

# Corporate Governance Statement

Aurizon Holdings Limited and the entities it controls (Aurizon Holdings or Company) believe corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built.

The Board has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by Aurizon Holdings.

These documents are available in the Governance section of the Company's website, [aurizon.com.au](http://aurizon.com.au). These documents are reviewed regularly to address any changes in governance practices and the law.

This Statement explains how Aurizon Holdings complies with the ASX *Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 3rd Edition'* (ASX Principles or Recommendations), and all the practices outlined in this Statement unless otherwise stated, have been in place for the full reporting period.

This Statement was adopted by the Board on 10 August 2018.

## Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>1.1 Role of Board and management</b>	<p>The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Aurizon Holdings Limited Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, individual Directors, the Managing Director &amp; CEO and the Company Secretary.</p> <p>A copy of the Charter is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p>	✓
<b>1.2 Information regarding election and re-election of Director candidates</b>	<p>Aurizon carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate prior to their appointment.</p> <p>During the financial year the Board used a professional search firm to assist in appointing a Non-Executive Director (Mr Marcelo Bastos). As part of this search, the Board received assurance on the background of the Director who was subsequently appointed to the Board.</p> <p>Aurizon has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders.</p>	✓
<b>1.3 Written contracts of appointment</b>	<p>In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in the letter of appointment which each Director receives and commits to on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies, such as the Securities Dealing Policy.</p> <p>A copy of the key governance policies can be found on the Company's website <a href="http://aurizon.com.au">aurizon.com.au</a>.</p> <p>Each Senior Executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements, termination rights and entitlements.</p> <p>Contract details of senior executives who are Key Management Personnel can be found on page 26 of the Annual Report.</p>	✓
<b>1.4 Company Secretary</b>	<p>The Company Secretary is directly accountable to the Board, through the Chairman, for facilitating and advising on the Company's corporate governance processes and on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary. The Board Charter also sets out the responsibilities of the Company Secretary.</p> <p>In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out on page 7 of the Annual Report.</p>	✓

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS													
<b>1.5 Diversity &amp; inclusion</b>	<ul style="list-style-type: none"> <li>Aurizon Holdings has had a Diversity Policy since 2011 which is reviewed annually and which sets out its objectives and reporting practices with respect to inclusion and diversity and is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</li> <li>The measurable objectives and outcomes for diversity, agreed by the Aurizon Holdings Board for FY2018, are set out below:</li> </ul>	✓												
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	<p>In addition, Aurizon's representation of women in senior executive positions (Group Executives and their direct reports) has increased to 22% in FY18 up from 20% in FY17.</p> <p>Further details on the Company's inclusion and diversity performance and activities can be found on the Company website <a href="http://aurizon.com.au">aurizon.com.au</a>.</p>													
<b>1.6 Board reviews</b>	<p>A performance review is undertaken annually in relation to the Board and the Board Committees. Periodically the Board engages a professional independent consultant experienced in Board reviews to conduct a review of the Board and its Committees, and the effectiveness of the Board as a whole.</p> <p>During the year a review and evaluation of the performance of the Board, the Chairman and each Board Committee was conducted in accordance with the internal assessment process described above.</p>	✓												
<b>1.7 Management reviews</b>	<p>Each year the Board sets financial, operational, management and individual targets for the Managing Director &amp; CEO. The Managing Director &amp; CEO (in consultation with the Board) in turn, sets targets for direct reports.</p> <p>Performance against these targets is assessed periodically throughout the year, and a formal performance evaluation for senior management is completed for the year-end.</p>	✓												

