

Corporate Governance Statement 2021



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Our company reports include:

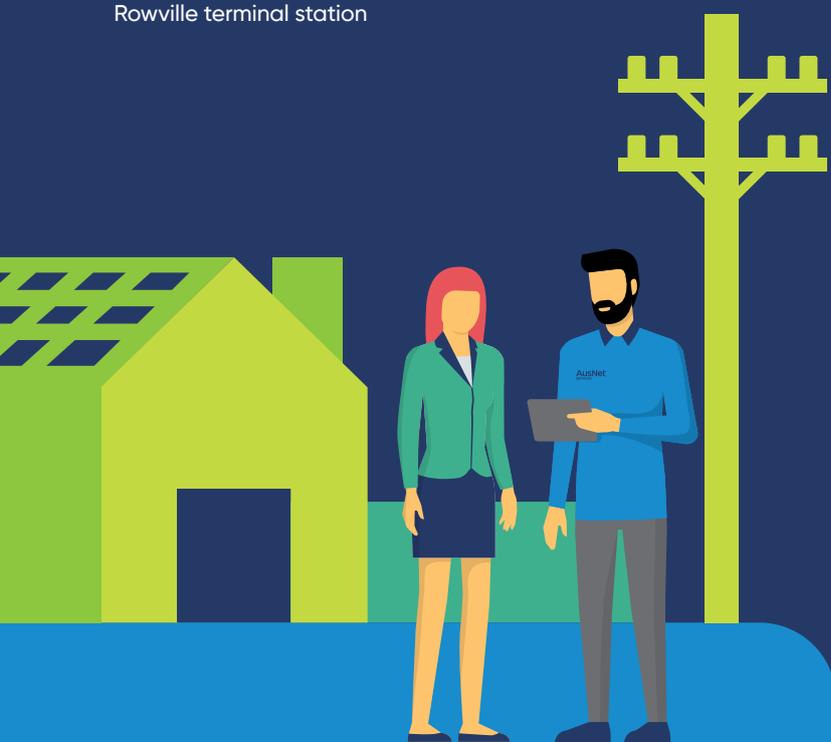
- Annual Report
- Infrastructure Entity Statement
- Modern Slavery Statement
- Taskforce on Climate-related Financial Disclosures Report
- Tax Transparency Report

All reports are available on our website:



[ausnetservices.com.au/
company-reports](https://ausnetservices.com.au/company-reports)

Front cover: Employee, Olivia Harrington pictured with transmission assets at Rowville terminal station



1. Governance at AusNet

1.1 Introduction

The Board of AusNet Services Ltd (AusNet) is pleased to present AusNet's 2021 Corporate Governance Statement. This statement outlines the key corporate governance practices of AusNet for the financial year ended 31 March 2021 (FY2021). In addition, this statement discloses the extent to which AusNet has complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 4th edition (ASX Principles). During FY2021, AusNet deviated from ASX Recommendations 2.1, 2.4 and 8.1, with reasons provided in the appropriate sections of this statement.

Further information relating to AusNet's corporate governance practices and key governance documents can be found on the Corporate Governance section of AusNet's website at:

 ausnetservices.com.au/en/About/Who-we-are/Corporate-Governance

(AusNet's website).
(ASX Recommendation 6.1).

In addition, further information about AusNet's approach to environmental, social and governance (ESG) is available in AusNet's 2021 Annual Report (2021 Annual Report).

The information in this statement is current as at 11 May 2021 and has been approved by the Board.



2. Our Board

2.1 Board Responsibilities and Delegation to Management

The Board has a formal Charter that sets out the responsibilities reserved to the Board and the functions delegated to management. (ASX Recommendation 1.1) The Board Charter is located on AusNet’s website:

ausnetservices.com.au/-/media/Files/AusNet/About-Us/Corporate-Governance/Board-Charter-2020.ashx?la=en

The Board is responsible for representing shareholders as a whole and acting in the best interests of AusNet. This involves the Board:

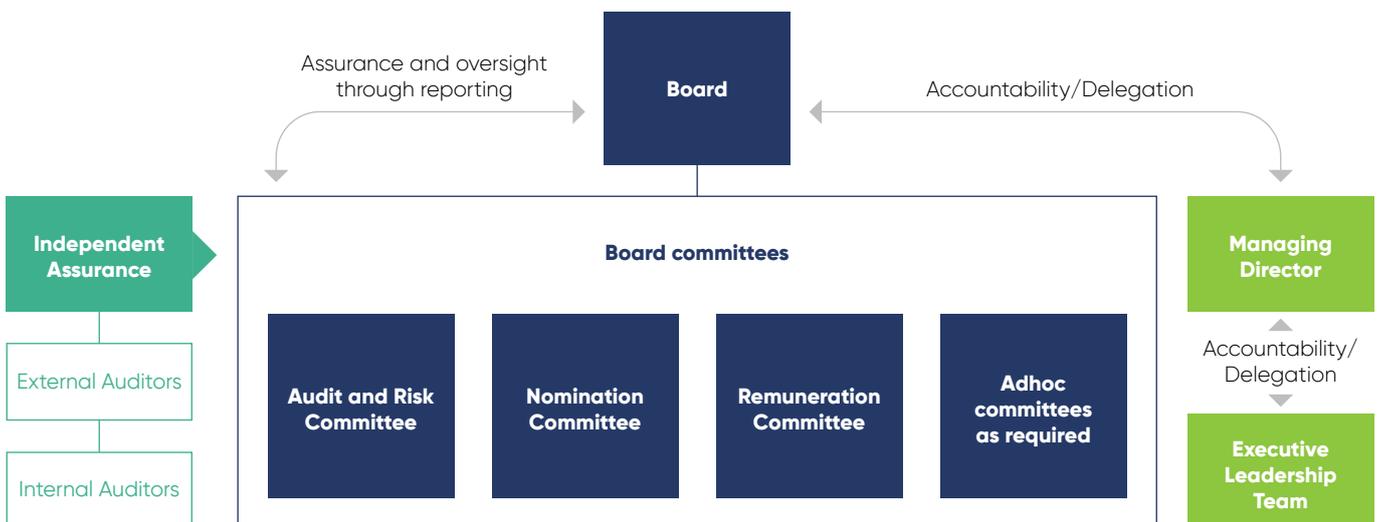
- providing leadership and overseeing the strategic and financial direction of AusNet
- monitoring and guiding AusNet’s culture, reputation, standards of conduct
- overseeing AusNet’s Risk Management Framework and setting its Risk Appetite Statement

