

# ASX & SGX-ST Release



15 June 2018

**TO:** ASX Limited  
Singapore Exchange Securities Trading Limited

## Corporate Governance Statement and Appendix 4G

In accordance with ASX Listing Rules 4.7.3, 4.7.4 and 4.10.3, attached is the AusNet Services 2018 Corporate Governance Statement and Appendix 4G.

**Claire Hamilton**  
Company Secretary

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Coporate Governance  
Statement  
2018

This corporate governance statement of AusNet Services Ltd (AusNet Services) outlines the key aspects of AusNet Services' corporate governance framework for the financial year ended 31 March 2018 (FY2018) by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition (ASX Principles).

Unless otherwise indicated, information referred to in the Corporate Governance Statement and further information relating to AusNet Services' corporate governance practices and key documents can be found on the Corporate Governance section of AusNet Services website at <https://www.ausnetservices.com.au> in the section "About Us" – "Corporate Governance" (AusNet Services website). (ASX Recommendation 6.1)

The information in this statement is current as at 11 May 2018 and has been approved by the Board.

At various times during FY2018 recommendations 2.1, 2.4 and 8.1 were not followed. Reasons for deviation from these ASX Principles are provided in this statement.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### BOARD RESPONSIBILITIES AND DELEGATION TO MANAGEMENT

The Board has adopted a Board Charter that sets out the responsibilities reserved to the Board and the functions delegated to management. The Board Charter is located on the AusNet Services website.

The Board reviews the Board Charter regularly, with a view to doing so at least every two years or more frequently if warranted. The Charter was most recently reviewed in March 2017.

The Board has delegated to the Managing Director the responsibility for the day-to-day management and operation of AusNet Services. The parameters of the Board's delegation are set out in the Board-approved Delegation of Authority Manual. The Board retains ultimate responsibility for:

- > monitoring the strategic direction of AusNet Services
- > guiding management to implement its strategic plans
- > monitoring the risk and safety management framework
- > overseeing good governance.

(ASX Recommendation 1.1)

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board. The Board approves corporate objectives for the Managing Director and, together with the Managing Director, agrees his duties and responsibilities. The Board is responsible for reviewing the role and responsibilities of management. Management must supply the Board with information to enable the Board to discharge its duties effectively. Directors are entitled to request additional information, including external advice, at any time.

#### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In relation to the appointment of independent Non-executive Directors, the Nomination Committee reviews and makes recommendations to the Board regarding the appointment of new Directors, including establishing formal and transparent procedures for the identification of suitable candidates. An executive search firm is usually engaged to assist with the identification and selection of suitable Board candidates. The suitability of candidates nominated for appointment to the Board is assessed having regard to the Board's existing and desired skills, diversity and experience.

Candidates for appointment to the Board as an independent Non-executive Director are sought on the basis of their ability to complement the Board's current composition, as well as their independence and having regard to the Board's Skills Matrix. In support of their candidature, independent Non-executive Directors are required to provide details of their other commitments and an indication of the time involved.

The Nomination Committee reviews these details prior to the independent Non-executive Director's appointment, and regularly thereafter, to ensure that the Director has sufficient time to discharge their duties to the Board and the various committees on which they serve. (ASX Recommendation 1.2)

As part of the appointment process, the Board undertakes appropriate background and probity checks, including reference checks and employment history. (ASX Recommendation 1.2)

#### APPOINTMENT OF NOMINATED DIRECTORS

AusNet Services' two major shareholders, Singapore Power International Pte Ltd and State Grid International Development Company Limited, have each nominated two Directors to the Board, reflecting their significant holding of securities in AusNet Services.

In accordance with its Charter, the Nomination Committee considers and makes a recommendation on the election of these candidates to the Board. Appropriate background and probity checks are undertaken before the Board makes any recommendation to shareholders concerning the election of nominated Directors. (ASX Recommendation 1.2)

Biographical information (including qualifications and experience) in relation to all Directors subject to election or re-election is set out in the explanatory notes to the notice of annual general meeting and is located on the AusNet Services website. (ASX Recommendation 1.2)

All Directors, other than the Managing Director, are subject to re-election in accordance with AusNet Services' constitution and the ASX Listing Rules.

A written agreement is in place between AusNet Services and each Director and senior executive, respectively, setting out the terms of their appointment. (ASX Recommendation 1.3)

#### COMPANY SECRETARY

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

- > advising on governance matters
- > administration of the Board, including development of agendas, distribution of papers, minute taking and organisation of meetings
- > overseeing AusNet Services' relationship with its share registrar
- > lodgement of documents, reports and releases to ASIC, the ASX and SGX-ST.

Ms Claire Hamilton was appointed as Company Secretary on 16 September 2016. Details of Ms Hamilton's qualifications and experience are set out in the Ausnet Services 2018 Annual Report (Annual Report). (ASX Recommendation 1.4)

#### DIVERSITY POLICY

AusNet Services recognises its talented and diverse workforce is essential for its long-term sustainability.

AusNet Services has an established Diversity Policy which outlines its commitment to increase and maintain diversity and inclusion in the workplace. The Diversity Policy may be found on the AusNet Services website. (ASX Recommendation 1.5)

Additionally, the Board Charter requires that the Board comprise Directors with a broad range of skills and expertise from a diverse range of backgrounds. These are reflected in the Board's composition, through the qualifications, skills, experience, gender and backgrounds of Directors.