## Principle 2: Structure the Board to add value

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS							
<b>2.1 Nominations committee</b>	<p>The Nomination &amp; Succession Committee comprises four members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Nomination &amp; Succession Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 6 of the Annual Report.</p> <p>The number of meetings held and attended by each member of the Nomination &amp; Succession Committee during the financial year are set out on page 8 of the Directors' Report within the Annual Report.</p> <p>The Charter governing the conduct of the Nomination &amp; Succession Committee is reviewed annually and is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p>	✓						
<b>2.2 Board skills</b>	<p>The skills listed below have been identified as the optimum skills Aurizon Holdings seeks to achieve across its Board membership. The Aurizon Holdings Board possesses a good blend of these skills. During FY2015 and FY2016 the Aurizon Board underwent significant change, including a change in Chairman. During FY2018 one additional Director was appointed and since that time the Board has been consolidating the recent changes.</p> <table border="1"> <thead> <tr> <th>General</th> <th>Technical</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Board experience</li> <li>Senior management experience</li> <li>ASX listed company governance</li> <li>Risk management</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Finance and accounting</li> <li>Regulatory</li> <li>Corporate strategy</li> <li>Capital allocation including acquisitions and divestments</li> </ul> </td> </tr> <tr> <td> <p><b>Industry</b></p> <ul style="list-style-type: none"> <li>Transport and logistics</li> <li>Mining and resources</li> <li>Government relations</li> <li>Safety, health and environment</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Information and operational technology</li> <li>Capital markets</li> <li>Engineering and construction</li> <li>Human resources</li> </ul> </td> </tr> </tbody> </table> <p>Further details regarding the skills and experience of each Director are included on pages 4 to 7 of the Report.</p>	General	Technical	<ul style="list-style-type: none"> <li>Board experience</li> <li>Senior management experience</li> <li>ASX listed company governance</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Finance and accounting</li> <li>Regulatory</li> <li>Corporate strategy</li> <li>Capital allocation including acquisitions and divestments</li> </ul>	<p><b>Industry</b></p> <ul style="list-style-type: none"> <li>Transport and logistics</li> <li>Mining and resources</li> <li>Government relations</li> <li>Safety, health and environment</li> </ul>	<ul style="list-style-type: none"> <li>Information and operational technology</li> <li>Capital markets</li> <li>Engineering and construction</li> <li>Human resources</li> </ul>	✓
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# Corporate Governance Statement (continued)

## Principle 2: Structure the Board to add value (continued)

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>2.3 Disclose independence and length of service</b>	Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report.	✓
<b>2.4 Majority of Directors independent</b>	In accordance with the Board Charter, the majority of Directors are independent. Only the Managing Director & CEO is not considered independent, by virtue of the role being an Executive of the Company. Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report.	✓
<b>2.5 Chair independent</b>	The Chairman, Tim Poole, is an Independent Non-Executive Director. The role of CEO is performed by another Director. Further details regarding the Directors are set out on pages 4 to 7 of the Annual Report.	✓
<b>2.6 Induction and professional development</b>	An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new members of the Board. In addition to peer review, interaction and networking with other Directors and industry leaders, Aurizon Holdings' Directors participate, from time-to-time, in Aurizon Holdings' leadership forums and actively engage with Aurizon Holdings' employees by visiting operational sites to gain an understanding of the Company's operating environment. During the year Directors receive accounting policy updates, especially around the time the Board considers the half-year and full-year financial statements. The Board also includes briefings from time-to-time on legal, accounting, regulation, developments in communication and human resource management and technology. Directors are encouraged and given the opportunity to broaden their knowledge of the business by visiting offices and sites in different locations. During the financial year, Directors made visits to operational sites in Queensland and Western Australia.	✓

## Principle 3: Act ethically and responsibly

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>3.1 Code of Conduct</b>	The Board has established a Code of Conduct for its Directors, senior executives and employees, a copy of which is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a> . The Company's Code of Conduct, amongst other things, articulates and discloses the Company's core values. Those core values are Safety, People, Integrity, Customer and Excellence. A description of those values is set out in the Company's Code of Conduct. The Company also has a Whistleblower Policy, a copy of which is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a> and the Board, through the Audit, Governance and Risk Management Committee reviews and reports on concerns raised under the Whistleblower Policy.	✓

#### Principle 4: Safeguard integrity in corporate reporting

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>4.1 Audit Committee</b>	<p>The Audit, Governance &amp; Risk Management Committee comprises four members, all of whom are Independent Non-Executive Directors. Details of the membership of the Audit, Governance &amp; Risk Management Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 7 of the Annual Report.</p> <p>In addition to the Audit, Governance &amp; Risk Management Committee members, the Managing Director &amp; CEO, CFO, Head of Risk &amp; Assurance, external auditors and Company Secretary attend the Audit, Governance &amp; Risk Management Committee meetings.</p> <p>The number of meetings held and attended by each member of the Audit, Governance &amp; Risk Management Committee during the financial year are set out on page 8 of the Annual Report.</p> <p>The Audit, Governance &amp; Risk Management Committee Charter is reviewed annually and is available on the Aurizon Holdings website, <a href="http://aurizon.com.au">aurizon.com.au</a>. Amongst other things, the Audit, Governance &amp; Risk Management Committee reviews the processes that validate the Director's Report and the Annual Report. The Board, as a whole, has oversight of other corporate reporting, such as investor presentations.</p>	✓
<b>4.2 CEO and CFO certification of financial statements</b>	<p>The Board has obtained a written assurance from the Managing Director &amp; CEO and CFO that the declaration provided under section 295A of the Corporations Act (and for the purposes of Recommendation 4.2) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting and material business risks.</p>	✓
<b>4.3 External auditor at AGM</b>	<p>Aurizon Holdings' external audit function is performed by PricewaterhouseCoopers (PwC). Representatives of PwC will attend the Annual General Meeting (AGM) and be available to answer shareholder questions regarding the audit.</p>	✓