- overseeing the adherence to AusNet’s values, policies and practices, including in relation to remuneration setting
- monitoring AusNet’s approach to the management of both financial and non-financial risks, such as its exposure to environmental risks, occupational health and safety risks and potential damage to AusNet’s reputation and standing in the community.

The Board has delegated to the Managing Director the responsibility for the day-to-day management and operation of AusNet. The parameters of the Board’s delegation are set out in the Board-approved Delegation of Authority Manual. In addition, the Board approves corporate objectives for the Managing Director and, together with the Managing Director, agrees to 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.

AusNet’s Governance Framework



2. Our Board continued

2.2 Executive Leadership Team

During FY2021, the Board has overseen key changes to the Company's operating model and organisation structure, which resulted in changes to AusNet's Executive Leadership as detailed below.

- Expanded responsibilities for Chad Hymas, who was appointed to the role of Executive General Manager (EGM) Growth & Future Networks (previously in the role of EGM Mondo).
- Jo McConnell joined AusNet in August 2020 in the role of EGM People & Safety.
- Jon D'Sylva joined AusNet in April 2020 in the role of EGM Strategy & Transformation.
- Naomi Kelly joined AusNet in July 2020 in the role of EGM Governance, General Counsel and Company Secretary.
- Steven Neave joined AusNet in July 2020 in the role of EGM Network Management.

Further details of the composition, qualifications, skills and experience of AusNet's Executive Leadership Team are contained in the 2021 Annual Report.

2.3 Board Composition

The Board determines its size and composition, subject to the terms of AusNet's constitution, which provides for a minimum of four and a maximum of 14 Directors.

As at the date of this statement, the AusNet Board has nine Directors, comprising eight Non-executive Directors, and the Managing Director. AusNet's two major shareholders, Singapore Power International Pte Ltd (SP) and State Grid International Australia Development Company Limited (SGIAD), have each nominated two Directors to the Board, reflecting their significant holding of securities in AusNet.



2.4 Role of the Chair and the Managing Director

The Board acknowledges the importance of a clear division of responsibility between the Board and management. The roles of Chair and Managing Director are, therefore, exercised by separate individuals. (ASX Recommendation 2.5)

The Chair, Mr Peter Mason, joined the Board in March 2016 and was appointed Chair on 11 May 2016. He is an independent Non-executive Director. The Chair is responsible for:

- leading the Board, including 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

- working with management in seeking to ensure the Board is provided with information relevant to AusNet's operations and strategies to assist in the discharge of the Board's duties
- reviewing corporate governance matters with the General Counsel and Company Secretary, and reporting on those matters to the Board
- playing a key role in representing the Board to external stakeholders (including shareholders) and communicating the Board's position.

The Managing Director, Mr Tony Narvaez, was appointed in November 2019, and is responsible to the Board for the discharge of the management function and the implementation of corporate objectives determined by the Board.

2. Our Board continued

2.5 Skills and Experience of Directors

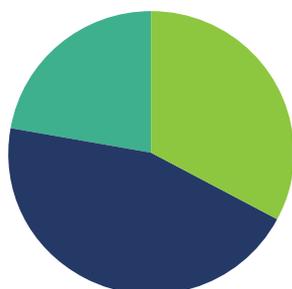
The Board has extensive global experience in the energy sector. The skills matrix (right) summarises the combined skills and experience of Directors and highlights those considered relevant to AusNet’s strategy, its strong leadership and governance at present and in the immediate future. The Board has cross-cultural experience and a proven ability to work collaboratively to guide the strategic direction of AusNet, while maintaining the independence of thought necessary to drive robust Board discussion and challenge management. The Board is also committed to continuous learning and setting a company culture of transparency, integrity and acting ethically. (ASX Recommendation 2.2)

The management team of AusNet 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 will supplement those with external specialists.

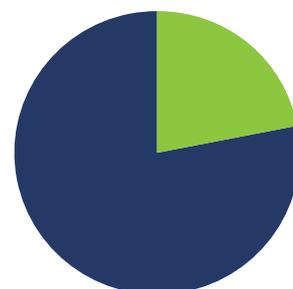
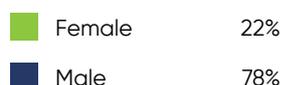
Further information about the qualifications, skills, experience, special responsibilities and period in office of each Director is set out in the Directors’ Report, which is included in the 2021 Annual Report. Details of AusNet’s current Directors may also be found on AusNet’s website in the Board of Directors section.