Company progress towards achieving the 2018 Diversity and Inclusion objectives approved by the Board is set out below. (ASX Recommendation 1.5)

**1. INCREASING THE PROPORTION OF WOMEN IN AUSNET SERVICES' WORKFORCE**

FY2018 Objectives	Progress Achieved FY2018
a) By 30% by 2022.	Female representation within AusNet Services has remained steady at 20%, despite significant headcount reductions across the organisation.
b) To 40% of senior management positions to be held by women.	Females represent 33% of senior management, an increase of 10% from January 2017 and tracking well towards the 40% target by 2022.
c) To 25% of all engineering roles to be held by women.	Unfortunately, female representation in the engineering population declined from 13% to 10%, although this represents the movement of just a few individuals.
d) Increase Board representation to 30% female Non-executive Directors.	Two of AusNet Services' eight Non-executive Directors are women, representing 25% of the Board.

**SUPPORTING PROGRAMS**

The Company retains a strong focus on attracting, engaging, developing and retaining women of all ages to join and remain part of AusNet Services, including:

- > 42% of all new hires during FY2018 were female, with external partnerships formed to develop job advertising and marketing campaigns to attract a broader range of female talent segments. Internal recruitment processes have been refreshed to attract a more diverse range of candidates.
- > A successful campaign to attract, induct and integrate females to eight apprentice line worker and two trainee positions increased female trade and technical representation to 4%.
- > Continuing to support, sponsor and develop female students and their potential for future careers in the industry through on-campus promotion in schools and universities, scholarships, education assistance and research partnerships with Deakin University. During FY2018, we also commenced a sponsorship with Sacred Heart College for Girls in Geelong focused on the school's Science, Technology, Engineering, Arts and Mathematics (STEAM) agenda.
- > Enhanced flexibility in work arrangements to drive a more inclusive culture and enable us to attract and retain females.
- > Investing in the engagement, development and advancement of talented female employees continues to be a priority. Now in its seventh year, the Company's Women's Career Development Program benefited 20 talented females during FY2018 who have gained enhanced leadership and business skills for the future. Seven senior female talent pool participants were also mentored through the Executive Leadership Team's Female Career Sponsorship program.

## 2. AUSNET SERVICES DIVERSITY AND INCLUSION STATEMENT

### FY2018 Objectives

Develop and publish an AusNet Services Diversity and Inclusion Statement and bring this to life in interacting with our employees, delivery partners, customers and communities.

### Progress Achieved FY2018

The Board approved a new Diversity and Inclusion Statement in January 2018, which has been subsequently launched and promoted within the organisation.

#### SUPPORTING PROGRAMS:

The Statement was developed with wide employee participation and is reflective of a growing drive to empower employees to contribute, collaborate and take responsibility for the development and implementation of the Company's diversity and inclusion agenda. The Company continues to refine and embed its diversity and inclusion approach in its review, selection processes and working arrangements with major delivery partners and its work with customers and communities.

## 3. ENGAGE WITH KEY COMMUNITY GROUPS OPERATING WITHIN THE AGEING AND DISABILITY SECTORS

### FY2018 Objectives

Engage with key community groups operating within the ageing and disability sectors to better understand and reflect the specific needs of ageing and disabled members of our communities in accessing our services.

### Progress Achieved FY2018

Through its Customer Consultative Committee and Customer Engagement Team, the Company has met with key advocacy groups in each of the disability and ageing sectors so as to better understand and respond to the needs of disabled and ageing people in our communities.

#### SUPPORTING PROGRAMS:

- > The Company conducted an exploratory focus group with disabled members of VALiD (Victorian Advocacy League for Individuals with Disability) and permanent office staff to determine the types of energy issues that matter to people with a disability. The focus group was also designed to gain deeper insights about the level of understanding adults with a mental disability have in relation to energy.
- > Insight was also sought from the COTA (Council of The Aging) on the everyday challenges facing older Australians and the opportunities that might exist for AusNet Services to effectively engage with these customers on energy-related issues.

## 4. RETAIN THE KNOWLEDGE AND SKILLS OF MATURE-AGE EMPLOYEES

### FY2018 Objectives

Work with our mature-age employees to find ways to retain and transfer their valued skills and knowledge and support their later-in-life career and retirement changes.

### Progress Achieved FY2018

The Company increased its support of seasoned experienced employees preparing to transition out of the Company so as to ensure mutual benefit from shared knowledge exchange.

#### SUPPORTING PROGRAMS:

- > Career transition training commenced across the business, with particular focus on retirement age employees. The leaders of 57 employees who are over 65 years of age were trained to develop flexible working approaches and discuss options with their people.
- > Plans were developed to effectively transfer and retain the intellectual property and knowledge our valued later-in-life employees have collected. Actions include videos and mentoring for our younger employees.

The FY2018 Diversity and Inclusion objectives remain largely unchanged for FY2019. These are shown in the following table:

FY2019 DIVERSITY AND INCLUSION OBJECTIVES
1. Increase the proportion of women in AusNet Service’s workforce to 30% by 2022, including 40% of senior management and 25% of all engineering roles.
2. Increase Board representation to 30% female Non-executive Directors.
3. Further embed and bring to life our Diversity and Inclusion Statement with a focus on how we foster inclusion in our approach to our engagement, communication, policies and procedures across all internal and external stakeholder groups.
4. Accelerate our later-in-life career choices program with a focus on critical knowledge transfer and retention through utilisation of emerging technologies.
5. Continue our focus on our Skilling for the Future program via our Apprentice and Trainee and Graduate programs and extend these into key industry and education sector partnerships to capture early and emerging STEAM talent pools.

