



## INFRASTRUCTURE ENTITY BENCHMARKS AND DISCLOSURES

The Australian Securities and Investments Commission (ASIC) released Regulatory Guide 231 *Infrastructure entities: Improving disclosure for retail investors* ("RG 231") in January 2012. RG 231 outlines a series of benchmarks and requires infrastructure entities to disclose if they meet those benchmarks on an "if not, why not" basis. In addition, RG 231 contains information that ASIC expects infrastructure entities to disclose, outlined in a series of disclosure principles.

This section outlines AusNet Services' compliance with RG 231.

### BENCHMARKS FOR INFRASTRUCTURE ENTITIES

Benchmark	Statement	Explanation	Reference
<b>Benchmark 1: Corporate structure and management</b>  The infrastructure entity's corporate governance policies and practices conform with the principles and recommendations in GN 9A.	The benchmark is not met.	During the year, AusNet Services did not comply with the following ASX Recommendations 2.1 – majority independent directors on nomination committee; 2.4 – majority of independent directors on board; and 8.1 – majority independent directors on remuneration committee.	For additional disclosure on this benchmark refer to the Corporate Governance Statement available on AusNet Services' website.
<b>Benchmark 2: Remuneration of management</b>  Incentive-based remuneration paid to management for the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to the Remuneration Report contained in the AusNet Services Ltd Financial Report.
<b>Benchmark 3: Classes of units and shares</b>  All units or shares are fully paid and have the same rights.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to note D.5 of the AusNet Services Ltd Financial Report.
<b>Benchmark 4: Substantial related party transactions</b>  The infrastructure entity complies with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to note E.3 of the AusNet Services Ltd Financial Report.

Benchmark	Statement	Explanation	Reference
<p><b>Benchmark 5: Cash flow forecast</b></p> <p>The infrastructure entity has, for the current financial year, prepared and had approved by its directors:</p> <p>(a) a 12-month cash flow forecast for the infrastructure entity and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards:</p> <ul style="list-style-type: none"> <li>&gt; negative assurance on the reasonableness of the assumptions used in the forecast; and</li> <li>&gt; positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; and</li> </ul> <p>(b) an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.</p>	<p>Part (a) of the benchmark is not met.</p> <p>Part (b) of the benchmark is not applicable to AusNet Services as there has been no significant infrastructure assets (defined as an asset whose value is 15% or more of the total current value of assets set out in the latest financial accounts) acquired during the year.</p>	<p>While a 12-month cash flow forecast has been prepared for financial year 2020 and has been approved by the directors, it has not been independently audited or reviewed in accordance with auditing standards. The directors believe that, due to the highly regulated nature of the business, the current process and controls over the collation, reporting and management of the cash flow forecast is sufficient.</p>	N/A

Benchmark	Statement	Explanation	Reference
<p><b>Benchmark 6: Base-case financial model</b></p> <p>Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:</p> <p>(a) checks the mathematical accuracy of the model, including that:</p> <ul style="list-style-type: none"> <li>&gt; the calculations and functions in the model are in all material respects arithmetically correct; and</li> <li>&gt; the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and</li> </ul> <p>(b) includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.</p>	The benchmark has been met.	A review was performed during FY2017, following a rebuild of our base-case financial model and will be performed during FY2020.	N/A
<p><b>Benchmark 7: Performance and forecast</b></p> <p>For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.</p>	The benchmark is not applicable to AusNet Services.	N/A	N/A

Benchmark	Statement	Explanation	Reference
<b>Benchmark 8: Distributions</b>  If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.	The benchmark is not applicable to AusNet Services.	N/A	N/A
<b>Benchmark 9: Updating the unit price</b>  If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.	The benchmark is not applicable to AusNet Services as it is listed on the ASX.	N/A	N/A

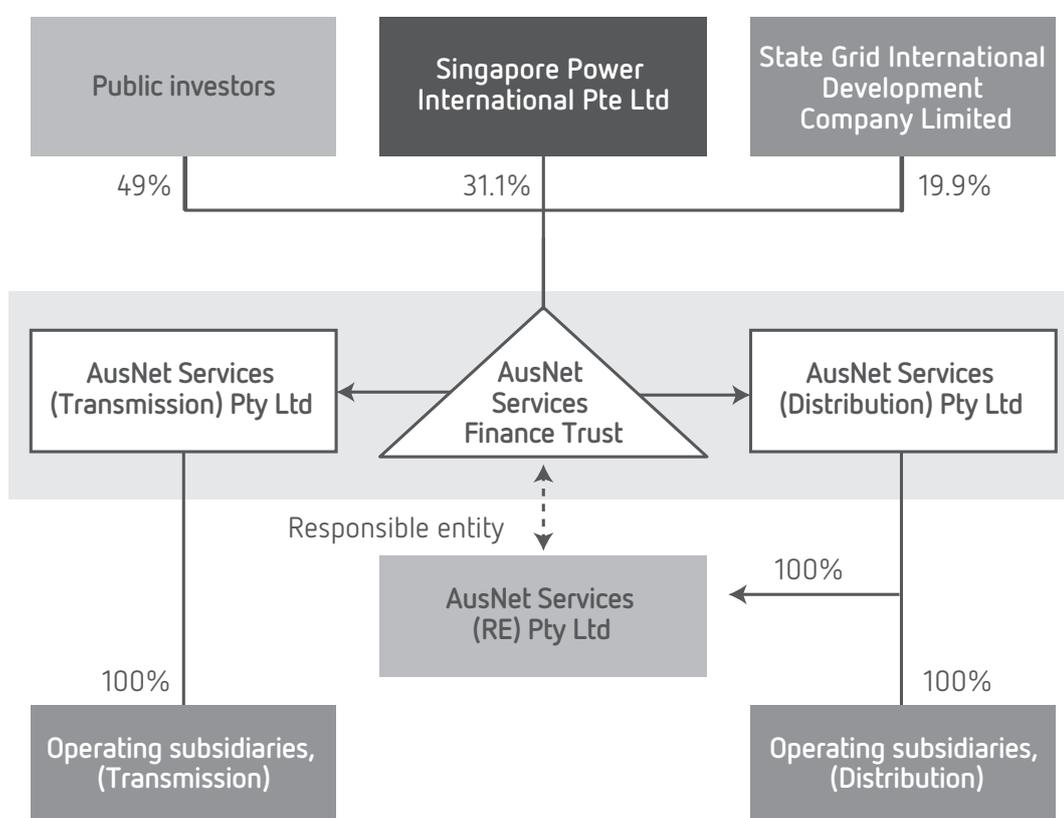
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## DISCLOSURE PRINCIPLES FOR INFRASTRUCTURE ENTITIES

