

***pacific*national**

ESG REPORT

FY2022



www.pacificnational.com.au



ABOUT THIS REPORT

Pacific National Holdings Pty Limited and its subsidiaries (Pacific National) presents our third Environmental, Social and Governance (ESG) report, for the financial year ending 30 June 2022 (FY22).

Our mission, on behalf of our people, communities, and shareholders, is to become a trusted and consistent leader in sustainability for our industry. Amongst other things relevant to our focus on all elements of sustainability, we recognise that there are real and tangible things we can do to contribute to the reduction in greenhouse gas emissions and Pacific National is getting to work on achieving them.

This report encompasses our intermodal, coal and bulk, regional and import and export rail services (IMEX) transport business units.

It has been prepared with reference to the Global Reporting Initiative (GRI) Standards framework. It also includes a section which incorporates recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Our aim is to provide our stakeholders with a report that clearly demonstrates action on key ESG priorities material to our business.

KPMG have provided limited assurance over selected data sets within this report. The assurance report can be found on page 70. Independent third party assurance has also been obtained over the greenhouse gas emissions data sets to support regulatory reporting.

The Pacific National Board of Directors approved this report on 10 November 2022.

Beyond this report, Pacific National reports on ESG performance in the following ways:

- Modern Slavery Statement
- Regulatory reporting on energy and greenhouse gas emissions in Australia
- Regulatory reporting on safety
- Regulatory report on workplace gender equality

For questions about this report, please contact **PN_Communications@pacificnational.com.au**

Inside Cover

Cover image: Created for Pacific National by Lee Harris, Ingeous Studios

This page: Paul Scurrah Managing Director and CEO

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ACKNOWLEDGEMENT OF COUNTRY

Pacific National traverses some of Australia's most remote locations and we are proud of our connection to this land and nation – it is what makes us who we are and defines us as a business.

We acknowledge the Traditional Custodians of the lands on which we work, live and rail. We pay our respects to their elders, past, present, and emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples.





PACIFIC NATIONAL FY22 ESG HIGHLIGHTS

Future proofing our services

We are committed to delivering long-term sustainability and operational resilience.

Set an interim target of

↓10%

reduction in carbon emissions intensity by 2030 based on FY20 baseline¹

Defined our

✓climate
change
strategy

Completed a gap

✓analysis

against the recommendations of the Taskforce on Climate-related Financial Disclosures

✓39%

of suppliers screened using environmental criteria

Operating responsibly

We strive to conduct our business that cares more for our people and stakeholders, and minimises our environmental impact.

↓26%

fewer significant incidents

↓22%

fewer recordable injuries

↓30%

fewer incidents requiring first aid

1. For Scope 1 and 2 emissions.



↓16%

reduction in
environmental incidents

✓39%

of trainee driver officers
are women

✓16%

of trainee drivers are from
Aboriginal and Torres Strait
Islander background

✓59%

of PN workforce are
based in regional cities
and communities

Driving enduring prosperity

We are creating long-term value for those our business touches and building a resilient business that contributes to a more sustainable future.

✓aligned

the entire organisation
to its vision and
strategic objectives

Formalised

✓seven

governance policies
to drive higher levels
of integrity and
ethical standards

Governance and
compliance framework

✓expanded

Active engagement
or participation in

✓eight

industry forums
and associations



MESSAGE FROM THE CHAIR



In endorsing this FY22 ESG Report on behalf of the Pacific National Board I want to emphasise our important role in industry's response to climate change.

Our board and executive team are fully invested in the company's ESG journey, and we are committed to both the process it requires and the outcomes it should produce. Our third ESG report is a significant step-change in how we articulate our ESG commitment and progress.

In 2021, we invested in our ESG capability to build an in-house team with the credentials and expertise to bring focus to Pacific National's ESG strategy, delivery, and reporting. The ESG Strategy solidified our thinking, and we are now taking the next steps towards more targeted reporting and outcomes.

In this report, we are launching our Climate Change Strategy and interim goal to reduce carbon emission intensity by 10% by 2030. Our team is working hard on developing our short, medium and long term abatement plans, including understanding a path to a net zero future by 2050 and what a credible plan may look like to achieve that. Given the many transitional steps that will be required to reach net zero in a business such as PN, there will consequently be many dependencies to achieve our ambitions and our ability to do so will be contingent on the development of new technologies including commercially viable alternative energy solutions. Our opportunity is to work with industry and innovators to help develop these solutions and allow the transition to sustainable renewable fuel technologies that are commercially competitive and deliverable at scale.

To materially reduce Australia freight related emissions, we remain steadfast in our belief in the need for the modal shift of freight from *Road to Rail*. We will step up our advocacy around the urgent need for this transition so we can continue to lead our industry in driving emissions reduction across the entire supply chain and economy via modal shift.

Our third Modern Slavery Statement is referenced in this report. Our focus on ensuring our people work in safe conditions is supported by the data and our focus on inclusion and diversity is strong and gaining momentum.

Being more specific about our goals and targets helps ensure our systems and processes keep us on track. This aligns with our Pacific National Approach, in which we *Own It* by taking responsibility and owning our successes and mistakes. An extension of this is doing what we say we will do. That's why developing goals and targets will help Pacific National to mature our ESG focus, improve the integrity of the data we capture for reporting, and ensure we remain accountable to our people and stakeholders.

Pacific National and its predecessor organisations have been operating since 1855. We have a rich heritage and are proud of our integral role in Australia's rail industry. It has taken the effort of ambitious and driven people over eight generations to build the company you see today. In 2022, our team continues to accept and meet new challenges, the most important of which include understanding and lessening our impact on the environment, ensuring we are a safe and diverse place for our people, and focusing on building the structures that futureproof the business.

We are energised by our plans, whilst acknowledging that the nature of our business comes with its own challenges, which we are willing to meet head-on to address. Our Pacific National team of more than 3,200 people across 65 locations will help deliver our ESG ambitions through the work they do every day and by bringing their skills, intellect, and creativity to the job at hand.

Russell Smith
Chair

MESSAGE FROM THE CEO



Our third ESG Report reflects the significant steps we have taken to provide a more focused and informative account of our ESG performance. It responds to several strategies that are pivotal to our business.

The *Pacific National Approach* – our PNA – sets out how we operate both as colleagues and with our customers and communities. Our *ESG Strategy* – the first in the company's 170-year history – provides the foundation for this report and will inform our future efforts. Our *Corporate Strategy* – reflects our ESG principles and how we express them across the organisation both operationally and in our future planning.

In this report, we have set out our key ESG Strategy areas: *Driving Enduring Prosperity*, *Futureproofing our Services*; and *Operating Responsibly*. Within these focus areas we describe our efforts in the modal shift of moving more freight on rail and carbon efficiency; reducing our environmental footprint; how we're approaching our responsibilities to our people and communities; health, safety and wellbeing; and governance. These form the material topics which we are reporting against the Global Reporting Initiative Standards.

Within these, we have established a clear pathway to drive carbon efficiency in the national supply chain to build climate resilience into our business; to assist our business decarbonise and minimise our environmental footprint beyond carbon; to build long term sustainability for our customers; to provide an inclusive and safe workplace; to enhance our connection with the communities we operate in; and to align our organisational structure to improve our effectiveness and corporate governance.

You will see that we have set meaningful and measurable goals and targets wherever possible. These help us to measure our progress and to remain accountable to our people and stakeholders.

Across the organisation, we are embracing the opportunity and the challenge to build a culture that drives sustainability changes inside our business and more broadly in our industry. In doing that we will maintain our rigorous focus on our peoples' safety, health and wellbeing and championing their achievements. We will continue to work with governments at all levels to support their efforts to achieve their environmental and sustainability policy objectives, because in doing so we move closer to achieving ours.

We are already making some headway in our key material topics. These are ambitious and achievable, and it will take everyone at Pacific National to deliver them.

We also want the best people working with us. That's why we are striving to provide an inclusive, accessible, and safe workplace for our people, where we care for them physically, mentally, and emotionally, and to build on the programs already in place. We know we can do more to provide an environment that enables anyone with the best skills – regardless of their cultural background, identity, pronoun or beliefs – to have a place at Pacific National. At the same time, we can become even better members of the communities where we have operations and people.

Throughout every page of this ESG Report, I hope you see Pacific National's heartfelt focus to deliver a better future for our people, communities, and customers.

Paul Scurrah

Managing Director and Chief Executive Officer

ABOUT PACIFIC NATIONAL

Pacific National is Australia's largest private rail freight operator. Our vision is to be Australia's most trusted and respected logistics partner.

With a broad customer base across mainland Australia operating in diverse industries such as energy and resources, industrial manufacturing, and agricultural, Pacific National transports a mix of general freight cargo, import and export goods, and bulk commodities, which reflect the broader Australian economy.

We service customers in the energy and resources sector, multinational freight-forwarding corporations, industrial manufacturing, and agricultural companies to deliver what matters.



Our business is organised into three operating units supported by shared corporate functions.



Intermodal Freight

We operate a nationwide network of facilities, supporting Australia's supply chains of crucial goods and materials.

- We provide long-distance rail transport services for containerised freight.
- We manage a network of terminals and freight yards to support national supply chains.



Coal Freight

Our operations are integrated into regional communities throughout Queensland and New South Wales.

- We transport metallurgical and thermal coal from mine to port.
- We connect regional coalfields in Queensland and New South Wales with local and global export markets.
- We acknowledge the need for our business to transition from coal transport logistics in the long-term as the energy transition progresses.



Bulk, Regional and IMEX Freight

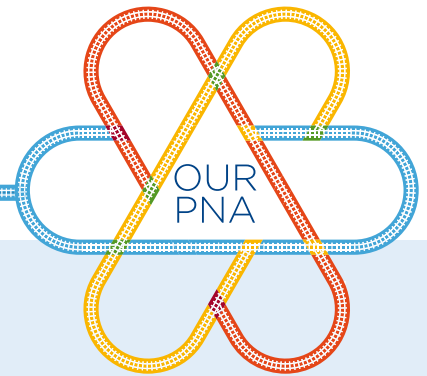
We haul bulk commodities across Australia, from paddock and pit to port.

- We haul bulk minerals, waste, and construction material between our regional communities, ports, and major industrial and urban centres.
- We haul agricultural products from regional areas to port to be exported internationally.
- We operate urban and regional port shuttle services for the import and export of a wide variety of containerised freight products.



OUR PNA

The Pacific National Approach – our *PNA* – provides a direction about what is important to us, what we stand for and how we behave. This approach guides every decision we make at Pacific National and underpins our approach to ESG.



OUR PURPOSE

We deliver what matters.
For our people, customers,
and shareholders.


OUR PHILOSOPHY

We care more

OUR VISION

**Australia's most trusted and
respected logistics partner**

OUR PRIORITIES

 Safety Above all else. Home safely every day.	 People and Leadership Inspiring people, leadership excellence and a respectful culture.	 Customers Innovating and succeeding together.	 Community Enhancing and caring for the communities we operate in and through.	 Financial Success Controlling our destiny and earning the right to grow.
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OUR VALUES



Make It Simple

We reduce complexity.



Share More

We create a learning
environment through
storytelling and embrace
and share diverse
experiences.



Kindness

We are thoughtful and
show respect in all
circumstances.



Gratitude

We show appreciation
and express our thanks.



Curiosity

We embrace curiosity at
all levels to benefit the
safety, wellbeing, and
continuous improvement
of our workplace.



Own It

We take responsibility,
we take action, we
own our successes and
our mistakes.

OUR FOUNDATIONS

Footprints and Assets | Heritage | Operational Excellence

WHERE WE OPERATE

Our company snapshot

NATIONAL VIEW



~585 Active locos*



~13,228 Active wagons*



>3,200 Full Time Equivalent Employees

CUSTOMERS



>465 Customers*



>755 Weekly revenue train services

AVERAGE WEEKLY HAULAGE

Coal - **2.40m** tonnes

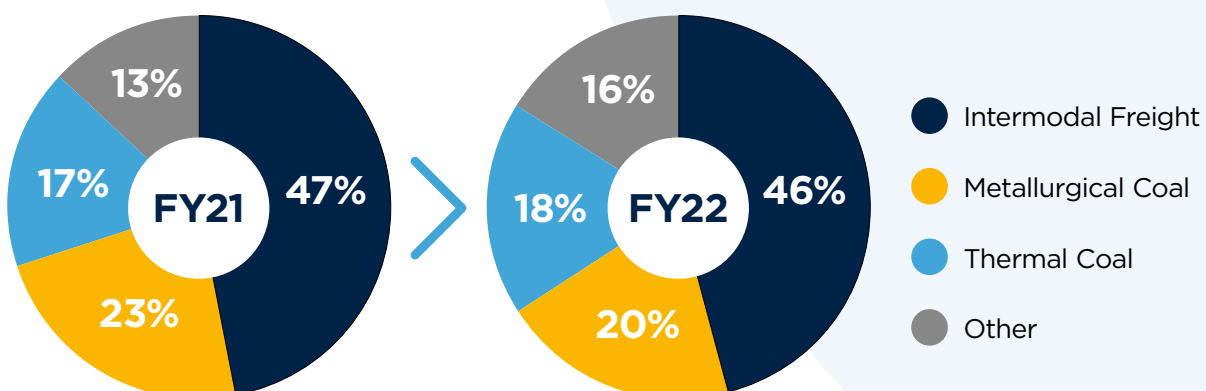
Freight - **0.50m** tonnes

Intermodal - **16,338** TEU



Our core markets

Percentage of rail revenue by business segment



* Active Locomotives are all locomotives excluding those that are on hire, scrapped or in storage. Active Wagons are all wagons excluding those scrapped or in storage. Customers are all customers with a transaction during FY22.



