



ANNUAL REPORT 2020-21

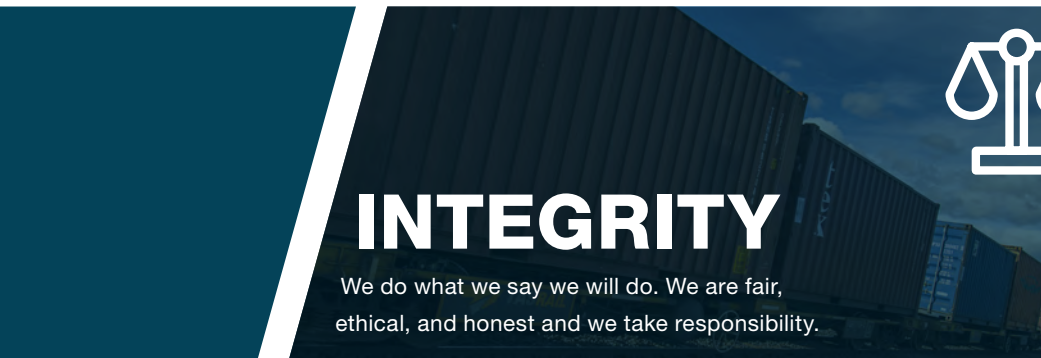
VISION

TASMANIA'S TRUSTED PROVIDER
OF SAFE AND DEPENDABLE RAIL
LOGISTICS SOLUTIONS



We will never compromise on safety.
We recognise that people need mental and
physical health to thrive.

SAFETY



INTEGRITY

We do what we say we will do. We are fair,
ethical, and honest and we take responsibility.



RESPECT

We are inclusive and value each other's
differences and ideas. We embrace diversity.



We are passionate about our success.
We continually strive for excellence and performance.
We will make a difference and be remarkable!

BEING REMARKABLE



MAXIMISING THE BENEFITS OF
SUSTAINABLE RAIL LOGISTICS
SERVICES FOR TASMANIA

PURPOSE

CONTENTS

CHAIRMAN'S REMARKS	2
BOARD OF DIRECTORS	3
CEO REMARKS	4
EXECUTIVE TEAM	5
STATEMENT OF CORPORATE INTENT	6
ABOVE RAIL BUSINESS	8
BUILDING OUR BUSINESS	10
TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM	12
SAFETY	14
ENVIRONMENTAL CASE STUDY	16
BELOW RAIL SEGMENT	17
PEOPLE AND CULTURE	18
150TH ANNIVERSARY	20
CORPORATE GOVERNANCE FRAMEWORK	22

CHAIRMAN'S REMARKS

TasRail, its customers, and partners in the civil construction sector have been tested and demonstrated remarkable resilience in the financial year 2020-21. This is a direct reflection of the strength of the broader economy in Tasmania.

The outlook at the beginning of the year was highly uncertain. Key Tasmanian industries came under acute pressure to develop COVID-safe operating systems, while domestic and international demand for some commodities contracted sharply.

Partnering with customers and civil contractors, TasRail reacted decisively to implement COVID-safe operating systems. Our actions ensured we could continue to provide rail logistics to Tasmania's largest industries, safely and sustainably, while at the same time delivering our record capital program. Under Tranches Two and Three of the Tasmanian Freight Rail Revitalisation Program, we continued to renew Tasmania's rail assets to improve the performance of the network.

This investment is delivering immediate benefits to communities. During construction, investment in infrastructure drives employment and skills development. There are at least 150 people employed, often in regional areas, delivering rail upgrades. Over the longer term, the economic and environmental benefits of strategic investment in rail infrastructure will also pay dividends for our customers and the broader community for decades to come.

Investment in the rail network has secured safe and reliable export supply chains for Tasmanian industry. Due to the significant improvements in network performance, our six daily container services achieved 97.7 per cent freight availability and, as of 30 June 2021, it has been a record 723 days since a mainline derailment.

As the Tasmanian economy has rebounded, so too have freight volumes. TasRail hauled a record 508 million net tonne kilometres of freight in 2020-21 and, on behalf of our partners in the mining industry, provided 637,000 tonnes of shiploading services – the second highest volume ever. These record volumes, along with disciplined cost control, saw TasRail record an Above Rail profit of \$714,000.

At TasRail we continue to take a practical approach to climate change and take nothing for granted. Rail networks worldwide are sensitive to extreme weather, with wide-ranging ambient temperatures often resulting in rail buckles or breaks. The track strengthening and 'de-stressed' rail being installed now reduces the risk of buckles and breaks in the face of any widening of temperature extremes in the future. Works also include the fortification of the operational network along the north-west coast to protect the rail corridor against storm surges.

Interestingly though, climate change also presents opportunities for TasRail. Rail as a transport option stands at the head of the pack as customers take deliberate action to reduce the carbon intensity of their supply chains. Freight moved by rail in Tasmania produces 62 per cent fewer emissions than if that same freight were transported by road. TasRail is also investigating the feasibility of operating locomotives using renewable energy, with batteries and green hydrogen technology on the horizon.

For Tasmania's railways, 2021 marks 150 years of continuous operation. TasRail has celebrated with its staff and the Tasmanian community at several events across the State. As part of these commemorations, we donated a historically significant locomotive to the tourist and heritage sector, and contributed to the publication of a book that chronicles the history of Tasmania's railways. The rail network has helped shape many industries and communities and TasRail is proud to be continuing this tradition.

Despite the ongoing pandemic and rising global trade tensions, TasRail, like its customers, remains cautious but optimistic that the economic recovery will continue. A strong pipeline of business enquiries, record operational performance, and an unprecedented capital program means there is much cause for optimism. Our challenge is to build on the successes of 2020-21 and continue our journey towards a sustainable future.

I must acknowledge the ongoing wise counsel and hard work of my fellow Directors and make mention of Ian Dobbs, who after four years on the TasRail Board is moving back to the United Kingdom. Ian is a lifelong rail professional, and his considerable experience has been most valuable and well appreciated at TasRail.

It is also very appropriate that we recognise our CEO, Steven Dietrich, for his enthusiastic leadership, along with the professionalism and hard work of the entire TasRail team in 2020-21. While the past year has not been short on challenges, it has also seen much success.

Finally, I would like to thank the Shareholder Ministers for their ongoing support. The Tasmanian Government's commitment to the revitalisation of the Tasmanian railway has allowed us to provide record standards of service to industry. We remain committed to delivering for the Tasmanian community.


STEPHEN CANTWELL

BOARD OF DIRECTORS



STEPHEN CANTWELL (CHAIRMAN)

Stephen Cantwell was appointed to the TasRail Board in November 2016, becoming Chair in January 2020. He has more than 40 years' experience in a broad range of operational, strategic and customer-facing roles in the Australian rail and heavy manufacturing sectors. In addition to a number of other board roles, Stephen continues to work with a range of global corporations and governments to advise in the areas of transport, logistics and infrastructure. He is a Fellow of the Chartered Institute of Transport and Logistics, Fellow, Centre for Integrated Engineering Asset Management, and a Graduate Member of the AICD.



IAN DOBBS

Ian Dobbs was appointed to the TasRail Board in July 2017. He worked in a range of operational management roles in the UK rail industry, before leading the Victorian Transport reform program, managing a number of the UK's private rail franchises, and being appointed Chairman and CEO of Public Transport Victoria, a position he retired from in 2015. Ian holds a number of private and public sector board appointments in the transport sector and is currently Deputy President and Member of Executive Board, International Association of Public Transport (UITP) Brussels and Chairman of UITP's Australian/New Zealand Board. Ian resigned his position on the Board as at 30 June 2021.



