

Pacific National Holdings Pty Limited and its subsidiaries (collectively referred to as Pacific National) is pleased to share its first public ESG Report.

This report represents the company's inaugural ESG-focused publication and covers various ESG-related aspects of the company's operations and activities during the reporting period **1 July 2019 to 30 June 2020 ("FY20")**. As this is an inaugural report, we have also included accomplishments and achievements from the 2018-2019 financial year (**"FY19"**).

ESG performance is important to Pacific National, and we recognise that it is also an important and growing area of interest for all our stakeholders. This report represents our current approach to reporting on these topics. Where relevant, the

content of this inaugural ESG report has been informed by the Global Reporting Initiative's (GRI) Reporting Standards, in order to establish a baseline of ESG reporting for the company. As we mature and further develop our ESG strategy, activities, and reporting capabilities, we intend to appropriately align future ESG reports with other key international reporting guidelines, such as:

- Task Force on Climate-related Financial Disclosures (TCFD);
- Sustainability Accounting Standards Board (SASB);
- ASX Corporate Governance Principles and Recommendations; and
- United Nations Sustainable Development Goals (SDGs).



Acknowledgement of **Country**

Pacific National traverses some of Australia's most remote locations and we are proud of our connection to land and country – it is what makes us who we are and defines us as a business. We would like to honour this connection to land and country by acknowledging and paying respect to the past, present and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.

Message from the CEO

On behalf of Pacific National, I am pleased to present our first public ESG Report.



Sustainability is core to Pacific National's strategy and is fundamental to ensuring that we continue to build and operate a strong and resilient business. During these unprecedented times, sustainable railways, and the reliable and essential services they provide, are more important than ever.

Throughout our long history, Pacific National has strived to operate sustainably. The intent of this report is to improve transparency regarding our sustainability performance and to take the opportunity to highlight the various ESG related areas and activities that we have focussed on to date. We also wish to draw attention to those ESG areas where we will continue to focus in the future, in order to develop a sustainable future for our business and the communities in which we operate. As a company, we need to effectively respond to both ESG risks and opportunities, to achieve our vision of being the recognised leader for safe, innovative, and sustainable rail freight solutions in Australia.

In the near term, we want to prioritise the areas where we can have the greatest impact. During 2020, we conducted a detailed ESG materiality assessment, which assisted us in identifying and evaluating the most significant environmental, social and governance areas which impact our business.

As Australia's leading provider of long-distance rail freight services, we intend to continue to support urban and regional economic growth right across Australia whilst delivering efficient transport solutions for our customers. We strongly believe that rail is the most sustainable way to move goods over long distances via land. At a time when Australians want to improve road safety, lower traffic congestion and vehicle emissions, and reduce wear and tear on local and state roads, rail freight offers the ideal transport solution.

As part of Pacific National's focus on shifting more freight from road to rail, we are proud to be a leading rail freight operator and voice within the industry, promoting the benefits of rail to governments, stakeholders and within our communities. We are also investing in order to effect this change and in FY20 we have advanced plans to establish a major intermodal IMEX freight hub in the heart of Western Sydney; one of the fastest growing regions by population in Australia.

However, we recognise that any growth in Pacific National's activities should be accompanied by a reduction in our environmental footprint. To this end, we have taken steps this year to improve the measurement of our various environmental impacts and identify ways in which these impacts may be mitigated in the future. We strongly believe that a sustainable future for Australia necessitates a sustainable national rail freight sector.

Our focus on safety has always been of the highest priority, and the importance of this longstanding focus was underscored during 2020. While I sadly report the first fatality within Pacific National in over four years, the company has responded constructively and has continued to implement key strategic and risk mitigation projects across the business. This includes the development of a critical risk management framework designed to address and manage fatality risks.

As we mourn the tragic loss of one of our colleagues in a rail collision, we remain highly focussed on continuous improvement in safety performance. This includes the reinforcement of various organisational foundations which will ultimately lead to an even safer business in the future. Whilst Pacific National is proud to be a leader within the Australian rail industry in relation to safety performance, and while we have seen encouraging results in recent years across a number of safety metrics (which we highlight later in this report), I have nonetheless emphasised that our focus on safety can never waiver.

With more than 60 percent of our 3,314 strong work force located in regional Australia, we are proud that our large footprint in the regions – and the skilled jobs we provide in these areas – helps to support local economies and sustain regional communities. This has been particularly relevant during FY20, where through the provision of jobs and in-kind support, Pacific National has supported communities that have faced acute challenges from bushfires and more recently the pandemic.

We also recognise that a talented and diverse workforce is a key competitive advantage. In FY19/20, Pacific National established a mentoring program involving senior executives and women mentees from across the company (i.e. both operational and corporate centre employees). The success of this program will continue to form the basis for further positive change both within Pacific National and also the broader industry.

Pacific National also faced several unique challenges this year due to the COVID-19 global pandemic and the devastating bushfires between September 2019 and January 2020. During these difficult periods, the company has demonstrated a resilience and focus that has allowed us to continue to operate safely and efficiently, in order to keep essential goods moving across the country. I am proud of how we as a business have responded to the trials and challenges of 2020.

Dean Dalla Valle, CEO
April 2021



Construction is under way to build the St Marys Freight Hub in Western Sydney. This will be a major intermodal freight hub in Australia's fastest growing area commencing operations in 2021.

Pacific National's **COVID-19 Response**

From the outset of the COVID-19 pandemic we have had three key objectives:

1. Keep our people and communities safe and protect their health;
2. Keep trains running and support the essential distribution of freight across Australia; and
3. Learn and grow as a business from a once in a generation crisis.

Pacific National commenced its response to the threat of COVID-19 in advance of the Australian Government's declaration of a pandemic. The development and implementation of health guidelines for use across our operations commenced early, so that we were able to maintain our essential freight services and protect our people and communities from potential infection.

We moved quickly to establish clear and consistent guidelines that addressed the health and safety of our people in what was a rapidly evolving and dynamic environment. We were able to work closely with our employees, our customers and with Government agencies to establish various support mechanisms including a comprehensive "COVID Safe" plan and support for mental health. We also had specific input into state jurisdictions regarding the management of critical workers who were required to work across state boundaries, and during city or state-wide lockdowns.

As a result of the challenges faced during the COVID-19 pandemic, the company has learnt about the resilience of our people and what is truly possible. Many of the fundamental processes developed during this time period are now a part of our business-as-usual approach and hence we continue to leverage our new capabilities right across the company.

Crisis Management

A Crisis Management Team was established very early in the COVID-19 pandemic to respond to the developing situation. The Crisis Management Team included key executives and was responsible for addressing policy and external matters, developing and implementing contingency plans and the introduction of specific operational responses to the threat of the pandemic. The team met regularly and focussed on providing consistent and clear communication to our workforce to help keep them safe and well informed.

Delivering a Consistent Health Response for our Workers and the Community

From the outbreak of the COVID-19 pandemic in March 2020, Federal and state governments together with expertise across the sector, worked cooperatively to ensure freight continued to be delivered between states and regions safely and efficiently by rail.

Pacific National worked with the Freight on Rail Group (FORG) of Australia (which was chaired by Pacific National at the time) and other key industry associations (e.g. Australian Logistics Council) to work closely with numerous federal and state ministerial offices and government departments, helping to streamline cross-border travel and COVID testing arrangements for critical rail freight workers.

The COVID-19 pandemic also caused disruption with international shipping lines and port operations, but Australia was fortunate to have enough rail capacity to help form 'freight land bridges' to transport goods and commodities between states, regions and capital cities.

National Cabinet moved quickly to classify freight and logistics as critical services and frontline rail workers as critical workers/travellers allowing them to cross borders without having to go into a quarantine before or after each delivery run.

The COVID-19 pandemic response also highlighted that rail freight operations have the benefit of being conducted within rail corridors and depots/terminals strictly off-limit to the public. Many rail freight facilities are also well away from built up residential areas. These characteristics of rail freight operations meant they were ideally placed to continue to operate safely for both our people and the community.

This classification of critical freight workers or travellers not only included locomotive drivers, but also critical support teams like maintenance crew, terminal staff, and safety compliance officers. An army of skilled and trained workers was needed to support and supervise safe daily rail freight services across Australia.

From the outset, a single clear approach to the management of worker health was implemented into our operations nationally. Based on advice from Federal and State Governments and the Australian Health Protection Principal Committee (AHPPC), a series of protocols was implemented to ensure we minimised the risk of transmission in the workplace. This response was documented in our national COVID Safe plan.

As a part of this integrated and national plan we observed social distancing obligations to keep our people safe across our operations and in our offices by embedding remote and flexible working solutions. We also utilised our Critical Risk Management framework to embed routines that supported leaders in the verification of the key controls we developed, to continue to keep our people safe during this pandemic.

In addition to focussing on the physical impacts, we carefully considered the mental health of our people. We implemented a series of actions aimed at supporting our workers and their families with free mental health webinars, relaunched our Peer Connect mental health first aid program and participated in the national "RU OK? Day" programs as well as the rail industry specific program called "Rail RUOK? Day" run by the TrackSafe Foundation in conjunction with RUOK.

Although not a new initiative for 2020, we also ensured that all employees had access to free flu vaccinations in 2020.

Criticality of Rail Freight

During the COVID-19 pandemic, Pacific National solidified its position as Australia's largest rail hauler of interstate and intercity containerised (intermodal) freight volumes, including provision of additional weekly rail services between capital cities on the eastern seaboard and Western Australia (i.e. Perth Freight Terminal, Kewdale).

During 2020, COVID-19 outbreaks and subsequent state border travel restrictions at times adversely impacted interstate road freight operations, leading to a sudden surge in demand for rail freight services to plug the capacity gap (i.e. rapid modal shift to rail).