OUR APPROACH TO ESG

We continue to mature our approach to ESG as we recognise that we have a responsibility to lead our industry in addressing key risks and opportunities facing our sector. Our focus is on real and tangible actions.

At Pacific National, we are fast-tracking our focus on ESG, to deliver a better future for our people, communities and customers, because we don't want to leave the heavy lifting to others. We take seriously the role we must play in how the rail freight industry responds to climate change.

We want to help our people, communities, and shareholders to understand what good looks like inside our own industry, so they can be proud of where they work, what they do, and the contribution they are making to building a resilient business and a sustainable future.

United Nations Sustainable Development Goals (UNSDG)

We have reviewed our operations and progress and remain committed to working towards the following UNSDGs.

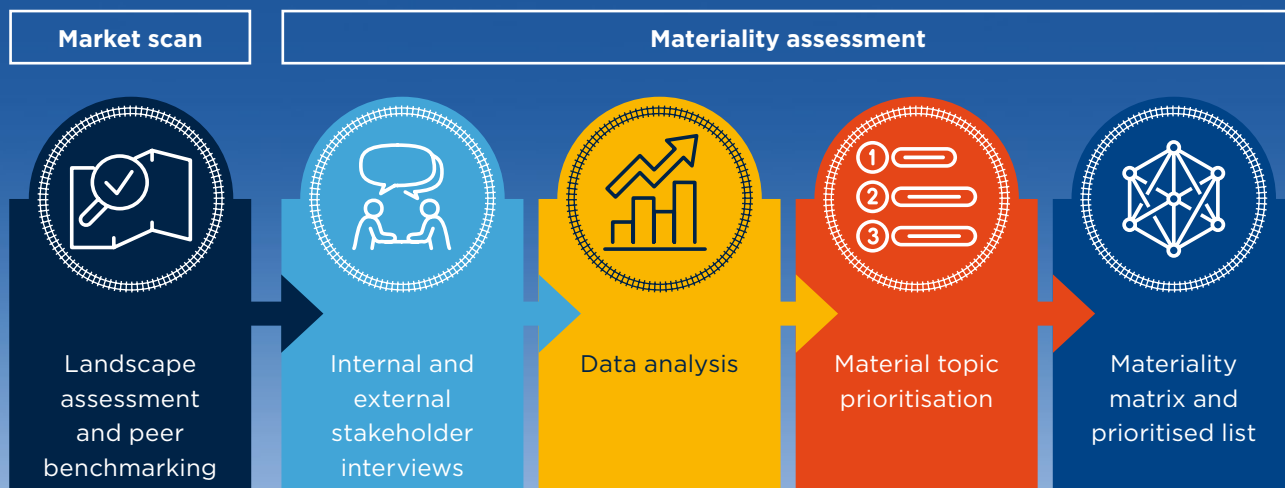


The Pacific National ESG Strategy

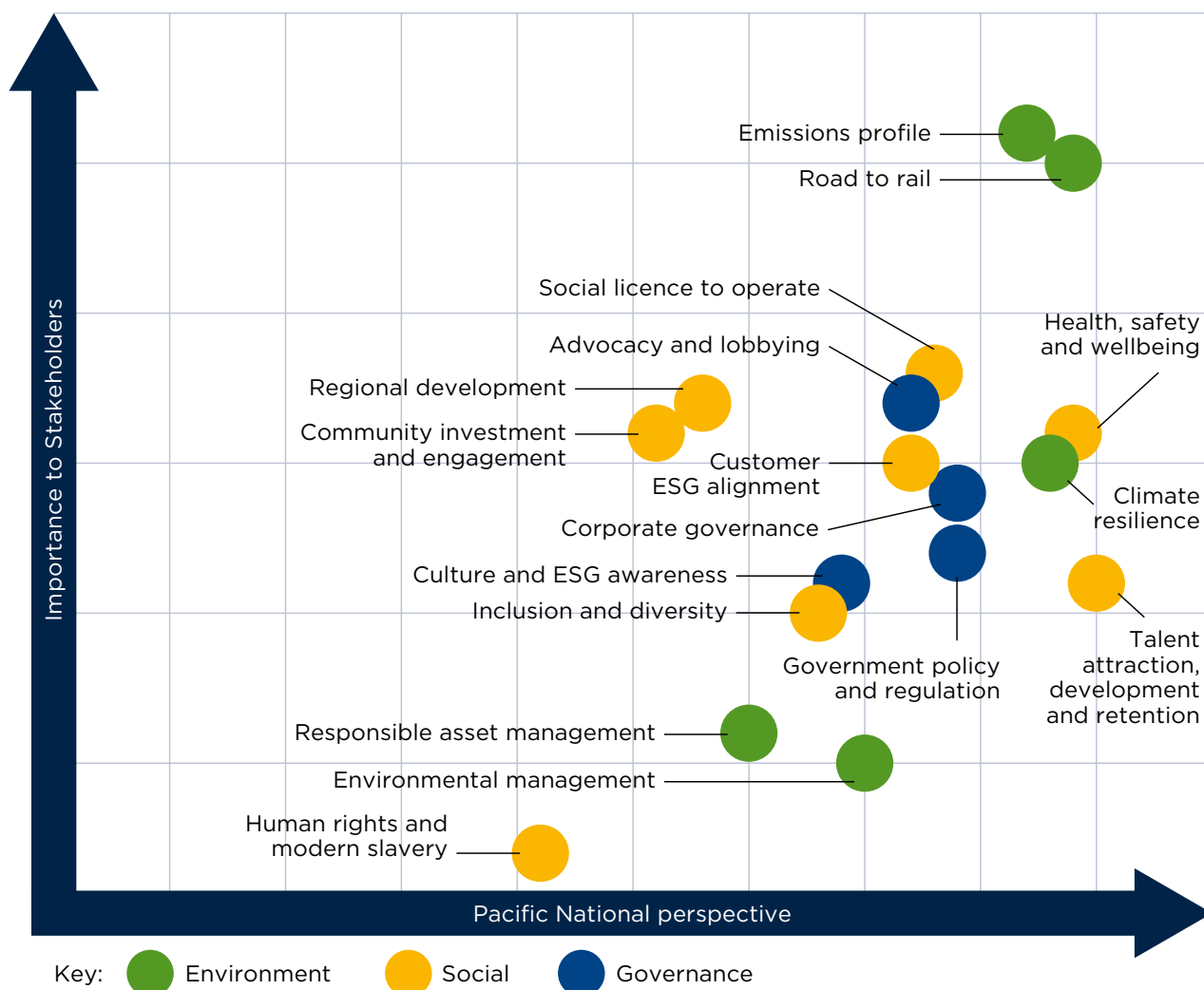


Materiality assessment

We completed a comprehensive materiality assessment process to prioritise the key material topics we plan to address. This has been done in collaboration with external risk advisory consultants and involved our leadership team and our external stakeholders.



Materiality matrix



There are five key material topics as the focus of this ESG report. We thoroughly considered issues relevant to our business to focus on those we can meaningfully address and contribute to our industry's long-term sustainable growth.

We deliberately chose the areas where we can have tangible impact, to show what good looks like to our people, peers, and communities we operate in.

The material topics in this report are the result of a materiality assessment we conducted before preparing this report, our 2021 ESG Strategy, and our new Corporate Strategy. It was a difficult balance to strike, needing to address immediate ESG risks and opportunities facing our business; long-term planning for the low-carbon energy transition; and incorporating areas where our company has already been active.

Key material topics



DRIVING ENDURING PROSPERITY

Governance

We are aligning our organisational structure to improve the effectiveness of our corporate governance. This alignment will help us to continue to mature our ESG focus, increase the integrity of the data we capture for reporting, and ensure we remain accountable to our people and stakeholders.



FUTUREPROOFING OUR SERVICES

Road to Rail and climate change

We are driving carbon efficiency in Australia's supply chain with our "Road to Rail" initiative. Rail is the most carbon efficient form of line-haul land transport while also delivering benefits beyond reducing carbon outputs. We can help move Australia to a low carbon future by shifting supply chain transport from high emission road transport to less intensive rail.

We are taking responsibility for reducing our environmental footprint through a solid strategy and improvements that are tangible and achievable, while working to establish baseline data so we understand the current risks and to put plans in place to reduce or mitigate them.



OPERATING RESPONSIBLY

Health, safety and wellbeing

We continue to ensure our employees always work in safe conditions and we will also take care of their mental and physical health and wellbeing.

People and community

We want the best people working with us. We are striving to provide an inclusive, accessible, and safe workplace for everyone who engages with our business. Our ambition is to be known as a business that respects and cares for the communities it operates in.

Environmental footprint

We are working to minimise our environmental footprint, focusing on the areas of land and resource management, air and noise pollution, water and waste. We want to ensure our environmental management practices are best-in-class, going beyond regulatory compliance, to ensure we minimise our impact and address community expectations.





DRIVING ENDURING PROSPERITY

Having a 170-year long history requires us to have a business that's fit for the future and can provide enduring prosperity for our people, communities, and shareholders.

Sharpening our focus on ESG will create long-term value for those our business touches, and we are committed to doing more to build a resilient business and contribute to a more sustainable future.

Central to this is good corporate governance, supported by an organisational structure, processes and culture, built to deliver transparency and informed decision making. It is critical to the long-term sustainable success of Pacific National and we will continue to review and improve its effectiveness as we mature our ESG approach and embed it throughout the organisation.

Our vision is to be a clear ESG and sustainability leader in our industry. Our board and leadership team are fully invested in Pacific National's ESG Strategy. They are committed to both the process and the outcomes, demonstrating to our people and stakeholders that our ESG focus is important to everyone in the business and its contribution to the company's future growth.

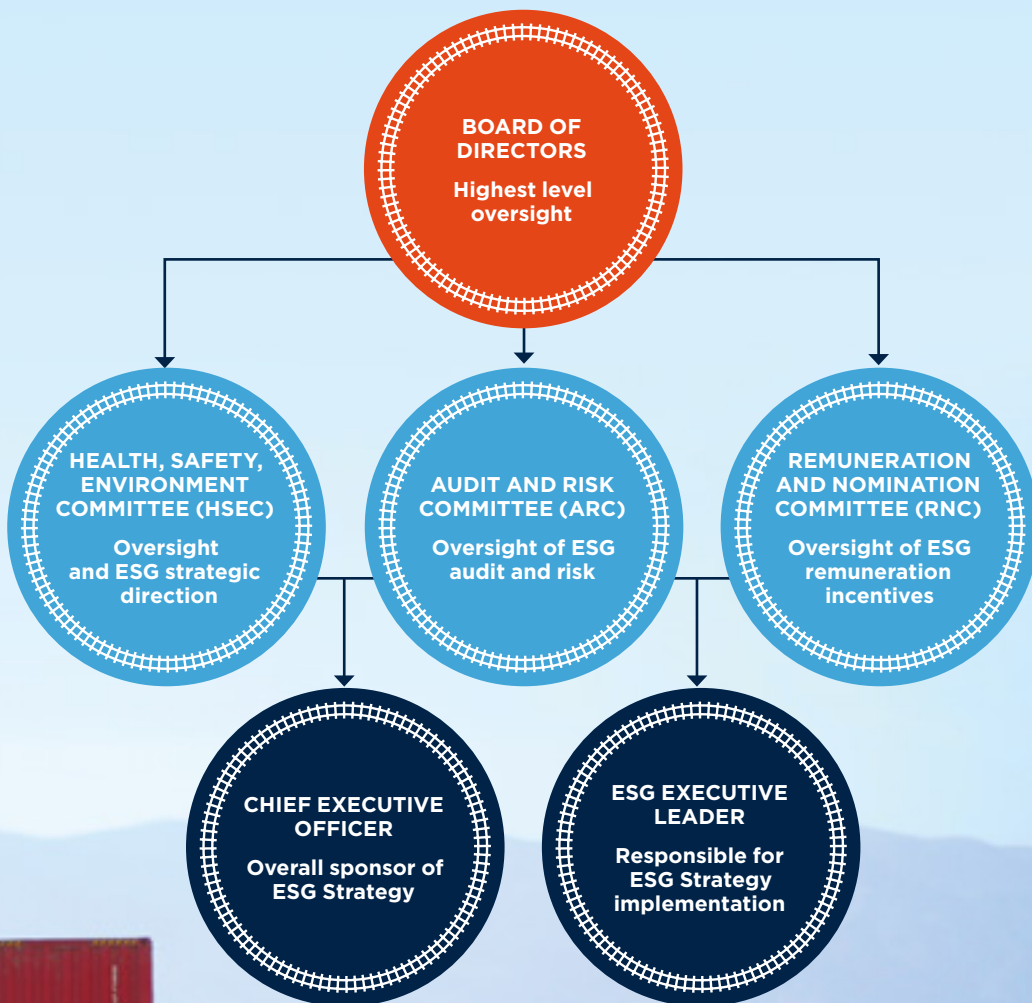
GOVERNANCE

We are aligning our organisational structure with our vision and strategic objectives to improve effectiveness and corporate governance.