Board skills matrix	
Accounting and finance skills	Experience in financial accounting and reporting, including recognising, evaluating and managing financial risks and assessing the sufficiency of risk controls that may impact AusNet. Experience in banking, capital and debt markets.
Industry experience and disruption	Experience in the energy, or energy infrastructure industry, both domestically and internationally, with similar strategies, markets, competitors, operational issues, technology and regulatory considerations as AusNet. Experience in an industry that has faced significant disruptive change, including digital and technology disruption.
People, remuneration and culture	Experience in overseeing matters that relate to workplace culture which may include overseeing remuneration practices, incentives and senior appointments.
Strategy and risk management	Experience in setting and monitoring strategic direction and driving growth. This includes managing changing business models, and merger and acquisitions experience. Experience in setting and monitoring corporate governance, risk management and compliance frameworks.
Sustainability	Experience in setting and monitoring sustainability programs, including occupational health and safety procedures and environmental protection measures, including relating to climate change. Experience in setting and achieving corporate social responsibility targets, and an awareness of the importance of a business’ community standing.
Stakeholder Engagement	Experience communicating with and serving the interests of a range of stakeholders, both domestically and internationally, including AusNet’s shareholders as a whole, customers, government and regulatory bodies and other relevant stakeholders.

Board Tenure



Board gender diversity



2. Our Board continued

2.6 Appointment of 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. This includes 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 with regard to the Board's existing and desired skills, diversity and experience. This includes consideration of the Board's skills matrix and the ability to bring an open and enquiring mind and constructive challenge to Board discussions. All Non-executive Directors must demonstrate they have adequate availability required by the role.

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

As part of the appointment process for any director or EGM, the Board undertakes appropriate background and probity checks, including reference checks and employment history. (ASX Recommendation 1.2) It is a pre-requisite for appointment to the Board that all Directors are able to speak and understand English to ensure each Director is able to understand, participate and contribute their expertise to Board meeting discussions, and discharge their obligations in relation to all relevant matters and documents. (ASX Recommendation 9.1)

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 (AGM) and is located on AusNet's website. (ASX Recommendation 1.2)

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

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

2.7 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 they are not a member

of management and are free of any interest, 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 FY2021, 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.



2. Our Board continued

Details on each Director's length of service are available on AusNet's website. (ASX Recommendation 2.3)

 ausnetservices.com.au/en/About/Who-we-are/Board-of-Directors

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

Mr Alan Chan and Mr Tan Chee Meng were nominated by SP, the parent company of AusNet's largest shareholder, and are, therefore, not considered to be independent. Dr Ralph Craven and Mr Li Lequan were nominated by SGIAD. SGIAD is AusNet's second-largest shareholder and, therefore, Dr Craven and Mr Li are not considered to be independent.

AusNet 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 FY2021. This was due to the composition of the Board being reflective of the significant shareholdings of SP and SGIAD that, in total, exceed 50% of AusNet's voting shares. During FY2021, the Board was composed of four independent Directors and five non-independent Directors (including the Managing Director). (ASX Recommendation 2.4)

2.8 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 new key executives, to gain an understanding of AusNet's 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.

The Board is provided with ongoing education and training to inform Directors of significant or emerging issues that are relevant to AusNet's business. During FY2021, key areas covered by the education program included emerging issues within the energy sector, material developments in work, health and safety laws, changes to the Foreign Investment Review Board (FIRB) regime and cyber security. In addition, the Board met with senior management bi-annually for Board strategy days.

Site visits to operations are usually arranged to provide Directors with an opportunity to inspect operations and meet frontline management and staff to enhance their understanding of the business. Due to the COVID-19 pandemic, site visits planned for FY2021 were cancelled. Instead, Directors remained connected with operational matters by receiving regular updates from management, including virtual presentations of site operations. All Directors and key executives have access to, and are encouraged to participate in, continuing education to update and enhance their skills and knowledge. (ASX Recommendation 2.6)

2.9 Company Secretary

The Company Secretaries are accountable directly to the Board, through the Chair, 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



Pictured: Josh Amos at Docklands Terminal Station.

2. Our Board continued

- overseeing AusNet’s relationship with its share registrar
- lodgement of documents, reports and releases to ASIC and the ASX.

The qualifications and experience of our Company Secretaries (Naomi Kelly, EGM Governance, General Counsel and Company Secretary, and Paul Lynch, Deputy Company Secretary) are set out in the 2021 Annual Report. (ASX Recommendation 1.4)

2.10 Board Performance Evaluation

The Board of AusNet acknowledges the need to have regular Board evaluations in line with the ASX Principles. Performance reviews to assess the effectiveness of the Board are conducted annually and are either led by the Chair or undertaken by an independent external consultant.

During FY2021, the Board engaged an independent external adviser to undertake the Board’s annual performance review (Review). The Review was designed to examine the effectiveness, processes and performance of the AusNet Board and its Committees. The Review process entailed a review of all key documentation, interviews with each Director and relevant members of the Executive Leadership Team. The findings of the Review were discussed and relevant actions were determined. (ASX Recommendation 1.6)

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



2.11 Performance of Executives

The Board reviews the structure and effectiveness of the remuneration arrangements annually for the Managing Director and senior executives to ensure alignment to the business’ performance and strategy. This involves setting Key Performance Indicators (KPIs) for the Managing Director and senior executives, which are linked to AusNet’s annual strategic and financial plan. In addition, the Managing Director sets personal targets for senior executives.

The Board annually reviews the performance of the Managing Director against the performance measures and targets, which are set by the Board. Reviews of senior executives are undertaken by the Managing Director

in consultation with the Remuneration Committee and the Board. Performance outcomes are linked to short-term incentives, and recommendations on outcomes are made to the Remuneration Committee and the Board for approval.