JANINE HEALEY

Janine Healey was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years' experience and a Fellow of the AICD, Institute of Chartered Accountants and a Chartered Tax Adviser. She has previously been either a Director or Senior Manager with both KPMG and Deloitte. She is a former director of Hydro Tasmania, Port of Launceston Pty Ltd, Inveresk Railyard Management Authority, and former member of the University Council. Janine is former President and Treasurer of the Launceston Chamber of Commerce, former Treasurer of Harvest Launceston and former member and President of the State Divisional Council of the AICD.



PHILIP MUSSARED

Philip Mussared was appointed to the TasRail Board in December 2017. He has held senior positions in the Commonwealth, NSW, and Tasmanian public sectors, most recently as Chief Executive Officer of the Retirement Benefits Fund. Philip is a Director of the National Trust (Tas), Chair of the Tasmanian Traineeships and Apprentices Committee, Vice President of the Australian Risk Policy Institute and a member of the Tasmanian Heritage Council. He is a Fellow of the AICD, CPA Australia and the Institute of Public Administration Australia.



ALISON CHAN

Alison Chan was appointed to the TasRail Board in February 2020. She is an award-winning governance and finance professional with over 20 years' experience in the industry. Alison has held banking and finance executive roles in Sydney and London. She is currently employed in the Australian asset management industry, where her expertise lies in sustainable finance. Alison has been a trustee of the Alexandra Rose Charity and the Dunhill Medical Trust and a member of the International Capital Markets Association's Green Bond Principles and Social Bond Principles Advisory Council and its Climate Transition Finance Working Group.

CEO REMARKS

2021 has marked a milestone in the history of rail in Tasmania. It has been 150 years since the Launceston and Western Railway Company officially opened its rail line between Launceston and Deloraine. I've thoroughly enjoyed the chance to pay tribute to the pioneers of rail in Tasmania whose hard work and perseverance shaped the foundations for today's rail network.

That 'can-do' attitude persists today. TasRail is now an industry leader, providing safe, dependable industry solutions, and vital and continuous essential services throughout the pandemic.

TasRail led the charge on implementing COVID-safe operating procedures and, while keeping our staff and customers safe, continued to provide 100-plus freight services per week, safely connecting Tasmania's largest industries with their export supply chain.

TasRail is a vertically integrated railway. This means that we operate an Above Rail business that provides commercial rail services to industry, and a Below Rail segment that is responsible for maintaining and upgrading the Tasmanian Rail Network. The Tasmanian and Australian governments continue to make record funding commitments to revitalise the network and replace aging assets. To bolster the successful delivery of these rail programs, TasRail has made a significant investment in the project management capacity of its workforce. Working with our skilled partners in the civil construction sector, TasRail's program of rail revitalisation continues to be delivered on time and on budget.

The combination of upgraded infrastructure and relentless pursuit of a zero-harm environment has resulted in several safety records in 2020-21. It was the first mainline derailment-free financial year in TasRail's history. Our valued contractors also continue to embrace our dedication to safety. As of 30 June 2021, it had been a remarkable 1,523 days since a TasRail contractor suffered a lost-time injury.

When combined with safe service delivery and cost control, TasRail achieved record Above Rail results in 2020-21, exceeding the customer revenue budget by \$500,000 and Above Rail profit by \$1.7 million. In yet another milestone for the TasRail business, this is only the second time the Above Rail business has generated a net profit, demonstrating the importance of partnering with industry to grow volumes and safe operations.

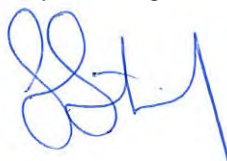
The pandemic has forced businesses globally to change how they operate. TasRail believes that some of the changes are for the better and will stay with us into the future. Similarly, industry collaboration has improved, and the Minister's regular Freight & Logistics Roundtable has brought businesses from across the State together to resolve supply chain challenges.

We have increased focus on our staff wellbeing and their mental health. This included the TrackSAFE Foundation's Rail R U OK? Day and regional sessions with Tasmania's own mental health advocacy group SPEAK UP! Stay ChatTY. TasRail has also partnered with SPEAK UP! Stay ChatTY in branding a locomotive to start broader conversations about mental health in the community.

While 2020-21 saw several freight and safety records set, it is important to acknowledge that this is a direct result of TasRail's staff living our core values of safety, integrity, respect and being remarkable. On behalf of the Board and Executive, I would like to thank the entire TasRail team for its resilience and hard work this year. Through perseverance and teamwork, we ensured TasRail provided the necessary transport services to major industrial and freight forwarding customers safely and sustainably.

Commemorating 150 years of railway operations in Tasmania has provided the opportunity to reflect on our history, the characters and the industries enabled by freight rail operations. We have enjoyed celebrating this anniversary with staff, assisting the tourist and heritage sector, and engaging with community. Donating the historically significant 2118 locomotive (ZA6) to the Tasmanian Transport Museum, and contributing to the publication of the book *150 Years of Railways in Tasmania* were highlights.

TasRail is proud to be trusted to deliver a record-breaking infrastructure program, replacing its 50-year-old bulk minerals shiploader at the Port of Burnie and undertaking network renewal at levels never previously contemplated. Delivering such a program while maintaining 24/7 services is challenging, but it will set up TasRail, and the industries that rely on it, long into the future.



STEVEN DIETRICH

EXECUTIVE TEAM



CHIEF EXECUTIVE OFFICER
STEVEN DIETRICH



CHIEF OPERATING OFFICER
STEPHEN KERRISON

Freight Services

Freight Services provides safe, reliable and sustainable rail freight and logistics services, and operates TasRail's terminals. It is also responsible for operating the rollingstock fleet, safe and authorised access to the network and the storage and shiploading of bulk minerals.

Asset Management

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock fleet, bulk storage assets including the Burnie Shiploader, and statewide facilities. Asset management is also responsible for vegetation management activities on TasRail's vast rail land corridors.

Business Improvement

The Chief Operating Officer is also responsible for oversight of the Infrastructure Investment Program and Capital Projects. The role also maintains a strong focus on cost control and business improvement.

Safety, Health and Environment (SHE)

TasRail's dedicated SHE team of specialists supports all operational areas with a particular focus on continuous improvement in TasRail's safety culture, risk management and effective management of the environment in which the Company operates.



MANAGER, CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT
NEALE TOMLIN

Corporate Relations and Strategic Development

Corporate Relations and Strategic Development is focused on TasRail's strategic development opportunities. It also manages government, stakeholder and community relations including media, online presence, publications, and marketing and communications.



MATTHEW WHEATLEY
MANAGER, PEOPLE AND CULTURE

People and Culture

People and Culture is focused on building a values-based culture and growing organisational capability through inclusion, diversity, and collaboration. The team manages and implements human resource policy including recruitment, remuneration and recognition, industrial relations, workers compensation and training and development.



CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
KAREN VAN DER AA

Corporate Services

Corporate Services is responsible for financial reporting, auditing, accounts receivable, accounts payable, payroll, procurement, IT, business systems and property management. This team is also responsible for Board administration and business performance reporting.