Our board and executive leadership team are committed to both the process and the outcomes of our ESG Strategy and to delivering it. We continue to adjust and align the involvement of our board and executive in our ESG Strategy and program delivery.

This is important because we see a future where our systems and processes are aligned with our ESG goals and targets. This alignment will help us to continue to mature our ESG focus, increase the integrity of the data we capture for reporting, and ensure we remain accountable to our people and stakeholders.





Responsible business conduct

We have established policies and processes to ensure we operate with the highest levels of integrity and ethical standards.

Our policies

- Code of Conduct
 - Conflict of Interest Policy
 - Supplier Code of Conduct
 - Compliance Framework and Policy
 - Whistleblower Policy
 - Fraud and Corruption Policy
 - Risk Management Framework and Policy
-

In FY22, we expanded our Corporate Governance and Compliance function as we reframed our compliance program to progress Pacific National's governance, risk, and compliance maturity. The roll-out of the program will improve the identification of our compliance obligations, allocate responsibility for controls, and mature the monitoring of performance and reporting undertaken by the business.



Industry leadership

We take our role as an industry leader seriously. We know that for our business to deliver on our climate change and other strategies, we need industry-wide, systemic, and structural change. This includes technological advancements related to our locomotives, the fuels we use and materials we transport, as well as improvement of resilience in the rail freight network to counter impacts of extreme weather events like severe flooding.

We are experiencing the greatest challenge and the greatest rate of change in the company's 170-year history. We can't do this on our own and therefore we actively participate in multiple key industry forums and associations to learn from our peers and share our knowledge. And, in taking a leadership stance in this way, all rail industry participants benefit. The resilience of our terminals and operations also helps our customers and competitors who use them.

Industry forums and association

Freight on Rail Group (FORG) of Australia

Rail Industry Safety and Standards Board (RISSB)

TrackSAFE Foundation

Business Council of Australia (BCA)

Queensland Resources Council (QCA)

Queensland Ministerial Freight Council

Victorian Rail Freight Working Group

Freight and Logistics Council of Western Australia

COVID-19

We played a significant role during the coronavirus pandemic moving large volumes of freight by rail across state borders and through local government areas safely, reliably, and responsibly. We worked with federal and state governments to strengthen the national supply chains.

We were active participants in two crucial government-led working groups:

- Land Transport COVID-19 Working Group established by the Department of Infrastructure, Transport, Regional Development and Communications (COVID Freight and Logistics Response Team); and
- Western Australia's Interagency G2G and Industry Liaison Group which managed engagement with industry around health directions and cross border travel for essential freight workers.



FUTUREPROOFING OUR SERVICES

At Pacific National, we have dedicated time to understanding both the risks and opportunities associated with climate change and the transition to a lower carbon economy. We acknowledge we have a social responsibility to ensure Pacific National plays its part in driving towards a sustainable future. We must futureproof our operations to ensure we are efficient and grow sustainably to shape a positive future for our people and stakeholders in a lower carbon economy in the face of climate-driven disruption.



Our focus is on reducing the carbon emissions of our business, while also enabling the reduction of carbon emissions in the broader supply chain.

We see significant opportunities to drive carbon efficiency in Australia's supply chains through our Road to Rail initiative, and are planning to establish suitably located intermodal facilities, to support improved productivity and efficiency in supply.

We also understand the risks ahead of us and are focused on decarbonising our business and building climate resilience into our operations and those of our network providers. This includes exploring biodiesel and other low carbon fuels, implementing operational fuel and asset efficiency programs and energy use reduction measures at our sites, as well as shifting our growth strategy to emphasise alternative minerals and commodities.

These aren't quick solutions, but they are essential first steps to futureproof our business and ensure we can continue to provide our critical services for generations to come.

Importantly, as our customers' needs change alongside heightened focus and demand for sustainable solutions, we are committed to evolving so we can continue to service their needs. We are talking with our customers and suppliers, including network providers, to understand what this means for them and how our efforts can contribute to their own ESG targets.

TOWARDS DECARBONISATION

Pacific National is committed to playing our part in Australia's transition to a low carbon economy. We want to continue to be a positive, valued contributor to the Australian economy, our customers, and communities where we operate.

We have started that journey and acknowledge there is work ahead of us to embed ESG considerations into our business processes.

The process of setting our climate change strategy and decarbonisation roadmap is underway. We are working on devising the right policies and procedures to deliver on our commitments, but we know we can't succeed by ourselves. We need to partner with the right organisations and drive change within our industry to deliver on our plans.

PACIFIC NATIONAL CLIMATE CHANGE STRATEGY

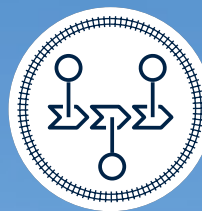
We take our role in minimising the effects of climate change seriously and are exploring pathways to reduce our emissions.

For the first time, we have set an interim target of 10% reduction in carbon emissions intensity by 2030², based on FY20 baseline.

We have built a carbon emission forecasting model to help us understand the opportunities and challenges ahead as we strive to meet our emissions targets. Our challenge now is to identify, source and deploy the technology needed to achieve this target.

We identified four streams of activity to drive carbon efficiency and respond to climate change impacts at our company.

We have a target of 10% reduction in carbon emissions intensity by 2030.²



Supporting transition to a low-carbon future

DRIVING CARBON EFFICIENCY IN AUSTRALIA'S SUPPLY CHAIN VIA PACIFIC NATIONAL'S ROAD TO RAIL INITIATIVE

Continue to advocate and support the road to rail transition to support reducing national supply chain emissions.

Implement the new technologies we need to measure, understand and manage fuel and energy consumption.

Monitor for emerging technology and other opportunities to lower emissions within our industry.

2. Carbon emissions intensity measured as tCO₂e/million Net Tonne Kilometres (mNTK) including Scope 1 and 2 emissions.





Building climate resilience

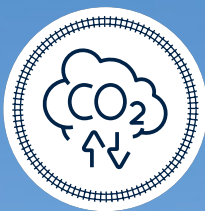
MITIGATING THE RISKS OF CLIMATE CHANGE ON PACIFIC NATIONAL

Complete a climate risk assessment.

Report on our plans, actions and targets in line with the Taskforce on Climate-related Financial Disclosures.

Develop policies and governance structures to implement our plans and support climate resilient decision making.

Educate our employees about our climate change strategy.



Decarbonising our operations

SEEKING SOLUTIONS TO REDUCE EMISSIONS

Identify opportunities to reduce carbon emissions within our projects and implement changes.

Progress initiatives including purchasing carbon neutral inputs, optimising our assets to drive efficiencies, reviewing our mobile assets for low carbon alternative, implement sustainability principles at corporate and operational sites, lead the sector in the introduction of alternative fuels such as biodiesel and hydrogen for locomotives, and explore the benefits of battery electric locomotives.



Engagement and collaboration

IDENTIFYING, TESTING AND DEPLOYING LOW-EMISSIONS TECHNOLOGY IN OUR OPERATIONS

Participate in industry action on development of alternative fuels and other technology for decarbonisation of our operations.

Finalise the development of a carbon emissions calculator to support our customers with calculations of their emissions impact.

Work with rail infrastructure managers to improve network resilience.



Road to Rail – supporting the transition to a low-carbon future

Our key initiative *Road to Rail* – shifting transport of freight from higher carbon emission intensity road transport to less intensive rail haulage – provides an opportunity for sustainable growth of our business, while also supporting the decrease in overall supply chain emissions within Australia.

We are developing products and services to make rail more attractive as a sustainable modal choice that meets our customers' needs.

Our knowledge and expertise in Australia's freight supply chain sector allows us to develop products and services which add to our customers' ESG credentials and supports decarbonisation of the Australian national supply chains.

Our analysis shows that with this shift, our company-level emissions may increase in the short-term because of higher emissions intensity of intermodal and bulk freight movements, compared with coal haulage movements. In the longer term however, and subject to lower carbon technology being available to us, our decarbonisation efforts will allow us to decrease our emissions. On a national level, providing services for supply chain customers to transition from road to rail freight will positively contribute to Australia's low carbon future.

Driving modal shift to rail

- Efficiency and decarbonising of our operations: locomotive upgrades, terminal technology advancements, labour efficiency measures
- Customer conversations about future needs and delivery of services
- Industry leadership in driving adoption of sustainable technologies
- Government collaboration to ensure rail network resilience and stability



Case study

Working with ALDI to identify opportunities to shift from road to rail

We work with ALDI's supply chain team to provide more efficient and sustainable network solutions, as they endeavour to execute on their new environmental commitments. ALDI factors in cost, transit times, reliability of service and environmental impact, and recognises the efficiencies across these factors, particularly when moving freight by rail across large distances such as Australia's east coast to Perth. ALDI is reviewing the shift of its North-South supply chain onto rail and we are meeting with them quarterly to discuss ways to make their supply chain more sustainable.



Building climate resilience

We are working to mitigate the risks of climate change on our company and the world around us. We are in the process of laying the foundations within our organisation's governance structures that will allow for decision making that factor in climate change mitigation considerations.

We have:

- Completed a gap analysis of our climate change strategy against the recommendations of the Taskforce on Climate-related Financial Disclosures. We are developing a work-plan to address the findings.
- Updated our enterprise risk register to ensure it includes climate change-related risks.
- Developed Carbon Emissions model to forecast Scope 1 and Scope 2 emissions, so we can model the pathway to reducing emissions.³

In FY23, we will conduct a detailed climate risk assessment, in line with the Taskforce on Climate-related Financial Disclosures. Based on the results of the assessment, we will identify and disclose further actions to complete beyond 2030.

3. This model covers Scope 1 and Scope 2 emissions from all parts of Pacific National. It includes train operations, terminal operations and the offices and facilities owned or leased by Pacific National. It does not yet include Scope 3 emissions. We will consider extending the model to include Scope 3 once that information becomes available.

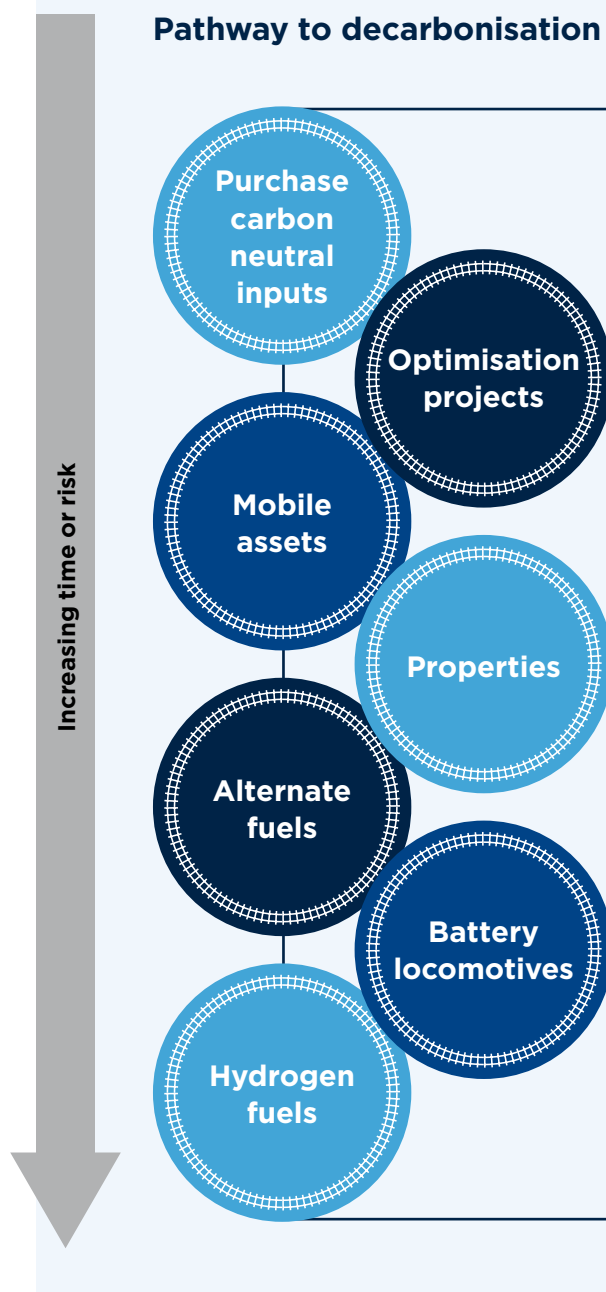
Decarbonising our operations

We have identified seven workstreams in our pathway to decarbonisation. These have direct impacts on our carbon emissions, and we are working to implement solutions to each of them.