A performance evaluation of the Managing Director and senior executives was undertaken during FY2021 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 2021 Annual Report. (ASX Recommendation 1.7)

The Board considers and approves the appointment of senior executives. Appropriate background and probity checks are undertaken before a senior executive is appointed.

2. Our Board

continued



2.12 Remuneration

Remuneration policies are designed to attract and retain talented and motivated Directors and employees to encourage enhanced performance and pursue long-term growth and success for AusNet. Remuneration Principles have been adopted to guide remuneration policy and decision-making and to ensure there is a clear relationship between performance, remuneration and company culture.

AusNet's Remuneration Policies in relation to its Directors, the Managing Director and key executives are set out in the Directors' Report, which is included in the 2021 Annual Report. Details of the nature and amount of remuneration paid to each Director and key management personnel are also set out in the Directors' Report.

a) Non-executive Director Remuneration

The remuneration policy for Non-executive Directors and the amount of remuneration paid to them is discussed in detail in the Remuneration Report, which is included in the 2021 Annual Report. (ASX Recommendation 8.2)

The remuneration of Non-executive Directors is not linked to AusNet's performance in order to maintain their independence and impartiality. Accordingly, Non-executive Directors do not participate in any incentive plan. (ASX Recommendation 8.2)

In setting Director fee levels, the Board takes into account:

- AusNet's 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.

b) 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. AusNet 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
- deferred rights pursuant to the short-term incentive plan (for the Managing Director and, on a case-by-case basis, for other senior executives)
- 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 (and the link to corporate performance) are set out in the Remuneration Report, which is included in the 2021 Annual Report. (ASX Recommendation 8.2)

3. Board committees

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

1. Nomination Committee

2. Remuneration Committee

3. Audit and Risk Committee (ARC).

Each committee has a formal charter, which sets out its role and responsibilities, composition, structure and membership requirements. The committee charters are approved by the Board and can be found on AusNet's website. An overview of each committee is set out in the following table.

Additional details in relation to the members of each committee, as well as the number of times each committee met during FY2021 and each member's attendance at those meetings, are set out in the Directors' Report, which is included in the 2021 Annual Report. (ASX Recommendations 2.1, 4.1, 7.1 and 8.1)

All committees have full access to management as well as their cooperation. They also have full discretion to invite members of management to attend meetings subject to any conflicts of interest. The ARC meets with internal and external auditors without management present at least four times a year. The ARC has the authority to engage independent advisers, as necessary, to assist in discharging its responsibilities.

In addition, the Board may establish adhoc or special purpose committees when deemed necessary to deal with specific activities or a potential conflict of interest.

Non-executive Directors who are not members of a committee may attend any meetings of a committee. Members of management may attend committee meetings by invitation; however, individuals may not be present during, or participate in, deliberations where the matter affects, or could affect, their position, remuneration or other related matters. The Board has established protocols to exclude relevant Directors and members of management where a conflict of interest may exist.

Nomination Committee¹

Members

- Peter Mason (Chair)
- Alan Chan
- Ralph Craven
- Sally Farrier
- Li Lequan
- Robert Milliner
- Nora Scheinkestel
- Tan Chee Meng

Composition

- all are Non-executive Directors of AusNet
- members are to be appointed by the AusNet Board
- the Chair must be an independent Director

Key responsibilities

Assists the Board with:

- matters relating to the appointment and performance of Directors and performance of the Board as a whole
- reviewing and determining Board and committee membership and performance
- succession planning for the Managing Director and senior executives
- reviewing and recommending the appointment of new Directors, including establishing formal and transparent procedures for the identification of suitable candidates
- undertaking a formal evaluation of the individual Directors who are due to retire and offer themselves for re-election at the next AGM
- assessing the skills matrix of the Directors.

¹ AusNet notes that during FY2021 the Nomination Committee did not comprise a majority of independent Directors as required by ASX Recommendation 2.1(a)(1) due to the composition of the Board. The committee comprised equal numbers of independent and non-independent Non-executive Directors. Refer to section 2.7 above for further explanation.

3. Board committees continued

Audit and Risk Committee

Members

- Nora Scheinkestel (Chair)
- Ralph Craven
- Sally Farrier
- Robert Milliner
- Tan Chee Meng

Composition

- a minimum of three members
- only Non-executive Directors
- a majority of Directors who are independent
- all committee members shall be financially literate (able to read and understand financial statements)
- the Chair must be an independent Director and must not be the Chair of the Board

Key responsibilities

Assists the Board with:

- reviewing the appropriateness of accounting principles adopted in the composition and presentation of financial reports and approving all significant accounting policy changes
- reviewing the adequacy and effectiveness of AusNet's 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 matters that are brought to its attention by the internal and external auditors
- 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.

Remuneration Committee²

Members

- Sally Farrier (Chair)
- Alan Chan
- Li Lequan
- Robert Milliner

Composition

- at least three Board members, all of whom are Non-executive Directors
- at the very least the number of independent Non-executive directors must equal the number of Non-independent Non-executive Directors
- the Chair must be an independent Director

Key responsibilities

Assists the Board with:

- setting the remuneration of Directors
- recommending remuneration and incentive arrangements for the Managing Director and senior executives
- oversight of AusNet's remuneration framework for employees
- employee incentive plans
- diversity and inclusion objectives and monitoring progress.