VANESSA SULLIVAN
MANAGER, CUSTOMER AND BUSINESS DEVELOPMENT

Customer Service and Business Development

Customer Service and Business Development unite to ensure streamlined service for customers and Tasmanian industry from their first point of contact with TasRail through to booking their freight on rail. The team manages the functions of business development, customer account management, customer communications, market analysis, logistics design, freight planning and, importantly, customer service delivery.

STATEMENT OF CORPORATE INTENT

Performance Target	Target Result: FY 2020-21	Actual Result: FY 2020-21	Comments
Lost Time Injury Frequency Rate ¹	0.0	1.72	Disappointingly, the recorded results exceeded the targets set. TasRail remains committed to ensuring all employees and contractors go home safe and well every day.
Recordable Injury Frequency Rate ²	2.0	3.44	
Freight Availability (General Intermodal)	98 per cent	96.45 per cent	
Mainline Derailments	0	0	The continued investment in the rail network, plus TasRail's ongoing focus on safety and the efforts of all employees have contributed to this result.
Below Rail Infrastructure Cost (Per Track Kilometre)	\$21.0 thousand	\$20.2 thousand	
Customer Revenue	\$37.1 million	\$37.6 million	
Capital Spend ³	\$65.9 million	\$46.4 million	Capital spend for the financial year did not hit the full year expectation due to COVID-related delays in tendering and contract award of the Shiploader replacement. All other capital programs were delivered as planned.
EBITDA (Consolidated after BRIC) ⁴	\$374 thousand	\$2.9 million	A strong focus on maximising revenue opportunities and on discretionary cost control have contributed to the strong financial results reported across the business.
Above Rail Net Profit (Loss)	\$(950) thousand	\$714 thousand	

¹ Lost time injury frequency rate is defined as the sum of lost time injuries per million work hours.

² Recordable injury frequency rate is defined as the sum of lost time injuries and medical treatment injuries per million work hours.

³ The capital spend for the rail program was achieved in FY20-21. Due to the delay in tendering and contract award, the target spend budgeted for FY20-21 for the shiploader replacement was not met in this period, but will be incurred in future periods.

⁴ BRIC – Tasmanian Government Below Rail Infrastructure Contribution.



ABOVE RAIL BUSINESS

TOTAL FREIGHT TASK/ NET TONNE KILOMETRES

Commodity	2020-21 NTK	2019-20 NTK	Percentage change Year on Year
Coal	36,038,989	37,776,703	-4.60%
Cement	24,357,043	23,983,822	1.56%
Mineral Concentrates	21,519,335	22,695,639	-5.18%
Logs	38,667,048	41,110,223	-5.94%
General Intermodal	273,587,415	244,765,564	11.78%
Paper	114,467,944	109,291,862	4.74%
TOTAL	508,637,774	479,623,813	6.05%

The Above Rail business is the commercial arm of TasRail and provides rail logistics to Tasmanian industry across three market categories – intermodal (containers), bulk and forestry. TasRail’s modernised contracts require high levels of service delivery for industry, and this can only be achieved by maintaining the fleet of locomotives and wagons to exacting standards.

The Above Rail teams have been integral to TasRail delivering services in 2020-21. Their commitment to providing a high level of customer service delivery and certainty for the Tasmanian industry and the community has cemented TasRail’s value proposition of being a safe and dependable provider of freight services.



In addition to rail logistics, the Above Rail business operates:

- a statewide network of terminals
- container handling services
- bulk minerals handling, storage and shiploading
- bulk log handling, weighbridges, storage and loading.

The rail freight task hauled by TasRail's Above Rail business in 2020-21 was a record 2.98 million tonnes – a remarkable achievement given ongoing challenging market conditions. The outstanding result in the general intermodal sector reflects the strength of the partnerships that TasRail has fostered with the freight forwarding sector, and is a strong acknowledgment of the ongoing reliability of its 24/7 frontline services.

TOTAL NET TONNE KILOMETRES

2020-21	508,637,774
2019-20	479,623,813
2018-19	482,953,848

Net tonne kilometres are calculated by multiplying the total distance travelled by the net weight of the freight.

LOCOMOTIVE UTILISATION

As the demand for rail services increased, the team at TasRail worked hard to optimise the use of rollingstock across the network in 2020-21. This ensured that a wide range of freight could be hauled for our highly valued customers. TasRail's fleet includes 17 TR, eight 2000 class, and two 2050 class locomotives.

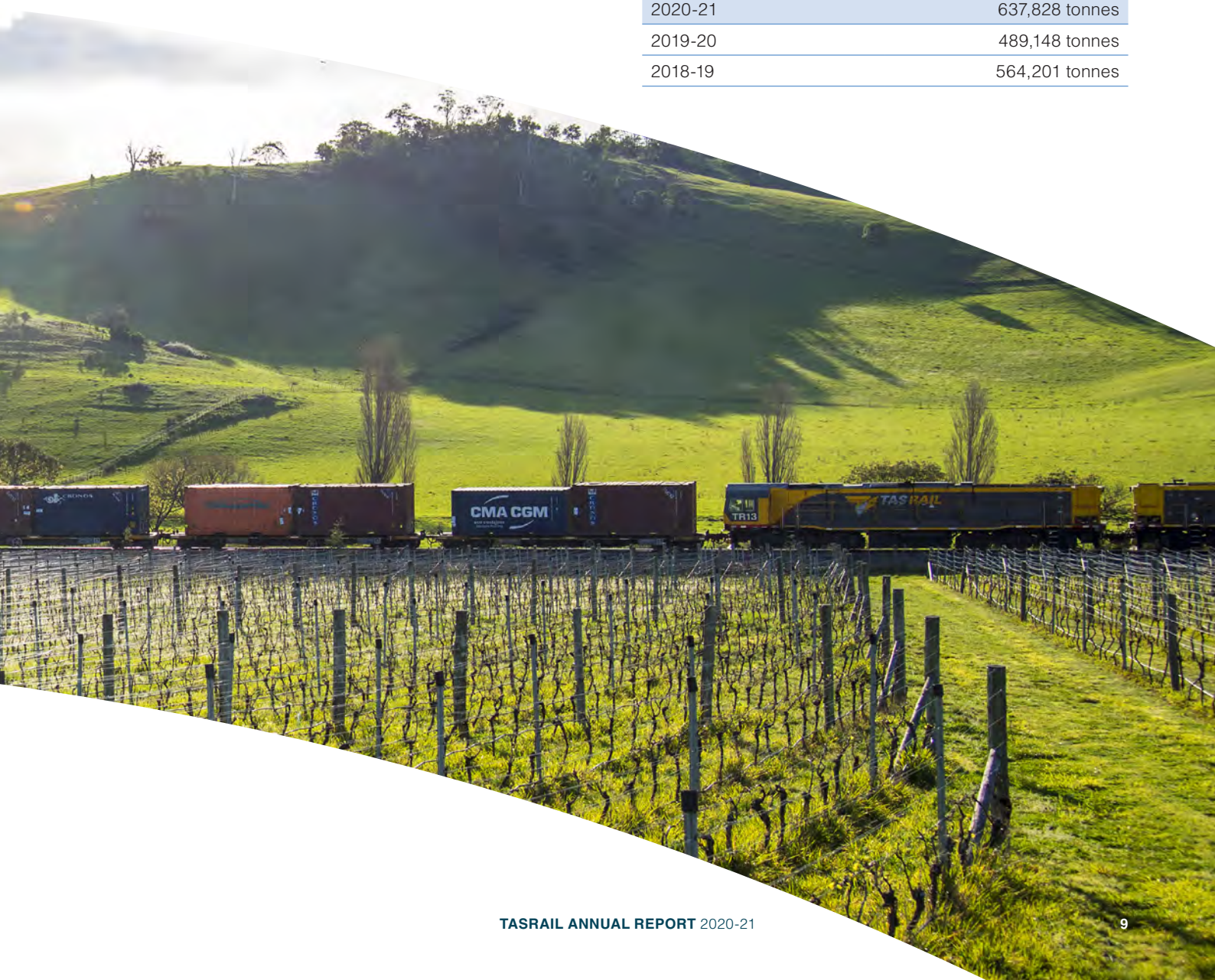
2020-21	27 locomotives	18,838,436 NTK per locomotive
2019-20	27 locomotives	17,763,845 NTK per locomotive
2018-19	27 locomotives	17,887,179 NTK per locomotive