These workstreams include those that require no material changes to our operations, equipment, or assets, such as procuring renewable energy which can be implemented in the short term. Others require us to transform our business and our work will focus on full integration of ESG considerations into our business planning and project execution for the medium term. Finally, some require collaboration with our industry and technology providers for issues that are bigger than us, such as non-diesel fuel options including low carbon alternate fuels, renewable electricity, battery electric.

The seven workstreams we identified encompass a range of time horizons and risks levels.

Pathway to decarbonisation



-
- **Purchase carbon neutral inputs:** Consider options for renewable and green electricity at our intermodal facilities, offices and other locations to contribute to reducing our carbon footprint.
 - **Optimisation projects:** Identify ways to enhance and extend the fuel efficiency of our locomotives through strategies such as reducing idling times, ordering and putting into service new fuel efficient locomotives, deploying technology to improve energy efficiency of the locomotives, provide enhanced learning and development opportunities for train crews, and introducing new smart lighting at rail yards.
 - **Mobile assets:** Work closely with our suppliers to bring forward the availability and delivery of key equipment such as electric reach stackers and overhead cranes with lower carbon emissions; replace light vehicles with hybrid or fully electric vehicles when due for replacement as part of a systematic program.
 - **Properties:** Conduct a review of Pacific National's corporate and operational properties to identify opportunities to reduce emissions and implement innovative sustainability principles for both existing and new sites.
 - **Alternative fuels:** Provide the leadership and guidance to work with suppliers and manufacturers on the use and implementation of biodiesel and renewable diesel blends in locomotives; monitor and research new alternative fuels as they are developed.
 - **Battery Electric locomotives:** Understand the potential benefit of Battery Electric Locomotives in Pacific National's operations and explore how best use regenerative braking for energy recovery to converting kinetic energy for immediate use or to be stored until needed.
 - **Hydrogen Fuels:** Research and monitor how Pacific National can introduce hydrogen fuels into our operations as an alternative fuel and understanding the supporting infrastructure requirements such as the establishment of refuelling networks to support hydrogen rail operations.
-

Solutions we implemented

We have completed several improvements to our operations that allow us to lower our emissions:



Fuel-efficient locomotive upgrades

- In FY21, we invested \$330 million in the design, manufacture, and delivery of 50 new Evolution Series C44 locomotives over five years.
- They meet the RISSB Code of Practice requirement for new locomotives and will produce nine per cent fewer emissions than the current NR Class locomotive we use in our intermodal operations.
- The first of the new locomotive engines has been built with the locomotives expected to be delivered, commissioned and put into service between FY24-FY28.



Fleet renewal

- A third of our intermodal locomotive fleet is due for renewal.
- Our long-term intermodal fleet strategy is to replace our older locomotives with newer, higher performing, lower emissions locomotives while deploying the older equipment, once they have undergone refurbishments, to lower duty cycles (e.g., bulk operations) before ultimately retiring them.
- New wagons will better align to our customer freight profiles and increase capacity on intermodal services, increasing train productivity and supporting modal shift.



Wired Distributed Power (WDP) Program

- WDP allows us to increase overall haulage capacity to improve fuel efficiency.
- WDP trains feature additional wagons, without increasing the number of locomotives.
- On average, the change in train configuration using WDP has the potential to increase coal haulage capacity by an average 600 tonnes per service.
- We have continued to operate the WDP in the NSW coal business.



Fuel Efficiency Programs

- We are reviewing opportunities to improve fuel efficiency and reduce carbon emissions to reconcile the use of fuel more accurately across our operations as it is receipted, consumed, and dispensed; real time fuel consumption measurement for each locomotive, train, and service; enable precise real time fuel efficiency KPIs; and equip our operations leaders to manage fuel and energy wastage quickly and decisively.





TripOptimizer™

- We have specified the locomotives to be fitted with Trip Optimizer™ technology.
- The equivalent of cruise control for trains, the software replicates the lowest fuel consumption path from origin to destination considering terrain, train makeup and operating conditions.
- The software reduces sub-optimal fuel burn and improves consistency of driving.



Cent per kilometre (CPK) reduction program

- We operated the CPK program for 12 months in FY22 and delivered significant diesel fuel savings by shutting down the remote locomotives when the train is primarily in the unloaded condition, operating across all business units.
- This has delivered savings of 15,897tCO₂e.



Double-stacked containers

- We are purchasing new wagons that will allow us to increase the volumes through double stacking with no additional locomotive fleet acquisitions and targeted terminal infrastructure capacity expansions.

Pacific National is introducing the most technologically advanced, fuel efficient, and environmentally compatible diesel electric locomotives in Australia.



Case study

Terminal technology advancements

We now incorporate ESG considerations in new facility development through design, construction and operation.

Little River Terminal in Victoria

We are currently developing a new intermodal container terminal at Little River in Victoria, with detailed planning and design works commencing in FY23. During this phase, an ESG framework will be incorporated to guide the design and development of project elements in the critical early stages, when there is a significant ability to influence their characteristics and in the case of ESG, achieve the strategic outcomes.

The framework will include the project's ESG targets and identify the best way for the project team, and the business more broadly, to make decisions which reflect how they achieve Pacific National's ESG outcomes.

Driving sustainable outcomes in terminal development

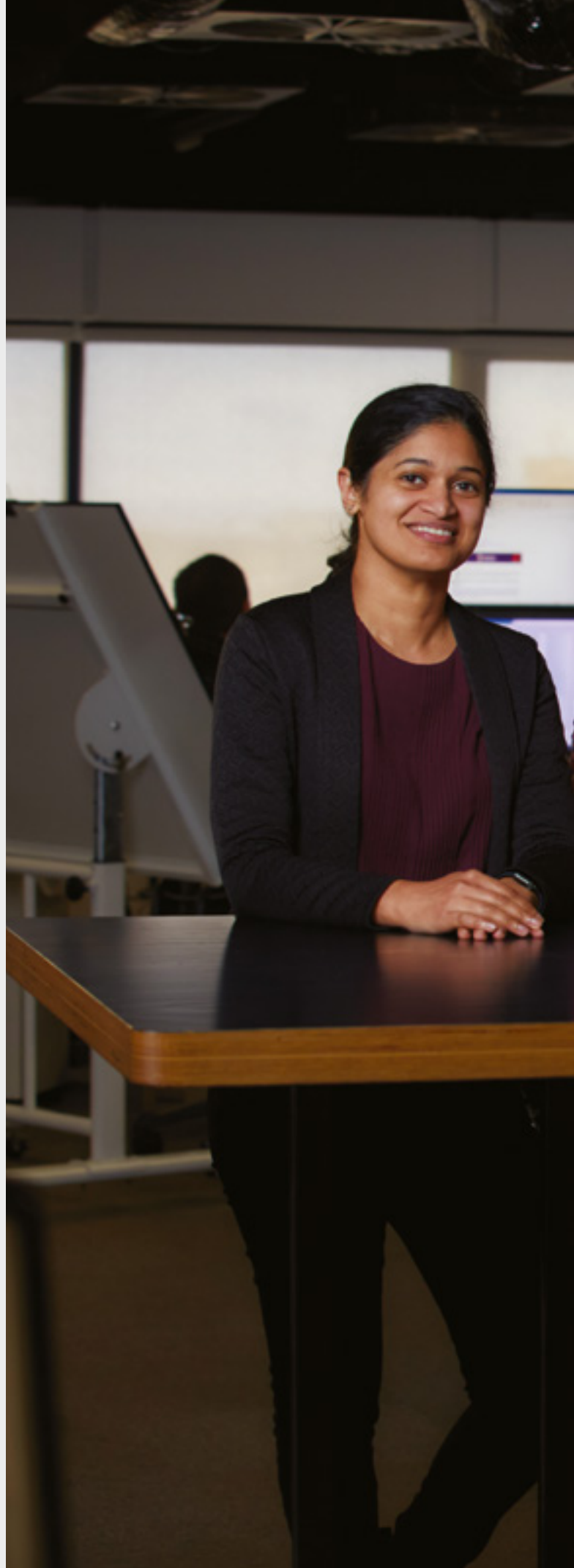
Utilising design which considers efficient water use and low energy container handling equipment.

Procuring from green power suppliers for the project and engaging contractors who comply with Pacific National's ESG criteria.



Utilising recycled construction materials.

Implementing efficient operations through rail, terminals and the broader precinct.





Engagement and collaboration

Our goal to decarbonise our business cannot be achieved alone. We must work with our customers, suppliers, and governments to deliver on our plans and support Australia's transition to a low carbon economy.

We are working on a carbon calculator to allow our customers to assess their Scope 3 emissions and compare road versus rail carbon emissions so they can choose the most sustainable and efficient mode of transport. We know that engagement with our customers to help them understand emissions associated with transporting their goods can benefit Pacific National as well as drive down emissions in Australia's supply chain.

Much of the technical and infrastructure pathways we use are outside of Pacific National's direct control, so collaborating and engaging with external providers will help us deliver sustainable reductions in carbon emissions. The availability of carbon neutral technologies is critical to our decarbonisation journey.

Our task for now is finding the right expert knowledge and technical expertise to help us achieve that.

For example, hydrogen locomotives are being developed internationally by locomotive manufacturers, while nationally there needs to be hydrogen refuelling infrastructure. Each is influenced by, and subject to, government policy, and we will continue to engage with state and federal governments to better understand their policy directions and how we respond to them within the framework of our own emissions reduction ambitions.

We are also engaging with our energy and locomotive suppliers and assessing how to transition locomotives to alternative fuels.



Case study

Biodiesel demonstration on the Brisbane to Melbourne to Brisbane corridor

Biodiesel will play an important role in the initial stages of our decarbonisation journey, as technology providers and the industry continue to develop longer term solutions. In 2021 it was determined that we could potentially use B20 Biodiesel to operate some of our locomotive engines, with work commencing on the feasibility of running trials to demonstrate its viability.

Partnering with our fuel supplier to establish a supply of the biodiesel, we commenced initial trials in FY22 along three legs of the Melbourne to Brisbane route. Our team reported that all three trials were a success with the locomotive operating as normal while using the biodiesel.

While there are challenges around the availability and continuity of supply of biodiesel, coupled with equipment shortages, we will continue to run the trials to further understand operational methodologies and fuel consumption.

Addressing climate change

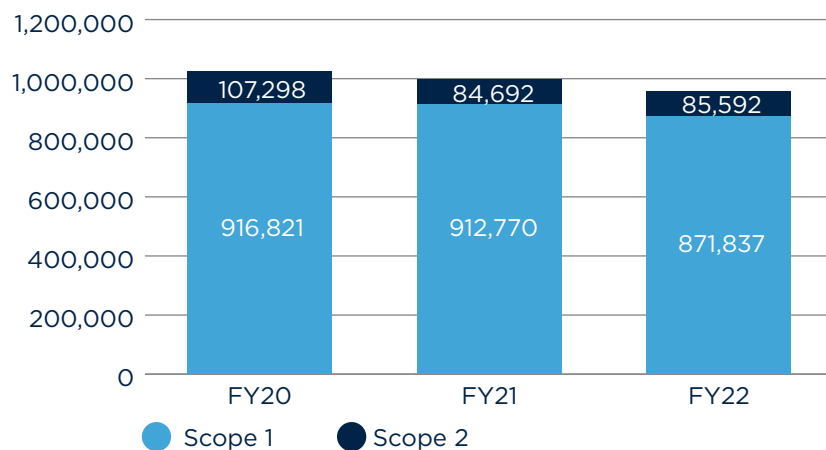
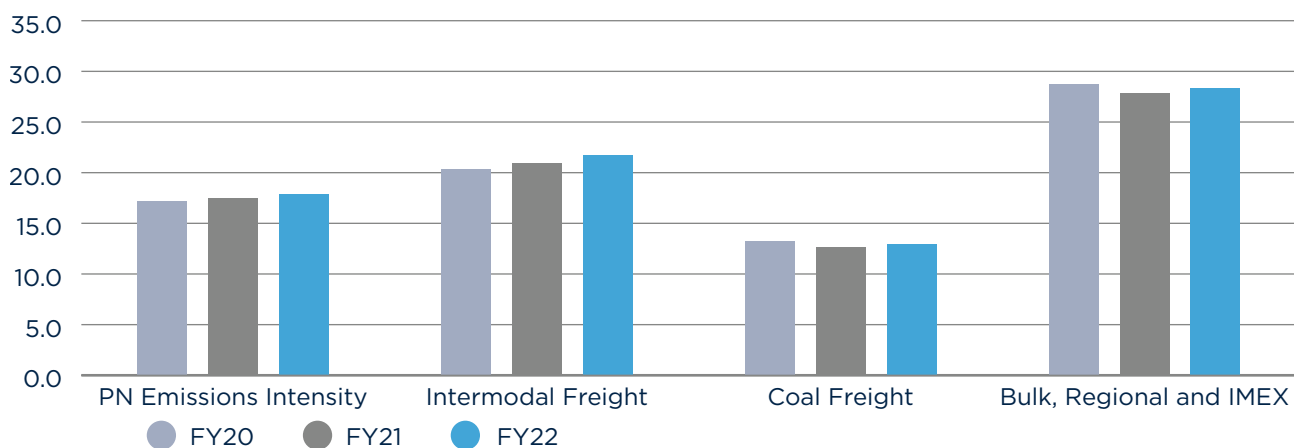
Climate change poses significant risk to our business, people, and the communities where we operate. The bushfires of 2019 and floods of 2021 and 2022 highlight the impacts of climate-related events in Australia generally and on our business specifically.