COVID-19 impacts on international shipping lines (coastal trading) also lead to demand for rail freight services.

Increased demand for interstate and intercity rail freight services was also driven by changes to consumer buying patterns during the pandemic, notably significant increase in on-line shopping as people stayed at home and buying at supermarkets in capital cities creating a sudden (at times overnight) surge for additional services in times of quarantine and city and state-wide lockdowns.

Pacific National is proud that throughout the COVID-19 pandemic it continued to safely deliver rail freight services while keeping our people and communities safe and healthy, and that rail freight was critical to keeping freight moving across Australia.



About **Pacific National**

What we do

As Australia's largest private rail freight operator, Pacific National operates 24 hours a day, seven days a week, 365 days a year. With a broad customer base situated across mainland Australia and operating in diverse industries, Pacific National transports a varied mix of general freight cargo, import/export goods, and bulk commodities, which are reflective of the broader Australian economy.

Our business is organised into two key operating units supported by a shared corporate services function. The operating units are:

Freight

Pacific National's Freight business is Australia's leading provider of long-distance rail transport services for containerised and bulk freight. We haul a wide variety of products which are used within Australia and around the world, including construction materials, agricultural products, refrigerated goods, waste, minerals and more. Pacific National is the leading intermodal and steel freight operator in Australia and is also eastern Australia's largest transporter of grain and other

regional export products. In order to support our geographically diverse activities, we also have access to a nationwide network of terminals and freight yards.

Coal

Pacific National's Coal business transports both metallurgical and thermal coal from mine to port, connecting regional mines throughout Queensland and New South Wales with domestic and global export markets. The metallurgical coal we transport is used (alongside iron ore) as a key input for the production of steel that is ultimately consumed globally; whilst the thermal coal is used primarily to support energy generation in developing economies. Whilst the energy transition is expected to lead to future shifts in coal consumption at a global level, coal transport logistics continues to be a core function at Pacific National. Our operations are integrated into regional communities throughout Queensland and New South Wales and we continue to prioritise the support of our customers and our related communities.



A typical Pacific National 760-metre grain train hauling 48 wagons each carrying 60 tonnes of grain is equivalent to removing approximately 68 truck trips off regional roads.



Pacific National is the primary intermodal freight operator in Australia, hauling 500,000 tonnes of containerised freight each week.

Where Pacific National **Operates**

National view



~575 active locos



~11,600 active wagons



>3,300 FTE staff headcount

Annual haulage

INTERMODAL:

841,000 TEU*

*TEU – twenty foot equivalent unit

COAL:

154.2M tonnes

BULK AND OTHER FREIGHT:

24.4M tonnes

PERTH
FREEMANTLE PORT

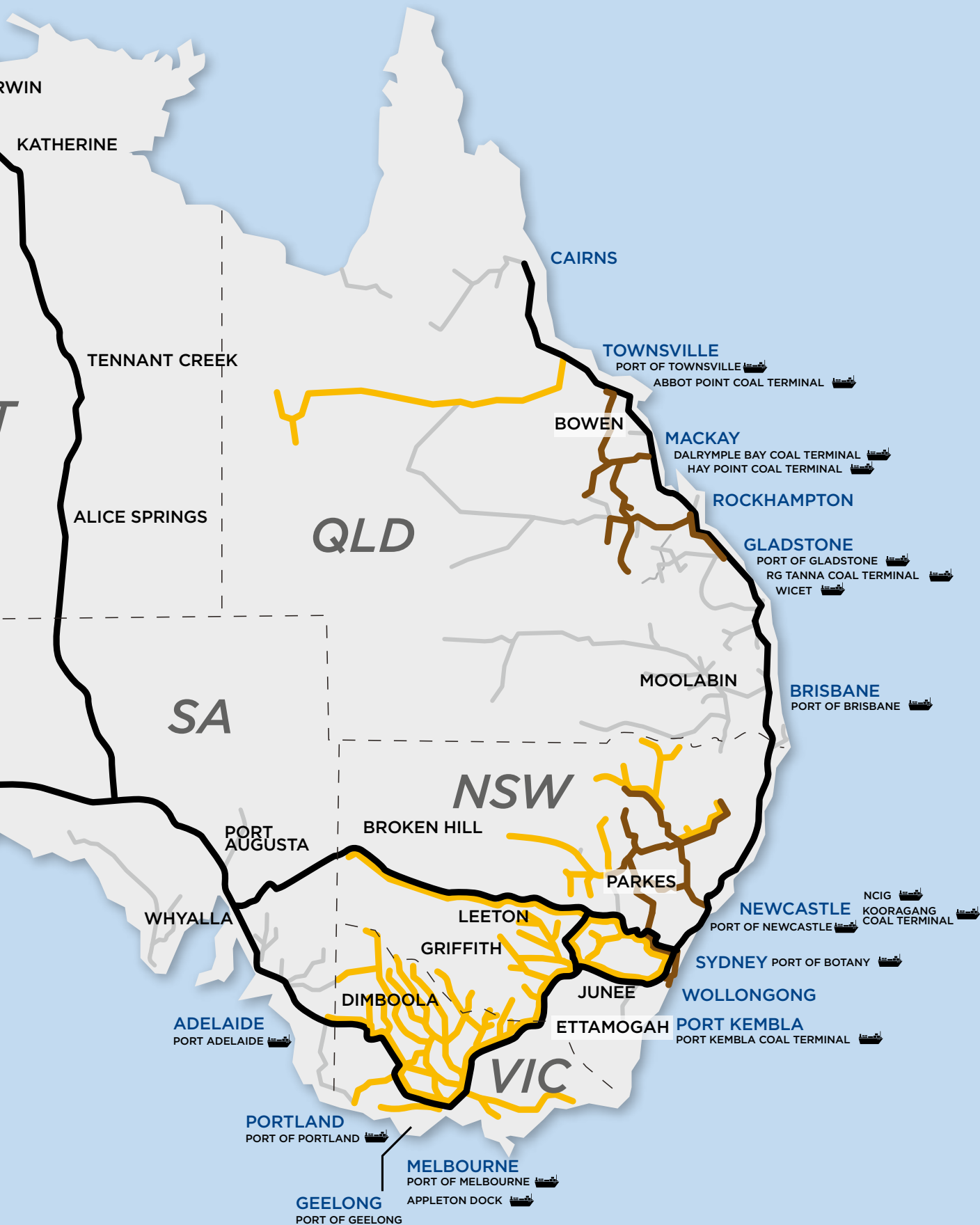
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Customer Service

Our customers come from a diverse range of industries and organisations, such as the energy and resources sector, multinational freight-forwarding corporations, industrial manufacturing, and agricultural companies – all with unique transport and logistics needs. Pacific National's goal with each of our customers is to deliver exceptional service by providing a safe, efficient, and reliable rail service to meet each of their requirements and by always adopting a customer-centric viewpoint.

Engagement with our customers is of the highest priority – only by consistent and constructive engagement can we then better understand our customers' risks, opportunities and critical priorities. Our aspiration is to develop a mutually beneficial and sustainable supply-chain strategy, to ensure that we are all able to sustainably grow our businesses together.

Our Vision, Purpose and Values

Vision

At Pacific National, we all share a vision to be the recognised leader for safe, innovative and sustainable rail freight solutions in Australia.

Purpose

Moving Australia's economy for our customers.

Pacific National's aspiration is to enhance the safety, sustainability and productivity of the nation's rail freight sector and to grow our business in a way which enables long term, sustainable success for our customers, our shareholders and our broader set of stakeholders.

Our fundamental business strategy is based on three core pillars:

- Operational and commercial excellence;
 - Strengthening our core markets; and
 - Growing our business and the industry.
-

Values

Our values set a clear framework for our desired culture and what we expect of all people in our business. Our values were chosen by the leaders and employees across our organisation because they support our goals and strategic direction.



Safety

- We manage risk to ensure our people go home safely every day
- We take action and hold each other to account to create a safe and sustainable workplace
- We speak up and challenge appropriately to improve safety



Accountability

- We work hard to deliver on, and strive to exceed, our customers' and shareholders' expectations
- We take ownership and actively seek ways to innovate and simplify everything we do
- We listen and receive feedback positively to improve the way we work



Integrity

- We courageously do the right thing with openness and honesty
- We lead by example
- We deal with challenges respectfully and seek sustainable, ethical solutions