SHIPLOADING OPERATIONS

TasRail's multi-user shiploader at the Port of Burnie is a highly valued link in the export supply chain for the Tasmanian mining industry. Shiploading volumes were up by a record 30 per cent in 2020-21. With the support of the Australian Government, TasRail's Shiploader and Bulk Minerals Export Facility will be upgraded over the next two years, providing even more benefits to the sector.

Total shiploading volumes

2020-21	637,828 tonnes
2019-20	489,148 tonnes
2018-19	564,201 tonnes

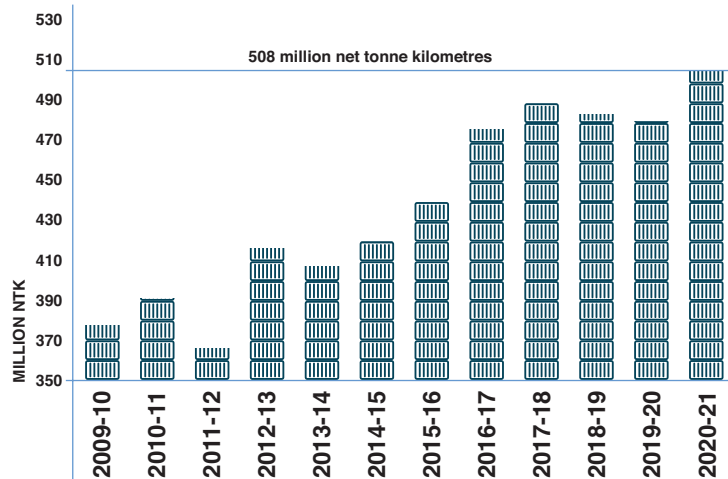


BUILDING OUR BUSINESS

TasRail holds long-term contracts to provide rail logistics services to Tasmania's heavy industries and freight forwarders. In 2020-21 TasRail provided industry with three million tonnes of rail haulage. As a total rail freight task this equates to a record 508 million net tonne kilometres, and is the largest rail haul since TasRail was formed in 2009.



Freight Growth (NET TONNE KILOMETRES)



Our contracts with industry require us to operate disciplined, safe and on time rail logistics. 'Freight availability' is a key metric for TasRail. It measures performance in customer freight being available to unload at the agreed time. In 2020-21, TasRail had a combined freight availability target for its six daily intermodal services of 96 per cent and achieved an actual result of 97.7 per cent. Being on time is an integral part of TasRail's value proposition to our customers. This result is a credit to all TasRail employees.

Freight volume highlights in 2020-21 include:

- **Record overall rail freight task:** 508 million NTK (7.8 per cent above budget).
- **Record general container revenue:** 57,567 containers (16.3 per cent above budget).
- **Record shiploading revenue:** 637,828 tonnes (27.1 per cent above budget).

TasRail's growing strategic partnership with the forestry industry continued in 2020-21, with new customer operations underway and the benefits of the investment in sidings and rollingstock being realised by TasRail and its customers.

The forestry sector faced several challenges throughout the financial year including COVID-19, reduced export market demand and rising trade tensions. This resulted in forestry volumes being below budget expectations, but nonetheless approximately equal to the record tonnages in the previous financial year. The forestry industry values the inherent safety and efficiency of rail logistics and TasRail has identified the sector as an opportunity for ongoing growth.

TasRail has entered a new contract with a resources company that successfully started operations in 2020-21. This contributed to a strong shiploading result. With a new shiploader being built, TasRail has the strategic objective to work with its industry partners to facilitate additional shiploading volumes.



While acknowledging the very real risks of escalating trade tensions, the strong commodity prices will drive activity in the resources industry (bulk rail freight). Resilient consumer activity will continue to drive container volumes. The result of these demand side factors is a record pipeline of new business opportunities.

In 2020-21, TasRail's intermodal services ran ~89 per cent wagon utilisation. Industry demand for capacity on the intermodal wagon fleet (used to carry containers and Logtainers) continues to grow and TasRail is reviewing how to balance industry demand against the significant upfront capital required for additional rolling stock.

The focus on decarbonising the economy continues to gather momentum, with industry and consumers continuing to increase focus on the carbon intensity of their supply chains. The carbon intensity of a tonne of freight moved by rail is significantly lower than if moved by road. Analysis prepared for TasRail shows a 62 per cent reduction in greenhouse gases when industry chooses to use rail transport in their supply chain in Tasmania. When combined with Tasmania's existing baseload renewable energy generation capacity, there is an opportunity to market our state as a location for energy intensive industry to produce and export goods with a relatively low carbon footprint.

With an eye to the future, TasRail is reviewing alternatives to diesel-powered locomotives. The global rail industry is investing research and development funds into 'green traction technologies' such as battery, hybrid and hydrogen-powered locomotives. Given the potential development of green hydrogen hubs in Tasmania, TasRail is particularly interested in 'hydrail' technology and is investigating opportunities in this area.





TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM

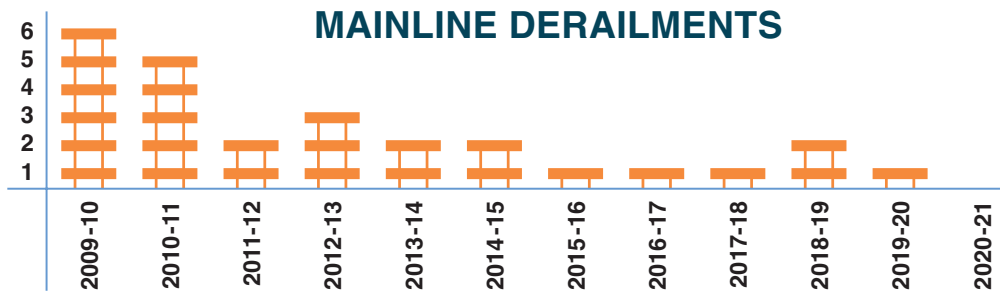
As the Tasmanian economy recovers from COVID-19, TasRail remains acutely aware that there are more than 150 people employed in the delivery of Tranches Two and Three of the Tasmanian Freight Rail Revitalisation Program (TFRRP). Thanks to the partnership with its highly valued civil construction contractors, TasRail was able to implement COVID-safe procedures to ensure the 2020-21 rail program was delivered on time and on budget.