FY22 GHG Emissions

Pacific National's greenhouse gas emissions are driven primarily through our locomotives burning diesel, accounting for more than 90% of our emissions profile. Of our Scope 2 emissions, 86% of electricity consumed is via electric locomotives operating on the Queensland Coal network.

Overall, our Scope 1 and 2 emissions declined in FY22 because of the impact of rail closures. Adverse weather events, such as flooding and landslides, and labour shortages significantly impacted our operations and those of our customers. This resulted in a reduction in the efficiency of our services, causing an increase in our emissions intensity.

We continue to develop our process and work with our suppliers to collate our Scope 3 emissions. We have commenced with the collation of data covering technology and business travel and will develop data collection processes across our supply chains.

Greenhouse gas emissions – tCO₂e**Emissions Intensity – tCO₂e/mNTK**



OPERATING RESPONSIBLY

Our operations impact the lives of thousands of Australians every day. We employ more than 3,200 people, support 465 customers in 65 locations across the country. Because we care more, we conduct our business in ways that build sustainable relationship and contribute positively to the lives of the people and communities where we operate.

For this report we have refined our focus on three key areas: health and safety, people and community, and our environmental footprint. We also published our Modern Slavery statement for transparency in our supply chains and minimise and address modern slavery risks.

The future of our business depends on the environment and the communities we operate in. We don't take that for granted. Wherever we are present, we want our impact to be positive and sustainable. Under this pillar, we are driving initiatives to minimise our environmental footprint

and address increasing community expectations. We support our people to be active and valuable members of their community.

It is because we care more that we work harder at being a business that people want to work for. Our people power us, and we need everybody's best every day.



HEALTH SAFETY AND WELLBEING

Our commitment to delivering safe, efficient, and disciplined operations that protects the safety and wellbeing of our people, including providing an inclusive and diverse workplace, is non-negotiable.

The movement of large amounts of freight and coal over vast distances demands a heightened commitment to protecting the health, safety and wellbeing of everyone in our organisation. This care for safety extends to our commercial partners, customers and the community.

Critical Risk Management Framework

We continually work to improve our health and safety management system as our operations and business transform. We launched our critical risk management framework in 2020 with a focus on verification of the crucial controls necessary to prevent fatal or other outcomes.

Our Health Safety and Environment team have engaged with 98% of the identified leadership team in a targeted coaching session to reset the requirement for conducting disciplined critical control verifications (CCV).

We have matured the framework and have implemented Risk and Control Improvement Teams to develop performance standards and verification activities for system and equipment controls. This is the final piece of development work for our CCV framework to provide reporting inputs to measure the effectiveness of our controls and any necessary improvements.

Critical risks are reviewed and control performance is monitored for **effectiveness** (risk and control owners)

Critical Control systems and standards in place



Senior Leaders Managers

Critical risks are monitored to verify they are **in place and working effectively** (system and in-field)

Critical Control Verifications



Superintendents Supervisors

Critical risks are **understood** and **implemented** before commencing and during work

Critical Control Implementation

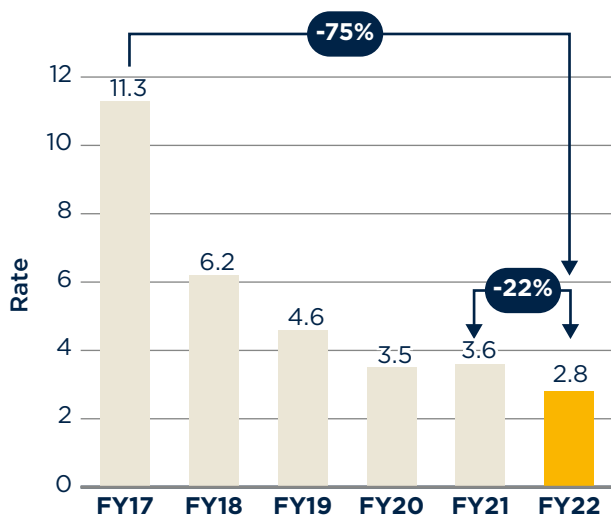


Everyone who is exposed to a critical risk

For the FY22 reporting period:

- 26%** fewer significant incidents
- 22%** fewer recordable injuries
- 12%** fewer Signals Passed at Danger events
- 30%** fewer incidents requiring first aid

Recordable Injury Frequency Rate

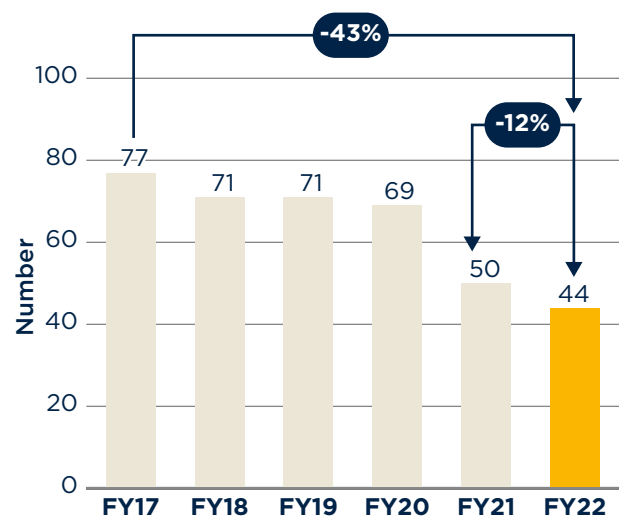


Recordable Injury Frequency Rate

Pacific National has experienced an overall improvement in safety lag indicators, as well as improvements in near miss reporting, suggesting an improved reporting culture.

The recordable injury frequency rate has seen a positive downward trend from 11.3 in FY17 to 2.8 in FY22.

SPAD Results



Signal Passed at Danger Prevention (SPAD)

A Signal Passed at Danger is a precursor to an accident, much like running a red light in a car. Since forming the SPAD working group in 2019 and the appointment of a full time SPAD Prevention Manager in 2021 we have recorded a 12% improvement in SPAD incidents in FY22.

Our work with the Australian Rail Track Corporation to operate trains using an Advance Train Management System to prevent train movement outside of authorised pathways has been a significant partnership.

Safety Above All Else safety campaign

A historical increase in freight movements has seen a corresponding increase in the number of safety incidents. Pacific National has responded by elevating safety above all other factors in our way of operating. It is the priority message in *Our PNA*.

The *Safety Above All Else* campaign in late 2021 specifically targeted our rail and other operations staff during the Christmas peak season, when rail and intermodal movements of freight increase rapidly. It has become our over-riding focus in everything we do.

Safety Above All Else: We don't take shortcuts. We plan the work and work the plan. We will stop a workmate or our operations and be curious if it looks unsafe.

Crisis Preparedness Response

The floods on Australia's east coast in February and March 2022 impacted our ability to move freight and coal. The floods also put our people their homes and communities at risk.

We activated our Emergency Management Team, developed a proportionate operational response plan, and coordinated the deployment of resources to support it. Our focus on *Safety Above All Else* and *Authority to Stop* was a fit-for-purpose approach.



Case study

Labour efficiency advancements

We proactively explore technological innovations and advancements to enhance our operations, including ensuring our people work as efficiently as possible.

RailCube

We are commencing the rollout of a bespoke new labour scheduling and rostering solution, RailCube, to improve efficiencies in our legacy system. Direct crew labour is the largest cost in Pacific National's operations, and requires systems that are accurate, efficient and allow us to optimise how we deploy our people.

RailCube was successfully trialed in the Gunnedah basin in north-eastern New South Wales in FY22, delivering significant benefits over current systems and processes. The software automates a large proportion of labour planners' tasks, such as shift creation, and validates background information on crew members including licences, competencies, and route knowledge. We will deploy it across all business units beginning Q3 FY22 over the next 2.5 years.

RailCube has reduced labour planning time by 85% and produces optimised rosters with improved labour outcomes.

Wellbeing

Everyday our people are impacted by interactions with trains in rail corridors, collisions, and accidents. Taking care of the mental health and wellbeing of our employees has never been more important. We are starting from a strong base, with embedded programs such as RUOK? And Peer Connect to support the mental health and connection among our people. This is underpinned by our engagement of an external employee assistance provider, Benestar, for confidential counselling and support. Benestar also offer resources to help support employees' relationships, financial, career, family and health.

We are rolling out a mental health and wellbeing program to formally support and train crew members impacted by adverse events.

Pacific National through TrackSAFE Foundation participates in industry knowledge sharing to collaborate and share information on topics such as trauma management and resilience.

Where the nature of their work supports it, we offer our people flexible working arrangements to help manage work-life balance.



Case study

Peer Connect on track

Caring about our people and fostering a workplace that is inclusive and supportive is the essence of who we are. Our Peer Connect Program raises awareness about mental health and provides employees with an internal peer-to-peer support network.

Peer Connect Champions are trained in Mental Health First Aid and provide employees an avenue for support, helping to connect employees with health professionals for additional advice if needed.

"Throughout my career, my goal has been to empower the community to fight back against mental health stigma and come together to show others in the community that they are not alone in their mental health journey. It's so important to encourage safe and meaningful conversations, free from judgement and stigma and in my experience, that has made such a huge impact to when and how someone reaches out and asks for help. Being a Peer Connect Champion is incredibly rewarding and allows me to support others in their toughest times and give them strength when they feel like theirs is fading."

Emma Meldrum,
Peer Connect Champion and People and Culture Advisor





Technology as a lever to improve safety outcomes

In line with our strategy to leverage technology in our operations, and with a focus on intermodal operations, we will be implementing a range of technologies that will allow us to better understand the condition of our trains and rollingstock and how they are being operated.

Locomotive data and conditioning monitoring can tell us about how we can improve reliability, asset utilisation and availability, terminal capacity, and cost outcomes.


We can also leverage these technologies to improve how safely we deliver our services and operate our trains. Understanding their condition will allow us to better predict and manage issues that could cause train partings, breakdowns and potentially derailments.

In a safety context, a close-to-real-time model of rolling stock fleet condition allows us to improve and focus our maintenance effort where it is most needed.

Similarly, the locomotive data initiative will deliver a model of our operation in real time and allow us to better measure, manage and review how our trains are being operated.

While the initial focus of the locomotive data project is the Intermodal NR class, both condition monitoring and real-time locomotive data systems will be adapted and scaled across our key operations.

PEOPLE AND COMMUNITY



At Pacific National, we go all out to provide our people with a safe workplace that protects them physically, mentally, and emotionally. As an employer in regional Australia we work to ensure positive economic and social contributions to local communities.

Our ambition is to be the most diverse employer in our industry, one that is known for the respect and care it provides the communities where we operate.