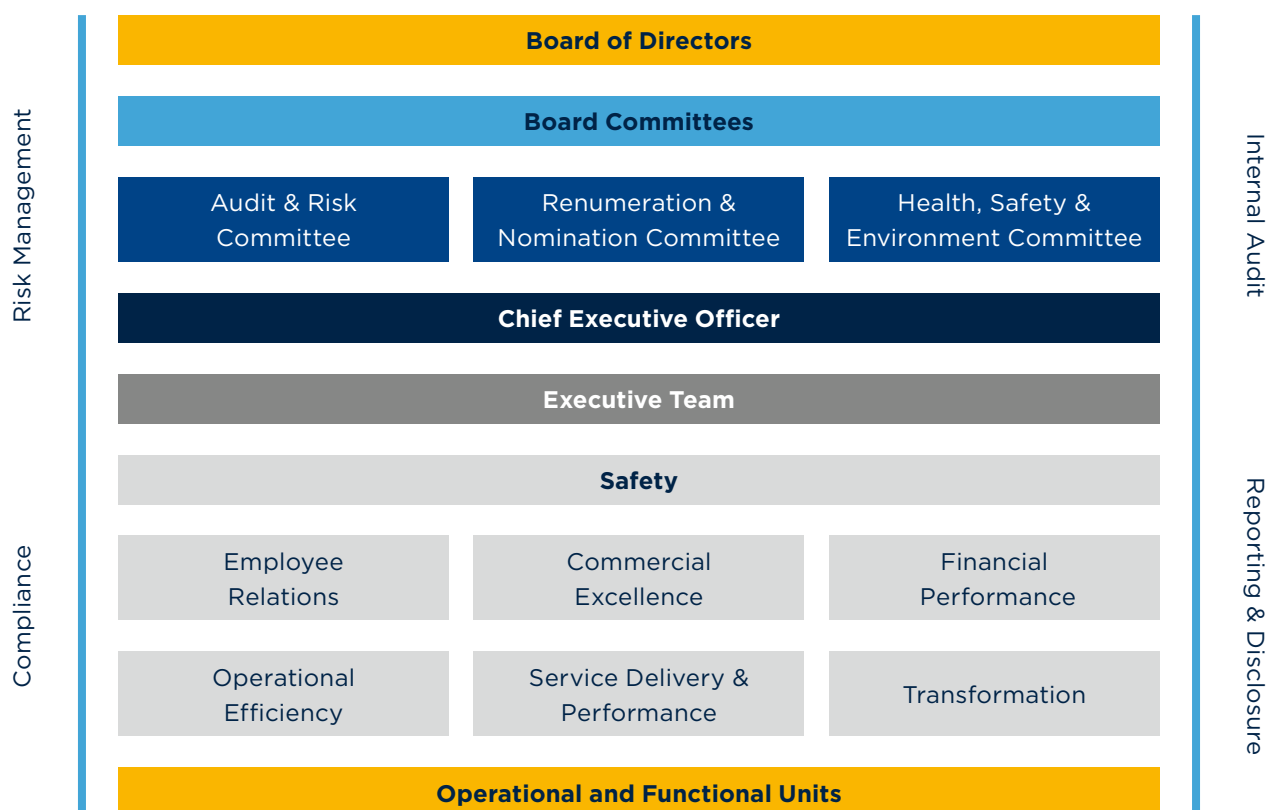


Teamwork

- We work together to achieve exceptional results
- We trust and support each other to focus on what matters
- We value the role everyone plays in creating the workforce of the future

Corporate Governance

Pacific National's Board is responsible for providing strategic guidance, governance and effective oversight of management and the performance of Pacific National. Pacific National's Board Charter details the guiding principles of our Board of Directors and their role in the company's operations.



The Board of Directors is appointed by the consortium that own Pacific National Holdings Pty Ltd, comprising some of the world's most experienced infrastructure investors, which include:

- Canada Pension Plan Investment Board;
- Global Infrastructure Partners;
- China Investment Corporation;
- GIC; and
- British Columbia Investment Management Corporation.

Pacific National's Board is made up of a total of nine directors, including Pacific National's Chief Executive Officer, and eight shareholder-nominated representatives (including a non-executive Chairman and professional non-executive directors). The non-executive directors' remuneration arrangements are addressed through their nominating shareholder and they do not receive remuneration from Pacific National.

The Board currently has the following sub-committees:

- **Audit and Risk:** Responsible for assisting the Board in the oversight of the integrity and quality of Pacific National's financial information, internal controls and processes; performance and independence of the company's external auditor and performance of the internal audit function; and the effectiveness of the enterprise risk management framework.
- **Remuneration and Nomination:** Responsible for providing recommendations to the Board on the organisation's compensation strategy including remuneration, nomination and succession planning; recruitment and retention policies; diversity and inclusion objectives and incentives to drive performance behaviour throughout the enterprise.
- **Health, Safety, and Environment:** Assists the Board in fulfilling their responsibilities in relation to the health, safety and wellbeing of our employees, contractors and visitors; rail safety performance and compliance; environmental, climate and energy efficiency strategies; overseeing and monitoring sustainability reporting activities; and monitoring community engagement and investment activities.

The Executive team, led by the Chief Executive Officer, develops and implements Pacific National's broader corporate and sustainability strategy, as well as attend to the day-to-day management of operations.



Pacific National's Health, Safety and Environment (HSE) Committee oversees the company's Home Safely Everyday initiative.

Our Approach to **ESG**



Pacific National is committed to continuously improving the way in which we operate our business, including our approach to sustainability. We also believe it is important to contribute to the long-term sustainability of the communities in which we operate.

The Board has ultimate responsibility for Pacific National's ESG strategy, and is assisted in this regard by the Health, Safety and Environment (HSE) sub-committee which monitors the company's sustainability performance and oversees the development of ESG reporting. In addition, the Audit and Risk sub-committee assists with oversight of various risk management systems, including in relation to environmental and social matters.

At a day-to-day level, governance at Pacific National is implemented through various policies including our HSE, Code of Conduct and Whistle-blower, Compliance, Conflicts of Interest, and Fraud and Corruption policies (amongst others).

Whilst these policy documents canvas a broad cross-section of topics, they also play an important role in clearly outlining how our employees are expected to interact with and manage various ESG related matters.

In FY20, Pacific National took the important step of establishing direct executive accountability to the Chief Corporate Services Officer for all ESG related areas. This organisational change is intended to embed our proactive attitude toward identifying, promoting and managing ESG issues throughout the company, and the new structure will also support the development of a more strategic approach to ESG.

Our stakeholders

At Pacific National we consider that our ability to successfully interact with a diverse suite of stakeholders will always play an important role in guiding our approach to ESG matters. Our stakeholders play a pivotal role in our strategic planning and in our day-to-day operations. Only by listening to and engaging with our stakeholders will we understand the full set of ESG risks and opportunities relating to our business and the activities of those with whom we interact. We communicate with our stakeholders across a wide number of areas of interest, typically engaging in a way that promotes open two-way communication which best serves all our needs.

Stakeholder Group	Areas of Interest	How We Engage
Customers	Customer service, Rail's sustainability advantage over other transport modes, supply chain, rail network availability, business integrity.	Regular customer meetings, reporting, participation in forums, meetings, direct engagement.
Employees	Health and safety, values and culture, inclusion and diversity, employment and worker rights, climate change, environmental performance.	Internal communications, employee surveys, events and workshops.
Local communities	Social licence to operate, employment, operational impacts.	Community engagement, local media, employment opportunities, sponsorships and donations.
Suppliers	Business sustainability, governance, supply chain and network, modern slavery, ESG.	Tender contract documents, supplier onboarding processes, contractor engagement.
Government and regulators	Regulatory policy and compliance, corporate governance, health and safety, Rail's sustainability advantage, climate change, energy transition.	Reporting, meetings, audits.
Shareholders	Rail's sustainability advantage, health and safety, long term value, risk management and governance, government regulation and policy, business integrity.	Quarterly reporting, half year and full year results presentations, regular board and shareholder meetings.
Financial institutions	Corporate governance, health, safety and environmental performance, climate change, risk management and governance, business integrity.	Half yearly and annual financial reporting. Bond documentation.
Directors	Directors duties, risk management and governance, business integrity.	Board and sub-committee meetings, scheduled and ad-hoc reporting.
Industry Associations/ Lobby Groups	Government transport policy, Rail's sustainability advantage, social licence to operate, energy transition and employment.	Participation in forums, meetings, policy submissions, reference group participation, direct engagement.

ESG Materiality

At Pacific National, we believe it is important to define and prioritise those ESG risks and opportunities that are perceived to be most significant to our company and to our key stakeholders. Identifying, understanding, and monitoring these areas is vital not only for the continued development of our ESG strategy, but it is also critical for our broader business strategy as a whole.

Risk Assessment and Monitoring

Pacific National has traditionally adopted an enterprise-wide approach to identifying and effectively managing risk across the business (including but not limited to ESG risks). In this context, ESG matters are integrated into the company's enterprise risk register in order to ensure that that ESG risk events are identified, evaluated, and managed within the risk appetite levels approved by the Board. Relevant ESG matters that are incorporated into the enterprise risk register include climate change, environmental protection, social responsibilities to employees / customers / suppliers / communities, and robust corporate governance practices.

Risk assessments are conducted on a half yearly basis and reviewed by the Board, providing assurance that ESG risks and mitigation strategies remain up to date. Roles, responsibilities, and risk ownership are duly established, whilst reporting mechanisms are in place to internally report on these risks.

Sound risk management and internal controls enable our business to anticipate and act upon the prevention and mitigation of ESG exposures that may materially impact the delivery of Pacific National's purpose, strategy, values or business plans.

Key ESG Focus Areas

Commencing in February 2020, Pacific National conducted an inaugural ESG materiality assessment with the support of an independent ESG consultant. This assessment has helped us to understand the ESG areas where Pacific National is likely to have a material impact, and has enabled us to identify those "key focus areas" which should form the pillars of our ESG and broader corporate strategy.

Our approach to this exercise was informed by the GRI's guidance on materiality assessments, which recommends the prioritisation of ESG matters based on the potential impacts to the business and the potential impacts on stakeholder decision-making.

In identifying and defining our material ESG focus areas, the following three steps were undertaken.

Step 1: Identification of ESG matters

An initial list of potentially relevant ESG matters was developed based on interviews conducted with senior executive management across the business. The interviews facilitated a better understanding of the potential issues facing Pacific National's business and provided an opportunity for targeted engagement with executive management on the connection between business strategy, risk management and ESG matters.

Step 2: Prioritisation of key focus areas:

This was the primary aim of our February 2020 workshop involving executive leadership and external consultants. With the benefit of a wide pool of experience amongst the participants, each proposed ESG matter was considered and duly prioritised based on potential impacts and relative importance to stakeholders.

Step 3: Validation

In the period following the materiality workshop, the conclusions and output from the exercise were subsequently reviewed and consolidated.

As a product of the materiality assessment, Pacific National has identified a list of "key ESG focus areas" which represent the ESG areas which we consider to be most relevant for the company. These focus areas are introduced and summarised in the table below (along with references to where each topic is addressed in greater detail elsewhere in the report).