**PERFORMANCE EVALUATION**

The Board of AusNet Services acknowledges the need to have regular Board evaluations in line with the ASX Principles.

This principle is reflected in the Board Charter, the Nomination Committee Charter and in the Director’s appointment letter. Facilitated by the Nomination Committee and managed by the Chairman, the Board undertakes periodic reviews of its performance.

During FY2018, the Board engaged an independent external advisor to undertake the Board’s annual performance review (the “Review”). The Review was designed to assist the Board to fulfil its key functions and entailed a review of all key documentation and interviews with each Director and members of the executive leadership team. Following the Review, an action plan is being determined to enhance board performance. (ASX Recommendation 1.6)

The Nomination Committee undertakes a formal evaluation of the individual Directors who are due to retire and offer themselves for re-election at the next annual general meeting. The results of this evaluation are considered by the Board in determining whether to support the re-election of these Directors.

**PERFORMANCE OF EXECUTIVES**

A formal performance evaluation of the Managing Director and senior executives occurs annually through the development of performance plans linked to AusNet Services’ annual corporate business plan and financial plan. The performance plans incorporate key performance targets set by the Board. The Managing Director sets personal targets for senior executives.

The performance plan evaluation process for the Managing Director and senior executives takes the form of an individual assessment by the Board in the case of the Managing Director, and in the case of senior executives, by the Managing Director in consultation with the Remuneration Committee and the Board. Performance outcomes are linked to short-term incentives and recommendations are made to the Remuneration Committee and to the Board for approval.

A performance evaluation of the Managing Director and senior executives was undertaken during FY2018 in accordance with this process. Further details of the outcome of executive performance evaluations are set out in the Remuneration Report, which is included in the Annual Report. (ASX Recommendation 1.7)



## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### BOARD COMPOSITION

The Board determines its size and composition, subject to the terms of AusNet Services' constitution. AusNet Services' constitution provides for a minimum of four and a maximum of 14 Directors. As at the date of this statement, the AusNet Services Board has nine Directors, comprising eight Non-executive Directors, and the Managing Director.

During FY2018, there was one change to the Board's composition, with Ms Tina McMeckan retiring from the Board in July 2017 after serving as an independent Non-executive Director for approximately seven years.

### SKILLS AND EXPERIENCE OF DIRECTORS

AusNet Services' Focus 2021 strategy is a five-year strategy (FY2017–FY2021) to build a portfolio of high-performing and sustainable Regulated and Commercial Energy Services businesses. The Focus 2021 strategy is reviewed at least annually by the Board.

The following skills matrix summarises the combined skills and experience of Directors and highlights those considered relevant to the Focus 2021 strategy.

The management team of AusNet Services possesses a wide range of skills and industry experience that can be accessed and utilised by the Board. To the extent that any skills or expertise are not represented by the Board or management, the Board Charter allows the Board to obtain advice from external advisors.

	SKILLS AND EXPERIENCE	
<b>Focus 2021 strategy objectives:</b>		
Lead network transformation and embrace change	> Industry experience	> Government and government relations
Grow commercial services	> Information technology and innovation	> Legal and regulatory
Drive efficiency and effectiveness	> Industry disruption	> Engineering and industrial safety
Generate trust and respect with customers and partners	> Transformation and changing business models	> Customer and marketing
	> Mergers and acquisitions	> Communications and stakeholder engagement
<b>Leadership and governance</b>	> Strategy	> Remuneration
	> Risk management	> Accounting and finance
	> Governance	> Banking, debt and capital markets
	> Executive leadership	

### BOARD TENURE (%)



### BOARD GENDER DIVERSITY (%)



Further information about the qualifications, skills, experience, special responsibilities and period in office of each Director is set out in the Directors' Report, which is included in the Annual Report. Details of AusNet Services' current Directors may also be found on the AusNet Services' website under section "About Us" – "Board of Directors". (ASX Recommendation 2.2)



### INDEPENDENCE OF DIRECTORS

The Board has applied the factors relevant to assessing the independence of a Director as set out in the ASX Principles.

Having regard to these factors, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement.

The Board assesses the materiality of any given relationship that may affect independence on a case-by-case basis. Each Non-executive Director is required to disclose to the Board on a continuing basis all information that may be relevant to this assessment, including their interests in contracts and other directorships and offices held.

The Directors considered by the Board to be independent are Ms Sally Farrier, Mr Peter Mason, Mr Robert Milliner and Dr Nora Scheinkestel. During FY2018, none of the independent Directors had any interest or relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. (ASX Recommendation 2.3)

As mentioned earlier in this statement, the Company's two largest shareholders have two nominees each on the Board, reflecting their significant holding of securities in AusNet Services.

Mr Ho Tian Yee and Mr Tan Chee Meng were appointed by Singapore Power Limited (SP), the parent company of AusNet Services' largest shareholder, and are therefore not considered to be independent. Mr Sun Jianxing and Dr Ralph Craven were appointed on the nomination of State Grid International Development Company Limited (SGID). SGID is AusNet Services' second-largest shareholder, and therefore Mr Sun and Dr Craven are not considered independent.