² AusNet notes that during FY2021 the Remuneration Committee did not comprise a majority of independent Directors as required by ASX Recommendation 8.1(a)(1) due to the composition of the Board. The committee comprised equal numbers of independent and Non-independent Non-executive Directors. Refer to section 2.7 above for further explanation.

4. Diversity and Inclusion

AusNet is committed to creating a truly diverse and inclusive workplace, one that fosters belonging, where everyone brings their unique strengths and innovative ideas as a differentiator of our success.

4.1 Diversity and Inclusion Governance

During 2021, a refreshed Diversity and Inclusion Policy was approved by the Board, which outlines our aspirations and focus areas. The Policy can be viewed on our website. (ASX Recommendation 1.5)

Additionally, the Board Charter requires that the Board comprises Directors with a broad range of skills and expertise from a diverse range of backgrounds. These characteristics are reflected in the Board's composition, through the qualifications, skills, experience, gender and backgrounds of Directors. The Board Charter also establishes a role for the Board in approving our diversity targets and monitoring the progress of achievement of those targets.

AusNet's progress towards achieving the FY2021 Diversity and Inclusion (D&I) objectives approved by the Board is set out on the following pages.

In addition, we report our workforce gender profile annually in accordance with the *Workplace Gender Equality Act 2012* (Cth), which is available on the WGEA website. (ASX Recommendation 1.5)



Pictured: Alysha Lee at our Yarraville Chemical Lab.

4. Diversity and Inclusion continued

4.2 Progress at AusNet

FY2021 was a year that saw momentum build within our broader employee population for Diversity and Inclusion (D&I), driven through the establishment of Employee Network Groups and increased flexibility embraced in response to COVID-19. Also, during FY2021, there was a regrettable decline in gender diversity at senior levels due to structural changes.

2021 Objective 1: Increasing the proportion of women in AusNet's workforce

Target

- Increase the proportion of female employees to 30% by 2022, including 40% of senior management³ and 25% of all engineering roles.
- Increase Board representation to 30% female Non-executive Directors.⁴

Progress achieved FY2021

- Female participation rates across the organisation increased from 27.4% to 28%.
- Female participation in permanent senior management roles decreased from 38.6% to 26.9%.
- Females in engineering roles decreased from 23% to 18.5%.
- Half (50%) of AusNet's Independent Non-executive Directors are women.
- Of all new hires during FY2021, 37.5% were female, an increase of 4.5% on the previous year, with 61% of graduates hired being female.

Supporting Programs

We retain a strong focus on attracting, developing and retaining women of all ages to join and remain part of AusNet. To ensure we make progress against our gender diversity targets, in FY2022, the Executive Leadership Team has committed to:

- ensuring job advertisements and our employment brand have no bias
- requiring a gender-balanced short list
- having at least one female on the interview panel
- having at least one female to be interviewed as part of the final round
- continuing to actively monitor gender pay equity
- continuing to support, sponsor and develop female students to consider careers in the industry through on-campus promotion in schools and universities, scholarships, sponsorships and research partnerships.

³ Senior management is defined as the executive leadership team (Managing Director and EGMs) and their direct reports. (ASX Recommendation 1.5)

⁴ A diverse Board is an asset to AusNet and contributes to better overall performance of the company. AusNet's objective to increase Board representation to 30% female Non-executive Directors is ongoing and subject to the nomination preferences of its two major shareholders, SP and SGIAD, which each appoint two nominee Directors to the Board.

4. Diversity and Inclusion

continued

2021 Objective 2: Support the development of a gender diverse pipeline

Target

- Ensure 50% or more of all graduates hired are female.

Progress achieved FY2021

- 61% of graduate hires in FY2021 were female.

Supporting programs

- Fifth year of the Women in Power Engineering Scholarship program including graduation and employment of first scholarship recipient.
- Establishment of the Women in Power Scholarship program developed between Sacred Heart Secondary College and Deakin University.

2021 Objective 3: Improve our maturity and engagements across all areas of D&I focus

Target

- Maintain or increase D&I employee engagement score year on year.
- Engagement score for specified groups equal to, or greater than, overall score.

Progress achieved FY2021

- Recent employee engagement surveys show an engagement score of 69%. This score identified females as being 2% more engaged than males.
- Recent D&I Survey results showed 91% of the business, agrees or strongly agrees, that their manager genuinely supports equality between genders, only 1.8% disagreed or strongly disagreed. The Workplace Gender Equality Agency (WGEA) threshold is 70%.

Supporting programs

- Launch of four new Employee Network Groups focused on Disability, Working Parents, Women and Cultural and Ethnic Awareness.
- Extensive learning sessions have been run to educate and involve the organisation in key areas of focus of the Employee Network Groups, including sessions on gender issues, celebrations for International Women's Day, Auslan Sign Language tutorials and various Cultural Celebration Days, including celebrations of NAIDOC week and Diwali.
- The Women's Employee Network Group has led a program of 13 learning sessions and events with record attendance of between 160–250 people per event.
- Work has commenced on a Reconciliation Action Plan and a Reconciliation Action Plan Working Group has been established. We have also engaged an Indigenous Adviser to support our relationships with Indigenous communities.

4. Diversity and Inclusion

continued

2021 Objective 4: Maintain or increase the proportion of employees working flexibly in order to support the inclusion of all employees regardless of their personal circumstances

Target

- Maintain or increase proportion of employees working with part-time and purchased annual leave arrangements.

Progress achieved FY2021

- The response to the COVID-19 pandemic resulted in most of our people working flexibly, many from home. This flexibility will continue in the future as we explore and launch our 'workplace of the future' program.