Table 1: Key ESG Focus Areas

Key ESG Focus Areas	Definition	Section / Page Number
Environment		
Rail's sustainability advantage	Advocating rail as an efficient, environmentally, and socially sustainable mode of transport compared to road transport.	Rail's Sustainability Advantage, pp. 22-24
Environmental impacts	Managing our operations and associated environmental impacts including noise, land and water impacts, and compliance with environmental regulations.	Environmental Impacts, pp. 25-27
Technological innovation to improve ESG outcomes	Investing in technology that supports and accelerates the competitive advantage of rail and enables greater connectivity between regions and cities. Investing in proven technologies that assist in reducing emissions and driving sustainable practices	Technological innovation, pp. 28-29
Climate Change and energy transition	Managing climate change impacts on the business, including key markets (energy transition), business resilience (physical risks) and our operational greenhouse gas (GHG) emission footprint.	Climate Change and the energy transition, pp. 30-31
Social		
Health, safety and wellbeing	Maintaining the health, safety and wellbeing of our employees, contractors, and communities as it relates to our business operations and ensuring a continual focus on safety culture so that everyone can go "Home Safely Everyday".	Health, Safety and Wellbeing, pp. 32-38
Community investment and engagement	Maintaining an engagement strategy with our communities, our economic contributions to local community, listening to feedback and managing our environmental and social impacts on local communities.	Community Investment and Engagement, p. 39-40
Social licence to operate	How we build and maintain ongoing acceptance and support of our business operations from our local communities and other important stakeholders.	Our stakeholders, p.17
Inclusion and diversity	Developing an inclusive and diverse workforce to align with and reflect our strategy, including how we demonstrate an understanding and respect for Indigenous communities and focus on providing opportunity through employment.	Diversity and Inclusion, pp. 41-43
Talent attraction and retention	Attracting and retaining skilled people and promoting Pacific National's role as a regional employer. This includes how we manage our position as a significant employer in regional Australia and continue to attract and retain talent.	Talent Attraction and Retention, pp. 44-46
Modern slavery	Responding to the Australian Modern Slavery Act and work to identify and respond to modern slavery risks in our operations and supply chain, including engaging with our suppliers and customers.	Modern Slavery, p. 47
Governance		
Corporate governance, values and culture	Ensuring a strong corporate culture is embedded throughout the company and maintaining the right level of transparency (which is closely connected to advocacy), as well as how we demonstrate our core beliefs and values through our culture to achieve strategic objectives.	Our vision, purpose and values, pp. 47-48
Engagement with stakeholders on ESG matters	Providing credible ESG related information that addresses the information needs of our stakeholders, including shareholders via requests for information, board meetings and annual reports.	Our stakeholders, pp. 17, 50-52
Government policy and regulation	Managing the impacts of increasing and sustained regulation on the business, including the effectiveness of advocacy.	Industry Advocacy, p. 24



Pacific National's Integrated Planning Services (IPS) is a prime example of technological innovation. IPS deploys digital communications and network technology to deliver safe and efficient rail freight operations.

Our Key ESG **Focus Areas**



As Australia's largest private rail freight operator, Pacific National is an industry leader in helping promote the environmental and social advantages of transporting freight by rail. This includes specifically-designed messaging on select locomotives.

Rail's Sustainability Advantage

Rail freight transport has inherent benefits for the economy and community relative to road transport. It imposes far fewer costs to the community in terms of safety incidents, congestion, and road maintenance expense, whilst also resulting in lower carbon emissions. According to the Deloitte Access Economics Report¹, rail accident costs are up to 14 times lower than road for every tonne kilometre of freight moved. Rail freight also produces up to 16 times less carbon pollution than road per tonne kilometre travelled.

Every week, Pacific National runs 85 interstate intermodal services between Australia's capital cities and key regional areas, supplying Australian households and businesses with basic groceries, consumer goods, manufacturing raw materials and finished products. Each train can move an average of up to 315² twenty foot equivalent (TEU) containers, amounting to some 3,150 tonnes of vital goods.

¹ Deloitte Access Economics: Value of rail The contribution of rail in Australia, November 2017.

² For East West corridor, assumes 10t/TEU and 2 locos per train, truck reference is for B-Double trucks. Each TEU assumes 10 pallet spaces (34 per B-double).



CASE STUDY: ROAD TO RAIL

“Road to Rail” is a key pillar of Pacific National’s growth strategy. Through an extensive body of work aimed at understanding various customer segments and their needs, Pacific National has built an in-depth understanding of the drivers of modal choice, which in turn allows us to develop products and services which better fulfil those requirements. By using new information from the Road to Rail programme and adopting a customer-centric approach, our aim is to make rail even more competitive and more attractive as a sustainable modal choice.



Industry Advocacy



As a leading proponent of rail freight within Australia, Pacific National plays an active role in industry bodies and in government policy forums to promote the inherent advantages provided by the rail freight industry, and to ensure ongoing strategic government investment and policy support for the sector. Pacific National is closely involved with various key industry associations such as the Freight on Rail Group (FORG) of Australia and Rail Industry Safety and Standards Board (RISSB).

FORG is a rail freight industry group established in 2015 to engage with government and key stakeholders on major public policy issues affecting our sector. Its objective is to ensure the right policy and regulatory settings to enable our industry to deliver positive social, economic and environmental outcomes for our customers.

FORG consists of Australia's nine major rail freight businesses: Pacific National, Australian Rail Track Corporation (ARTC), One Rail Australia, Aurizon, Qube Holdings, SCT Logistics, Arc Infrastructure, Watco Australia and Southern Shorthaul Railroad (SSR).

These rail freight companies contribute more than \$11 billion to the nation's economy each year, employ approximately 21,000 Australians (many based in the regions), operate in every Australian state and territory (except Tasmania), use 1,600 locomotives and 34,000 wagons serviced and maintained in Australia, and manage and operate 23,000 kilometres of critical rail track connecting the country.

FORG has been a key industry advocate for implementation of the Advanced Train Management System (ATMS) on the nation's interstate rail network. ATMS is home-grown, state-of-the-art technology developed by the Australian Rail Track Corporation (ARTC) and its technology partner Lockheed Martin which is already operating successfully on the Port Augusta to Whyalla route. When implemented more widely, it will greatly enhance both the safety and productivity of Australian rail freight operations.

RISSB is the Australian rail industry's partner in co-regulation. Pacific National is a Class 1 member and sits on the Board of RISSB, as an Industry Director for Freight Operations. RISSB drives national harmonisation and interoperability in the rail industry, and by working with other operators and industry specialists RISSB plays a key role in industry advocacy, focusing on:

- Standards, Codes of Practice, Guidelines and Rules
- Safety Data and Risk Analysis Models
- Training and Advice
- Industry Co-Ordination.

Environmental Impacts

Our approach to managing our material environmental aspects, such as air emissions, noise, and land contamination through pollution spills, is directed by Pacific National's HSE Policy, which was revised and updated during FY20. Supporting the HSE Policy is a suite of internal HSE standards and procedures which provide guidance and instruction to all personnel. From the perspective of managing environmental impacts, key aspects of the HSE policy include:

- Compliance with all relevant statutory and regulatory obligations;
- Systematic identification and proactive management of environmental risks to reduce the potential for harm to people, property, community or the environment;
- Implementation of assurance and verification programs; and
- Incorporation of environmental considerations into decision-making and procurement processes.

For this reporting period, Pacific National did not record any non-compliance events with relevant environmental regulators across our operations. We continue to develop and implement appropriate elimination and mitigation measures to remain compliant with all our licensed environmental obligations.

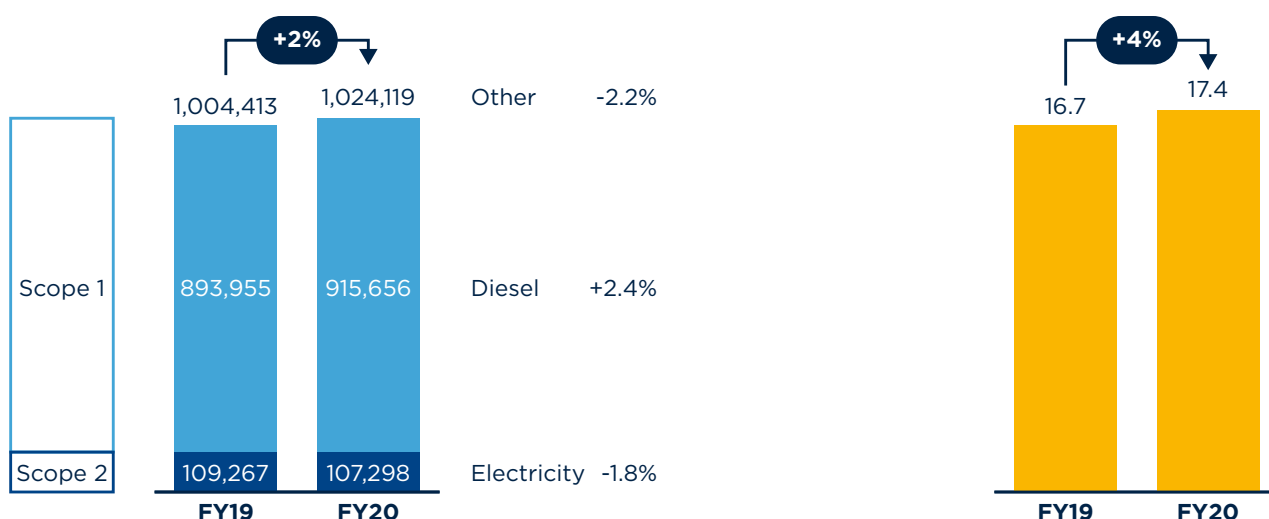
Energy and Greenhouse Gas Emissions

Pacific National reports annually on its direct (Scope 1) and indirect (Scope 2) emissions, energy consumption and energy production under the Australian Government's National Greenhouse and Energy Reporting (NGER) legislation.