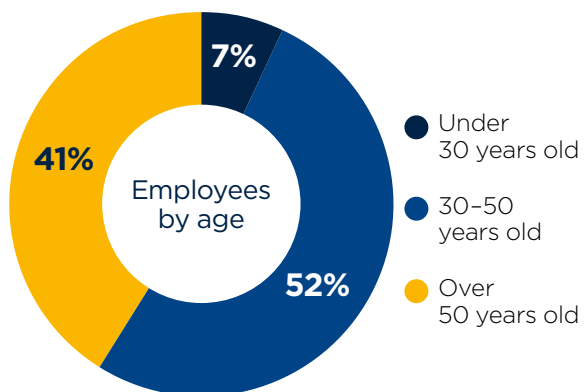
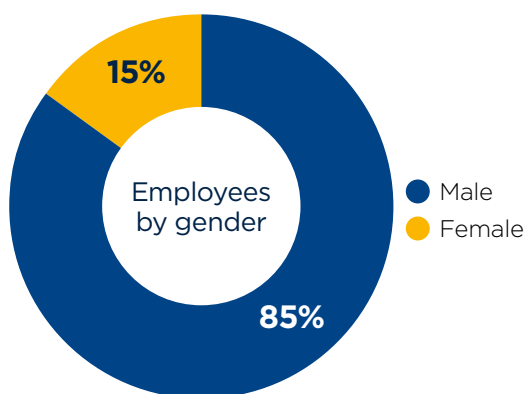
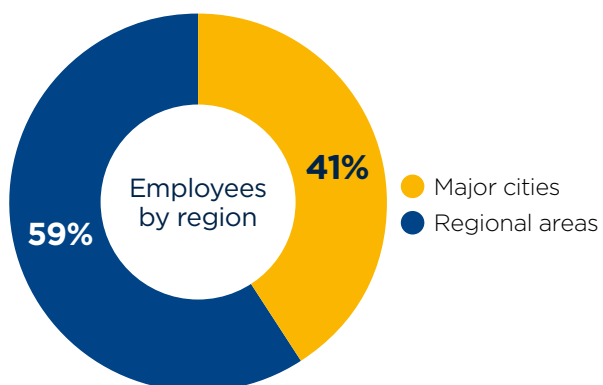
We acknowledge that we can do more to provide an environment that enables everyone with the best skills – regardless of their cultural background, identity, pronoun, or beliefs – to have a place at Pacific National. Our vision is for an organisation that reflects the richness and diversity of the community that exists outside our offices and operational facilities.

Inclusion and diversity

Every person has a role to play in Pacific National's growth and we respect the value and diversity of our teams. We care more about getting this aspect of our business right.

We have a robust governance structure to ensure we implement inclusion and diversity initiatives with the involvement of our workforce. But our I&D strategy's initiatives will get us only so far. We will need outside help to move our inclusion and diversity ambitions from aspirational to real.

People highlights



Case study

Our Reconciliation Action Plan

Pacific National's first Reconciliation Action Plan outlines our commitment to Aboriginal and Torres Strait Islander people and provides a framework for our business to influence and support the national reconciliation movement. It is our roadmap for initiating our own reconciliation journey and outlines our commitment to action towards building a more inclusive and diverse workplace; delivering cultural learning programs to increase understanding of Aboriginal and Torres Strait Islander cultures, histories, knowledge, and rights; and for supporting Aboriginal and Torres Strait Islander-owned businesses through our procurement practices.



Inclusion and Diversity Strategy

CEO

- Establishing direction, aligning people and the organisation, communicating direction

Senior Council of executives and functional group members

- Guides the Inclusion and Diversity Strategy and the implementation of initiatives.
- Makes recommendations to the Board on progress.
- Monitors and evaluates implementation of key programs.

Employee working groups

- Implement initiatives and advocate for a diverse and inclusive culture at Pacific National



Aboriginal and Torres Strait Islander Peoples

- Published our first Reflection Reconciliation Action Plan 2021.
- Established RAP Working Group to guide implementation.
- RAP Ownership group to provide strategic oversight for implementation.
- Partnered with Two Point Co. for ongoing engagement.
- First Nation employee network grows to 41 members.



Culture and Linguistics

- Enabling our people to voluntarily update their details to provide cultural and ethnic information to contribute to better understanding and recognising cultural diversity across Pacific National.
- Recognising significant days of celebration, including Lunar New Year, Matariki (Māori New Year), Diwali and Eid al-Adha.



Disability

- Worked with the Australian Network on Disabilities to review Pacific National's access and inclusion practices. This is driving a review of policies, processes and inclusion barriers to address opportunities and make Pacific National sites more accessible.
- Launched Words@Work for disability training, helping our people to understand the benefits of inclusive language and how respond to non-inclusive language.



Gender

- Committed \$150,000 in 2023 for PN Connect | Women.
- Recognised by WORK180 as employer committed to diversity, equity and inclusion.
- Achieved funding under Career Revive Program to recruit and train women returning to the workforce.



LGBTQIA+

- The Pride in PN network supports our LGBTQIA+ community to create a safe and inclusive workplace.
- Invited Coles I&D team to demonstrate integrating diversity into capability frameworks, training and governance.
- 245 attendees at NSW Health Live Q&A about support services for LGBTQIA+.



Life Ages and Stages

- The Life Ages and Stages Employee Network launched a multi-generational workforce awareness campaign to highlight Pacific National's diverse age groups and how to build effective multi-generational workplaces.
- Engaged an external workplace wellness partner to provide support services for life-stage planning.
- Advocating mental health via cross-functional relationship between HSE and PeerConnect to build support model for PeerConnect teams.

Talent acquisition

We know we can do more to provide an environment that enables people with the best skills to find their place at Pacific National.

A high percentage of our locomotive drivers are nearing retirement age in the coming years. We are supporting employee transition to retirement through the creation of our Life Ages and Stages Working Group to identify and implement programs in that area. We are taking the opportunity to find and train the next generation of locomotive drivers through our Street to Seat program, by targeting new people to join the industry.

Out of the 132 trainee driver officers accepted in FY22, 52 (39%) are women and 21 (16%) are from Aboriginal and Torres Strait Islander background.⁴ In total 5% of our new recruits from across the business are from Aboriginal and Torres Strait Islander background.

4. Employees self-identify their nationality during the on boarding process through the completion of hiring documents. The percentage of new recruits who are of Aboriginal or Torres Strait Origin is calculated as ATSI offers accepted/total offers accepted.



Community giving

Our ambition is to be known as a business that respects and cares for the communities in which we operate. As we continue to evolve our community engagement and strengthen relationships, we look forward to continuing to invest in this program.

- Adopted the B4SI framework to report, verify and validate Pacific National's charitable contributions to include only those that deliver a direct community benefit.
- Reportable charitable contributions increased by more than half in FY22 to \$383,864 across our core pillars of Safety, Health and Emergency Services.
- Additionally, we also diverted \$56,300 of our procurement spend towards organisations focused on delivering a social impact

Key Contributions

Red Cross flood support	Donated \$25,000 to the Red Cross to provide humanitarian support communities recovering from floods in NSW and Queensland.
TrackSAFE Foundation	Pacific National makes annual financial contributions to support TrackSAFE's work towards preventing suicides, reducing incidents and injuries on the rail network, improving trauma management, and improving the mental health and wellbeing of rail employees, including supporting RUOK Day. Pacific National's Chief Corporate Services Officer, General Counsel and Company Secretary is a board member.
Landcare Volunteering	Donated \$13,500 in cash and time by conducting nursery work regenerating native plants at Indigigrow Nursery in NSW.
Foodbank	Donated \$9,000 equivalent services to transport non-perishable goods for Foodbank between Melbourne and Perth. Commitment through to FY23.



Procurement and suppliers

Transparency, compliance, and risk mitigation are being built into our procurement process.

We have strengthened our governance and controls around how we engage and manage third-party contractors attending our sites by leveraging an industry leading supply chain risk management software and audit solution, as well as improved frameworks and internal processes. It enables us to identify, mitigate and manage our contractor risk, while also enabling us to deliver on our Modern Slavery commitments across our supply base.

We began a two-year program to expand the use of these platforms and processes to build transparency and profile our ESG status including scoring, industry benchmarking, risks and opportunities across our supplier base. This will be the foundation for future transparency of our scope 3 emissions and enhance our other social and governance initiatives.

39% of our suppliers were screened using environmental criteria in FY22.





ENVIRONMENTAL FOOTPRINT

Pacific National wants to reduce our environmental footprint beyond reducing our emissions. We will monitor performance in the areas of land and resource management; air and noise pollution; water and waste to set targets to deliver on them.

To date, our environmental risk frameworks have responded to complying with regulatory licenses. This compliance focus reflects where we are in our ESG journey. Over the coming years, we want our environmental management practices to be best-in-class, going beyond regulatory compliance, to ensure we minimise our impact and address community expectations of us.

We are working to establish baseline data to understand current risks and to put plans in place to reduce or mitigate them. By capturing the right data, we can build and embed a better and more mature environmental management system.

Ongoing environmental management

We have environmental management plans specific for each of our sites. They include a checklist for each site's hazards, risks, and performance, overseen and managed by dedicated environmental advisors and Health, Safety and Environment (HSE) Advisors across the business.

Our environmental performance is also monitored under the HSE Assurance Program which operates on a three-year program cycle auditing our sites.

Pacific National reduced by 16% the number of environmental incidents in FY22, recording 197 environmental incidents compared with 234 the previous year. Most of these were minor and were hydrocarbon spills occurring within our facility footprints. Each incident was reviewed by site personnel with supporting advice from the environmental team and where required, followed through with an internal investigation to ensure that mitigative actions were implemented.

For the FY22 reporting period:

- there were no regulatory compliance investigations
- there were no compliance enforcement notices
- there were no further actions or orders from environmental regulatory agencies across our operations.

Wheel squeal rectification

It is important to Pacific National that we avoid creating excessive noise from our wagons and limit our impact on communities while also meeting strict regulatory standards.

Rail wheel squeal occurs when locomotives and wagons go around tight rail curves. It's the rail equivalent of living under an airport flight path and can severely impact local communities, especially those close to the rail corridor.

There is no quick fix to rail wheel squeal nor is there a single solution. We have been working with government and private third-party operators to research and develop solutions since 2014. We operate more than 7,000 individual bogies over four different classes and more than 11,000 individual wagons. Testing and validation of modifications for three bogie classes was completed in June 2022. We expect to start modifying our fleet in September 2022.



Locomotive noise monitoring

Pacific National operates its rolling stock infrastructure across multiple states and jurisdictions and our locomotives and wagons must comply with noise regulations wherever they operate or pass through.

In NSW our rolling stock operations are regulated under an environmental protection licence, which requires all locomotives to undergo noise monitoring testing. In FY22, 34 locomotives were monitored, and no material exceedances were identified. Additional locomotives will undergo the program as they become available.

The monitoring program's benefits are more widespread than NSW. All communities which we operate in or through benefit from the program.

Noise and light management

Our facilities have been in their current locations for decades and the growth of communities near our facilities means homes and other infrastructure are slowly moving closer to rail corridors and rail intermodal sites.

We have implemented specific noise management plans for several sites to help reduce noise emissions. From a practical perspective, we have adopted an environmental and community awareness training package for site personnel and all new employees so they understand local community concerns and what they can do to minimise operational noise.

As our facilities operate around the clock, thirty-meter lighting towers and perimeter security lights are common across our major rail sites. Light spillage can affect our neighbours in ways we hadn't anticipated before the growth of residential communities adjacent to our sites. We have undertaken environmental lighting assessments and, in most cases, simply redirected our lights to minimise the impact outside our boundaries, while ensuring we have sufficient light for our people to work safely. We will continue to monitor and respond to community feedback.

Environment and community awareness education

We have developed an environment and community awareness education pack as part of the onboarding process for new employees to help them understand Pacific National's and their own responsibilities in how the growth of our operations and services can impact communities and the environment.





PERFORMANCE DATA

FUTUREPROOFING OUR SERVICES

Towards decarbonisation

Greenhouse Gas Emissions

Metric(s)	Unit	GRI	FY22	FY21	FY20
Total Greenhouse Gas Emissions (GHG) Scope 1 + 2	tCO₂e	GRI 305-1	957,429	997,462	1,024,119
Scope 1	tCO ₂ e	GRI 305-1a	871,837	912,770	916,821
Scope 2	tCO ₂ e	GRI 305-2a	85,592	84,692	107,298
Emissions Intensity	tCO₂e/mNTK	GRI 305-4a	17.9	17.5	17.2
Intermodal freight	tCO ₂ e/mNTK	GRI 305-4a	21.7	20.9	20.3
Coal freight	tCO ₂ e/mNTK	GRI 305-4a	12.9	12.6	13.2
Bulk, regional and IMEX freight	tCO ₂ e/mNTK	GRI 305-4a	28.3	27.8	28.7

Energy

Metric(s)	Unit	GRI	FY22	FY21	FY20
Total electricity consumed	Kwh	GRI 302-1c (i)	106,958,591	104,369,432	132,226,855
Total fuel consumed from non-renewable resources ⁵	GJ	GRI 302-1a	12,435,823	12,952,061	13,079,588
Total energy consumption ⁶	GJ	GRI 302-1e	12,820,872	12,952,061	13,079,588
Energy intensity	GJ/mNTK	GRI 302-3a	241.3	233.6	228.3

Other

Metric(s)	Unit	GRI	FY22	FY21	FY20
Nitrogen oxides (NOx)	Tonnes	GRI 305-7	169.0	161.4	130.8
Sulfur oxides (SOx)	Tonnes	GRI 305-7	0.070	0.067	0.052
Net tonne Kilometres	mNTK		53,000	57,000	59,000

5. Includes all diesel, petrol and LPG.

6. Total energy consumption within the organisation = (Non-renewable fuel consumed) + (Renewable fuel consumed) + (Electricity, heating, cooling, and steam purchased for consumption) + (Self-generated electricity, heating, cooling, and steam, which are not consumed) - (Electricity, heating, cooling, and steam sold).