#### Principle 5: Make timely and balanced disclosure

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>5.1 Disclosure and Communications Policy</b>	<p>Aurizon Holdings has adopted a Disclosure and Communications Policy which sets out the processes and practices to ensure compliance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act.</p> <p>Aurizon Holdings has also established guidelines to assist officers and employees of the Company with complying with the Company's Disclosure and Communications Policy. A copy of the policy and guidelines are available on the Aurizon Holdings' website, <a href="http://aurizon.com.au">aurizon.com.au</a>. The Board, as a whole, receives a copy of all announcements under Listing Rule 3.1 immediately prior to those announcements being made to the ASX.</p>	✓

#### Principle 6: Respect the rights of security holders

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>6.1 Information on website</b>	<p>Aurizon Holdings keeps investors informed of its corporate governance, financial performance and prospects via announcements to the ASX and our website. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports, investor presentations, webcasts and/or transcripts of those presentations and a key event calendar via the 'Investors' tab. Investors can access general information regarding the Company and the structure of its business under the 'Company', 'What we deliver' and 'Sustainability' tabs.</p>	✓
<b>6.2 Investor relations programs</b>	<p>Aurizon Holdings conducts regular market briefings including interim and full year results announcements, investor days, site visits, and attends regional and industry specific conferences in order to facilitate effective two-way communication with investors and other financial markets participants. Access to Executive and Operational Management is provided to investors and analysts at these events, with separate one-on-one or group meetings offered whenever possible.</p> <p>The presentation material provided at these events is sent to the ASX prior to commencement and subsequently posted on Aurizon Holdings' Investor Centre website, including the webcast and transcript if applicable.</p>	✓
<b>6.3 Facilitate participation at meetings of security holders</b>	<p>Aurizon Holdings uses technology to facilitate the participation of security holders in meetings including webcasting of the AGM.</p> <p>Shareholders are encouraged to participate and are given an opportunity to ask questions of the Company and its auditor at the AGM. All resolutions put to shareholders are determined by Poll.</p>	✓
<b>6.4 Facilitate electronic communications</b>	<p>Aurizon provides its investors the option to receive communications from, and send communications to, the Company and the share registry electronically.</p>	✓