As a result of the record funding committed by the Tasmanian and Australian governments, TasRail invested \$43 million in rail upgrades in 2020-21 and delivered:

- installation of 16,599 sleepers
- installation of 53,670 metres of new rail
- 6 track turnouts (points) renewed or replaced
- renewal of 6 level crossings
- 8 individual formation renewal projects.

Building on the success of Tranche One of the TFRRP, the record investment in the network is producing tangible benefits for the Tasmanian industries that rely on rail logistics for their supply chain.

A direct dividend of the capital program is the ongoing reduction in mainline derailments. 2020-21 was TasRail's first ever financial year without a mainline derailment.



The investment by the Tasmanian and Australian Governments is also producing safety results once thought impossible. This allows TasRail to deliver an ever-improving value proposition to our customers.

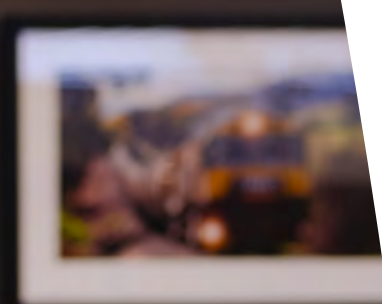
As that value proposition has improved, so have volumes transported by rail in Tasmania. TasRail transported a record 508 million net tonne kilometres of freight in 2020-21 (7.8 per cent above budget).

Tranche Two is a 4-year program (\$119.6 million) funded in equal measure by the Tasmanian and Australian governments. TasRail will deliver the program by 30 June 2023, working closely with its partners in the civil construction sector. Commencing in 2020-21, and running in parallel, is the \$96 million Tranche Three rail program that will be completed by 30 June 2024. TasRail has invested heavily in its people and systems to ensure these record funding rail programs continue to be delivered on time and on budget.

The Australian Government has fully funded TasRail to replace its bulk minerals shiploader at the Port of Burnie and expand its capacity-constrained Bulk Minerals Export Facility. 2020-21 saw several milestones achieved in this project, including the conclusion of the tender period and selection of the preferred supplier to deliver the design and construction contract.

The current shiploader has been servicing Tasmanian industry for more than half a century. It is critical to replace this unique infrastructure to ensure TasRail can continue to deliver on its commitments to the sector. The new shiploader will deliver significant benefits to our existing and future customers:

- approximately double the load rate per hour
- significantly improved reliability
- contemporary environmental and safety standards.



SAFETY

TasRail continues its relentless focus on providing a zero-harm environment for its staff, customers, communities and contractors. 2020-21 is the first financial year since inception in 2009 that TasRail has not experienced a mainline derailment. As of 30 June 2021, it has been a record 1,523 days since a TasRail contractor experienced a lost time injury (LTI).

Having hit these remarkable milestones, TasRail's dedicated Safety, Health and Environment (SHE) team has sharpened its focus on projects that will facilitate continued success in this area.

DERAILMENT PREVENTION

TasRail often refers to the analogy of 'sweeping water uphill' in the safety space – the moment that you stop, it all rushes back down. TasRail is not prepared to allow this situation to occur in derailment prevention.

Over the past 12 months substantial work has taken place in this area. TasRail's Derailment Prevention Strategy now takes a modern, multi-disciplinary approach to analysing incident causation. All departments are now involved in grassroot derailment prevention, ensuring that performance and outcomes are a shared responsibility across the business.

Since 2018 TasRail has invested \$2.89 million in runaway protection engineering controls to prevent the uncontrolled movement of trains.

HUMAN FACTORS

Human factors is defined as the science of people at work. It involves understanding human capabilities and then applying this knowledge to the design, operation, and maintenance of technological systems – key influences in any modern transport and logistics business. The field of human factors draws from established disciplines such as psychology, ergonomics, physiology, and engineering.

The significance of this science has already been recognised in several key projects at TasRail. Human factors will also be integrated into the existing safety management system, project management office and change management system.

RAIL SAFETY AND THE COMMUNITY

TasRail takes a proactive role in promoting community safety around rail via a variety of channels. It also works closely with the TrackSAFE Foundation on national initiatives like Rail Safety Week. This reporting period unfortunately saw an increase in reported level crossing incidents, particularly on the north-west coast. TasRail has undertaken a targeted advertising campaign in the region to remind the community of the importance of rail safety.

	2020-21	2019-20	2018-19	2017-18	2016-17
Level crossing failure to stop or give way	42	33	85	72	76
Level crossing collisions	1	1	2	1	1
Trespass	69	57	58	69	43
Vandalism and theft	32	37	31	72	55
Livestock in the rail corridor	106	167	104	122	64
Animal collisions with trains	25	33	19	20	10
Train horn complaints	17	16	22	21	20
Vegetation complaints	55	49	64	30	79

ENVIRONMENTAL CASE STUDY



Photos of nesting boxes constructed by the Men's Shed in place at the Halls Point Reserve.



Sand placed over rock revetment and planted out with native coastal species and a section of the stabilised bank around 9 months later.

Network improvement projects on TasRail's busy Western Line have occurred at locations near little penguin communities on several occasions in recent years. These business-critical works were completed with guidance from Dr Perviz Marker, penguin ecologist - University of Tasmania, to minimise any impacts on colonies. This advice was developed into project-specific management plans that TasRail staff and contractors have been trained to implement.

Works near the Halls Point Reserve area recently put these plans to the test when the local little penguins took up early residence on site.

The nesting penguins were identified early by TasRail's contractor. Discussions with stakeholders determined that the best approach was to 'let nature take its course', and resume works at the end of the breeding/chick-raising cycle. This additional time was used to investigate options to assist breeding outcomes for the local penguin colony.

A key project component included using sand over strategically placed rock armouring to create a stabilised foredune. After the sand stabilised, the Central Coast Council was able to plant the area with appropriate native plant species (complete with biodegradable cardboard plant guards).

TasRail and the Central Coast Council teamed up to partner with a local community Men's Shed to construct approximately 50 penguin nesting boxes for the area. Material costs were shared by the Central Coast Council and TasRail.

While still a work in progress, the Sulphur Creek Coastcare group and Dr Marker have confirmed that the resident little penguin population is actively using the nesting boxes. The formation material used to construct the foredune appears to be stable and some species of native plants have taken foothold. It is anticipated that further planting activities will occur over the next 12 months.

BELOW RAIL SEGMENT

TasRail's Below Rail segment comprises its Engineering, Planning, Signals and Infrastructure teams. The segment is responsible for the management and maintenance of the Tasmanian Rail Network including rail, sleepers, ballast, points, formation, bridges, culverts, tunnels, and level crossings. The team also maintains TasRail's land tenure (including vegetation management) comprising both operational and non-operational rail corridors of more than 765 route kilometres.

TRACK QUALITY INDEX (TQI)

The TQI is derived from scheduled mechanised track geometry recordings that are measured by TasRail's Track Geometry Measurement System (TGMS). The outputs of the TGMS allow the Asset Management team to make informed decisions on network maintenance and renewal priorities.