Supporting programs

- Numerous enabling initiatives across leadership, technology, communication and policy supported the effectiveness of this rapid shift.

2021 Objective 5: Achieve WGEA Employer of Choice Citation for Gender Equality by 2021

Target

- Maintain pay parity – a key WGEA Employer of Choice citation for Gender Equality criteria.

Progress achieved FY2021

- Due to more focused priorities, the objective to achieve WGEA citation has been removed. Rather than a citation, our focus is on achieving gender equality, including gender pay parity.
- The Company and Board have an ongoing objective to identify and close identified gender pay differentials as part of a broader commitment to gender pay parity. In FY2021, our most recent review confirms that gender pay parity exists across our business.

Supporting programs

- Reviewed company-wide remuneration practices and closed all identified gender pay gaps.

4. Diversity and Inclusion continued

We continue to recognise the value that a diverse workforce and inclusive culture brings to the way we work, and how we do business with our customers and the communities in which we operate. The FY2022 Diversity and Inclusion objectives are designed to focus our diversity and inclusion efforts and accelerate the pace of outcomes. We continue to drive towards gender balance and a truly diverse and inclusive workforce where all of our employees thrive.

2022 Diversity and Inclusion objectives

1 Increase the proportion of women in AusNet's workforce to 30% by end 2022, including 40% of senior management and 25% of all engineering roles	2 Retain and develop female talent
3 Embed flexible work for all employees	4 Increase Board representation to 30% female Non-executive Directors⁵



⁵ A diverse Board is an asset to AusNet and contributes to better overall performance of the company. AusNet's objective to increase Board representation to 30% female Non-executive Directors is ongoing and subject to the nomination preferences of its two major shareholders, SP and SGIAD, which each appoint two nominee Directors to the Board.

5. Ethical and responsible behaviour

5.1 Our Values

At AusNet our values guide the actions of all our people, every day – they underpin how we achieve our purpose and express the beliefs and principles we agree to share.

We work safely
We do what's right
We're one team
We deliver

Our values are supported by our Code of Conduct and other key governance principles and policies, which are approved by the Board. (ASX Recommendation 3.1)

5.2 Code of Conduct

AusNet is committed to acting ethically and responsibly.

AusNet has a Code of Conduct (Code) which sets out the basic principles and standards of lawful and ethical behaviour expected of all people representing AusNet. It acts as a framework for our detailed policies, procedures, practices and guidelines, that apply in the highly regulated industry in which AusNet operates. It also enables us to report any potential breaches of the standards we expect, in the knowledge that reporting will be confidential and without recrimination. It applies to all Directors, officers, employees, contractors and consultants, and sets out AusNet's approach to conducting business responsibly and ethically. The ARC oversees the operation of the Code and reviews significant breaches of the Code, including incidents involving fraud, misconduct or a breakdown in AusNet's internal controls.



Pictured: Scott Cannon and Daniel Cannon with Cade Ridgeway. Melbourne born and bred brothers Scott and Daniel helped Cade complete his apprenticeship with Mondo in 2020.

The Code is located on AusNet's website. The Code was reviewed and updated by the Board during FY2021. (ASX Recommendation 3.2)

5.3 Bribery, Fraud and Corruption Control Policy

AusNet also has a Bribery, Fraud and Corruption Control Policy, which prohibits bribery, fraud, corruption and other unethical conduct. Reported incidents of bribery, fraud and corruption must be notified to the ARC.

AusNet's Bribery, Fraud and Corruption Control Policy is located on AusNet's website. (ASX Recommendation 3.4)

5.4 Whistleblower Policy

AusNet has adopted a Whistleblower Policy to encourage all persons to report any information which indicates any unlawful, unethical or socially irresponsible behaviour in good faith and without fear of reprisal. The Whistleblower Policy aligns with Australia's new whistleblower protection laws and sets out the way in which AusNet will respond

to reports of wrongful acts. The ARC oversees AusNet's Whistleblower Program. Anonymised reports of whistleblower matters (including any material incidents) are reported to the next ARC meeting following a report, unless the alleged wrongdoing involves a member of senior management, in which case the Board Chair and ARC Chair are notified directly and immediately. In addition, the ARC is provided with aggregated information about whistleblowing reports on a six-monthly basis.

The Whistleblower Policy is located on AusNet's website. (ASX Recommendation 3.3)

As part of AusNet's continuous drive to achieve high standards of corporate governance and to encourage a culture of 'speaking up', AusNet 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.

5. Ethical and responsible behaviour continued

5.5 Conflicts of Interest

The Board has adopted Conflicts of Interest Guidelines for Directors to guide it on the management of actual and potential conflicts between the interests of a Director, or Directors, and the interests of AusNet. This is to ensure compliance with the *Corporations Act 2001* (Cth). Each Director is obliged to disclose if they have a potential or actual conflict of interest at any time in relation to any matter that relates to the affairs of AusNet.

The Conflicts of Interest Guidelines is an internal document and is, therefore, not available on AusNet's website.

5.6 Dealing in Securities

AusNet has a Share Trading Policy, which establishes guidelines and procedures for dealing in AusNet securities by Directors, executives and senior management, employees, certain contractors and their associates. Pursuant to the policy, dealing in AusNet securities is prohibited if a person possesses non-public, price-sensitive information. The policy provides 'trading windows', which allows four weeks for dealing in AusNet's securities from the second trading day following:

- the announcement of half-yearly results
- the announcement of annual results
- the holding of the AGM.

The policy 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 securities. In addition, the rules governing AusNet's 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)

The Share Trading Policy, which was revised by the Board in FY2021, is located on AusNet's website.