AusNet Services notes ASX Recommendation 2.4 that a majority of the board be independent directors and that it was not in compliance with this recommendation during FY2018 due to the composition of the Board being reflective of the significant shareholdings of SP and SGID which in total exceed 50% of the Company's voting shares. During FY2018, from 20 July 2017 to the date of this statement, the Board comprised four independent Directors and five non-independent Directors (including the Managing Director). (ASX Recommendation 2.4)

### ROLE OF THE CHAIRMAN AND THE MANAGING DIRECTOR

The Board acknowledges the importance of a clear division of responsibility between the Board and Management at the head of AusNet Services. The roles of Chairman and Managing Director are therefore exercised by separate individuals. (ASX Recommendation 2.5)

The Chairman, Mr Peter Mason, joined the Board in March 2016 and was appointed Chairman on 11 May 2016. He is an independent Non-executive Director. The Chairman is responsible for leading the Board and his role includes ensuring the efficient organisation and conduct of the Board's functions, facilitating effective contribution by all Directors and promoting constructive relations between the Board and management. The Chairman's role also includes working with management in seeking to ensure that the Board is provided with information relevant to AusNet Services' operations and strategies to assist in the discharge of the Board's duties, reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board. The Chairman also plays a key role in representing the Board to external stakeholders (including shareholders) and communicating the Board's position. (ASX Recommendation 2.5)

The Managing Director, Mr Nino Ficca, is responsible to the Board for the discharge of the management function and the implementation of corporate objectives determined by the Board.

### INDUCTION AND CONTINUING EDUCATION

Established induction procedures allow new Directors to participate fully and actively in informed decision-making at the earliest opportunity after they join the Board. The procedures, which are overseen by the Company Secretary, are designed to allow new Directors and also new key executives to gain an understanding of AusNet Services' financial, strategic, operational and risk position, the rights, duties and responsibilities of the Directors, the roles and responsibilities of management and the roles of Board committees. In addition, each new Director is provided with a letter of appointment setting out the key terms of their appointment. (ASX Recommendation 2.6)

Board training sessions are held periodically throughout each year. In addition, all Directors and key executives have access to, and are encouraged to participate in, continuing education to update and enhance their skills and knowledge. Site visits to operations are also arranged to provide Directors with an opportunity to inspect our operations, meet front-line management and staff to enhance their understanding of the business. During FY2018 the Board visited various sites, including three CBD terminal stations, which are being rebuilt to replace ageing infrastructure and equipment. (ASX Recommendation 2.6)

#### STANDING BOARD COMMITTEES

To assist in the discharge of its duties, the Board has established the following standing committees:

- > Nomination Committee (ASX Recommendation 2.1)

#### BOARD COMMITTEE MEMBERSHIP AS AT 11 MAY 2018

NOMINATION COMMITTEE	REMUNERATION COMMITTEE	AUDIT AND RISK MANAGEMENT COMMITTEE
Peter Mason (Chairman)	Sally Farrier (Chairman)	Nora Scheinkestel (Chairman)
Ralph Craven	Ho Tian Yee	Ralph Craven
Sally Farrier	Robert Milliner	Sally Farrier
Ho Tian Yee	Sun Jianxing	Robert Milliner
Robert Milliner		Tan Chee Meng
Nora Scheinkestel		
Sun Jianxing		
Tan Chee Meng		

#### SPECIAL PURPOSE BOARD COMMITTEES

Special purpose Board committees are established by the Board where deemed necessary to deal with specific projects or where a potential conflict of interest exists.

#### NOMINATION COMMITTEE

The Nomination Committee advises the Board on matters relating to the appointment and performance of Directors and of the Board as whole. The Committee also reviews Board and Committee membership and performance and succession planning. The Committee is comprised only of the Non-executive Directors of AusNet Services.

Members of management may attend meetings of the Nomination Committee. However, individuals may not be present during, or participate in, deliberations where the matter does or could affect their position, remuneration or other related matters. The Board has established protocols to exclude Directors and management where a conflict of interest may exist.

- > Remuneration Committee (ASX Recommendation 8.1)
- > Audit and Risk Management Committee. (ASX Recommendation 4.1).

Each committee has a formal charter which sets out its role and responsibilities, composition, structure and membership requirements. The current committee charters may be found on the AusNet Services website. (ASX Recommendations 2.1, 4.1 and 8.1)

A list of the members of each Board committee as at the date of this statement is set out below. Additional details in relation to the members of each committee, as well as the number of times each committee met during FY2018 and each member's attendance at those meetings, are set out in the Directors' Report which is included in the Annual Report. (ASX Recommendations 2.1, 4.1 and 8.1)

AusNet Services has noted Recommendation 2.1 that a Nomination Committee should consist of a majority of independent Directors and that the Committee is chaired by an independent Director. During FY2018, from 20 July 2017 to the date of this statement, the Nomination Committee did not follow this recommendation fully due to half of the Non-executive Directors on the Board being Non-independent Directors. This is a result of the ownership structure of AusNet Services as noted above.