Percentage rated: Good, Fair, Poor, Very Poor

	Jun 2021 (Good)	Jun 2020 (Good)	Jun 2021 (Fair)	Jun 2020 (Fair)	Jun 2021 (Poor)	Jun 2020 (Poor)	Jun 2021 (V. Poor)	Jun 2020 (V. Poor)
West	77.9	78.9	19.5	18.3	2.3	2.7	0.29	0.06
South	62.7	72.2	31.3	24.0	5.5	3.5	0.62	0.34
Melba	93.9	80.3	5.88	17.5	0.2	2.2	0.00	0.00
Bell Bay	56.4	67.3	35.1	27.0	8.1	5.5	0.37	0.18
Fingal	78.0	81.3	18.2	15.5	3.6	3.0	0.18	0.18
Derwent Valley	45.1	61.2	33.8	26.9	13.4	9.0	2.99	2.99
Network	73.5	75.9	22.2	20.6	3.9	3.3	0.38	0.22

TAMPING

Effective use of TasRail's tamper and ballast regulating machines is vital to the network maintenance strategy and ensures that track geometry and quality is maintained. The tamper works in close association with the TasRail ballast train, which distributes new ballast to the track in advance of the tamper.

Fewer kilometres were tamped in 2020-21 due to a tamper mechanical failure. This has now been resolved.

	2020-21	2019-20
Tamped Kilometres	102	126

TEMPORARY SPEED RESTRICTIONS (TSR)

TasRail's extensive capital and maintenance programs have continued to drive down the incidence of track speed restrictions on the network. TasRail's detailed inspection process traditionally highlights specific locations on the network where it may be necessary to mitigate risk by introducing a temporary speed restriction (TSR). A TSR is introduced pending a permanent solution. The percentage of the operational network under TSR as of 30 June 2021 was slightly lower than in the previous reporting period. TSRs are approximately 50 per cent lower than they were in 2016.

Percentage of the Network under TSR

As of 30 June 2021	7.7
As of 30 June 2020	8.3



PEOPLE AND CULTURE

LEARNING AND DEVELOPMENT

As TasRail looks to the future of its 24/7 freight and logistics business, it continues to sharpen its focus on the development of its professional team. In the 2020-21 financial year, TasRail supported 25 professional staff with an opportunity to commence study in Certificate IV or Diploma courses. These courses align with business and personal objectives and represent an increasing focus on the professionalisation of TasRail's corporate services teams. In addition to that, more than 16,700 hours were dedicated to on-the-job compliance-based training, particularly for personnel embedded in areas like freight services, asset management and infrastructure.

DIVERSITY

TasRail continues its journey towards a more diverse and inclusive workplace. Female representation in TasRail's workforce is now 16.2 per cent. This is an increase of more than 100 per cent since 2016. TasRail has consciously made changes to its marketing and recruitment strategies to attract talent from a wider section of the population and this, coupled with our flexible work practices, is making TasRail an increasingly attractive employer for a broad cross-section of the community.

MENTAL HEALTH & WELLBEING

TasRail has safety at its core and continues to reinforce the importance of the SafetyCircle™ 'home safe and well every day' philosophy – that's physically and mentally safe and well.

TasRail's COVID Recovery Team reached out to SPEAK UP! Stay ChatTY late in 2020 to invigorate the conversation around the importance of mental health within the business.

"2020 was a hard year for everyone and we identified that it was more important than ever to revisit the message that it is 'ok to not be ok'," TasRail Covid Recovery Committee Chair and Senior SHE Specialist Corrie Summers said.

"While TasRail has always had a focus on mental health, our staff now have even more in their 'toolbox' to help them take care of their own mental health, and are equipped and empowered to check in with their family, friends and workmates."

To mark national Rail R U OK? Day, TasRail again teamed up with SPEAK UP! Stay ChatTY to promote the importance of mental health to the Tasmanian community.





A TasRail TR locomotive now bears the Speak UP! Stay ChatTY logo on its journeys around the State.

TasRail's Mental Health First Aid Officers play a pivotal role in supporting the mental health of their team mates.

DEMOGRAPHICS (as of 30 June 2021)

Workforce profile

250 full-time equivalent employees

Asset Management (includes IIP) – 95.9 full-time equivalents.

Freight Services – 111.7 full-time equivalents

Corporate Services – 42.4 full-time equivalents

16.2 per cent of the workforce was female in 2020-21

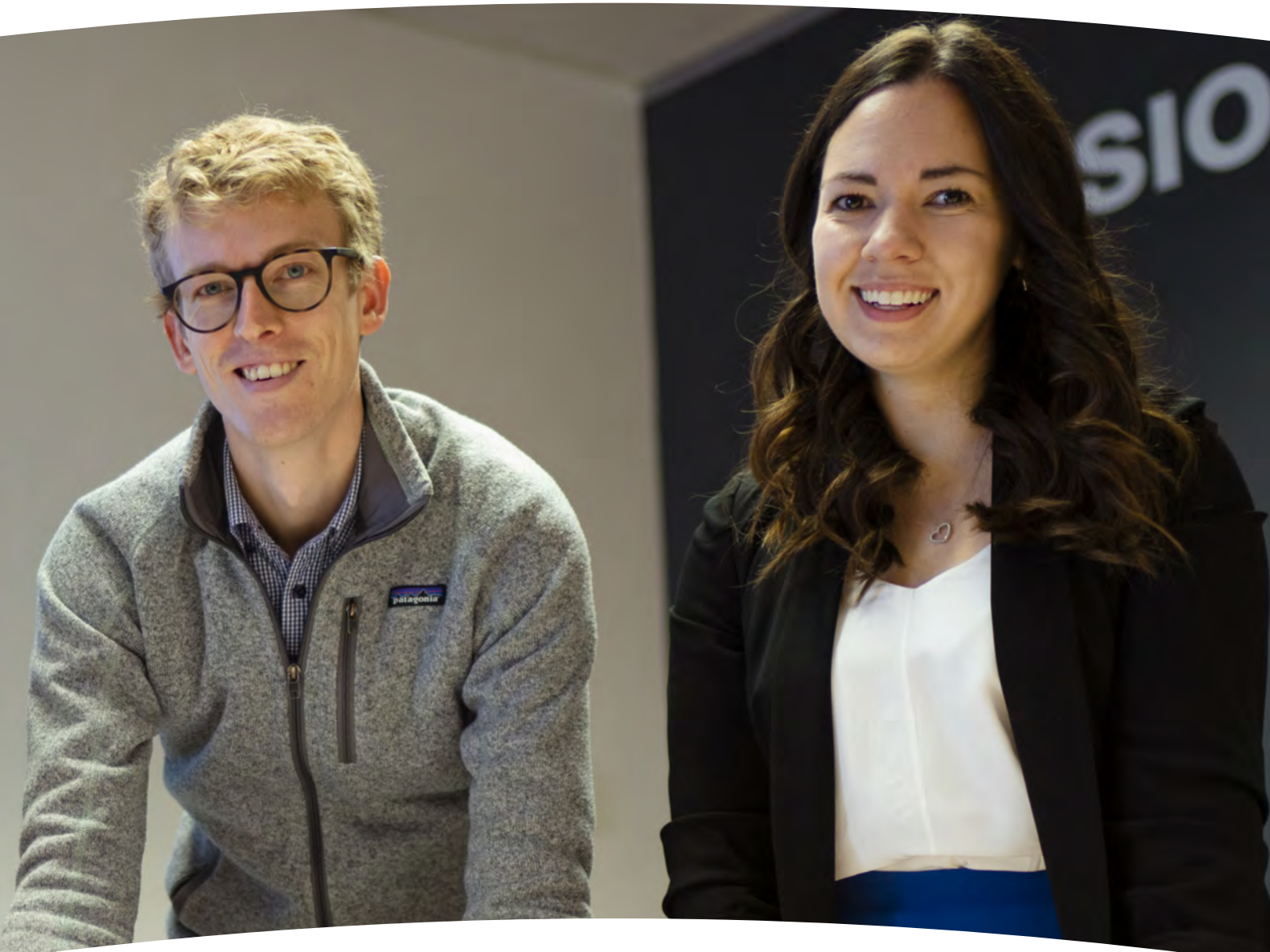
Age

Youngest – 21 years

Oldest – 69 years

Average – 46 years

Longest serving employee – 51 years of service



150TH ANNIVERSARY

The 150th anniversary of the official opening of rail in Tasmania was on 10 February 2021.