OPERATING RESPONSIBLY

People and community

Health and safety					
Metric(s)	Unit	GRI	FY22	FY21	FY20
Number of fatalities as a result of work-related injury ⁷	#	GRI 403-9a	0	0	1
Significant Incidents – Number of potential level 1 and 2 incidents (excluding fatalities) ⁸	#	GRI 403-9a (ii)	26	35	30
Number of Recordable work-related injuries ⁹	#	GRI 403-9a (iii)	21	27	27
Recordable Injury Frequency Rate (RIFR) ¹⁰	#	GRI 403-9	2.8	3.6	3.5
Number of First Aid injuries	#		85	120	104
Number of Medically Treated Injuries	#		14	16	21
Number of Lost Time Injuries	#		7	11	5
Number of Near Misses	#		524	384	524
Rate of Fatalities			0.0	0.0	0.1
All Injury Frequency Rate			36.3	45.8	43.2
Near Miss Frequency Rate (NMFR)			69.5	51.7	67.4
Signal Passed at Danger Events (SPAD) ¹¹	#		44	50	69
Total Employee Hours	#	GRI 403-9a (v)	7,542,027	7,431,175	7,773,516
Employee Hours	#	GRI 403-9a (v)	6,335,096	6,252,658	6,522,063
Contractor Hours	#	GRI 403-9b (v)	1,206,930	1,178,517	1,251,454
Number of incidents required to be reported to the ONRSR	#		6215	3840	2610
Number of collision/derailments or other events involving on-rail equipment ¹²	#		202	234	240
Number of NCR's received from ONRSR and/or Comcare and/or any other external regulatory audit and or inspection	#		12	6	6

7. A work-related event or exposure resulting in the death of a PN employee or contractor.

8. Potential Level 1 – Critical – An incident resulting in, or potential to result in multiple fatalities OR serious injury resulting in irreversible impairment or disablement >30% of body to more than 10 persons.
Potential Level 2 – Major – An incident resulting in, or potential to result in a single fatality OR serious injury resulting in irreversible impairment or disablement >30% of body to one or more persons.

9. An injury or illness classified either as a medical treatment injury (MTI), loss time injury (LTI) or Fatality (FAT) involving a PN employee, or contractor.

10. RIFR is calculated as the total number of recordable injuries per million hours worked.

11. Any incident where rolling stock passes without authority through a signal displaying a stop indication or a stop aspect including but not limited to fixed signals, stop boards, hand signals, or black or improperly displayed signals; or exceeds the limits of authorised movements including in-cab indicators, paper-based and electronic “occupancy authorities” and encroachment on a protected worksite.

12. Rail Operational Safety Incident data.



People and community

Employees

Metric(s)	Unit	GRI	FY22		FY21		FY20	
Full Time Equivalent Employees Total¹³	#	GRI 401/405	3,253		3,281		3,348	
Total: Workforce by Region¹⁴	#, %	GRI 401-1a	3,342	100%	3,361	100%	3,444	100%
Major cities	#, %	GRI 401-1A	1,370	41%	1,348	40%	1,386	40%
Regional areas	#, %	GRI 401-1A	1,972	59%	2,013	60%	2,058	60%
Total: New Employee Hires	#	GRI 401-11a	582		342		324	
New Employee Hires (Age)	#, %	GRI 401-1a	582	100%	342	100%	324	100%
Under 30 years old	#, %	GRI 401-1a	147	25%	80	23%	73	23%
30-50 years old	#, %	GRI 401-1a	325	56%	188	55%	184	57%
Over 50 years old	#, %	GRI 401-1a	110	19%	74	22%	67	21%
New Employee Hires (Gender)	#, %	GRI 401-1a	582	100%	342	100%	324	100%
Male	#, %	GRI 401-1a	430	74%	247	72%	246	76%
Female	#, %	GRI 401-1a	148	25%	94	27%	78	24%
Unknown	#, %	GRI 401-1a	4	1%	1	0%	0	0%
Employee Turnover	#, %	GRI 401-1a	600		422		378	
Turnover Rate^{15, 16}	%		18.0%		12.6%		11.0%	
Employee Turnover (Age)	#, %	GRI 401-1b	600	100%	422	100%	378	100%
Under 30 years old	%	GRI 401-1b	58	10%	20	5%	30	8%
30-50 years old	%	GRI 401-1b	291	49%	201	48%	174	46%
Over 50 years old	%	GRI 401-1b	251	42%	201	48%	174	46%
Employee Turnover (Gender)	#, %	GRI 401-1b	600	100%	422	100%	378	100%
Male	#, %	GRI 401-1b	520	87%	342	81%	300	79%
Female	#, %	GRI 401-1b	79	13%	80	19%	78	21%
Unknown	#, %	GRI 401-1b	1	0%	0	0%	0	0%

13. FTE is the sum of active full-time, part-time, casual and on-demand employees paid directly by PN, and excludes employees from these categories who are on Leave of Absence (LOA), suspended, or terminated. FTE excludes contractors who worked for PN via third party agencies.

14. Regional workforce based on employee's work location. A regional area is identified as areas outside of major Australian cities.

15. Workforce (total headcount) is calculated using the total headcount (not FTE) of employees and includes active, LOA and suspended; Full-time, Part-time, PN paid Casuals (casual & on demand). Workforce excludes workers compensation (WCP).

People and community

Inclusion and diversity¹⁶

Metric(s)	Unit	GRI	FY22		FY21		FY20	
Female representation in the workforce	#, %	GRI 405-1b	506	15%	436	13%	422	12%
Female represented Leadership positions	#, %	GRI 405-1a	75	19%	59	18%	-	-
Board Representation (Gender)	#, %	GRI 405-1a	9	100%	9	100%	9	100%
Male	#, %	GRI 405-1a	8	89%	8	89%	8	89%
Female	#, %	GRI 405-1a	1	11%	1	11%	1	11%
Board Representation (Age)	#, %	GRI 405-1a	9	100%	9	100%	9	100%
Under 30 years old	#, %	GRI 405-1a	0	0%	0	0%	0	0%
30-50 years old	#, %	GRI 405-1a	2	22%	2	22%	1	11%
Over 50 years old	#, %	GRI 405-1a	7	78%	7	78%	8	89%
Executive Leadership Representation¹⁷	#, %	GRI 405-1a	6	100%	6	100%	7	100%
Male	#, %	GRI 405-1a	5	83%	5	83%	6	86%
Female	#, %	GRI 405-1a	1	17%	1	17%	1	14%
Executive Leadership Representation (Age)	#, %		6	33%	6	100%	7	100%
Under 30 years old	#, %	GRI 405-1a	0	0%	0	0%	0	0%
30-50 years old	#, %	GRI 405-1a	2	33%	2	33%	2	29%
Over 50 years old	#, %	GRI 405-1a	4	67%	4	67%	5	71%
Leadership/Manager Team Representation¹⁸	#, %	GRI 405-1a	393	100%	324	100%	-	-
Male	#, %	GRI 405-1a	319	81%	266	82%	-	-
Female	#, %	GRI 405-1a	74	19%	58	18%	-	-

16. As a % of headcount.

17. Executive Leadership is the executive management including but not limited too; Chief Corp Services Officer, Chief Commercial Officer, Chief Financial Officer, Chief Executive Officer, Executive Advisor, and Chief Operating Officer. Note, executive leadership excludes Chief of Staff.

18. An individual is identified in a leadership or management position when they have a position designed/created to have a direct report.

People and community

Inclusion and diversity¹⁶

Metric(s)	Unit	GRI	FY22		FY21		FY20	
Leadership/Manager Team Representation (Age)	#, %	GRI 405-1a	393	65%	324	63%	-	-
Under 30 years old	#, %	GRI 405-1a	6	2%	7	2%	-	-
30-50 years old	#, %	GRI 405-1a	248	63%	196	60%	-	-
Over 50 years old	#, %	GRI 405-1a	139	35%	121	37%	-	-
Workforce Representation (Gender)	#, %	GRI 405-1a	3342	100%	3361	100%	3444	100%
Male	#, %	GRI 405-1a	2832	85%	2924	87%	3022	88%
Female	#, %	GRI 405-1a	506	15%	436	13%	422	12%
Unknown	#, %	GRI 405-1a	4	0%	1	0%	0	0%
Workforce Representation (Age)	#, %	GRI 405-1a	3342	100%	3361	100%	3444	100%
Under 30 years old	#, %	GRI 405-1a	263	8%	223	7%	215	6%
30-50 years old	#, %	GRI 405-1a	1665	50%	1678	50%	1740	51%
Over 50 years old	#, %	GRI 405-1a	1414	42%	1460	43%	1489	43%

Parental leave

Total number of employees entitled to Parental Leave	#, %	GRI 401-3a	2928	88%	2864	85%	2892	84%
Total number of employees that took Parental leave	#, %	GRI 401-3b	99	3%	81	3%	68	2%
Male	#, %	GRI 401-3b	77	78%	60	74%	52	76%
Female	#, %	GRI 401-3b	22	22%	21	26%	16	24%
Total number of employees that returned to work in the reporting period after parental leave ended	#, %	GRI 401-3c	97	98%	81	100%	68	100%
Male	#, %	GRI 401-3c	75	77%	60	74%	52	76%
Female	#, %	GRI 401-3c	22	23%	21	26%	16	24%

16. As a % of headcount.

People and community

Procurement

Metric(s)	Unit	GRI	FY22	FY21	FY20
Total Supplier Spend	\$AU		\$ 1,548,615,006	\$ 1,435,741,052	\$ 1,510,306,791
Supplier spend in Regional Areas (outside metropolitan cities)	\$AU		\$ 43,080,440	\$ 40,077,544	\$ 38,255,031
Percentage of new suppliers that were screened using environmental criteria.	%	GRI 308-1a	38.9%	N/A	N/A
Number of suppliers assessed for environmental impacts.	#	GRI 308-2a	556	2	2
Number of suppliers identified as having significant actual and potential negative environmental impacts.	#	GRI 308-2b	2	2	2
Number of significant actual and potential negative environmental impacts identified in the supply chain.	#	GRI 308-2c	2	5	6
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.	%	GRI 308-2d	0.1%	0.1%	0.1%
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	%	GRI 308-2e	0	N/A	N/A

Environmental footprint

Waste

Metric(s)	Unit	GRI	FY22	FY21	FY20
Total Waste Generated	Metric tonnes	GRI 306-3a	1,803	2,104	1,961
Total non-hazardous waste generated	Metric tonnes	GRI 306-4a	412	504	658
Total hazardous waste generated	Metric tonnes	GRI 306-4b	1,173	1,310	1,303
Waste directed to disposal	Metric tonnes	GRI 306-5a	1,585	1,814	1,736
Waste recycled	Metric tonnes	GRI 306-3a	222	303	225
Assets waste generated and recycled ¹⁹	Metric tonnes	GRI 306-3a	14,118	6,111	812
Waste generated – E-waste	Metric tonnes	GRI 306-3a	0.976	-	-

Water

Metric(s)	Unit	GRI	FY22	FY21	FY20
Water Consumption	Megalitres	GRI 303-5a	235	233	246

Community complaints

Metric(s)	Unit	GRI	FY22	FY21	FY20
Total Number of Community complaints²⁰	#		206	272	223

19. Includes wagons, locomotives and other assets recycled.

20. A Community Complaint is any complaint that is lodged by any person/stakeholder in relation to activities or performance of PN operations, including operations/activities on mainline rail networks. Categories of complaints include; Air, Noise and Other.