At all times during FY2018, the Committee was chaired by an independent Director. The Board has determined that the Chair of the Nomination Committee must always be an independent Director. This requirement is enshrined in the Nomination Committee Charter. (ASX Recommendation 2.1)

The Nomination Committee Charter was reviewed and updated by the Board during FY2018 and is available on the AusNet Services website. (ASX Recommendation 2.1)

Additional information about the Audit and Risk Management Committee and the Remuneration Committee is provided under Principles 4 and 8, respectively.

### PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

#### CODE OF BUSINESS CONDUCT

AusNet Services is committed to acting ethically and responsibly.

AusNet Services has a Code of Conduct (“the Code”) to guide all Directors, officers, employees, contractors and consultants as to the practices necessary to maintain confidence in AusNet Services’ integrity, the standards for dealing with obligations to external stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code was updated and approved by the Board during FY2018 and is located on the AusNet Services website. (ASX Recommendation 3.1)

#### WHISTLEBLOWER POLICY

In keeping with the spirit of the Code, AusNet Services has a Whistleblower Policy to encourage anyone engaged in the provision of services to AusNet Services who has witnessed, is aware of, or suspects any wrongful act to report it without fear of reprisal. The Whistleblower Policy sets out the way in which AusNet Services will respond to reports of wrongful acts.

The Whistleblower Policy is located on the AusNet Services website.

As part of AusNet Services’ continuous drive to achieve high standards of corporate governance, AusNet Services uses the services of STOPline – an external, confidential provider of whistleblower disclosure services. STOPline provides an additional, confidential reporting avenue to report suspected wrongdoings in accordance with the Whistleblower Policy.

#### CONFLICTS OF INTEREST

The Board has developed Conflicts of Interest Guidelines to guide it on the management of actual and perceived conflicts between the interests of a Director or Directors and the interests of AusNet Services, to ensure compliance with the Corporations Act. Each Director is obliged to disclose if he or she has a potential or actual conflict of interest at any time in relation to any matter which relates to the affairs of AusNet Services.

#### DEALING IN SECURITIES

AusNet Services has adopted Guidelines for Dealing in Securities. Through a trading windows approach, the guidelines establish a best practice procedure relating to the buying and selling of AusNet Services’ securities for Directors, executives and senior management, employees, certain contractors, and their associates (“Relevant Persons”).

The Guidelines for Dealing in Securities is located on the AusNet Services website.

Pursuant to the Guidelines, Relevant Persons must not buy, sell or otherwise deal in AusNet Services’ securities if they possess non- public, price-sensitive information. Relevant Persons may generally only deal in AusNet Services’ securities in the period of six weeks from the second trading day following:

- > the announcement of half-yearly results
- > the announcement of annual results
- > the holding of the Annual General Meeting.

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Board has ultimate responsibility for ensuring the integrity of AusNet Services’ financial reporting. To assist in discharging its responsibility, the Board has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of AusNet Services’ financial position.

#### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee assists the Board in discharging its responsibilities relating to the financial reporting and audit processes, systems of internal controls, the process for monitoring compliance with applicable laws, regulations and codes of conduct (including in relation to related party transactions) and risk management systems.

Specifically, the role of the Audit and Risk Management Committee includes:

- > reviewing the appropriateness of accounting principles adopted by AusNet Services in the composition and presentation of financial reports and approving all significant accounting policy changes
- > reviewing the adequacy and effectiveness of AusNet Services' risk management, internal compliance and control systems and the process and evidence adopted by the Managing Director and the Chief Financial Officer to satisfy themselves of these factors
- > reviewing related party transactions
- > reviewing the legal and regulatory matters that are brought to its attention by the internal and external auditor
- > overseeing the conduct and scope of the external and internal audit functions, including making recommendations to the Board on the appointment, performance, remuneration and replacement of the external auditor and Head of Internal Audit.

The Audit and Risk Management Committee has full access to, and the co-operation of, management and full discretion to invite any Director, members of management, or the internal or external auditors (with or without management present) to attend its meetings. The Audit and Risk Management Committee also has the authority to conduct or authorise special investigations, and engage independent advisers as required to assist in those investigations.

The members are all Non-executive Directors and the Chairman (who is not the Chairman of the Board) is independent. The Committee comprised a majority of independent Directors throughout FY2018. (ASX Recommendation 4.1)

#### **DECLARATION BY THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER**

The Managing Director and the Chief Financial Officer provide to the Board a written declaration, in accordance with section 295A of the Corporations Act and ASX Recommendation 4.2, that, in their opinion, the financial records for AusNet Services, and the individual entities comprising AusNet Services, have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of AusNet Services' financial position and performance and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. (ASX Recommendation 4.2)

Prior to review and confirmation by the Board, the Audit and Risk Management Committee reviews the due diligence process that is undertaken to support the declarations provided by the Managing Director and Chief Financial Officer in relation to the full year and half year results. The Board has received the Managing Director's and the Chief Financial Officer's declaration in respect of the financial reports for the financial year ended 31 March 2018.

To enable the Managing Director and Chief Financial Officer to provide the declaration, senior executives and their nominated staff complete representations providing assurances in relation to their respective areas of responsibility.

#### **EXTERNAL AUDITOR INDEPENDENCE**

AusNet Services' policy is to appoint an external auditor who is suitably qualified and whose independence is unequivocal.

The Audit and Risk Management Committee has approved an Auditor Independence Policy which is intended to maintain the independence of AusNet Services' external auditor by regulating the provision of non-audit services by the external auditor. The Auditor Independence Policy sets out authority limits for approving any non-audit services to be performed by the external auditor.