TasRail has enjoyed the opportunity to celebrate this milestone with its staff, assisting tourist and heritage organisations, and engaging with the community.

Events of note have included:

- marking the anniversary date with the Northern Midlands community on site at the Longford Rail Bridge
- donating the historically significant 2118 locomotive (ZA6) to the Tasmanian Transport Museum, with plans to contribute further historic rail assets to other tourist and heritage organisations before the end of 2021
- contributing to the publication of the book *150 Years of Railways in Tasmania*
- holding a series of family open days for TasRail staff at sites around the State.

TasRail is proud to have played its part in the vast history of rail in this state. The infrastructure works that our teams are doing now as part of the Tasmanian Freight Rail Revitalisation Program are building on that legacy and will serve to 'future proof' the network so that it, and the many men and women who serve on it, as well as those who seek to preserve its heritage, may also be remembered for generations to come.





CORPORATE GOVERNANCE FRAMEWORK

At TasRail, corporate governance relates to the system by which the business is directed and managed. Much of its success is underpinned by strong and effective relationships between the Board and the Management Team, the Shareholder Members and other stakeholders.

TasRail is governed by a Shareholder-appointed Board of Directors. The Board operates under a framework that is consistent with the *ASX Corporate Governance Principles and Recommendations*:

Principle 1 – Lay solid foundations for governance and oversight:

The TasRail Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letter of appointment and the Board Charter.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Board Charter requires annual reviews of the Board, its Committees and Directors. The process for evaluations is in line with the guidelines *Assessing Board Performance* issued by the Shareholders.

The Chairman and the CEO, along with the Portfolio Minister appear before and respond to Parliamentary Government Business Scrutiny Committee(s) as and when required.

Principle 2 – Structure the Board to add value:

All TasRail Directors are independent of management. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasRail. The Chairman is an Independent Director and is not an Executive of the Company.

Directors are selected and appointed based on their skills and experiences and in consideration of diversity and independence, probity and background checks. The appointment involves the creation of a Director Selection Advisory Panel. An executive search firm is appointed to assist the panel to identify potential candidates. TasRail maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. An induction program is administered by the Chairman with the support of the Company Secretary and CEO.

Principle 3 – Act ethically and responsibly:

The Board Charter commits the Board to maintaining the highest ethical standards. It expects that Directors will demonstrate the spirit and intent of its Code of Conduct as well as comply with all applicable legislation, lawful directions from Shareholders and Company policies.

Each Director is bound to uphold the Code of Conduct by exhibiting model performance, behaviour and conduct that is in line with the Code during the course of their employment. They must promote the Code and ensure that any potential breaches are taken seriously, identified and reported and acted upon appropriately. The Code of Conduct is underpinned by other policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Right to Information Policy, Privacy Policy, Procurement Procedure, Public Interest Disclosures ('Whistleblowers') Policy and People Management Business Critical Process.

Principle 4 – Safeguard integrity in corporate:

The Board operates an Audit and Risk Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance.

The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and CFO provide the required declarations under s295A of the Corporations Act and formally sign the accounts before it makes any recommendations to the Board.

The TasRail Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit. Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members. The Audit and Risk Committee also meets with the external auditor without management present from time to time.

TasRail's annual reports are provided to Shareholders by the end of October each year. The reports are tabled in each House of the Tasmanian Parliament and are therefore subject to the scrutiny of all Members of the Parliament and the community.

Principle 5 – Make timely and balanced disclosure:

TasRail is required by its Constitution to communicate with its Shareholders and others, via regular and irregular reporting and other means of communication. In practice, there is a flow of information throughout the year on important matters to ensure Shareholders are kept informed. If the Directors at any time form the view that matters have arisen that may prevent, or significantly affect achievement of the objective, strategies, policies or financial targets of the Company, the Directors must promptly notify the Shareholder Members.

Details about disclosures are made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out in the annual report.

Principle 6 – Respect the rights of shareholders:

TasRail's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware.

Consistent with the *Rail Company Act 2009*, Directors must comply with the lawful directions given in writing by the Shareholder Members.

Principle 7 – Recognise and manage risk:

Under its Charter, the Board commits to ensuring TasRail effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system.

TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Audit and Risk Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company.

TasRail provides Shareholders Members with information about risk by including key financial and operational risks in the annual corporate plan and regularly discussing risks at Shareholder Member briefings.

Principle 8 – Remunerate fairly and responsibly:

The Board has specifically retained responsibility for approving the Remuneration and Incentive Framework and Policies, Organisational Structure amendments and conditions of employment.

The People and Remuneration Committee comprises three independent Non-Executive Directors. Its Charter sets out the Committee's role as assisting the Board to meet its responsibilities by:

- ensuring TasRail's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives
- ensuring TasRail's remuneration policies meet the requirements outlined in the *Guidelines for Tasmanian Government Businesses, Director and Executive Remuneration*
- reviewing and recommending to the Board remuneration policies and practices to be introduced at TasRail
- reviewing and recommending to the Board principal terms of employment contracts including the remuneration packages for the CEO
- reviewing and recommending to the Board remuneration of the CEO annually
- monitoring the performance of the CEO and key performance indicators to determine and recommend to the Board performance criteria
- reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for company staff, and ensure remuneration is aligned with market trends.

The Committee also ensures remuneration reports are provided to Shareholder Members as required.

CORPORATE GOVERNANCE FRAMEWORK (CONT)

PUBLIC INTEREST DISCLOSURES

TasRail is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* and does not tolerate improper conduct by its employees, officers or members, or the taking of detrimental action against those who come forward to disclose such conduct.

The *Public Interest Disclosures Act 2002* provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and for rectifying actions to be taken.