Pacific National's FY20 greenhouse gas (GHG) emissions results are presented below in **Figure 1**.

Total emissions for FY20 increased slightly on the previous reporting period by 1.9%. Scope 1 emissions (driven primarily by diesel consumption) increased by 2.4%, however this level remained below our federally mandated Baseline Emissions Target. Scope 2 emissions (from electricity consumption) were slightly down by 1.8% on the previous reporting period. Emissions intensity for the reporting period was above the previous year (17.3 tCO₂e / NTKm in FY20 vs. 16.7 in FY19).

Figure 1: Total scope 1 and 2 emissions (tCO₂-e) / Emissions intensity (tCO₂-e/million net tonne kilometres)



Pacific National's business activities are also within scope of the Australian Government's Safeguard Mechanism legislation, which requires facilities whose direct emissions exceed 100,000 tCO₂e per year to keep their emissions at or below a baseline level approved by the Clean Energy Regulator (CER). Since the introduction of this legislation in 2016, Pacific National has not exceeded its regulatory baseline. Following the amendments to the Safeguard Mechanism in 2019 and 2020, Pacific National is in the process of resetting its baseline to either a site-specific calculated baseline or industry default baseline, and expects to complete this exercise prior to the relevant application deadlines in 2021.

Pacific National has also worked with other rail industry operators through the Freight on Rail Environmental Policy Group, a subgroup of the Freight on Rail Group (FORG) to develop and implement a rail industry locomotive diesel exhaust emissions Code of Practice.

Additionally, Pacific National was involved in the development of the Rail Industry Safety and Standards Board (RISSB) Code of Practice – Management of Locomotive Exhaust Emissions, which was published in December 2018. The Code of Practice describes recommended practices for the management and improvement of exhaust emissions of diesel freight locomotives in the Australian railway industry.

Noise

As an essential service provider to the Australian economy and an organisation focused on ensuring on-time delivery of our customers' products, we must operate our services 24 hours a day, 365 days a year.

With an ever-increasing Australian population and with greater suburban encroachment on established rail freight corridors, we acknowledge the increasing need for innovative solutions which benefit all stakeholders. In this context, we continue to work on various noise mitigation strategies and solutions with both regulatory agencies and the general community.

Rail noise is influenced by many factors, including the current operating state of the rail track infrastructure (e.g. its age, general maintenance and condition; all of which are under the direction of the relevant rail infrastructure managers), as well as rolling stock performance and condition (under the control of Pacific National). With a view to minimising noise impacts, we maintain a comprehensive rolling stock maintenance schedule (including both preventative and corrective maintenance) to ensure that our locomotives and wagons are operating at optimal performance levels.



Table 2: Principal Noise Emissions Sources

Noise type	Definition	What is Pacific National doing?
Wheel Squeal	<ul style="list-style-type: none"> Occurs where the curvature of the track and the steering performance of the wagon results in a misalignment of the rail and wheel interface 	<ul style="list-style-type: none"> Invested considerable time and resources into identifying the numerous factors that contribute to the generation of wheel squeal. Developed and implementing a Wheel Rectification Plan to systematically identify problem bogies, design and test solutions and schedule rectification and replacement of identified problem bogies.
Brake Noise	<ul style="list-style-type: none"> Low frequency noise from wagons associated with train braking. 	<ul style="list-style-type: none"> Undertaken research and operational trials which has identified the potential to reduce brake noise through changing the design of brake shoes.
Horn Noise	<ul style="list-style-type: none"> Principle critical safety measure to warn community members in close proximity of a rail corridor to approaching trains. 	<ul style="list-style-type: none"> Whilst in some circumstances horn use may be intrusive to local community members, it is a regulatory and rail access requirement. Pacific National locomotive drivers are trained in the use of horns with guidelines in place to ensure the proper application of the horns are applied to lessen any intrusive impacts to the community.



Technological Innovation to Improve ESG Outcomes

Pacific National is always looking for innovative and proven technological innovations which can assist us in providing more efficient and sustainable transport solutions to our customers. As a large consumer of diesel, we are acutely aware of the potential for new technology to reduce our existing carbon emissions and improve our fuel efficiency. However, we are also focused on the potential for new technology to improve our performance in other areas such as safety and reliability of service delivery for our customers.

Even under today's technology, investment in a modern, cleaner, efficient rolling stock fleet (as well as the efficient rationalisation of our existing fleet) will assist Pacific National in curbing overall carbon emissions. However, we are also cognisant that future technology advancements are likely to yield further benefits which are not yet capable of being realised as of today. In this context, our fleet replacement program is continuing to be reviewed to ensure that we progressively modernise our rolling stock fleet in a way which meets the future needs of our business.

Fleet Renewal

The change in locomotive and wagon technology over the past decade has led to significant capability increases and improvements in fuel efficiency. In order to capitalise on these advances, Pacific National plans for the steady replacement of the company's existing train fleet, via material investment in:

- **Modern locomotives** – with improved fuel efficiency and access to more data (safety, locomotive condition, performance, fuel usage) providing improved reliability, availability, and environmental outcomes.
- **Modern wagons** – with more efficient designs and better braking performance allowing greater train safety and productivity coupled with real-time condition monitoring offers greater safety and maintenance and reliability outcomes.

Operating Practices

Pacific National has also invested in developing and integrating into its operating practices that utilise new technologies, for example:

- **Trip Optimiser** – Our Operating Technology team are working closely with the WABTEC Corporation on the deployment of “Trip Optimiser” into our NR fleet. The Trip Optimiser system is expected to reduce fuel consumption via increased driver and locomotive efficiencies, and initial pilot programmes have produced encouraging results.
- **Machine learning** – This technology involves ingesting significant amounts of data from multiple systems and applying algorithms to identify trends in datasets. Pacific National has used machine learning technology to provide new insights and identify significant cost reduction opportunities associated with the remediation of wheelsets.





Climate Change and the Energy Transition

Pacific National acknowledges the growing interest from our key stakeholders (and the wider community), regarding the real physical and transitional risks associated with climate change. The energy transition is likely to present both opportunities and risks to our business over the medium to longer term, including a potential shift in the way in which our operating infrastructure and facilities are utilised.



CASE STUDY: THE FUTURE OF COAL

In 2019, Australia exported 193 Mt of metallurgical coal (“met coal”) and 213 Mt of thermal coal, making Australia the largest met coal exporter and the second largest thermal coal exporter into the global seaborne markets.

Pacific National plays an important role in facilitating Australia’s coal exports. In 2019, approximately 161Mt of coal (58% met coal and 42% thermal coal) was hauled by Pacific National trains, where 96% of this total volume was directed to export markets. The met coal hauled by Pacific National is used (alongside iron ore) as a key input for the production of steel which is ultimately consumed globally, whilst the thermal coal which we transport is used primarily to support electricity generation in developing economies in Asia.

As a result of climate change and the associated global energy transition, we expect that demand for coal at a global level will decline over the longer term as the global energy system adapts to a greener future. However, the seaborne markets (to which Australian coal exports are directed) represent only a small portion of the broader global coal supply chain, with the majority of global coal supply instead being produced and consumed within the same country. Furthermore, exported Australian coal tends to be higher quality and cleaner burning relative to other global benchmarks. In this context, the outlook for coal demand in the seaborne markets may differ markedly from the outlook for global coal demand more broadly.

Independent forecasts typically expect Australian met coal exports to grow over the next decade, driven by robust global demand

for steel and new Australian met coal projects coming online in both Queensland (in particular the Bowen Basin) and New South Wales. Over the longer-term, met coal volumes used for steel production are expected to remain robust until such time that a credible alternative is developed for the existing use of met coal within blast furnace steel production. Despite considerable ongoing research into this area, at this stage no commercially competitive alternative exists to replace met coal as an input to the steel production process.

Independent forecasts of Australian thermal coal exports show some variation in outlook. Over the next decade, exported thermal coal volumes are expected to be supported by growing demand for electricity within developing economies in Asia (which is the primary market for Australian thermal coal). However, over the longer-term, Australian thermal coal exports are generally expected to gradually decline, as the penetration of renewable electricity generation increases in these countries.

Clearly, the technological and socio-political landscape surrounding climate change is continually shifting. In this context, at Pacific National we need to remain focused on these trends, and be ready to evolve our own business in a way which supports a broader global energy transition. However, in the near to mid-term, we expect that Australia will continue to be an important supplier into the seaborne markets for high quality met and thermal coal. As a result, we stand ready to continue our support for our key customers in this industry.

HOME *Safely* EVERY DAY



Health, Safety and Wellbeing

At Pacific National, we believe that we cannot achieve our overall goals and targets without adopting safe operating practices across everything we do, with a view to ensuring that everyone can return “Home Safely Every Day”. Similarly, we believe that the continued health and wellbeing of all our employees is critical to our long-term success.

Safety

Pacific National has a HSE strategic plan that is aimed at embedding a culture of accountability and ownership of safety outcomes, with a clear focus on continuous improvement. It is based on the following foundations for success:

- Right people;
- Right equipment;
- Right systems and procedures; and
- Enough time and support to do the job and
- Right choices.