The Auditor Independence Policy may be found on the AusNet Services website (as an attachment to the Audit and Risk Management Committee Charter).

The Chief Financial Officer provides a quarterly report to the Audit and Risk Management Committee which describes any non-audit services provided by the external auditor since the last report.

The Audit and Risk Management Committee reviews the performance of the external auditor annually and is responsible for making recommendations to the Board in relation to the appointment or re-appointment of the external auditor. The Audit and Risk Management Committee determines the term of the external auditor's appointment and reviews the terms, scope and results of the audit.

The Audit and Risk Management Committee also reviews the Auditor Independence Policy and compliance with that Policy, seeking to balance the maintenance of independence and objectivity of the external auditor and value for money. The Audit and Risk Management Committee also ensures that the external audit engagement partner for AusNet Services rotates off AusNet Services' audit at least every five years.

The present external auditor for AusNet Services is KPMG.

The external auditor attends AusNet Services' AGM and is available to answer questions from shareholders relevant to the audit. (ASX Recommendation 4.3)

Further details of the services provided by the external auditor and the fees paid or payable for those services are set out in the Directors' Report, which is included in the Annual Report.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### CONTINUOUS DISCLOSURE

AusNet Services has adopted a Continuous Disclosure and Communications Policy that sets out its practice in relation to continuous disclosure. The Continuous Disclosure and Communications Policy is available on the AusNet Services website. (ASX Recommendation 5.1)

The Continuous Disclosure and Communications Policy was reviewed and updated by the Board during FY2018. As part of this update the Board established a Disclosure Committee and introduced Continuous Disclosure Guidelines to assist with managing AusNet Services' disclosure obligations. The Continuous Disclosure Guidelines assist staff in understanding and complying with continuous disclosure obligations.

The Company Secretary is primarily responsible for the management of the Continuous Disclosure and Communications Policy, Continuous Disclosure Guidelines and for all communications with the ASX and SGX-ST in relation to continuous disclosure issues. The Continuous Disclosure Guidelines set out the process for approving announcements that are made to the ASX and SGX-ST, including disclosure matters that require Board approval. All material disclosed to the ASX and SGX-ST is published on the AusNet Services website.

The Board and all committees consider potential continuous disclosure issues at each of their meetings. The Board gives particular attention to emerging and changing circumstances with a view to determining whether any disclosures are required in respect of those matters.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The AusNet Services' Investor Relations Team facilitates an annual program of engagement with the investment community, including corporate, institutional and private investors, proxy advisors, the Australian Shareholders Association, sell-side and buy-side analysts and the financial media. The engagement is intensive following the publication of the half year and full year results and at the annual general meeting, with results presentations and general meeting outcomes being released to the market.

AusNet Services aims to hold an annual Investor Open Day for institutional investors and sell-side analysts, focussing on key issues impacting the business and providing a further opportunity for investors and analysts to meet management and the Chairman. Further, Investor Relations facilitates numerous meetings for investors and analysts throughout the year, except during investor "black-out" periods (i.e. between balance date and results release date) where meetings are not conducted. Investor Relations seeks to ensure that the investment community has accurate and up-to-date information about AusNet Services upon which to base their investment decisions. The role of Investor Relations also involves responding to a regular flow of enquires and requests for information, which are accommodated to the extent that the information provided is already in the public domain. Investor Relations also seeks to act as an effective conduit between the market and the AusNet Services Board and senior management, regularly communicating feedback from the market.

Investor sentiment and feedback are valued and taken into account by the Board in shaping the strategic direction of AusNet Services. We ensure that our disclosure practices remain consistent with regulatory requirements and our internal policies and that they continue to meet the needs of the investment community. (ASX Recommendation 6.2)

All relevant announcements made to the market and related information, such as information and presentations provided to analysts, are published on the AusNet Services' website after they have been released to the ASX and SGX-ST (as applicable). The full year and half year financial results are also published on the website. AusNet Services makes available on the website the preceding three years' press releases and announcements as well as the preceding three years of financial data.

AusNet Services encourages shareholders to attend AusNet Services' annual general meeting to meet the Directors and management and to ask questions. AusNet Services' 2018 Annual General Meeting will be web-cast in order to improve access for shareholders unable to be physically present at the meeting. The full text of notices of meeting and explanatory material will be published on the AusNet Services website. (ASX Recommendation 6.3)

AusNet Services has a dedicated team and email address to handle shareholder communications.

AusNet Services' securities registrar, Computershare, facilitates the provision of communications between AusNet Services and its shareholders electronically. Shareholders can make a choice on how they wish to receive information from the Company and can elect to receive AusNet Services documents including notices of meetings, annual reports, dividend advices and other correspondence electronically. Shareholders can also lodge their proxies electronically. AusNet Services has a dedicated email address to facilitate electronic communication between investors and Computershare. (ASX Recommendation 6.4)

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### RISK MANAGEMENT

AusNet Services is committed to understanding and effectively managing risk for its shareholders, employees, customers, suppliers and the communities in which it operates. The guiding principle of the risk management framework is to find the right balance between risk and reward to enhance profitability and business performance, and to manage future exposures.

The Board reviews and guides AusNet Services' overall systems of risk management and internal controls, sets the risk appetite, and ensures that shareholders are informed in a timely manner of material changes to AusNet Services' risk profile.