# Corporate Governance Statement (continued)

## Principle 7: Recognise and manage risk

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>7.1 Risk committee</b>	<p>Aurizon Holdings' Audit, Governance &amp; Risk Management Committee oversees the process for identifying and managing material risks in the Company in accordance with the Aurizon Risk Management Policy (Risk Policy). A copy of the Risk Policy is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p> <p>Further details regarding the Committee, its membership and the number of meetings held during the financial year are set out in response to Recommendation 4.1.</p>	✓
<b>7.2 Annual risk review</b>	<p>The Board has mandated the Company's internal audit group to provide independent assurance on the effectiveness of the Company's risk management practices and report periodically its findings to the Audit, Governance &amp; Risk Management Committee. The purpose of the assurance is to confirm the Company's governance processes and practices continue to be sound and that the Company manages risk within the Board-approved risk appetite.</p> <p>Internal audit has considered the operation of the Company's risk management framework through the delivery of its audit program and have concluded that it is adequate and effective.</p>	✓
<b>7.3 Internal audit</b>	<p>The Company has an internal audit function that operates under a Board-approved Internal Audit Charter. The internal audit function is independent of management and the external auditor and is overseen by the Audit, Governance &amp; Risk Management Committee. In accordance with the Committee Charter, the appointment or removal of the Head of Risk &amp; Assurance is a matter for this Committee.</p> <p>The Head of Risk &amp; Assurance provides ongoing internal audit reports to the Audit, Governance &amp; Risk Management Committee, as well as an annual assessment of the adequacy and effectiveness of the Company's control processes and risk management procedures.</p>	✓
<b>7.4 Sustainability risks</b>	<p>Aurizon Holdings identifies and manages material exposures to economic, environmental and social sustainability risks in accordance with its enterprise risk management framework incorporating the Board-approved risk appetite. The Company's sustainability aspiration is to deliver world-leading performance underpinned by three sustainability commitments:</p> <ul style="list-style-type: none"> <li>› The Company is committed to building a long-term sustainable business that delivers lasting value for our shareholders, customers, employees and communities</li> <li>› The Company aims to take the safest, most efficient and least resource-intensive approach to the services we provide</li> <li>› The Company applies a balanced view when assessing risk and making decisions, encompassing social, environmental and economic considerations.</li> </ul> <p>In our operations, we continue to make progress on a number of sustainability aspects, including our operational efficiency and environmental management. A key element of our approach is the ongoing reduction in resource use across all of our operations with a strong focus on longer trains, higher-density trains, increased reliability and improved average train velocity.</p> <p>During FY2018, the Company published its third Sustainability Report for the period ended 30 June 2017. A copy of this report is available in the Sustainability section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p> <p>The Company's previous Sustainability Report identified areas of focus and priority that relate to the Company's ability to create or preserve value for shareholders over the short, medium and long-term, and outlined how the Company manages or intends to manage the material risks identified. The Company has set appropriate benchmarks against which we will measure and report FY2018 performance and material economic, environmental and social sustainability risks.</p> <p>The Company's FY2018 Sustainability Report is intended to be released in October 2018. Consistent with the previous reports, it will be based on the GRI G4 Sustainability Reporting Guidelines and will describe the impact of the Company's operations against the core elements of economic, environmental, social and governance performance. It will also identify those issues that reflect the organisation's significant economic, environmental and social impacts or that substantially influence assessments and decisions of stakeholders</p>	✓

## Principle 8: Remunerate fairly and responsibly

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
<b>8.1 Remuneration Committee</b>	<p>Aurizon Holdings' remuneration function is performed by the Remuneration &amp; Human Resources Committee, comprising four members all of whom are Independent Non-Executive Directors. Details of the membership of the Remuneration Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 6 of the Annual Report.</p> <p>The number of meetings held and attended by each member of the Remuneration &amp; Human Resources Committee during the financial year are set out on page 8 of the Annual Report.</p> <p>The Charter governing the conduct of the Remuneration &amp; Human Resources Committee is reviewed annually and is available in the Governance section of the Company's website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p>	✓
<b>8.2 Disclosure of Executive and Non-Executive Director remuneration policy</b>	<p>The Company seeks to attract and retain high performing Directors and Executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. It reviews requirements for additional capabilities at least annually.</p> <p>Executive remuneration is to reflect performance and accordingly, remuneration is structured with a fixed component and a performance-based component.</p> <p>Non-Executive Directors are paid fixed fees for their services in accordance with the Company's Constitution. The fee structure was changed during FY18. Further detail is set out in the Remuneration Report on page 35.</p> <p>The Company has in place a Share Holding and Retention Policy which applies to Non-Executive Directors, the Managing Director &amp; CEO and the direct reports of the Managing Director &amp; CEO.</p> <p>Further details regarding remuneration and share retention policies and the remuneration of Executive and Non-Executive Directors, are set out on pages 25 to 38 of the Annual Report. The Company also has in place a Related Party Transaction Policy. The policy and disclosures under that policy is reviewed annually by the Board. During the year there were no agreements entered into for the provision of consulting or similar services by a Director or Senior Executive or by a related party or a Director or Senior Executive.</p>	✓
<b>8.3 Policy on hedging equity incentive schemes</b>	<p>Aurizon Holdings' Executives must not enter into any hedge arrangement in relation to any performance rights they may be granted or otherwise entitled to under an incentive scheme or plan, prior to exercising those rights or, once exercised, while the securities are subject to a transfer restriction.</p> <p>For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding in the Company and includes financial instruments such as equity swaps and contracts for differences. The term 'Executive' is broadly defined to include the Managing Director &amp; CEO and his direct reports and any other person entitled to participate in an Aurizon Holdings performance rights plan.</p> <p>Further details regarding the Company's hedging policy are set out in the Company's Securities Dealing Policy which is available on the Governance section of the website, <a href="http://aurizon.com.au">aurizon.com.au</a>.</p>	✓