5.7 Continuous Disclosure

AusNet 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 AusNet's website. (ASX Recommendation 5.1)

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 in relation to continuous disclosure issues. The Continuous Disclosure Guidelines set out the process for approving announcements that are made to the ASX, including disclosure matters that require Board approval. All material disclosed to the ASX is published on AusNet's website. In addition, investor presentations are lodged with the ASX. (ASX Recommendation 5.3) All price-sensitive announcements are circulated to our Directors, senior executives and external auditors. (ASX Recommendation 5.2)

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.

In addition, the Board has established a Disclosure Committee to assist AusNet in complying with its disclosure obligations under the *Corporations Act* and ASX Listing Rules. The Continuous Disclosure and Communications Policy sets out the membership of the Disclosure Committee and its role and responsibilities.

5.8 Modern Slavery and Human Rights

AusNet embraces its responsibilities as a good corporate citizen in seeking to uphold the internationally recognised human rights⁶ of every person.

In late 2020, AusNet published its first Modern Slavery Statement, which outlines AusNet's risk management framework and activities to combat modern slavery, in compliance with the *Modern Slavery Act 2018* (Cth) for the period 1 April 2019 to 31 March 2020. During FY2021 we have progressed our supplier self-assessment initiatives, developed new tools and deepened our engagement with suppliers, as well as improved awareness across the business. In accordance with legislative requirements, we will publish our Modern Slavery Statement for FY2021 by September 2021.

The AusNet 2020 Modern Slavery Statement is located on AusNet's website.

⁶ This is a reference to the rights contained in the Universal Declaration of Human Rights as proclaimed by the General Assembly of the United Nations.

6. Risk Management and financial reporting

6.1 Risk Management Framework

AusNet 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 enhance strategic and operational decision-making to optimise business performance by managing exposures.

The Board reviews and guides AusNet's system of risk management, compliance and internal controls, which includes setting the risk appetite.

The ARC assists the Board in discharging these responsibilities. The ARC oversees the adequacy and effectiveness of AusNet Services' audit program, risk management processes and internal control systems. This includes the monitoring of material business risks (financial and non-financial) and corporate compliance, and the assessment of whether the business is operating within the risk appetite.

The ARC's Charter is located on AusNet's website. (ASX Recommendation 7.1)

The Managing Director is accountable to the Board and the ARC 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 all employees and contractors proactively identify, manage, review and report risks.

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

Management reports to the Board on the management of AusNet's material business risks, including changes to the risk profile and initiatives taken to improve the framework and further embed a sound risk management culture within the organisation.

The Risk Management Framework is reviewed annually to assess its effectiveness and maturity. This review in FY2021 included an independent external review, which determined that AusNet's Risk Management Framework was compliant with ISO:31000, and is effective at responding to material risk events when they occur. The review also identified that progress in improving risk management practices and application of the framework had been limited since the previous assessment. Therefore it required increased management focus against the initiatives already commenced under the Risk Excellence Program to further develop and embed our risk management practices and culture. The Risk Excellence Program is a two-year initiative with the key objectives of strengthening the Risk Management Framework (including comprehensive reviews of material risks and risk appetite), maturing risk intelligence across the organisation, upgrading risk management capabilities for both financial and non-financial risk and further embedding risk culture utilising the three lines model. (ASX Recommendation 7.2)

AusNet's Risk Management Policy is located on AusNet's website.

6.2 Internal Audit

AusNet has an internal audit function to assist management, the ARC 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 ARC and may at any time contact the Chair of the ARC directly, and if further

required, the Chair of the Board without the need to involve management. The internal audit function has full access to AusNet's personnel, records and properties.

The role of internal audit within AusNet is to provide independent and objective assurance on the effectiveness of controls and risk management across the organisation. This is achieved through the delivery of a risk-based internal audit program, approved annually by the ARC, that includes key strategic, operational, compliance and project risks. Internal audit reports the results of audits to the ARC and monitors the completion of corrective actions.

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

6.3 Management of Material Risks

AusNet is committed to understanding and effectively managing risk to enhance the delivery of strategic objectives to meet the expectations of our shareholders, employees, customers, suppliers and communities in which we operate. Risks are identified, assessed and managed across the organisation using AusNet's Risk Management Framework and tools. During FY2021, the principal risk categories outlined below were identified as having the potential to materially impact the execution and achievement of AusNet's business strategy and financial prospects:

- Industry and regulatory risks
- Network risks
- Taxation risks
- Funding and market risks
- Climate change and sustainability risks
- Information technology and security risks

6. Risk Management and financial reporting continued

During FY2021, AusNet continued to review its approach to understanding and managing climate-related risks and opportunities. To assist stakeholders in understanding AusNet's approach to climate-related risks, AusNet has commenced reporting in accordance with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). AusNet's inaugural TCFD report is available on AusNet's website.



ausnetservices.com.au/-/media/TCFD

Further detail on AusNet's 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 2021 Annual Report. (ASX Recommendation 7.4)

6.4 Financial Reporting

The Board has ultimate responsibility for ensuring the integrity of AusNet's financial reporting. The following practices assist in discharging the Board's responsibility.

a) 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, and the individual entities comprising AusNet, have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of AusNet's financial position and performance and that their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively. (ASX Recommendation 4.2) Further information about the review and effectiveness of the Risk Management Framework is set out in section 6.1 – Risk Management Framework.

Prior to review and confirmation by the Board, the ARC 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 and the Chief Financial Officer's declaration in respect of the financial reports for the financial year ended 31 March 2021.