The Audit and Risk Management Committee assists the Board in discharging these responsibilities. The Committee has oversight of the adequacy and effectiveness of AusNet Services' risk management framework, including risk identification and management processes and the review of AusNet Services' assessment of material business risks (financial and non-financial).

The Audit and Risk Management Committee's Charter is located on the AusNet Services website. (ASX Recommendation 7.1)

The Managing Director is accountable to the Audit and Risk Management Committee and the Board for the implementation of risk management processes in line with good corporate governance. Management is responsible for embedding sound risk management practices across all business activities and it is expected that staff at all levels of the organisation will proactively identify, manage, review and report risks.

AusNet Services uses its risk management capabilities to maximise the value from its assets, projects and other business opportunities and to assist in encouraging excellence, innovation and optimisation. Risks faced by AusNet Services are managed on an enterprise-wide basis and are identified, analysed, evaluated and prioritised in a consistent manner utilising common systems and methodologies.

The Risk Appetite Statement is reviewed annually to ensure its alignment with the Corporate Strategy and Business Plans.

Management has reported to the Board on the effectiveness of AusNet Services' management of its material business risks including changes to the risk profile and the initiatives taken to continue the embedding of an effective risk management culture across the organisation. The risk management framework is reviewed annually to assess its effectiveness and maturity and to inform the risk management strategy. A new Risk Management Information System will be implemented to enhance risk reporting across the business. A risk culture framework has been developed during the year and further understanding and maturing risk culture will be a focus area for FY2019. (ASX Recommendation 7.2).

AusNet Services' Risk Management Policy is located on the AusNet Services website.

### INTERNAL AUDIT

AusNet Services has an internal audit function to assist management, the Audit and Risk Management Committee, and the Board in the effective discharge of their responsibilities relating to risk management, internal control and governance.

The internal audit function reports to the Audit and Risk Management Committee and may at all times report directly to the Chairman of the Audit and Risk Management Committee, and if further required, the Chairman of the Board without the need to involve management. The Internal Audit function has full access to AusNet Services' personnel, records and properties.



The role of internal audit within AusNet Services is to provide independent, objective assurance designed to add value and improve AusNet Services' operations. This is achieved through the delivery of a risk-based internal audit program, approved annually by the Audit and Risk Management Committee, that includes key strategic, financial, operational and project risks where assurance is determined to be a priority for that period. Internal audit reports the results of audits to the Audit and Risk Management Committee and monitors the completion of corrective actions.

Internal audit also helps AusNet Services to accomplish its objectives by evaluating and improving the effectiveness of risk management, control and governance processes. (ASX Recommendation 7.3)

#### ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

For AusNet Services, sustainability means operating a successful business which focuses on the safe and reliable delivery of energy to customers and communities, whilst creating lasting value for all stakeholders.

#### GOVERNANCE AND STRATEGY

The Board and management consider the potential impacts of sustainability risks in developing AusNet Services' strategy and business and financial plans.

The energy industry is experiencing a period of unprecedented change impacted by a range of disruptive factors. Economic, environmental and social sustainability risks and opportunities have been considered as part of the strategic planning process. These risks include the industry's transition towards renewable generation and decarbonisation, increasing customer choice and price sensitivity, regulatory and government intervention to combat rising energy costs and reliability concerns, accelerating technology change and the adoption of Distributed Energy Resources.

AusNet Services' strategic responses include the active involvement in the ongoing national energy debate, investing resources in realigning networks to support new large scale renewable generation and working with communities on innovative energy projects such as Mini-Grids.

#### RISK MANAGEMENT

AusNet Services has a robust risk management process that uses internal and external data sources to actively assess drivers of risk, including economic, environmental and social sustainability risks. This process considers potential impacts to the broader environment and community. Both emerging and material risks have been identified through this process and these are managed under the AusNet Services Risk Management Framework. The Audit and Risk Management Committee oversees the operation of the Risk Management Framework and receives reports from management on key risks and risk management activities. For example, during the year, climate change risks were reviewed from both a regulatory perspective and from the impact of climate change (including more extreme weather conditions) on physical network assets.

AusNet Services, as a provider of essential services, is committed to the safe, efficient and reliable supply of electricity and gas, recognising that any sustained interruptions to supply can have a significant impact on customers and communities. Environmental risks include disruption to energy networks which can be caused by environmental factors such as natural disasters (bushfires, floods and severe weather events) as well as asset failure or sabotage. Risk management for these risks includes a significant focus on and investment in bushfire mitigation programs such as asset inspection, replacement, undergrounding of powerlines in very high bushfire risk areas, asset maintenance and vegetation management. AusNet Services is also currently implementing the Victorian Government's Powerline Bushfire Safety Program which includes the introduction of Rapid Earth Fault Current Limiter technology at key sites in high bushfire risk areas. Once implemented, this technology will significantly reduce the risk of powerline-related bushfires.

Emergency response and business continuity (including IT disaster recovery) are also important capabilities for the management of these risks and these are regularly tested and continually improved. During the year the Emergency Management Protocols underwent a full review.

Our missionZero safety program has continued throughout the year aiming to achieve the highest standards in health and safety to minimise the risk of workplace injuries. During the year, the missionZero program has had a particular focus on gaining a deeper understanding of the effectiveness of controls for the high consequence safety risks. To keep our employees, contractors and communities safe, we continue to build a culture of continuous improvement in this area.