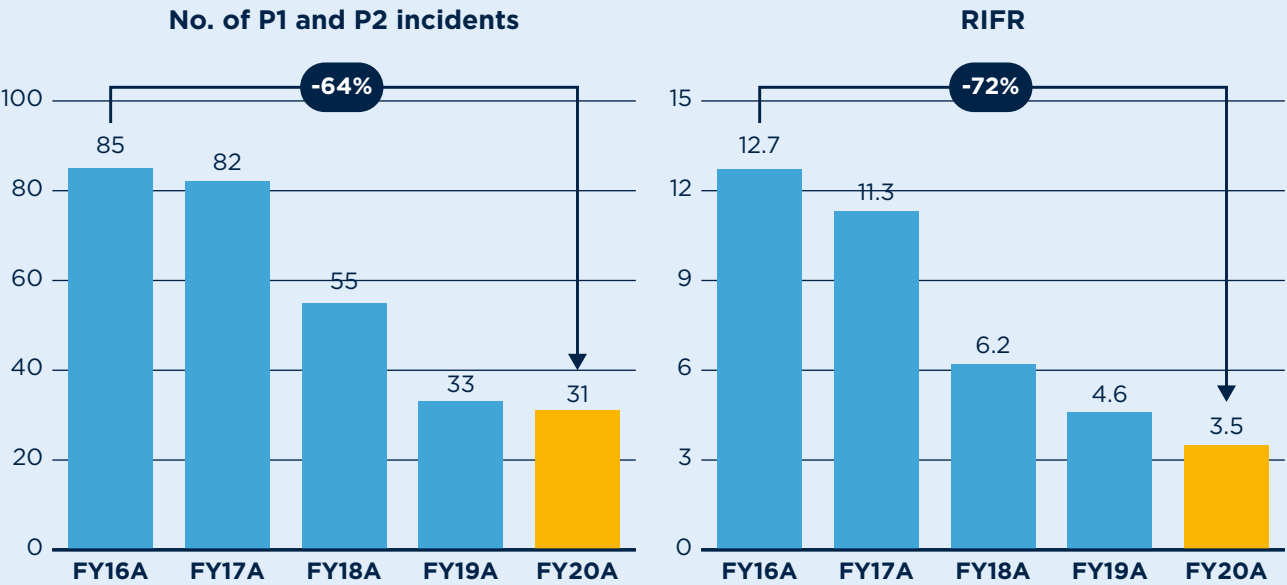
Despite the progress made in this area over recent years, we were sadly reminded during FY20 of why safety must always be the highest priority across all our activities. Tragically one of our colleagues was fatally injured at work on 24 December 2019, while operating a freight train near Perth in Western Australia. It was found that the collision occurred after the train failed to stop at a designated signal.

As part of our ongoing focus on continuous safety improvement, we continue to work on appropriate controls associated with Signal Passed at Danger (SPAD) prevention.

Throughout FY20 we have continued to implement and develop health and safety programs supported by our integrated HSE strategic plan. Many of the programs focus on building capability at a leadership level, including critical control verifications, quality safety engagements and having targeted interventions linked to critical risk issues and injury prevention. We have also continued to embed our leadership capability initiative called “Brilliant at the Basics”, which is designed to grow a leader’s capability and their understanding and application of: risk management, leadership engagement and investigations. The program is also directly linked to both performance improvement and cultural change.

The improvements we have made and the focus on accountability and ownership that has been created underpin much of the improvement in safety metrics such as: number of Potential Level 1 and 2 incidents (significant incidents count) and recordable injury frequency rate (RIFR). Our focus is on embedding the fundamentals and reducing the variability in performance seen between operations and within the reporting periods.

Figure 2: Safety Performance Improvement



Some relevant measures of our progress in FY20 versus the prior reporting year include:



40%
reduction in
significant
incidents;



24%
reduction
in recordable
injuries;



100%
of frontline leaders
participating in
Brilliant at the
Basics;



100%
completion of
internal HSE
assurance
schedule; and



4

Major Hazard Facility licences (100%)
renewed until 2024.





CASE STUDY: SPAD PREVENTION

In 2019 Pacific National created a cross-functional team of management, trainers and drivers, with a view to preventing SPADs. The group developed a companywide process for all train crew called Risk Triggered Commentary, where a driver identifies the signal aspect or colour and then describes what action will be taken before taking the action to ensure safe train handling.

The SPAD working group are currently trialling three different technological devices that work in various ways to monitor driver wellbeing, fatigue and alertness. These trials will continue into the forthcoming reporting period.

In addition to the above approach, a specific call-to-action was issued by the CEO in February 2020 which required all drivers and leaders to increase their focus and commitment to reducing SPADs via a more rigid reinforcement of the company's existing SPAD prevention strategies.

The cumulative effect of the SPAD prevention effort within the company has resulted in a step change in SPAD events during the course of FY20, with 44 events during the first half of the reporting year but only 25 in the second half.

pacificnational

Risk Triggered Commentary Driving

A tool for preventing
'Signals Passed at Danger'



I See

Cross check and verify all
restrictive signals and signs



I Will

Say aloud the actions that will
be taken to stop short of a known
stopping location



I Do

Perform the positive, physical action



In addition, we have undertaken work throughout FY20 to make a variety of improvements to our HSE governance and monitoring systems, including:

- Developing a Critical Risk Management framework to define our approach to fatality elimination and establishing common critical controls across all operations supported by verification tools for leaders.
- Standardising Operational Risk Registers to support the application of risk management and control processes across the organisation.
- Embedding reporting and investigation standards by implementing a common investigation methodology for significant events, retraining all leaders in the fundamental skills of investigation and action development post an incident.
- Simplifying our safety management system so standards and procedures can be applied consistently with rigor and discipline.
- Aligning the HSE assurance program to improve verification and compliance with the requirements of the Health Safety and Environment Management System (HSE MS).





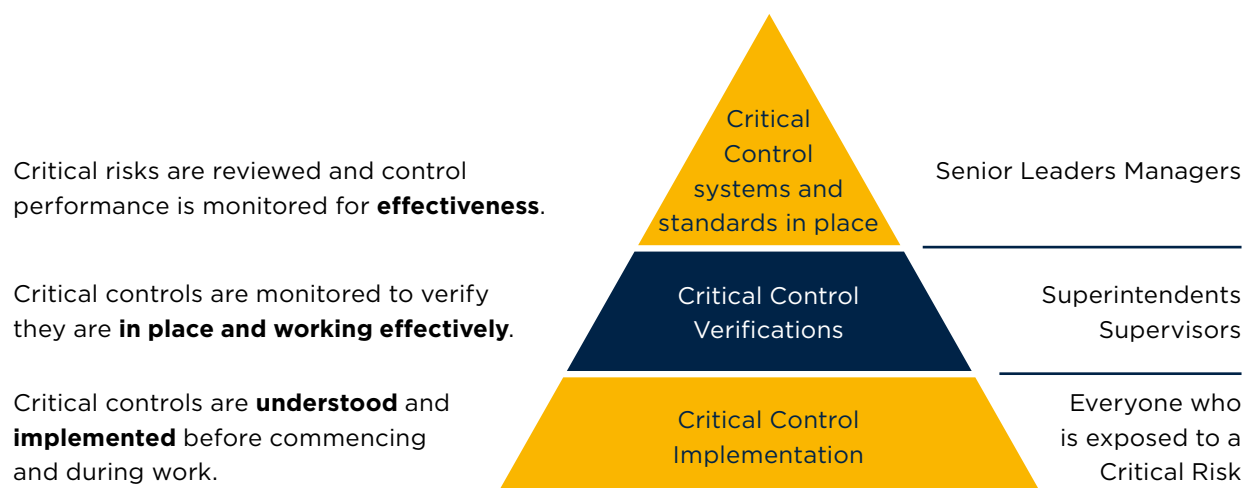
Case Study: Critical Risk Management (CRM)

Critical risks are those identified risk events that have the potential to result in a work-related fatality and require specific focus at all levels of the organisation. To support this focus, we have developed a framework and implemented a program called Critical Risk Management ('CRM'). It is intended that CRM will become deeply ingrained and well understood at all levels of our organisation. Phase one of the implementation has focussed on frontline engagement and verification of critical controls in the field for our top 10 critical risks.

The framework – layers of verification

A layered verification process focussed on fatality elimination

Everyone has a role to play. All levels of the organisation understand their critical risks and controls



Our Top 10 Critical Risks



The verification activity uses a safety engagement model to observe and coach frontline workers in their critical risks and controls. Since that start of the implementation, 4,973 verification activities have been conducted across the business during FY20.

Health and Wellbeing

The effective management and support of our employees' health and wellbeing begins with effective identification and support of both physical and mental wellness at the point of recruitment and continues through to holistic support during times of crisis or hardship. Our core programs include pre-employment and ongoing medical management, employee assistance programs, employee health awareness initiatives and post-incident support programs available to all employees.

CASE STUDY: Peer Connect Program & Other Mental Health Initiatives



The mental health and wellbeing of our employees is front of mind at Pacific National. Our “Peer Connect Program” provides a support network within Pacific National which is available to all our employees. We have dedicated volunteer “Peer Connect Champions” who are drawn from the Pacific National workforce and are provided with formal training in order to provide support for employees in a caring and confidential environment.

The program is in addition to the Pacific National Employee Assistance Program (EAP), a confidential counselling service for employees and their eligible family members, which provides a range of employee assistance services via an external support party.

Furthermore, during FY19 representatives from Pacific National and a core group of peer organisations attended a Mental Health First Aid Training Session run by the TrackSAFE Foundation. This training session was subsequently repeated in FY20 and extended to include a greater portion of the workforce.

We also launched two e-learning courses during FY20 to raise awareness of mental health issues – ‘Mental health in your workplace’ (for all employees) and ‘Managing mental health in your workplace’ (for people leaders)

Community Investment and Engagement

At Pacific National, our business interacts with a broad cross-section of different Australian communities. Our employees typically live and work in both large and small centres across the country. Furthermore, our business operations are closely integrated with many regional communities and hence we are also strongly invested in the future success of these regional communities.

Charitable Investment Initiatives

Pacific National is proud to support various local business and community initiatives, specifically projects or programs that:

- Support rural and regional health and well-being;
- Promote community safety or safety in the rail industry; or
- Promote social cohesion in the local communities in which we operate.