### DISCLOSURE PRINCIPLE 1: KEY RELATIONSHIPS

AusNet Services comprises of AusNet Services Ltd and its subsidiaries. AusNet Services is listed on the ASX and has two large investors that have Board representation. Singapore Power International Pte Ltd ("SPI") has a 31.1 per cent shareholding and State Grid International Development Limited ("SGID") has a 19.9 per cent shareholding in AusNet Services.

### AUSNET SERVICES GROUP STRUCTURE



The operating subsidiaries own the assets comprising the electricity transmission business, electricity and gas distribution businesses and the Mondo business.

### DISCLOSURE PRINCIPLE 2: MANAGEMENT AND PERFORMANCE FEES

There are no management or performance fees paid or payable in the current year.

### DISCLOSURE PRINCIPLE 3: RELATED PARTY TRANSACTIONS

All related party transactions are disclosed in note E.3 of the AusNet Services Ltd Financial Report.

AusNet Services' policy in relation to related party transactions is contained in the Code of Business Conduct, which may be found in the 'Corporate Governance' section of AusNet Services' website. Related party transactions are reported to the Audit and Risk Management Committee at every meeting to ensure compliance with the policy and statutory requirements.

**DISCLOSURE PRINCIPLE 4: FINANCIAL RATIOS**

Details regarding AusNet Services' targeted level of debt and its actual debt are contained in notes D.1 and D.2 of the AusNet Services Ltd Financial Report.

**DISCLOSURE PRINCIPLE 5: CAPITAL EXPENDITURE AND DEBT MATURITIES**

Over the past five years, AusNet Services has had an annual capital expenditure spend range of \$750 to \$970 million and FY2020 is expected to be at the top of this range. FY2019 was at the high end of the range primarily due to new unregulated transmission connections for wind farms, which will continue to be constructed in FY2020. Planned capital expenditure is expected to be funded through a mix of operating cash flows and debt, while ensuring that AusNet Services remains within its target credit metrics.

Details regarding AusNet Services' interest rate and liquidity risk, including how these risks are managed, the contractual cash flows of financial assets and financial liabilities, and the drawn and undrawn amounts under its financing facilities, are contained in note D.3 of the AusNet Services Ltd Financial Report.

**DISCLOSURE PRINCIPLE 6: FOREIGN EXCHANGE AND INTEREST RATE HEDGING**

Details regarding AusNet Services' foreign exchange and interest rate risk, including how these risks are managed and the sensitivity to movements in foreign exchange and interest rates, are contained in note D.3 of the AusNet Services Ltd Financial Report.

**DISCLOSURE PRINCIPLE 7: BASE-CASE FINANCIAL MODEL**

AusNet Services regulated assets are subject to regular regulatory determinations in relation to the revenue able to be charged for core services, with approximately 86% of AusNet Services' revenues being regulated. These determinations also outline the allowable capital and operating expenditures over the determination period.

The regulatory determinations for each network form the starting base for AusNet Services' financial model. Changes to assumptions are only made when they are highly likely to differ from the regulatory determination assumptions. This could include, but is not limited to, such items as customer and volume growth, cost of debt, and benefits obtained from efficiency gains arising from out-performance of the cost assumptions under the "incentive-based" regulatory regime.

The latest determinations for each of AusNet Services' regulated networks can be obtained from the Australian Energy Regulator's website.

**DISCLOSURE PRINCIPLE 8: VALUATIONS**

In accordance with accounting standards, at each reporting date AusNet Services reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Details regarding the results of this review, including the assumptions used in performing the review, are contained in note C.4 of the AusNet Services Ltd Financial Report.

**DISCLOSURE PRINCIPLE 9: DISTRIBUTION POLICY**

This disclosure principle is not applicable to AusNet Services as AusNet Services no longer pays distributions through a Trust.

**DISCLOSURE PRINCIPLE 10: WITHDRAWAL POLICY**

This disclosure principle is not applicable to AusNet Services.

**DISCLOSURE PRINCIPLE 11: PORTFOLIO DIVERSIFICATION**

AusNet Services does not have a portfolio diversification policy. AusNet Services is a diversified energy infrastructure business that owns and operates Victoria's primary regulated electricity transmission network, as well as an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria. AusNet Services also has an unregulated business, Mondo, which provides infrastructure services, and a number of other commercial services to help customers manage their energy, water and environmental needs.