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.

b) External Auditor Independence

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

The ARC has approved an Auditor Independence Policy, which is intended to maintain the independence of AusNet's 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 AusNet's website (as an attachment to the ARC Charter).

The Chief Financial Officer provides a quarterly report to the ARC, which describes any non-audit services provided by the external auditor since the last report.

The ARC 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 ARC determines the term of the external auditor's appointment and reviews the terms, scope and results of the audit.

The ARC 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 ARC also ensures that the external audit engagement partner for AusNet rotates off AusNet's audit at least every five years.

The present external auditor for AusNet is KPMG.

The external auditor attends AusNet's AGM, and is available to answer questions from shareholders relevant to the audit.

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 2021 Annual Report.

Where a periodic corporate report is not required to be audited or reviewed by an external auditor, AusNet conducts an internal verification process to confirm the integrity of the report to ensure the content of the report is materially accurate, and to provide investors with appropriate information to make informed investment decisions. (ASX Recommendation 4.3)

The Continuous Disclosure and Communications Policy requires the Board to approve all announcements within the reserved powers of the Board or which are of fundamental significance to AusNet. Copies of all material market announcements are also required to be circulated to the Board promptly, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market.

7. Shareholder and stakeholder engagement

AusNet's Investor Relations Team facilitates an annual program of engagement with the investment community including corporate, institutional and private investors, proxy advisers, 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 AGM, with results presentations and general meeting outcomes released to the market.

AusNet holds Investor Open Days periodically for institutional investors and sell-side analysts, focusing on key business issues and providing a further opportunity for investors and analysts to engage with AusNet. Further, the Investor Relations Team facilitates numerous meetings for investors and analysts throughout the year, except during investor 'black-out' periods when meetings are not conducted. The Investor Relations Team seeks to ensure

that the investment community has accurate and up-to-date information about AusNet on which to base their investment decisions. The role of the Investor Relations Team also involves responding to a regular flow of enquiries and requests for information, which are accommodated to the extent that the information provided is already in the public domain. The Investor Relations Team seeks to act as an effective conduit between the market and the AusNet 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. We ensure 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)

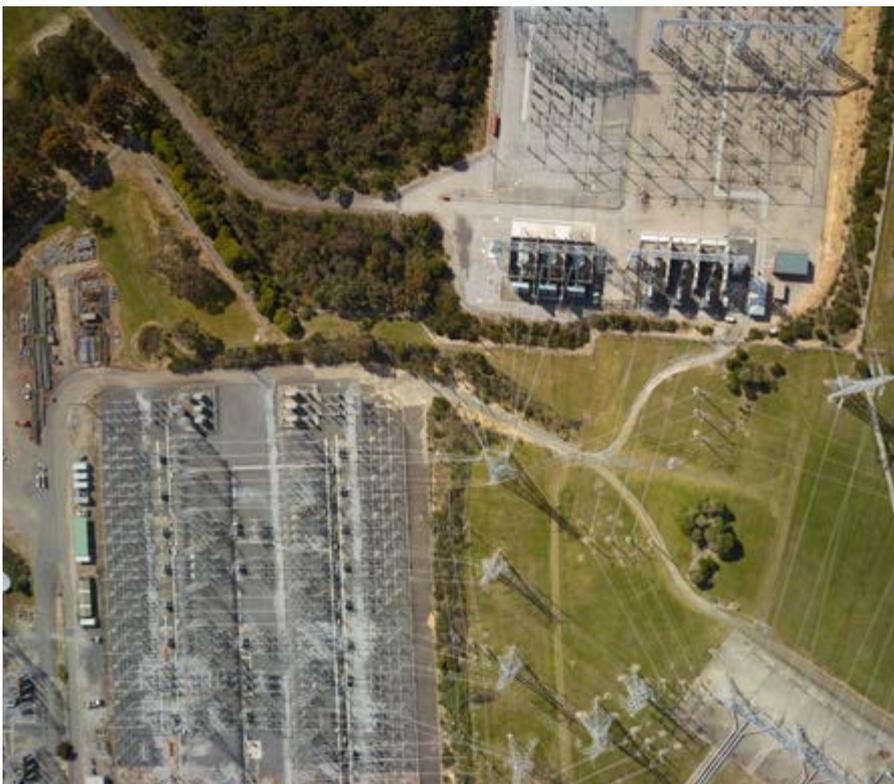
All relevant announcements made to the market and related information, such as information and presentations provided to analysts, are published on AusNet's website after they have been released to the ASX (as applicable). The full-year and half-year financial results are also published on the website.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

AusNet encourages shareholder participation at its AGM and implements various measures to facilitate this including a live AGM webcast, allowing written questions in advance of the meeting via AusNet's share registry and deciding all resolutions by a poll, which allows all shareholders to vote on the basis of the number of securities they hold. Voting on a poll also allows shareholders to register their vote regardless of whether they attend the meeting or not (ASX Recommendations 6.3 & 6.4). Further details about how shareholders can participate at the 2021 AGM will be provided in the 2021 Notice of Meeting.

The full text of notices of meeting and explanatory material will be published on AusNet's website.

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

AusNet's securities registrar, Computershare, facilitates the provision of communications between AusNet and its shareholders electronically. Shareholders can make a choice about how they wish to receive information from AusNet and can elect to receive AusNet's documents including notices of meetings, annual reports, dividend advices and other correspondence electronically. Shareholders can also lodge their proxies electronically. AusNet has a dedicated email address to facilitate electronic communication between investors and Computershare. (ASX Recommendation 6.5)



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