Our investment is most commonly in the form of community sponsorships. Pacific National continues its proud association with both the Westpac Rescue Helicopter (NSW) and the RACQ Rescue Helicopter (QLD), both of which provide a vital and essential health service to regional communities across both states. In addition, Pacific National employees continue to go above-and-beyond, as evidenced by their FY20 voluntary charity contributions towards the Movember men's health charity (which raises money towards men's health causes, such as prostate cancer and mental health with Beyond Blue). Our employees also stepped out for the month of **SEPTEMBER** to raise vital funds for early diagnosis, treatment, therapy, equipment and research for children and adults living with cerebral palsy.

Pacific National is also a founding member of, and donates to, the TrackSAFE Foundation, a charity which focuses on preventing suicides and reducing incidents and injuries on the rail network, improving trauma management and improving the mental health and wellbeing of rail employees.

Table 3: Community investment and donations

Indicators	Unit	FY2020	FY2019
Number of supported registered charities	#	13	15
Charities, NGOs and Research Institutes	\$	129,083	186,412
Regional Community Support	\$	48,681	5,200
Arts, Education, Health & Wellbeing	\$	9,915	37,253
Employee Voluntary Contributions	\$	45,800	-
Total	\$	233,480	228,865

Community Complaints Management

A community complaint can be lodged directly with Pacific National via a webform hosted on the company's website or via a dedicated telephone complaints line.

Community complaints are recorded in Pacific National's health, safety and environment incident reporting system ('SHED') and assigned to a responsible person for investigation and where requested, a response is provided to the relevant community member where contact details are made available. Pacific National also engages with local community and resident groups in areas in which we have operations to understand and work with communities to address any issues or concerns that arise.

In FY20, the total number of community complaints was consistent with the previous year. We continue to refine our reporting of community complaints to ensure that we achieve a level of transparency to identify areas of community concern.

Table 4: Community complaints

Indicator	FY2020	FY2019	% Variance
Complaints by Type			
Air – Diesel emissions	9	12	-25%
Noise – Bunching	16	22	-27%
Noise – Horn use	23	11	109%
Noise – Idling	39	50	-22%
Noise – Pass by	8	5	60%
Noise – Wheel / Brake Squeal	98	93	5%
Noise – Yard operations	5	1	400%
Other	25	26	-4%
Total Complaints*	223	220	1%

* Complaints recorded by Pacific National complaint management system that related to our operations.

Inclusion and Diversity

Pacific National is committed to recruiting and retaining a diverse range of people, skills and backgrounds to make us more creative, flexible, productive and competitive.

Our approach to inclusion and diversity is governed by our Inclusion and Diversity Policy, which is complemented and supported by the Code of Conduct, the Prevention of Bullying, Harassment and Discrimination Policy, the Flexible Work Arrangements Policy and the Grievance Resolution Policy.

Pacific National's Inclusion and Diversity Council (composed of members of the Pacific National Executive Team and other influential executives) guides the company's inclusion and diversity strategy and the implementation of initiatives across the business. It is also responsible for reporting and making recommendations to the Board on progress against these initiatives; monitoring and evaluating their implementation; and ensuring that the programs are progressing successfully in each of the divisions.

The Inclusion and Diversity Policy sets out expectations and provides a framework for our workplace culture, and is underpinned by the following principles:



FAIRNESS AND EQUALITY – embracing diversity and creating an inclusive workplace where people enjoy and embrace coming to work every day;



MERITOCRACY – our decisions about recruitment, development, promotion and remuneration are based on performance and capabilities;



COMMERCIAL SUCCESS – our inclusion and diversity initiatives are based on sound business principles and objectives for Pacific National and its workplace; and



PERSONAL ACCOUNTABILITY – every person at Pacific National has a crucial role in fostering and creating a work environment and corporate culture where individual difference is understood, respected and valued.



CASE STUDY: WomenConnect@PN women's mentoring program

In July 2019 we launched WomenConnect@PN, our mentoring program to unite and develop female employees in our business. Female employees from across the business were matched with two senior leader mentors, with meetings scheduled regularly to share experiences, ideas and knowledge.

To celebrate the initiative and to mark the conclusion of the inaugural cohort's program, all participants were invited to a closing event in February 2020. The event was a great success and brought together 67 mentees and mentors, providing a unique opportunity for participants to connect and to share their experiences of working at Pacific National.

Other relevant initiatives during the FY20 reporting period included:

- Rolling out an Inclusive Leadership program to our Executive Leaders;
- Monitoring, tracking and reporting the impact of Inclusion activities and initiatives;
- Conducting listening sessions with female employees at Pacific National to understand and develop an action plan to improve their experiences of working at Pacific National;
- Implementing an updated Parental Leave Policy; and
- Reporting to the Federal Government Workplace Gender Equality Agency (WGEA), an Australian Government statutory agency responsible for promoting and improving gender equality in Australian workplaces.





CASE STUDY: **Parental leave entitlements**

Our workers are employed under a number of different types of employment arrangements. Some employees are engaged under individual employment contracts whilst many are employed under a variety of specific enterprise agreements. Historically, these different employment arrangements have meant that employees have had different parental leave entitlements dependent upon what employment contracts they were engaged under.

During the FY20 reporting period we reviewed and updated our Parental Leave Policy and made it available to all our employees, regardless of employment contract. All employees are now entitled to 12 weeks paid Primary Caregiver Parental Leave (in addition to any government support), and one week paid Secondary Caregiver Parental Leave.

Our Parental Leave Policy applies in relation to the birth or adoption of a child, and parental leave is available irrespective of whether or not the employee is single or in a relationship. Parental leave is also available to employees who are in a same sex relationship.

Talent Attraction and Retention

People

Employing approximately 3,300 people throughout Australia, Pacific National is committed to creating a workplace where our people feel safe, valued and proud to belong.

We set out to achieve this through recruiting and retaining the best talent which requires sourcing from a diverse candidate pool and fostering a culture of continuous development. We provide competitive remuneration to reward employees for their expertise and commitment to our business strategy. We recognise the need for transformation and continually improve our tools and technologies to enable our people to deliver to the best of their ability; keeping our workforce connected and engaged through activities such as our Health Checks.

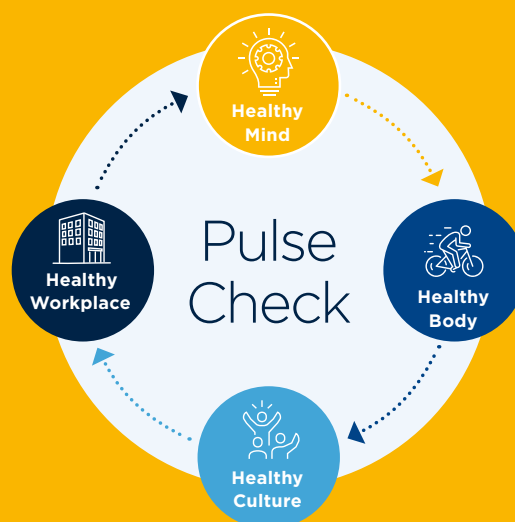
CASE STUDY: Employee Engagement – Health Check Surveys

Employees who enjoy their experience at work are more likely to be engaged in working safely and collaboratively towards our shared company goals. To align with our business model of being more agile and to obtain more regular employee feedback, Pacific National launched a new Health Check Survey “Health @ PN”.

Employees are now able to provide their feedback on the overall “health” of the organisation across 4 key categories:

- Healthy Mind
- Healthy Body
- Healthy Culture
- Healthy Workplace

Surveying our employees more regularly allows us to capture more on time feedback to continually improve the employee experience.



Training

We operate in a skilled and competitive industry where our success depends in great part on the skills, knowledge and enthusiasm of our people. To maintain a healthy and engaged team we need to focus on the continual development that is relevant and innovative, and also to focus on the mix of skills and knowledge our people will need to equip them for the future.

Regular appraisals, including goal setting and ongoing career development, are a key part of our performance measurement and talent management to support a meritbased culture. As well as encouraging regular and ongoing feedback with managers, Pacific National requires all staff to have at least two formal appraisal session with their manager annually.

Pacific Nationals learning offerings vary from Technical Training through to Leadership Development. FY21 will see great enhancement in our People Development Strategy as we rollout our 3E's model to training:

Education

10% of development should occur through education: formal training – classes, programs, e-Learning courses, etc.

Exposure

20% of development should occur through exposure opportunities: feedback, coaching, mentoring, and networking

Experience

70% of learning and development takes place from real-life and on-the-job experiences, tasks

Flexible Working

Our response in the face of external events and emergencies was tested during the reporting year. First with the devastating bushfires in Australia over the 2019–2020 summer, followed by the COVID-19 pandemic. We now more than ever understand the extent to which the Australian economy relies on our essential service to continue to operate to keep Australia moving. To ensure our services remained reliable Pacific National not only introduced many employee safety and health measures but also recognised the need to review the ways in which our employees work.

Additional flexible working measures across the business enabled employees to tailor their working practices to work remotely or review individual working patterns to suit a better work life. Modern IT infrastructure played a key role in ensuring we also maintained the culture of collaboration and innovation. We will continue to provide our employees with flexible working arrangements as and where appropriate to the business needs and to ensure the continued safety, health and wellbeing of our employees and communities in which we work.

Employee Relations

Over 2,200 of Pacific National's employees are covered by collective agreements, with the vast majority of these employees being members of various trade unions. Pacific National attempts to pursue a collaborative approach to labour/management relations, engaging with employees and their representatives regularly through various formal and informal mechanisms to communicate Pacific National's performance and forthcoming challenges and changes.