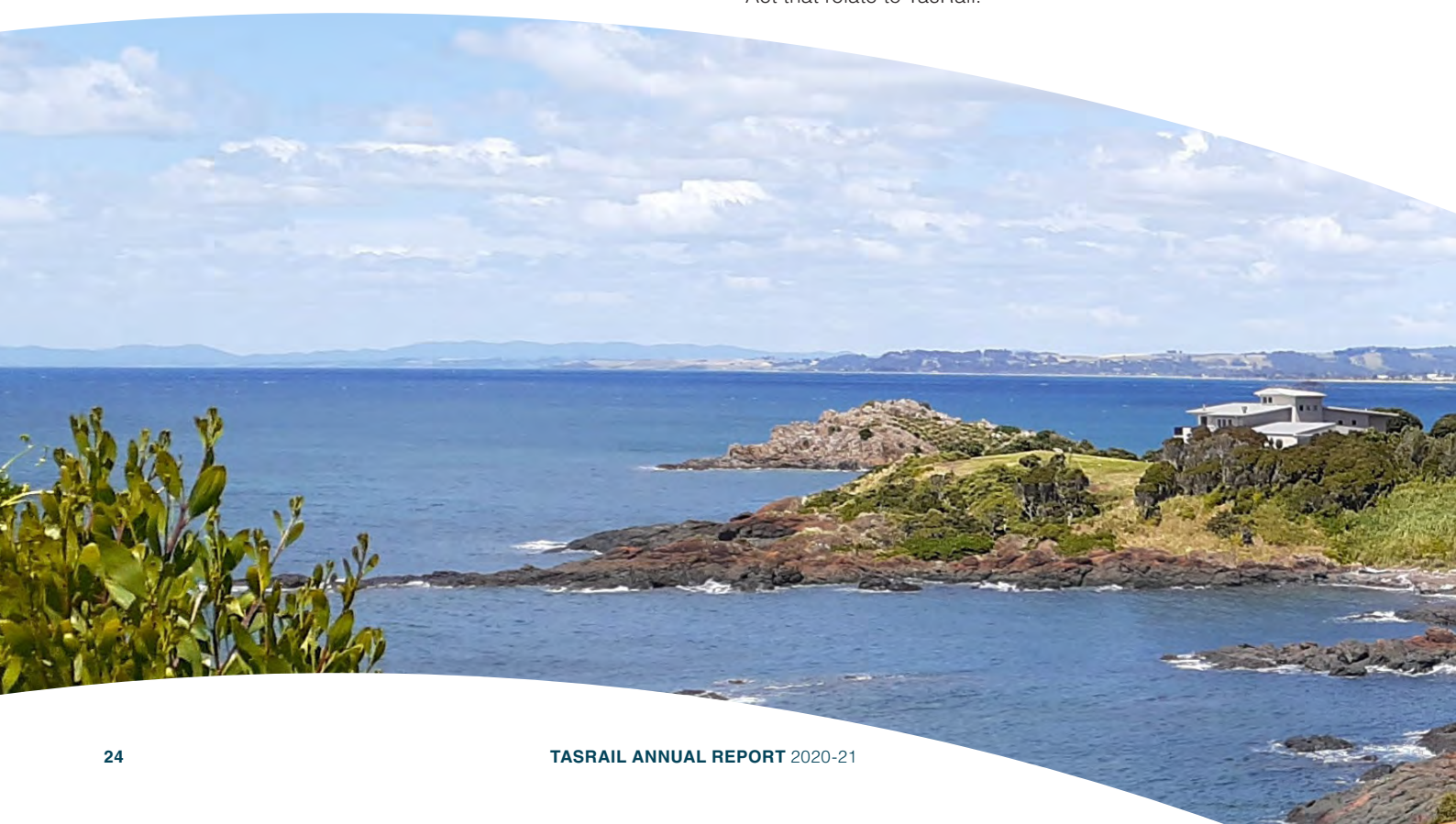
TasRail has adopted model procedures to be followed by public bodies in relation to public interest disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body.

They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered. The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under Section 38(1) (c) of the Act.

Under the *Public Interest Disclosures Act 2002* TasRail is required to report on any disclosures about improper conduct by its public officers or TasRail.

In accordance with the requirements of Section 86 of the Act, TasRail advises that:

- (a) TasRail's procedures under the Act are available at www.tasrail.com.au or email PD.Officer@tasrail.com.au. Alternatively, you can write to: Public Interest Disclosure Officer, TasRail, PO Box 335, Kings Meadows, Tasmania 7249.
- (b) No disclosures were made to TasRail during the 2020-21 financial year.
- (c) No public interest disclosures were investigated by TasRail during the year.
- (d) No disclosed matters were referred to TasRail during the year by the Ombudsman.
- (e) No disclosed matters were referred by TasRail during the year to the Ombudsman to investigate.
- (f) No investigations of disclosed matters were taken over by the Ombudsman from TasRail during the year.
- (g) There were no disclosed matters that TasRail decided not to investigate during the year.
- (h) There were no disclosed matters that were substantiated on investigation.
- (i) The Ombudsman made no recommendations under the Act that relate to TasRail.



RIGHT TO INFORMATION

TasRail is committed to compliance with the *Right to Information Act 2009* and to act in a fair, objective, and timely manner to ensure the spirit of the Act is upheld. Information about the *Right to Information Act 2009* and TasRail's obligations under it are available at www.tasrail.com.au or email righttoinformation@tasrail.com.au

During 2020-21 TasRail received no Right to Information requests.

TasRail embraces the objectives of the *Right to Information Act 2009* by routinely publishing information that it considers to be of interest to the public. TasRail's preferred method of disclosure of information is proactive disclosure via its publications, website and social media.

PERSONAL INFORMATION PROTECTION

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004* (Tas), which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988* (Cth).

Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au. No reports were made under this regime for the 2020-21 reporting period.

BUY LOCAL

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes. A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers.

TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being Tasmanian if the invoice payment and/or the Australian Business Number (ABN) are registered to an address within the State. Purchases are defined to include operating expenses together with capital expenditure. The table below excludes employment and finance expenses and depreciation.

Buy Local performance

Value of purchases from Tasmanian businesses	\$45,312,764
Percentage of purchases from Tasmanian businesses	59.07 per cent

Rail uses specialised materials that are not available for local purchase, production or manufacture. For example, rail and sleepers.

PAYMENT OF ACCOUNTS

TasRail complies with the Tasmanian Government Policy that requires State-owned Companies to:

- implement appropriate policies and procedures to ensure that all accounts are paid on time, and if not, interest is to be paid for late payments
- pay invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term
- pay invoices with a value above \$50,000 in accordance with the agreed terms and by the due date.

The expectation is that TasRail will pay all invoices correctly rendered by suppliers within the period specified by the supplier; or where the contract is silent on payment requirements, within 30 calendar days of the date of the correctly rendered invoice.

Accounts due or paid within 2020-21

Number of accounts due for payment	10,330
Number of accounts paid on time	10,330
Amount due for payment	\$77,298,965
Amount paid within agreed timeframes	\$77,298,965
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

CORPORATE GOVERNANCE FRAMEWORK (CONT.)

CONTRACTORS

There were a number of contracts let in 2019-20 where commitments carried forward into this financial year. Additionally, TasRail has awarded contracts in the 2020-21 year that have commitment values into the next financial year.

Contracts valued over \$2 million but less than \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
IIP Turnout Installation and Repairs 20/21	Open Tender	Yes	Gradco Pty Ltd	TAS
IIP Rectification of Rail Defects (Melba Line)	Open Tender	Yes	VEC Civil Engineering Pty Ltd	TAS

CONSULTANTS

The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity.

The following consultancies were valued at more than \$50,000 (excluding GST):

Name of consultant	Location	Description	Amount \$
Pitt & Sherry	TAS	Engineering advice	412,898
ISW Development	TAS	Software implementation	399,293
GHD Pty Ltd	TAS	Engineering advice	303,878
Advisian	NSW	Engineering advice	195,749
PDA Surveyors	TAS	Survey services	182,843
Ricardo Rail	NSW	Professional services	170,200
Rail Networks Consulting	VIC	Professional services	93,737
S2 Engineering	TAS	Engineering advice	59,746
Synergy Signalling	NSW	Engineering advice	52,800
Sub Total			1,871,143
There were 16 consultants engaged for \$50,000 or less totalling			210,235
Total payments for consultants to June 2021			2,081,378