GRI CONTENT INDEX

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 2	The organisation and its reporting practices	2-1	Organisational details	About this report	Inside Cover	Location of headquarters: Level 16/15 Blue St, North Sydney NSW 2060.
		2-2	Entities included in the organisation's sustainability reporting	About this report	Inside Cover	For this ESG report, information collected for Pacific National Holdings Pty Ltd and its subsidiaries has been consolidated and presented as information for Pacific National. Material topics have been defined for Pacific National including all its entities.
		2-3	Reporting period, frequency and contact point	About this report GRI Index	Inside Cover	Pacific National aims to publish an annual sustainability report. This report was published on 10 November 2022. Pacific National's last ESG report relating to FY21 was published 7 February 2022. For questions about this report, please contact PN_communications@pacfnational.com.au
		2-4	Restatements of information	GRI Index	Inside Cover	No information restatement has been included in this report.
		2-5	External assurance	About this report	Inside Cover	KPMG provided limited external assurance. The greenhouse gas emissions data for submission under the National Greenhouse gas Energy Reporting has been verified by ERM.
				Statement of Limited Assurance	68	

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 2	Activities and workers	2-6	Activities, value chain and other business relationships	About Pacific National	8, 9	
				About Pacific National: Where we operate	12, 13	
				About Pacific National: Our Core Markets	12	
		2-7	Employees	About Pacific National: Our company snapshot	12	
				People and Community: People highlights	45	
				Performance Data: People and Community	56,57	
	Governance	2-9	Governance structure and composition	Governance	21	
		2-12	Role of the highest governance body in overseeing the management of impacts	Governance	20, 21	
		2-13	Delegation of responsibility for managing impacts	Governance	21	
		2-14	Role of the highest governance body in sustainability reporting	About this report	Inside Cover	
				Message from the Chair	6	
		2-16	Communication of critical concerns	Governance	20, 21	
				Governance: Responsible business conduct	22	
	Strategies, policies and practices	2-22	Statement on sustainable development strategy	Message from the Chair	6	
				Message from the Managing Director and CEO	7	
		2-23	Policy commitments	Governance: Responsible business conduct	22	
				Modern Slavery Statement	69	
		2-28	Membership associations	Governance: Industry leadership	23	

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 2	Stakeholder engagement	2-29	Approach to stakeholder engagement	Our approach to ESG: Materiality assessment	16	Pacific National's approach to community and stakeholder engagement is outlined in a number of documents contained within the organisation's Integrated Management System. Pacific National regularly speaks to and surveys its employees, customers and suppliers to solicit feedback to better its operations and business.
				Towards decarbonisation: Engagement and collaboration	35	
				GRI Index		
GRI 3	Material topics	3-1	Process to determine material topics	Materiality assessment	16, 17	
		3-2	List of material topics	Materiality assessment: Key material topics	18	
GRI 204	Procurement practices	3-3	Topic management disclosures	People & Community: Procurement and suppliers Modern Slavery Statement	50 69	Pacific National's definition of 'local' includes locations outside of metropolitan cities. Reference to regional suppliers.
		204-1	Proportion of spending on local suppliers	Performance data: People and Community Modern slavery	60 69	
GRI 302	Energy	3-3	Topic management disclosures	Pacific National Climate Change Strategy	25-37	Data for fuel consumption from renewable sources is not available for this reporting period.
		302-1	Energy consumption within the organisation	Performance Data: Towards decarbonisation	54	
		302-3	Energy intensity	Performance Data: Towards decarbonisation	54	

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 303	Water and effluents	3-3	Topic management disclosures	Environmental footprint	51	
		303-5	Water consumption	Performance Data: Towards decarbonisation	61	
GRI 305	Emissions	3-3	Topic management disclosures	Towards decarbonisation	25-37	
		305-1	Direct (Scope 1) GHG emissions	Towards decarbonisation: Addressing climate change	36	
				Performance Data: Towards decarbonisation	54	
		305-2	Energy indirect (Scope 2) GHG emissions	Towards Decarbonisation: Addressing climate change	36	
				Performance Data: Towards decarbonisation	54	
		305-4	GHG emissions intensity	Performance Data: Towards decarbonisation	54	
		305-7	"Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions"	Performance Data: Towards decarbonisation	54	
GRI 306	Waste	3-3	Topic management disclosures	Environmental footprint	51	
		306-3	Waste generated	Performance Data: Environmental Footprint	61	
		306-4	Waste diverted from disposal	Performance Data: Environmental Footprint	61	
		306-5	Waste directed to disposal	Performance Data: Environmental Footprint	61	
GRI 401	Employment	3-3	Topic management disclosures	People and Community	44-48	
		401-1	New employee hires and employee turnover	Performance Data: People and Community	56	
		401-3	Parental Leave	Performance Data: People and Community	59	

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 403	Occupational health and safety	3-3	Topic management disclosures	People and community: Health, Safety and Wellbeing	39	
				Performance data: Operating Responsibly	55	
		403-1	Occupational health and safety management system	Health, Safety and Wellbeing	39	
		403-2	Hazard identification, risk assessment, and incident investigation	Health, Safety and Wellbeing: Critical Risk Management Framework	39	
		403-4	Worker participation, consultation, and communication on occupational health and safety	Health, Safety and Wellbeing: Safety Above All Else safety campaign	41	
		403-5	Worker training on occupational health and safety	Health, Safety and Wellbeing Safety Above all Else safety campaign	41	
		403-6	Promotion of worker health	Health, Safety and Wellbeing	39,41, 42, 43	
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health, Safety and Wellbeing	39	
		403-8	Workers covered by an occupational health and safety management system	GRI Index	62	All Pacific National workers are covered by the health and safety management system.
		403-9	Work-related injuries	Health, Safety and Wellbeing Performance Data: People and Community	40 55	Data included includes metrics tracked by Pacific National, in addition to GRI Standards disclosures.

GRI Standard	Scope	Disclosure	Disclosure name	Location	Page number	Comments and Omissions
GRI 405	Diversity and equal opportunity	3-3	Topic management disclosures	People and Community: Inclusion and Diversity	45, 46, 47	
		405-1	Diversity of governance bodies and employees	People and Community: Inclusion and Diversity Performance Data: People and Community	58, 59	
GRI 413	Local communities	3-3	Topic management disclosures	Environmental footprint: Ongoing environmental management	52	
				Environmental footprint: Environment and community awareness education	53	
		413-1	Operations with local community engagement, impact assessments, and development programs	Environmental footprint: Ongoing environmental management	52	Data on percentage of operations with implemented local community engagement, impact assessments, and/or development programs is not currently tracked.
				Environmental footprint: Environment and community awareness education	53	
		413-2	Operations with significant actual and potential negative impacts on local communities	Environmental footprint: Ongoing environmental management	52	Data on operations with significant actual and potential negative impacts on local communities is not currently tracked. Pacific National provided the number of community complaints the Data and Performance section on Environmental Footprint.
				Environmental footprint: Environment and community awareness education	53	

STATEMENT OF LIMITED ASSURANCE



Independent Limited Assurance Report to the Directors of Pacific National Holdings Pty Ltd

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Selected ESG Metrics, as described below, which have been prepared by Pacific National Holdings Pty Ltd in accordance with management measurement methodologies for the year ended 30 June 2022.

Information Subject to Assurance

The Selected ESG Metrics, as presented in Pacific National Holdings Pty Ltd (Pacific National) ESG Report FY2022 (the ESG Report) and available on Pacific National's website, comprised the following:

Selected ESG Metrics	Value assured FY2022
Health and Safety	
Number of fatalities as a result of work-related injury	0
Significant Incidents - Number of potential level 1 and 2 incidents (excluding fatalities)	26
Signal Passed at Danger Events (SPAD)	44
Recordable Injury Frequency Rate (RIFR)	2.8
Number of recordable work-related injuries	21
Total employee hours	7,542,027
Inclusion and Diversity	
Full time equivalent employees total	3,253
Workforce by Region: Regional areas	59%
Female representation in the workforce	15%
Female representation on the Board	11%
Female representation in Executive leadership	17%
Female represented in leadership/manager positions	19%
% of new recruits of Aboriginal or Torres Strait Islander background	5%
Leadership/Management team representation (age)	
Under 30 years old	2%
30 – 50 years old	63%
Over 50 years old	35%
Workforce representation (age)	
Under 30 years old	8%
30 – 50 years old	50%
Over 50 years old	42%
PN Turnover Rate (as % of Headcount)	18%
Complaints	
Total number of Community complaints	206

Criteria Used as the Basis of Reporting

The criteria used in relation to the Selected ESG Metrics are Pacific National's management measurement methodologies as disclosed in the ESG Report FY2022.

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Selected ESG Metrics, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Pacific National personnel to understand the internal controls, governance structure and reporting process of the Selected ESG Metrics;
- reviews of relevant documentation including Pacific National's management measurement methodologies;
- analytical procedures over the Selected ESG Metrics;
- walkthroughs of the Selected ESG Metrics to source documentation;
- evaluation of the appropriateness of the criteria with respect to the Selected ESG Metrics; and
- review of the ESG Report in its entirety to consider whether it is consistent with our assurance work.

Inherent Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and because of this, it is possible that fraud, error, or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all misstatements, as an assurance engagement is not performed continuously throughout the period that is the subject of the engagement and the procedures performed on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data.

How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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Liability limited by a scheme approved under Professional Standards Legislation.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Pacific National.

Use of this Assurance Report

This report has been prepared for the Directors of Pacific National for the purpose of providing an assurance conclusion on the Selected ESG Metrics and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Pacific National, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the Selected ESG Metrics in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the Selected ESG Metrics that is free from material misstatement, whether due to fraud or error.



KPMG

8 November 2022

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Selected ESG Metrics for the year ended 30 June 2022, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

MODERN SLAVERY STATEMENT

Pacific National has published our third Modern Slavery Statement setting out the actions we have taken to manage the risk of slavery practices in our operations and supply chain.

In FY2022 we have taken steps to deepen our understanding of our supply chain, and work with our people to understand the risk of modern slavery in our operations across Australia. We have maintained our focus on awareness and education, engagement and assurance, to continuously improve the effectiveness of the steps we are taking to eradicate modern slavery practices.

For further information on our capabilities to combat modern slavery and protect fundamental human rights for everyone who interacts with us, you can access our Statement on our **website**.



GLOSSARY

BCA	Business Council of Australia
BEL	Battery Electric Locomotives
Bulk freight	Freight that is loaded directly onto its mode of transport
Carbon	Used as shorthand for greenhouse gases
CO₂e	Carbon dioxide equivalent is the standard unit of measure as used by the United Nations Intergovernmental Panel on Climate Change to compare the potential impact of greenhouse gases on global warming using the same basis.
CPK	Cents per kilometre
CCV	Critical Control Verifications
FY22	Financial Year 2022 (1 July 2021 – 30 June 2022)
ESG	Environment, Social and Governance
FORG	Freight on Rail Group
GHG	Greenhouse Gas
GRI	Global Reporting Initiative Standards Framework
HSE	Health, Safety and Environment
IMEX	Pacific National's import and export rail services between regional and metropolitan areas and Australia's key container ports.
Inland Rail	The Inland Rail is the 1,700km freight rail project that will connect Melbourne and Brisbane through regional Victoria, New South Wales, and Queensland
I&D	Inclusion and Diversity
Intermodal freight	The transportation of freight in an intermodal container or vehicle, using multiple modes of transportation.

Intermodal facility	A facility where freight loaded onto intermodal containers and transferred seamlessly between trains, trucks and cargo ships.
Materiality assessment	Assessing the impact of a company's business activities on the economy, the environment, and people, including human right impacts.
Materiality topics	A prioritised list of the material issues and the selected threshold for reporting.
NTK	Net Tonne Kilometres
PNA	Pacific National Approach – provides clear direction about Pacific National's purpose, philosophy, vision, priorities and values
QRC	Queensland Resources Council
RAP	Reconciliation Action Plan
RIFR	Recordable Injury Frequency Rate
RIM	Rail infrastructure managers
RISSB	Rail Industry Safety Standards Board
Road to Rail	Shifting supply chain transport from high emission road transport to less intensive rail.
RSE	Rollingstock operators
SPAD	Signal Passed at Danger
TCFD	Taskforce on Climate-related Financial Disclosures
WDP	Wired Distributed Power
UNSDG	United Nations Sustainable Development Goals

Disclaimers

Statements about future events

This report contains statements about future events and expectations that are forward-looking statements. These statements typically contain words such as “may”, “should”, “expects”, “believes”, “intends”, “estimates”, “forecast”, “predicts”, “goals”, “target”, “aims” and “anticipates” and words of similar import.

Forward-looking statements are based on assumptions regarding Pacific National’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which Pacific National will operate.

Any statement in this report that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause Pacific National’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

None of the future projections, expectations, estimates or prospects in this report should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct, complete or exhaustive or, in the case of the assumptions, fully stated in this report.

Pacific National assumes no obligations to update the forward-looking statements contained in this report to reflect actual results, change in financial condition, status or affairs, changes in assumptions or changes in events, factors, conditions or circumstances affecting these statements.

All financial values are in Australian dollars.

ESG targets and forecasting model

This report contains analysis of carbon emission modelling and ESG targets. The analysis that informs this report was undertaken by Pacific National with the support of a third party. It is based on the information available at the date of this report and through Pacific National’s business planning processes. Modelling is not a prediction of what may eventuate and does not represent a definitive outcome.

Reliance

All endeavours have been made to ensure the accuracy of the information in this report at the date of publication. Information in this report is subject to change without notice. Pacific National is under no obligation to review or update this report to reflect circumstances or events that arise after its publication.





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