**METRICS AND TARGETS**

In addition to assessing greenhouse gas emissions, AusNet Services uses a range of metrics and targets to monitor operational performance in relation to sustainability risks. These include ongoing monitoring of safety performance, customer satisfaction, the bushfire mitigation index, environmental compliance, network outages and progress on implementation of the Rapid Earth Fault Current Limiter and gas mains renewals programs.

Material financial and economic risks include risks arising from industry and regulatory developments, funding and financial markets.

Further detail on material risks, including how these risks are managed, is contained in the "Material Risks and Uncertainties" section of the Directors' Report, which is included in the Annual Report. (ASX Recommendation 7.4)

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY****REMUNERATION POLICIES**

Remuneration Policies are designed to attract and maintain talented and motivated Directors and employees so as to encourage enhanced performance and to pursue long-term growth and success for AusNet Services. The Board also recognises the importance of there being a clear relationship between performance and remuneration.

AusNet Services' Remuneration Policies in relation to its Directors, Managing Director and key executives are set out in the Directors' Report, which is included in the Annual Report. Details of the nature and amount of remuneration paid to each Director and key senior executives (and their link to corporate performance) are also set out in the Directors' Report. (ASX Recommendations 8.2)

The AusNet Services Guidelines for Dealing in Securities prohibits participants in equity-based incentive plans from entering into hedging or other similar types of transactions or arrangements that operate to limit the economic risk of unvested entitlements to AusNet Services securities. In addition, the rules governing the AusNet Services Incentive Plans place restrictions on participants from entering into any arrangement for the purpose of hedging their economic exposure to a Right that has been granted to them (ASX Recommendation 8.3)

**ROLE OF REMUNERATION COMMITTEE**

The Remuneration Committee reviews, and advises the Board on, the general remuneration framework for Directors and senior executives, and the performance of senior executives and other key senior AusNet Services employees. The Remuneration Committee also reviews AusNet Services' obligations on matters such as superannuation and other employment benefits and entitlements, diversity and inclusion.

Members of management may attend meetings of the Remuneration Committee by invitation, however individuals may not be present during, or participate in, deliberations where the matter does or could affect their position, remuneration or other related matters.

From time to time, external specialist remuneration advice is sought in respect of general remuneration arrangements and, in particular, advice on remuneration market movements is sought on an annual basis.

AusNet Services has noted Recommendation 8.1 that a remuneration committee should consist of a majority of independent Directors and be chaired by an independent Director. During FY2018, from 20 July 2017 to the date of this statement, the composition of the Remuneration Committee did not follow the recommendation as the Committee comprised of an equal number of independent and non-independent members.

The Board has determined that the Chair of the Committee must always be an independent Director. This requirement is enshrined in the Remuneration Committee Charter. In addition, AusNet Services complies with Listing Rule 12.8 which requires all members to be Non-executive Directors. At all times during FY2018 the Committee was chaired by an independent Director. (ASX Recommendation 8.1)

### EXECUTIVE REMUNERATION

The Remuneration Committee reviews and makes recommendations to the Board concerning the remuneration, incentive payments and programs, for the Managing Director and other senior executives. In this regard, AusNet Services aims to ensure that the remuneration of its Managing Director and other senior executives is market competitive, consistent with best practice and supportive of the interests of shareholders.

The Managing Director and other senior executives are remunerated through a combination of:

- > base salary
- > short-term performance-based cash bonuses and, for the Managing Director, deferred rights pursuant to the short-term incentive plan
- > long-term performance-based incentives pursuant to a long-term incentive plan.

Details of the remuneration paid to the Managing Director and key management personnel are set out in the Remuneration Report, which is included in the Annual Report.

### NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration policy for Non-executive Directors and the amount of remuneration paid to Non-executive Directors is discussed in detail in the Remuneration Report, which is included in the Annual Report. (ASX Recommendations 8.2)

The remuneration of Non-executive Directors is not linked to AusNet Services' performance in order to maintain their independence and impartiality. Accordingly, Non-executive Directors do not participate in any incentive plan.

In setting fee levels, the Board takes into account:

- > AusNet Services' existing remuneration policies
- > independent professional advice
- > fees paid by comparable companies
- > the general time commitment required from Non-executive Directors and the risks associated with discharging the duties attaching to the role of Director
- > the level of remuneration necessary to attract and retain Non-executive Directors of a suitable calibre.

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

AusNet Services Ltd

ABN / ARBN

ABN 45 603 317 559

Financial year ended:

31 March 2018

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: [www.ausnetservices.com.au/About-Us/Corporate-Governance](http://www.ausnetservices.com.au/About-Us/Corporate-Governance)

The Corporate Governance Statement is accurate and up to date as at 11 May 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 15 June 2018

Name of Director or Secretary authorising lodgement: Claire Hamilton  
Company Secretary

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<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/About-Us/Corporate-Governance">www.ausnetservices.com.au/About-Us/Corporate-Governance</a> ... and the information referred to in paragraphs (4) and (5): <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: <input checked="" type="checkbox"/> at <a href="http://www.ausnetservices.com.au/Investor-Centre/Company-reports">www.ausnetservices.com.au/Investor-Centre/Company-reports</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>