Where there are changes to the organisation or its operations that impact our employees, Pacific National relies on well-developed consultation and change provisions, contained in our collective agreements, to advise employees of potential changes and seek feedback from employees that can then be considered prior to the implementation of any change to collective agreements.



CASE STUDY: Domestic Violence Policy

Whilst at Pacific National we are committed to creating a safe, inclusive and healthy workplace we recognise that there are many external factors that can impact an employee's health and wellbeing. The impacts of family and domestic violence continue to be recognised as a major public health concern. In response we have introduced a new Domestic Violence Policy during the reporting period which supports employees who experience family or domestic violence by offering additional leave entitlements depending on the situation.

Employees are now entitled to 10 days of paid and 5 days of unpaid Family or Domestic violence leave in a 12-month period including unlimited EAP support along with adjustments to job design, location, hours and duties where reasonable and salary advances to cover expenses such as housing or legal fees.

Modern Slavery

In 2018, the Australian Government enacted legislation that requires large companies to report on the risks of modern slavery in their operations and supply chains. The Modern Slavery Act (2018) came into effect on 1 January 2019 and includes reporting obligations for Pacific National.

In response to this, we have implemented a three-year modern slavery action plan to keep us on track and ensure accountability regarding our commitments.

This is the first year of Pacific National's three-year modern slavery action plan. During this period, Pacific National has completed the following activities to not only identify the potential risks of modern slavery in our operations and supply chain but also to begin the journey of reducing this risk:

- Engaged external consultants to conduct a gap analysis workshop on potential risks of modern slavery within our operations and supply chain.
- Undertook an in-depth analysis of our top 50 Tier 1 suppliers in order to better understand our supply chain and the potential risks of modern slavery within it.
- Finalised with Board approval, a three-year action plan for addressing modern slavery risks.
- Created a Supplier Code of Conduct which clearly sets out Pacific National's expectations of its suppliers.
- Established a cross-functional Modern Slavery Working Group to oversee, implement and be accountable for the three-year modern slavery action plan.
- Updated all legal contract templates to include general clauses on modern slavery.

Corporate Governance, Values and Culture

Pacific National's general corporate governance structures and core values are presented in the earlier sections of this document. In addition, we are actively progressing efforts to maintain and improve our broader governance and management systems to ensure that our obligations are readily accessible, understandable, and practical to all relevant internal and external stakeholder groups and individuals.

Code of Conduct

Our Values at Pacific National underpin everything we do – how we work, how we interact with each other and the standards we set for how others work with us.



Our Code of Conduct is central in providing a framework to guide us in our decision-making, our actions, and our behaviour in achieving this. During the FY20 reporting period we refreshed our Code of Conduct and sought to have all employees refresh their compliance training.

The Pacific National Code of Conduct expresses our Values and embodies our commitment to responsible, transparent business practices. It reflects expectations of our customers, suppliers, investors and communities. It addresses conflicts of interest; proper use of corporate assets including corporate information, compliance with laws, and regulations. It also details how to report violations of the Code of Conduct that may adversely affect Pacific National or its people or reputation.

Our Code of Conduct identifies accountability as one of our core Values. This means we take ownership and deliver on our commitments. We are accountable for operating in a responsible and sustainable way – and we strive to ensure that all those we deal with seek sustainable and ethical solutions too.

Reporting and Investigations

Pacific National has mechanisms in place for anyone to report conduct which they feel breaches our Code of Conduct or any other internal policy; or is unsafe which may cause serious harm to the public, the environment or the health and safety of any person. Reports can be raised through line leaders or our people leaders and business partners.

Anonymous reporting can be made through Pacific National's Whistleblower Hotline, an independent service that provides the opportunity to report misconduct and other serious issues.

Our Whistleblower Policy has been updated during FY20 to reflect recent legislative requirements and details the protections that we provide to whistleblowers. All protected disclosures are investigated and appropriately documented. Where matters are substantiated, we take remedial actions as appropriate, and advise the discloser (if possible). At Pacific National, our priority is to support and protect people who raise concerns that are reportable under our Whistleblower Policy. As part of this, Pacific National protects the confidentiality of all whistleblowers and protects them from detrimental conduct. Pacific National will not tolerate any detrimental treatment taken against a person by anyone who believes or suspects that a whistleblowing report has been made, may have been, is proposed to or could be made.

A copy of our Code of Conduct, Supplier Code of Conduct and Whistleblower Policy are available on our website (<https://pacificnational.stoplinereport.com/>).



Phone

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+61 3 9811 3275
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(Reverse Charges)





App

Search for Stopline in the iTunes App Store or Google Play to download the free app and submit a disclosure.



Email

Send an email to:
**[pacificnational@
stopline.com.au](mailto:pacificnational@stopline.com.au)**



Post

Attention: Pacific
National c/o Stopline

Locked Bag 8
Hawthorne VIC
Australia 3122



Fax

Attention: Pacific
National Case Manager
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+61 3 9882 4480



ESG Reporting Metrics

Health and Safety	UNIT	FY2020	FY2019	GRI STANDARD
Total Recordable Injury Frequency Rate	TRIFR (Target)	3.5 (4.1)	4.6 (5.3)	303-9
Number of fatalities as a result of a work-related injury	#	1	0	GRI 403-9 a
Rate of fatalities as a result of a work-related injury	Rate per 1,000,000 hours worked	0.1	0	GRI 403-9 a
Number of high-consequence work-related injuries (excluding fatalities)	#	0	0	GRI 403-9 a
Rate of high consequence work-related injuries (excluding fatalities)	Rate per 1,000,000 hours worked	0	0	GRI 403-9 a
Number of recordable work-related injuries	#	27	35	GRI 403-9 a
Rate of recordable work-related injuries	Rate per 1,000,000 hours worked	3.5	4.6	GRI 403-9 a
Number of First aid incidents	#	114	113	GRI 403-9 a
Number of Medically treated incidents	#	21	22	GRI 403-9 a
Number of Lost-time incidents	#	5	12	GRI 403-9 a
Total employee hours worked:		6,522,063	6,571,697	
Standard employee hours worked	hours	n/a	n/a	GRI 403-9 a
Overtime hours worked	hours	n/a	n/a	GRI 403-9 a
COMMUNITY	UNIT	FY2020	FY2019	GRI STANDARD
Total estimated spend with suppliers	\$m	1,510.28	1,758.62	204-1
Number of supported charities	#	13	15	201-1

PEOPLE	UNIT	FY2020	FY2019	GRI STANDARD
Full time equivalent employees	#	3314	3216	PN specific disclosure
Regional workforce representation	%	57.7	61.4	405-1 b
Female workforce representation	%	12.2	11.5	405-1 b
Female Board representation	%	11	11	405-1 a, b
Female Executive leadership representation	%	17	33	405-1 a, b
Female Manager representation	%	13	17	405-1 a, b
Board representation				
Under 30 years old	% of total body	0	0	405-1 b
30-50 years old	% of total body	11	11	405-1 b
Over 50 years old	% of total body	89	89	405-1 b
Executive Leadership Team				
Under 30 years old	% of total body	0	0	405-1 b
30-50 years old	% of total body	33	33	405-1 b
Over 50 years old	% of total body	67	67	405-1 b
Managers				
Under 30 years old	% of total body	2	3	405-1 b
30-50 years old	% of total body	55	59	405-1 b
Over 50 years old	% of total body	43	39	405-1 b
Aboriginal and Torres Strait Islander workforce representation	%	n/a	n/a	405-1 b

ENVIRONMENT	UNIT	FY2020	FY2019	GRI STANDARD
Total GHG emissions (Scope 1 and 2)	Metric tonnes of CO2	1,024,119	1,004,413	305-1 & 305-2
Direct GHG emissions (Scope 1)	Metric tonnes of CO2	916,821	895,146	305-1
Diesel locomotives	Metric tonnes of CO2	915,656	894,030	305-1
Indirect GHG emissions (Scope 2)	Metric tonnes of CO2	107,298	109,267	305-2
Emission intensity				
Emission intensity	tCO2e / million Net tonne Kilometres	17.4	16.7	GRI 305-4
Energy				
Total direct and indirect energy consumed within the organisation	Megawatt hours	3,760,412	3,677,912	305-1 & 305-2
Total direct energy consumed	Megawatt hours	3,619,892	3,541,877	305-1
Diesel (used for locomotives)	Megawatt hours	3,598,922	3,522,594	302-1
Other Fuels / Oils and Greases	Megawatt hours	20,961	19,280	302-1
Total indirect energy consumed – electricity	Megawatt hours	140,520	136,035	302-1
Energy intensity	Megawatt hours NTK's	63.8	61.2	302-3
Effluents and waste				
Total weight of waste generated	Metric tonnes	2,613	n/a	306-2
Total hazardous waste generated	Metric tonnes	n/a	n/a	306-2
Disposal methods				
Sent to landfill (non-hazardous)	Metric tonnes	1,801	n/a	306-2
Recycled	Metric tonnes	812	n/a	306-2
Incinerated/treated/landfilled (hazardous)	Metric tonnes	n/a	n/a	306-2
Water				
Water consumption	Thousand litres	245.971	248.457	303-5

Glossary

ATMS	Advanced Train Management System
ARTC	Australian Rail Track Corporation
CER	Clean Energy Regulator
CRM	Critical Risk Management
EAP	Employee Assistance Program
ESG	Environment, Social and Governance
FORG	Freight on Rail Group
GHG	Greenhouse gas
GTK	Gross Tonne Kilometres
GRI	Global Reporting Initiative
HSE	Health, Safety and Environment
NGER	National Greenhouse and Energy Reporting Legislation
NTK	Net Tonne Kilometres
RISSB	Rail Industry Safety and Standards Board
RIFR	Recordable injury frequency rate
SPAD	Signal Passed at Danger
TEU	Twenty foot equivalent unit

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